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WSP

IS A GLOBAL BUSINESS PROVIDING MANAGEMENT AND CONSULTANCY SERVICES TO THE BUILT AND NATURAL ENVIRONMENT

OPERATING HIGHLIGHTS 2003

■ **Turnover** for the year increased by 8.5% to £283.6m (2002: £261.5m), with operating profit increasing from £2.8m to £8.5m

■ **Operating profit**, before exceptional items and amortisation of goodwill, increased by 10.7% to £16.0m (2002: £14.5m).

■ We have a **global presence** across four continents and are ranked sixth in Europe and in the top twenty worldwide.

■ **The order book** has improved once again this year to a record £410m, an increase of more than 35% on the previous year with 60% secured for the next 12 months.

■ With **5000** people employed by the Group, we work on projects with an annual capital value of £15bn.

■ **Transport and infrastructure** reports solid growth, with more than 10% increase in turnover and an excellent 24% uplift in profit and a 12% improvement on margins.

■ **Property**, mainly private sector, has more than maintained turnover and profit in varied markets.

■ **Environmental** has delivered strong growth with turnover and profit growing by 16% and 27% respectively.

■ Following a detailed review by the UK Highways Agency, WSP has received a **Capability Assessment** (CAT) score of 61, ranking the Group 2nd equal in the list of consultants for future work.

■ We are positioned as one of the world's leading engineers of **high-rise buildings** and have won a number of major appointments in this sector around the world.

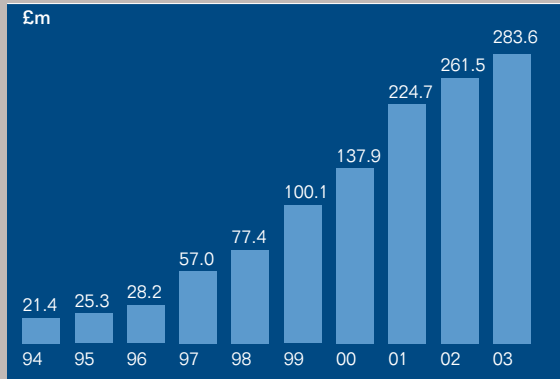
■ We are continually seeing evidence of our increasingly regarded **global brand**, enabling us to be considered for the largest of projects in the world.

■ Developing our **cross-selling culture** has enabled us to increase market share in both our local and international markets.

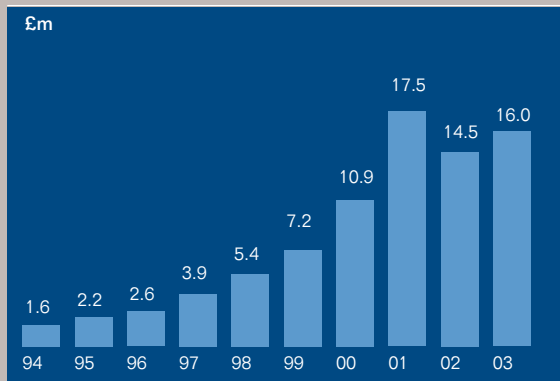
■ **Framework and long term contracts** have increased by £175m with appointments including major hospitals in the UK, high-rise developments in Asia, UK and USA and a number of road and rail appointments in Europe.

FINANCIAL HIGHLIGHTS 2003

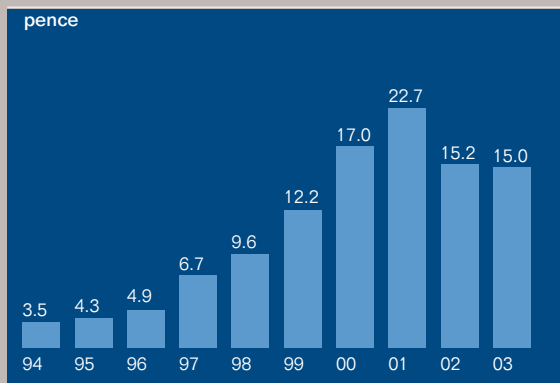
TURNOVER



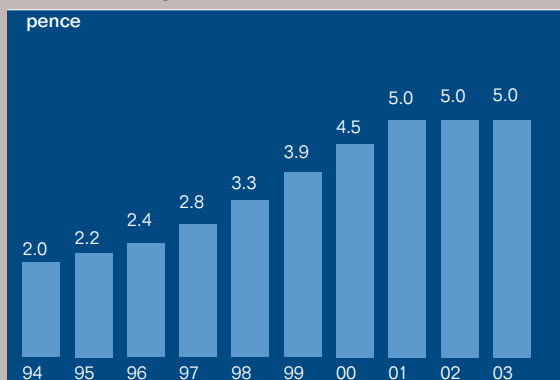
OPERATING PROFIT



EARNINGS PER SHARE



DIVIDEND PER SHARE



To demonstrate the underlying trading performance of the Group operating profit and earnings per share appearing above and on page 3 exclude exceptional items and amortisation of goodwill, details of which are set out in the five year review on page 79.

WSP AT A GLANCE

WSP OFFERS A QUALITY, WELL-MANAGED MULTI-DISCIPLINARY SERVICE TO CLIENTS, MAKING USE OF GLOBAL REACH AND KNOWLEDGE AS WELL AS LOCAL RELATIONSHIPS.

		TURNOVER	OPERATING PROFIT	EMPLOYEES
Transport & Infrastructure				
	WSP provides expert advice on a wide range of transportation and traffic engineering projects, and has extensive experience of utility services, as well as the expertise and technology to plan, analyse, design and manage projects for a wide range of service providers.	32%	39%	31%
Property				
	WSP offers a wealth of experience and capability in all property sectors, with involvement in a wide variety of new and refurbishment projects, ranging from commercial, industrial and retail to residential, health, education and leisure.	57%	48%	59%
Environmental				
	WSP combines long experience from environmental projects with commercial awareness and an understanding of the property and financial sectors, delivering business solutions that range from sustainability consulting to due diligence auditing to contaminated land and financial engineering of environmental liabilities.	11%	13%	10%

WSP VISION

OUR VISION IS TO BE THE OUTSTANDING SUPPLIER OF SPECIALIST AND INTEGRATED SERVICES IN THE BUILT AND NATURAL ENVIRONMENT.

CHAIRMAN'S STATEMENT

I consider the Group to have strengthened its position considerably over the last twelve months and improved its standing in many of the markets in which we work. With this increased resilience and the growing order book I look forward to further improvements in financial performance this year which will contribute to enhancing shareholder value.



DAVID TURNER Chairman

I am pleased to report a successful year for the Group with good results.

Our order book has improved once again this year through major project wins, more framework agreements and importantly a deeper penetration into many of the markets in which we work. The long-term order book is now at a record £410 million, an increase of more than 35% on the previous year.

In addition, I am delighted to confirm that we have recently been appointed as multi disciplined designers for the North Staffordshire Hospital and two other significant medical facilities, several high rise commercial and residential buildings in Asia, UK and USA and a number of road and rail appointments in Europe, including the City Line Rail Link in Stockholm.

Financial Results and Dividends

Turnover for the year, excluding our share of joint ventures and associated undertakings, increased by 8.5% to £283.6m (2002: £261.5m). In addition, we have seen net profit margins rise across the Group and operating profit, before exceptional items and amortisation of goodwill, has increased to £16.0m (2002: £14.5m), an increase of 10.7%. Total operating profit increased to £8.5m from £2.8m.

Despite the increase in turnover and the payment during the year of the final deferred consideration due in respect of one of our acquisitions in the USA, net debt has fallen to £44.6m (2002: £45.6m).

Following an adverse arbitration hearing in the last quarter of 2003, and a negotiated settlement concluded in January 2004, the Group has an exposure of up to £2.25m on a contract claim arising from 1991, against a company WSP acquired in late 1993. The directors have considered it prudent to provide for the Group's maximum exposure in respect of this matter as an exceptional item.

Subsequent to the balance sheet date we have renewed our long term banking facilities, on more favourable terms than before, in order to replace the existing syndicated facility which was due to expire in May 2004.

In view of these results and our stated dividend policy, the directors propose to maintain the dividend at 2002 levels, with a final dividend of 3.0p (2002: 3.0p) which, together with the interim dividend of 2.0p (2002: 2.0p), gives a total for the year of 5.0p (2002: 5.0p).

Review of Activities

WSP is a major international multi-disciplinary consultant operating in all market sectors in the UK and Scandinavia, with an increasing presence worldwide. From this position we have seen considerable success in progressing cross-selling opportunities, particularly in international markets, and we have been awarded a number of commissions using skills from both within country and across border. I am naturally pleased that our strategy of diversification and the resultant ability to cross-sell is proving to be successful and a direct contributor to our improved order book.

Our transport and infrastructure business, operating primarily in the UK, Sweden and Africa has seen significant growth with improving margins and some notable contract wins. We will continue to develop this business and expect to benefit from the continued and increasing commitment to public sector expenditure, both in the UK and Sweden.

The progress of our environmental business has been very satisfactory with a 27% increase in profits from an ever increasing and diversified client base both here and overseas. This performance is particularly pleasing as environmental has, for the most part, been developed organically.

In property, where we have a greater exposure to the private sector, we have experienced another year with no material change in market conditions. However, we have more than held our position by increasing our involvement as consultants to major PFI projects in education, defence and, importantly, health where we have recently won three major hospital projects. Commercial work has remained slow whilst residential and retail have been particularly active, demonstrated by the successful completion of the



RAIL NETWORKS

Significant contracts for major long term rail projects have been won both in Sweden and the UK

Bullring, Birmingham and the commencement of a significant urban regeneration scheme at Paradise Street, Liverpool for Grosvenor.

With the support of our businesses in the United States we have won a number of projects around the world in the growing high-rise development market, and this confirms the added value these businesses bring to the Group.

In the United States we have encountered difficult trading conditions, which in turn have impacted on our financial results. However, I

can report that we have responded quickly to changing market conditions both by reducing costs and focusing on those areas of business that remain active. We are now well placed to benefit from the upturn, which we anticipate in the months ahead.

Generally our other international operations have seen improved performances particularly in Southern Africa. In Asia we have continued to experience difficulties, however the introduction of new management coupled with an improving economy should contribute to an improvement this year.

 CHAIRMAN'S STATEMENT



BARCLAYS BANK HEADQUARTERS, London

WSP is acknowledged as a world leader in the design of high-rise buildings

Directors

During the year Peter Welch, who had been chairman of WSP since 1993, retired from the Board, as did Jan Åkesson who joined in 2001. I would like to thank both for their contribution to the development of WSP.

We have also welcomed two new independent non-executive directors, Christopher Stephens and Caroline Brown, who I am sure will continue to contribute significantly in the future.

Staff

I am very appreciative of the commitment and hard work of all our staff, who are now well accustomed to the various markets in which we work and who have ensured the improving performance of the Group. Furthermore, I congratulate them on winning a number of large and prestigious projects during the year.

The Future

I expect most of the markets in which we work to remain similar with continued strong growth in the public sector; however, we are seeing evidence of recovery in the United States, and some early indications of an improvement in the private sectors in both the UK and Sweden. I also believe our environmental operations will benefit from the improvements in these markets.

I expect our order book to grow further this year, which will continue to demonstrate the benefits of our broad skill and regional base which will improve our position to win major projects through cross-selling.

The directors will maintain, as a priority, their strategy and emphasis on existing core business delivery, where controlled growth, added value activities, and uncompromising quality service to clients will ensure ongoing improved performance.

The Group will continue to remain alert, though cautious, to corporate opportunities that may present themselves as the year progresses.

I consider the Group to have strengthened its position considerably over the last twelve months and improved its standing in many of the markets in which we work. With this increased resilience and the growing order book I look forward to further improvements in financial performance this year which will contribute to enhancing shareholder value.

DAVID TURNER

Chairman
5 March 2004

CHIEF EXECUTIVE'S STATEMENT

The commitment made last year to improve the Group's performance in challenging markets and benefit further from strong markets remains our priority. Our medium term operational plan prepared last year to ensure we deliver controlled growth, added value, improved performance and enhanced benefits to our clients and staff will remain the focus this year.

I am pleased with the steady progress achieved throughout the year following the restructuring implemented in 2002.

Our operational plan has focused our concentration on improving the core businesses, ensuring that our complementary support services are correctly matched, with increased emphasis on efficient delivery of a high quality service to our clients and wider business development activities. This focus has ensured that our principal activities in the UK and Europe, which comprise more than 80% of the Group's turnover and profit, have improved their performance in all sectors.

We have further increased our already strong position in the public transport and infrastructure sector and I can report solid growth, where we have achieved more than 10% increase in turnover and an excellent 24% uplift in our profit with more than 12% improvement on our margin.

Our young organically grown environmental company has delivered, as promised, significant well-earned growth from their diversified client and business base. Their turnover has grown by 16% and their profit by 27% on improved margins.

Our property activities, which are mainly private sector, have more than maintained turnover and contribute more than 50% of the Group's turnover. I am pleased that this sector, with mixed market conditions, and having borne the majority of the Group's restructuring in 2002 has shown improved margins in the UK and Europe.

In our other main regions we experienced contrasting fortunes. In the USA very difficult market conditions prevailed and reduced our turnover and margins whereas South Africa has performed particularly well in stable markets. Our performance in Asia has been disappointing for the year, but significant improvement has been seen in the second half of the year, which demonstrates the new management is steadily turning the business around in relatively unchanged markets.

The Group's long-term order book has further increased driven by our success in winning more framework agreements, major projects in all regions and a general improvement in the penetration of the markets. This progress in the strength of our order book to a record level of £410m confirms early success of our operational plan with concentrated business development and client facing activities, whilst looking after core businesses. In addition, we are continually seeing evidence of our increasingly regarded global brand, enabling us to be considered for the largest of projects in all regions. Our developing cross-selling culture has enabled an increasing number of project wins both on a multi-disciplinary basis in one region and very pleasingly between regions. We have linked both clients and project wins as far apart as Norway to Africa, USA to Asia and UK to Europe. In addition, clients to whom we have cross-sold like Ericsson, IBM, AIG and Royal Bank of Scotland provide evidence that growth through our strategy for promoting cross-selling, facilitated by the global presence of the Group is both well founded and deliverable.



CHRISTOPHER COLE
Chief Executive

CHIEF EXECUTIVE'S STATEMENT



HUNGERFORD FOOTBRIDGE, London

This innovative design provides a key new pedestrian link in central London

The following brief review of our principal sectors and regions highlights our operations and the opportunities available to us.

Transport and Infrastructure

In the UK, this market is firmly forecasting growth in the two principal activity areas, namely roads and aviation. The roads programme under the Government's direction has a forecast spend over the next 10 years of £30bn. We are well placed to further benefit from this market and build upon recent successes including the M25 widening and Heathrow Terminal 5 intersection and the recently released Capability Assessment (CAT) scores by the Highways Agency. Our dedicated teams performed very well to ensure we have achieved one of the highest consultant CAT scores, which will ensure that we are a preferred partner of the similarly high scoring contractors in tendering for the largest capital projects proposed in the Government budgets. In addition, we are participating in increasing opportunities in Ireland and for various UK Local Authorities.

During the year we have further confirmed our premier position in the aviation sector where we are the only consultant selected by BAA for three separate principal building framework agreements, and as a result our workload continues to increase. In addition, we have recently been awarded framework agreements by the Manchester Airport Group. In addition to our growing participation in Terminal 5 we expect to benefit from BAA's budgeted capital expenditure of nearly £5bn over the next five years. We have yet to benefit from our multi-functional consultancy framework agreement with Network Rail but expect to do so as capital projects emerge.

In Sweden, the National Road and Rail Administration have recently confirmed increased expenditure to £15bn over the next ten years in the public sectors in which we work. We are a major force in this market and we have recently won significant

contracts in both Stockholm and Gothenburg for major long-term rail, road and tunnelling projects, and we expect to continue to benefit from the growth in this sector.

We have other principal resources in this sector operating in South Africa and Central Asia where we continue to perform well.

The sector of Transport and Infrastructure is strong in all regions and we have performed well and will continue to do so.

Environmental

Whilst managing substantial organic growth last year this division has continued to mature globally, and although the majority of its current turnover is derived in the UK and Scandinavia we are seeing an increasing trend with commissions on a worldwide basis including China, Middle East, Eastern Europe and Africa. We have, and continue to invest in a wide range of services, which uniquely position us in the market. These services range from boardroom corporate, social and environmental guidance to major remediation of brown field land to urban sustainability to international due diligence contracts for corporate asset management, investment and transactions. Increasing legislation presents further business opportunities in areas including energy, hazardous materials and health and safety.

The environmental market is a growing sector and we are progressively positioning ourselves as one of its leaders.

Property

This division remains our largest by both turnover and staff. It provides professional services from concept stage including strategic traffic planning for urban regeneration schemes to the entire engineering and environmental design and management of all types of completed buildings.

In the UK and Scandinavia we have continued to experience quiet commercial and finance sectors but reasonably strong residential and retail markets. In addition, in the UK urban regeneration projects, where we are recognised as a market leader, have continued to provide us with substantial long-term schemes. In Sweden our industrial sector experience has enabled us to be appointed to the two principal large pulp and paper projects for Stora Enso, where the total investment value of approximately £450m was approved in late 2003.

The continuing strong residential markets have provided us with a number of significant building projects in both the UK and Sweden and in addition our traffic planning resource, the largest in the UK, provides front-end services to major clients in this sector.

Our commitment to high-rise development following our acquisition of the USA business has positioned us as leaders in this field. This enabled us last year to win significant high-rise developments including the tallest buildings in Leeds, Manchester and Birmingham which is already under construction for Beetham. These add to similar projects already completed or under construction in Docklands, including the Barclays Bank Headquarters. These awards and the increased demand again for high-rise buildings position us excellently in the sector, and similar opportunities on tall buildings are being progressed elsewhere in the world including, of course, the USA.

A vibrant sector of activity in the UK property market relates to health, education, defence and public buildings procured through the PFI route. We have had good success in this sector, particularly health, which has helped support our turnover in the UK. Major new hospitals and the new healthcare initiative, Procure 21 ensure we will be busy on long-term schemes for years to come. As a major consultant in this field we will selectively continue to



ROYAL BANK OF SCOTLAND WORLD HEADQUARTERS, Edinburgh

Our developing cross-selling culture has enabled an increasing number of project wins using our multi-disciplinary skills.

position ourselves on future major projects. Although at present PFI has not meaningfully penetrated Europe, we are well placed to benefit as it progresses.

In the USA where we principally only work in the property sector, we have seen difficult trading conditions. However, in increasing our business development activity and addressing the busier public sectors we have limited the reduction in turnover, however the profits have been more adversely affected. More recently we have seen improving activity in a number of sectors on both the East and West coasts. Some recent significant project wins include Jets Stadium and Brooklyn Arena New York, Kansas City Federal Reserve Bank, JF Kennedy Performing Arts Centre Washington DC and large condominium schemes in New York and Miami. We are encouraged by our increasing success at cross-selling our skills as demonstrated by major wins by our USA companies for the Agha Khan University in Karachi and Embassies in Berlin, Cape Town and

CHIEF EXECUTIVE'S STATEMENT

Stockholm. In addition they work closely with our Asia business on work in China for USA clients. Overall we are appropriately resourced for the varying markets in the property sector and well positioned to address and benefit from changes as they arise.

Our operation in Asia is now fully registered in China with an office and work in Shanghai. The Hong Kong market has remained difficult for us but we have sensed recent signs of improvement. I therefore expect Asia to make progress this year.

Our operation in South Africa is benefiting from restructuring and is progressing well with significantly increased turnover and profits. We provide all sector services in this region from principal centres at Johannesburg, Cape Town and Durban.

Our International Management Consultancy company, operating worldwide from their centres in the UK and Sweden, provides international support, education and management to improve the transport, infrastructure, financial and social elements of developing countries. They again performed well last year with a strong ongoing long-term order book.

In Europe our Finnish company LT-Konsultit also performed well and we continue to build the business. In Norway, Multiconsult, where we have a 24.7% stake, performed below expectations following a prudent view they have taken on provisions for specific projects. However, their ongoing order book and outlook remains very strong.

Finally, we have opened an office with senior local representation in Mumbai, India. This is a controlled and cautious investment, which we will consider extending as we see benefits arising from this fast growing economy.

Staff

Firstly my thanks to all our directors and staff for their efforts and commitment to ensure that the Group built on the previous year's restructuring and progressed so positively on many fronts. We together, have been party to significant successes throughout the year thus delivering our improved performance and importantly strengthening us further for the coming year.

In addition, we are launching a reinforcement programme for our staff to clearly engage them in the Group's vision and values, and how we will continue to deliver them and thus improve shareholder value, enhance client service and staff well-being. We have continued to seek and employ key and strategic recruits to further strengthen and widen the Group's resource.

Future Strategy and Outlook

The commitment made last year to improve the Group's performance in challenging markets and benefit further from strong markets remains our priority. Our medium term operational plan prepared last year to ensure we deliver controlled growth, added value, improved performance and enhanced benefits to our clients and staff will remain the focus this year. I believe this defined strategy has already served us well through 2003, and we will maintain continuous improvement in all businesses.

We will build on our now identified success in cross-selling the Group's significant and varied skills. This culture has taken time to be integrated into the company, particularly where acquisitions have assisted growth. We are now seeing the benefits of our perseverance and opportunities are uniquely presenting themselves to us – we will continue and build on this strategy.

I see similar market dynamics this year in most of our sectors, however confidence grows in the USA where I expect improvements, as I also do in Asia. In addition, there are early signs that some quieter private sector markets in the UK may gradually improve as the year progresses. However, most importantly we are now better positioned to address the prevailing markets and also materially benefit as quieter markets improve.

I consider that we are continuing to further enhance our position in our various sectors and progress towards being a market leader in all of them. The maturing WSP brand is being reinforced and will continue to strengthen and thus assist this objective.

I therefore believe we are well placed to achieve ongoing improvements in all aspects of our performance this year.



CHRISTOPHER COLE
Chief Executive
5 March 2004

FINANCE DIRECTOR'S REPORT

During 2003 we have responded to changes in market conditions and addressed our cost base in order to ensure our resources are matched to revenues. This has resulted in the general improvement in net margins, which we expect will continue in 2004.

The financial focus of the Group for 2003 has been to improve operating margins and maintain cash generation from our trading activities.

Turnover and Profit for the year

Turnover, excluding the share of our joint ventures and associated undertakings, has increased by 8.5% to £283.6m (2002: £261.5m), of which £120.7m (42.6%) arose in the UK and £162.9m (57.4%) from overseas markets.

Operating profit, before exceptional items and amortisation of goodwill, has increased by 10.7% to £16.0m (2002: £14.5m). Operating profit increased from £2.8m to £8.5m.

A summary of the results for the year is set out in Table 1.

Joint Ventures and Associated Undertakings

WSP has a 24.7% equity interest in Multiconsult one of the leading design consultants in Norway. This year the Group's share of turnover from this company amounted to £11.3m (2002: £10.6m) whilst prudent provisions against contracts resulted in a fall in our share of operating profit to £0.3m (2002: £1.1m). In addition, in the UK we commenced the Yorkshire motorway and trunk road network management contract for the Highways Agency in joint venture with Carillion plc. Our share of the joint venture is 40% and in the year our share of the turnover of this joint venture amounted to £4.0m, on which we recorded a small loss of £0.1m arising principally from mobilisation costs.



MALCOLM PAUL Finance Director

Profit Margins

Work in the predominantly private property sector across the world has remained slow and profit margins at 4.7% reflect this fact, whilst growth in the public sector of transport and infrastructure has given increased returns of 6.8%.

In the environmental market we have seen our net margins rise to 6.4%, however if subcontractor costs of £8.4m are deducted from gross turnover of £32.3m to give net turnover of £23.9m, our margin improves to 8.6%.

Excluding our share of joint ventures and associated undertakings, the division of turnover between our principal sectors and on a location of operations basis, together with comparative profit margins, is set out in Table 2.

1: 2003 RESULTS

	2003	2002
	£'000	£'000
Group and share of joint ventures and associated undertakings turnover	298,868	272,024
Less: share of turnover of joint ventures and associated undertakings	(15,315)	(10,574)
Turnover	283,553	261,450
Operating profit, before exceptional items and amortisation of goodwill	16,004	14,451
Exceptional items	(2,250)	(6,505)
Amortisation of goodwill	(5,269)	(5,128)
Total operating profit	8,485	2,818
Profit on sale of subsidiary undertaking	409	-
Net interest payable	(3,313)	(2,444)
Profit on ordinary activities before taxation	5,581	374

FINANCE DIRECTOR'S REPORT

Exceptional items

A professional negligence claim against the Group has required a one off provision of £2.25m in the current year. The directors had been advised that the claim, which arose from the structural design of a building in the UK many years ago, was covered by the Group's professional indemnity insurance policy however an unexpected change in circumstances arising from an arbitration hearing in October 2003 has increased the exposure and the directors believe it is prudent to make full provision for the Group's maximum liability under this claim.

During the year a wholly owned Swedish subsidiary that provided training and certification services was sold for £1.2m and this gave rise to a profit on sale of £0.4m.

Goodwill

The Group continues to adopt FRS 10, which requires goodwill to be amortised over its effective life. At the balance sheet date intangible assets, representing the net book value of goodwill on acquisitions made in the past, amounted to £92.6m (2002: £93.0m). Whilst an amortisation charge of £5.3m (2002: £5.1m) has been made in the current year, the impact of foreign exchange adjustments has maintained the carrying value of goodwill at a similar level to last year. The directors are satisfied that there has been no material impairment in the value of this asset.

Bank interest

Borrowing remained relatively static during the year and as a result the charge for interest was similar to that incurred in 2002 before adjusting for the credit arising from the release of a discount applied to a long-term debtor in the prior year.

Taxation

The tax charge for the year amounts to £3.4m (2002: £2.0m), an effective rate of 31.6% on profit on ordinary activities before amortisation of goodwill. Further details of how the tax charge is calculated may be found in Note 8 to the accounts.

2: TURNOVER AND OPERATING PROFIT

	Property	Transport & Infrastructure	Environmental	By Location of Operations	Regional Split
2003 Turnover	£'m	£'m	£'m	£'m	%
United Kingdom	69	32	20	121	43%
Mainland Europe	52	48	11	111	39%
USA	28	-	-	28	10%
Africa	7	3	1	11	4%
Asia	3	6	-	9	3%
Other	1	2	-	3	1%
By class of business	160	91	32	283	100%
2003 Operating profit	£'m	£'m	£'m	£'m	%
United Kingdom	3.9	2.7	1.7	8.3	53%
Mainland Europe	1.9	2.9	0.4	5.2	33%
USA	1.2	-	-	1.2	7%
Africa	1.0	0.3	(0.1)	1.2	7%
Asia	(0.4)	0.2	-	(0.2)	(1)%
Other	-	0.1	-	0.1	1%
By class of business	7.6	6.2	2.0	15.8	100%
Operating profit margin	4.7%	6.8%	6.4%	5.6%	-

Operating profit is shown before exceptional items, amortisation of goodwill, interest and taxation.

Earnings per share

Basic earnings per share has increased to 3.6p (2002: loss 3.1p), reflecting the overall improvement in the results for the year. Fully diluted earnings per share increased to 3.5p, while fully diluted earnings per share before amortisation of goodwill and exceptional items has also shown a very satisfactory increase of 23% to 14.6p (2002: 11.9p).

Dividends

We intend to continue with our established dividend policy that reflects the growth in earnings whilst recognising the cash flow demands of the business. In October, the Group paid an interim dividend of 2.0p (2002: 2.0p) and the directors believe that the performance during 2003 justifies maintaining the full year dividend at 5.0p. The Board is therefore recommending a final dividend of 3.0p (2002: 3.0p) which will be payable in May 2004.

The proposed total dividend for the year of 5.0p is covered 2.9 times by profit after taxation, but before the impact of exceptional items and the amortisation of goodwill.

Cash flow

Once again we have generated positive cash flows from our trading activities, and whilst turnover has increased by £22m our working capital requirement has remained steady. During the year we paid the final deferred consideration due on the acquisition of Flack + Kurtz, which amounted to £4.9m. Capital expenditure has been monitored closely and at the end of the year net debt amounted to £44.6m (2002: £45.6m).

The principal cash flow movements during the year are set out in Table 3.

Bank Facilities

The Group's syndicated multi-currency borrowing facility of £60m was due for repayment in May 2004 and has been disclosed as a current liability.

Since the balance sheet date this facility has been replaced with new long term facilities, divided equally between the UK and Sweden, comprising two 3 year reducing revolving credit lines of £25m and two short term working capital lines of £5m. In addition, local currency facilities are available in the other territories in which we operate taking our total bank facilities to £70m. At 31 December 2003, the Group

3: CASH FLOW

	2003	2002
	£'000	£'000
Opening net debt	(45,631)	(50,555)
Cash flow from trading activities	18,883	11,500
Working capital movement	(1,582)	11,669
Interest, taxation and dividends	(8,521)	(11,306)
Net capital expenditure	(4,339)	(4,243)
Acquisitions and disposals	(4,247)	(3,689)
Currency and other adjustments	867	993
Closing net debt	(44,570)	(45,631)

has met all the required banking covenants and gearing stands at 53%.

Accounting Policies

During the year there have been no material changes to the accounting policies applied to the financial statements.

Pensions

As required, the Group accounts for the cost of pensions under SSAP 24. The vast majority of the Group's worldwide employees are in defined contribution schemes however in the UK there are a number of defined benefit schemes taken over by the Group following acquisitions, all of which are closed to new members.

During the year, whilst the value of the schemes' investment assets increased this was more than offset by changes in actuarial assumptions relating to future life expectancy and discount rates. In line with actuarial advice received in the year, the Group has therefore increased contributions to the schemes by £0.6m to address the deficit identified by triennial valuations.

The accounts also disclose the impact that FRS 17 will have when introduced in full in 2006. For the reasons given above, the net deficit (net of deferred tax) has increased slightly during the year to £14.2m (2002: £13.5m), however increased contributions should act to reduce this deficit over the long term.

Financial instruments and Foreign Exchange

Our policy is to manage centrally the

Group's liquidity, funding and exposure to foreign currency risk in a manner which ensures straightforward administration, the minimisation of risk and operational flexibility.

Other than derivatives, the financial instruments used by the Group comprise internal cash resources, borrowings, and debtors and creditors arising from normal trading activities.

Committed banking facilities are negotiated to provide working capital and acquisition finance to meet the current and future requirements of the Group.

Most of our trading activity is denominated in the currencies relevant to the local subsidiary, thus matching the currency with its cost base. Where contracts are awarded in non-local currency the Group looks to mitigate the foreign exchange risk having regard to all the relevant circumstances. We do not hedge our exposure to exchange differences on day-to-day trading.

The acquisitions in the USA and Sweden have created significant investments in these territories and thus an exposure to currency fluctuations in the value of these assets. To mitigate the effect of these exposures we have financed our USA investments using US Dollar loans and have entered into cross-currency swaps to create synthetic Swedish Krona liabilities to match, and therefore hedge, our investment in Sweden. We have not considered it necessary to hedge our net investment in other overseas subsidiaries but the matter is kept under review.

In addition to these foreign exchange exposures the Group, by virtue of its borrowings in US Dollars and the Swedish Krona currency swap, is subject to non-sterling interest rate risk. We continually review our exposure to floating interest rates and assess the cost versus the benefit of alternative instruments available to minimise interest rate risks. At the present time we have fixed our Sterling interest rates and have partially fixed our exposure to fluctuations in Swedish Krona interest rates by way of an interest rate swap. Our exposure to US Dollar interest rates remains unhedged.

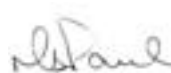
A summary of the Group's borrowings, financial risks and use of derivatives is set out in note 26 to the financial statements on page 75.

The Future

During 2003 we have responded to changes in market conditions and addressed our cost base in order to ensure our resources are matched to revenues. This has resulted in the general improvement in net margins, which we expect will continue in 2004.

We are focused on reducing the Group's debt position and this will continue to be achieved not only by converting improving operating profits into cash but also by addressing and minimising the Group's working capital requirement. We are committed to reducing the current level of debt as a ratio to turnover, as we have done once again this year, and we expect this to continue.

Our vision and values require us to deliver excellent client service together with a balanced approach that combines a strong commercial focus with accountability for delivering the client's needs. I believe our commitment to this approach will create value for shareholders, clients and employees alike.



MALCOLM PAUL
Group Finance Director
5 March 2004

CREATING VALUE

TUNNELS



main: GOTHENBURG TUNNEL

WSP has been commissioned to design a new river connection and associated junction in Gothenburg. The new Marieholm tunnel will ease pressure on the existing and extremely busy Tingstad tunnel.

inset-top: TRANSPORT FOR LONDON

Matiul Khan, a structural engineer, carries out a tunnel inspection as part of the Group's long term contract for management of the road network in North London.

inset-middle: DESIGN TEAM

Sven Sivengård, Göran Sandholm and Viveca Karlsson are members of the WSP team appointed to design the Marieholm Tunnel in Gothenburg.

inset-bottom: PROJECT MANAGEMENT

WSP is responsible for managing contractors' maintenance underway in London's George Green tunnel.

CREATING VALUE FOR CLIENTS, EMPLOYEES AND SHAREHOLDERS

Core values:

To fulfil our vision we base our activities on the following core values:

- **Trust:** to build trust in our services and in our staff who deliver them, both externally with our clients, and within the Group in the relationships we build with each other.
- **Sharing and Support:** to support each other, sharing knowledge and cross-selling in order to constantly increase our ability to provide the customer with the optimum solution.
- **Pride and Passion:** to encourage pride in our company, our work and our clients and demonstrate our passion for constant improvement.
- **Sustainability:** to ensure that sustainability is built into everything we do through our long-term commitment to reducing the impact of our business on the environment.
- **Innovation:** to remain at the forefront of technical development and also to develop innovative solutions for an approach which balances a strong commercial focus with the requirement to deliver the clients' needs.

Creating value for clients, employees and shareholders

Our vision is to be the outstanding supplier of specialist and integrated services in the built and natural environment. We offer quality, well-managed specialist and integrated services to clients, making use of global reach and knowledge as well as local relationships.

Culture and values

Shareholder value will be enhanced by the emphasis we are placing on our vision and core values, which help to define the culture of the Group, motivating our staff to give of their

best and instilling in our clients confidence that we will deliver solutions of the very highest quality. These may comprise specialist services from the many fields of activity that we offer, or multi-disciplinary packages, in which we combine for an integrated approach, bringing significant benefits not only for our customers, but also for WSP.

All activities are centred around the core values of trust, sharing and supporting, pride and passion, sustainability and innovation.

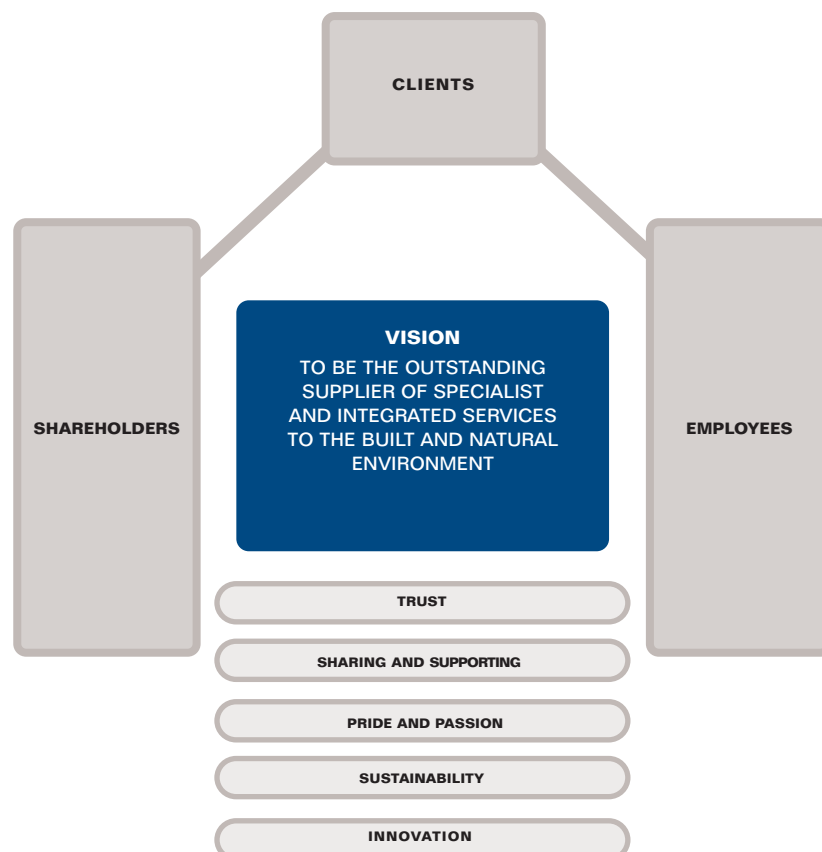
Global goals and strategies

WSP's global goals reflect the vision and core values and provide the backdrop against which each operating company sets its own individual goals. The WSP global goals include aiming for economic

results equal to that of the best performers of our peer group; ensuring WSP is perceived as a quality company; delivering our full range of services through all our principal operations; and valuing our employees and providing every opportunity for career development.

A global strategic approach provides the foundation for the development of regional strategies to achieve individual operating companies' goals, focusing on four key areas: recognising and responding to different global market conditions; increasing market share through focusing on client relationships, timely and quality delivery of services, and innovation; continuing to develop efficient business procedures; and promoting and encouraging staff recruitment and retention.

THE PLATFORM FOR FUTURE GROWTH



GROUP STRUCTURE AND SERVICES

Organisational structure

The WSP Group operates through autonomous regional businesses reporting to Executive Committees with central support in the key areas of communication, information technology, human resources and risk management.

The matrix of the Group structure, facilitates close relationships between our clients and staff backed by the knowledge and expertise of 5,000 staff operating from more than 100 offices worldwide. Increasingly projects are being won in one territory with the help and support from another and this is giving true added value to our diverse client base.

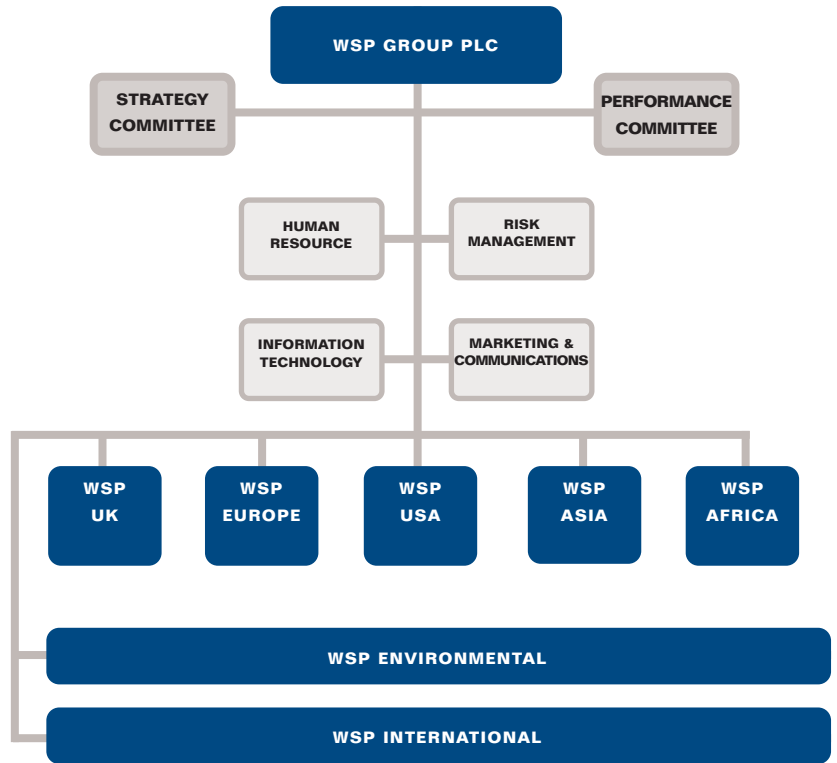
Where services sit comfortably across borders, such as with environmental and major international projects, our structure aims to break down geographic boundaries and encourages cross-company working, in order to maximise the skill and resource available throughout the Group.

Integrated multi-disciplined services

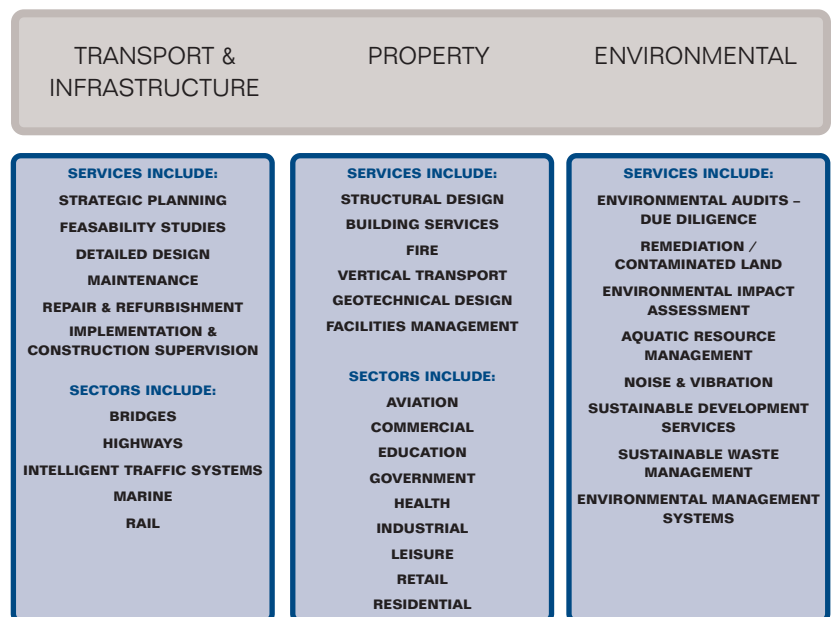
In the UK and Europe, where we operate equally in the public and private sectors, we are able to provide our clients with unparalleled expertise in the three principal fields of property, transport and infrastructure and the environment.

WSP is one of a very small number of companies in the world able to offer fully integrated multi-disciplined services in these three areas demonstrated by our recent work on the headquarters buildings for GlaxoSmithKline and the Royal Bank of Scotland, two of the largest building projects in the UK.

GROUP OPERATING STRUCTURE



FIELDS OF ACTIVITY



In addition the skill transfer between our principal offices enables the Group to offer solutions to clients at the leading edge of technology and innovation, and where possible we encourage multinational teams to support some of the most prestigious projects in the world.

Our broad spread of regional offices means we also understand and can react to the requirements of the local market. The breadth of services we offer enables our clients to use a single source supplier for their design needs with the obvious economic benefits that brings.

Regional coverage

Our largest resource is focused in the UK and Scandinavia, which accounts for approximately 80% of the Group's turnover.

In the United States our principal market is in the property sector. We have a significant presence on both the East and West coasts where we have had to adjust our target market following the downturn in commercial developments. Nevertheless our staff have been able to adapt their skills to the demands of different sectors where we have won new projects in the fields of healthcare, education and other areas of government.

Elsewhere, our business activities in Africa have been successful during the year. In Southern Africa we provide a full multi-disciplined service that has been expanded significantly by the addition of a complete facilities management service, a relatively new concept in the region with a potentially large and untapped market.

Our aid funded work in Africa, Asia and elsewhere has also had a good year. With two principal offices in the UK and Sweden their focus is to work in developing countries with poverty alleviation and the improvement of infrastructure central to many projects. India is a potential new market for the Group and we are seeking to develop a presence in a rapidly expanding market.

In Asia, where our main office in Hong Kong has again suffered from the poor economic environment, our performance has been disappointing. However, we are able to deliver a broad service offering and new opportunities are presenting themselves in China, Vietnam and Thailand. In addition we continue to use our facilities in the Philippines as a low cost base to provide technical drawing capabilities to the rest of the Group.

GLOBAL PRESENCE – PRINCIPAL OFFICES



CREATING VALUE

TALL BUILDINGS



main: TORRE MAYOR

Torre Mayor is Mexico City's tallest building, designed by WSP Cantor Seinuk to withstand the effects of earthquakes that frequently hit the area.

inset-top: WORLD CLASS EXPERTS

WSP's Ahmad Rahimian is interviewed in New York for Channel 5's Building the Ultimate Skyscraper.

inset-middle: LONDON HIGH-RISE

West India Quay Hotel Development in London's Docklands is currently the tallest post-tension concrete hotel residential building in the UK.

inset-bottom: MULTI-DISCIPLINARY SERVICES

Kennedy Town New Praya, Hong Kong. Due for completion in 2005, WSP is providing structural, geotechnical and building services in this development which will provide 1,320 new residential units in three 62 storey towers.



OUR PEOPLE

Making WSP the employer of choice

WSP's employees are the Group's greatest asset, and their knowledge, experience and expertise are its most valuable resource. WSP is dedicated to developing and supporting its staff through a continuous programme of recruitment, training and development, staff care and attractive remuneration. The Group provides a global working environment in which cultural integration and the sharing of knowledge throughout the organisation are actively encouraged. We believe that this focus on our employees will help us become the employer of choice, which in turn will support our vision of being the outstanding supplier of choice for specialist and integrated services.

At the year-end, WSP had a total work-force, including contract staff, of approximately 5,000. The average age ranged from 35 in Environmental to 44 in WSP Europe, with a group average of 40. The average time employed was 7 years. The high level of education among staff is indicated by the fact that 54% are graduates. This profile is comparable to other businesses in the engineering and environmental consultancy sectors. Of course, many of our non graduates have relevant technical qualifications in their chosen profession.

Valued and motivated staff

Valued and motivated staff are crucial for WSP's continued success in an increasingly competitive market. A structured approach incorporates training and career development opportunities for all staff at all stages of their career with WSP, together with a supportive environment of employee benefits, integrated internal communication and promotion of work-life balance.

Leadership. Good leadership is a pre-requisite for valued and motivated staff; therefore training and education for leadership is being reinforced throughout the Group. In Sweden, introductory and advanced leadership courses take place on a continuous basis, and this is being introduced in the UK. Staff surveys provide an opportunity to report on the performance of line managers, and this is helping to identify specific training requirements.

Professional development. The development of competence is an important part of WSP strategy, with staff receiving training according to their roles and the development of their career. Training needs are determined from annual staff appraisals and directly from business needs. Initiatives are also in place to encourage 'on-the-job' training through allocating staff to varied assignments, job rotation and international staff transfers.

WSP University. The WSP University has been created to assist staff in their professional and personal development, with opportunities to develop business, technical, personal and procedural skills. Training activities are aligned to WSP business priorities. The material will be available to all employees under a common internet portal, which will incorporate bespoke WSP internal training courses as well as recommendations for external courses and other resources including e-learning, books and videos.

Induction of new employees. WSP aims to encourage new staff members to feel committed to the company and to embrace its values and culture within the shortest possible time. Routines are developed

to ensure short induction periods in the work place. In addition courses are scheduled continuously to familiarise new members of staff with the WSP organisation and culture.

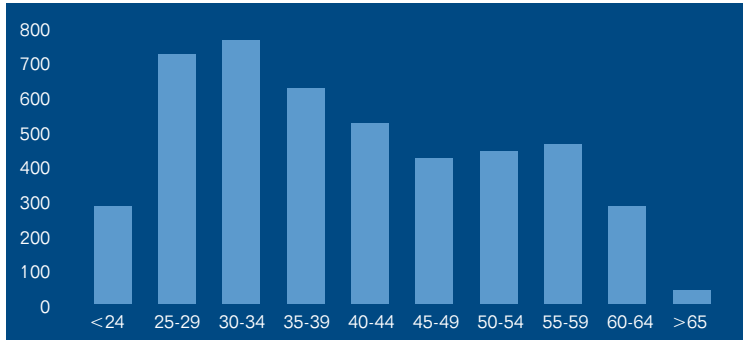
Taskforce. In the UK, a Taskforce of 12 suitably qualified employees in the 27-33 age group offers a young perspective on issues that will have a key influence on the company's future. Over the past decade or so, the Taskforce has increasingly contributed to the Group's development with considerable success, not only in the UK, but also in the Nordic countries and South Africa, where similar groups are now well established.

In October one hundred young delegates from WSP companies in Europe, Africa, Asia, USA and UK attended the WSP Synergy 2003 Conference in London. Workshops were held to increase understanding of a number of key Group initiatives, including the challenges of inter-company working, Key Account Management, and the role of the supply chain in the construction industry. The conference gave young employees an insight into WSP's vision for its future development and an appreciation of the diversity of global Group operations.

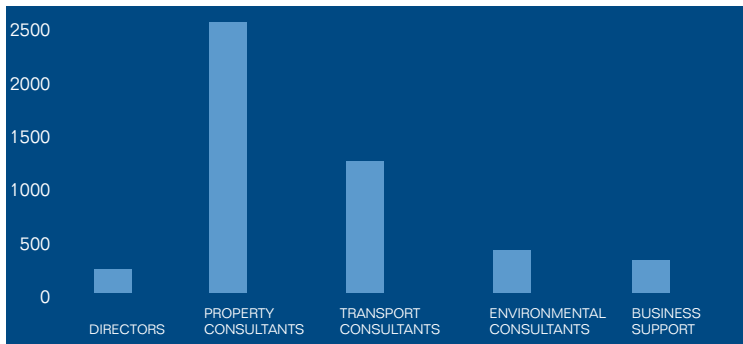
Investors in People (IIP). IIP is a UK standard that can be used for benchmarking companies in the areas of training and communication. The WSP training system in the UK has been designed to satisfy the requirements of the standard, and progressively the companies in the UK are being certified. A similar approach has been in use for many years in WSP Sweden, although there are no corresponding certificates.

OUR PEOPLE

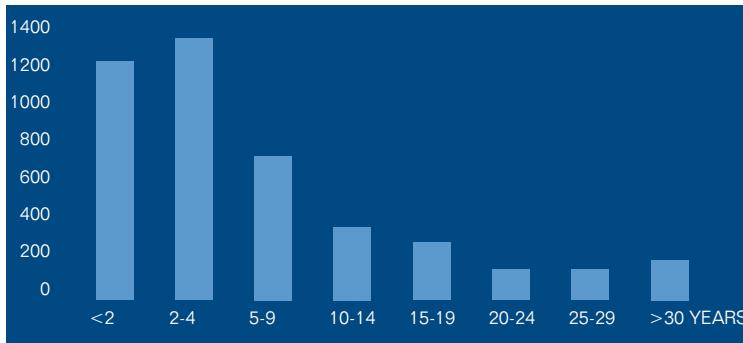
EMPLOYEE AGE PROFILE



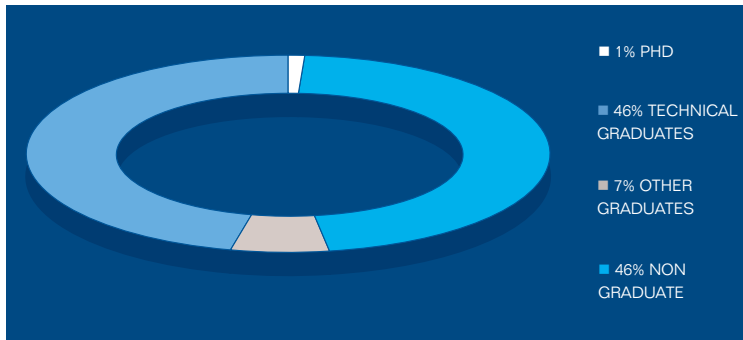
EMPLOYEES BY ROLE



LENGTH OF SERVICE



EMPLOYEES BY EDUCATION PROFILE



Voluntary employee turnover across the Group in 2003 was 13%. This compares favourably with other businesses in the sector. The Board believes that it reflects our continuing success in creating appropriate working environments and efforts will continue in reducing staff turnover over the coming years through proactive retention strategies.

Knowledge Management

A major advantage of a global company is its ability to transfer knowledge to different parts of the organisation, thereby strengthening the development of its resource and making more efficient use of its assets, to the benefit of both clients and shareholders. WSP is dedicated to continuous knowledge management as an important component of Group strategies to expand market share. Effective knowledge management will enable us to introduce our services to new markets, and fully exploit opportunities for cross-selling, both regionally and between different countries, and to provide integrated packages for enhanced customer value.

International transfer of staff is an integral part of the global culture of WSP. There are excellent opportunities within the Group for staff to gain overseas experience. In 2003 employees from Sweden have worked in the UK, and vice versa, and also in Norway. There is currently a demand for staff to transfer to the USA, and employees from South Africa are taking advantage of new opportunities in the UK.

A system of 'twins' with similar positions and duties in different countries enables shared experiences, the establishment of benchmark practices and the development of new services. This system has been proved particularly effective where different parts of the Group have bid for and worked on joint projects.

Networks provide an important channel for the sharing of knowledge within WSP. Frequent meetings are arranged between employees with similar areas of expertise from different parts of the group. Educational and training courses and regular inter-departmental social events provide further networking opportunities.

In terms of clients, an increasing number of initiatives are being introduced to improve internal communication about our customers, encourage cross-selling and also to focus on our customer relationships. These include Key Account Management in the UK, which aims to nurture key clients with a view to increasing revenue and delivering profit whilst offering an improved service with added value and improved working relationships. In Sweden teams of sales co-ordinators in all major cities have been established with the aim of selling the entire range of WSP services to new customers.

Personal contacts are supported with the continuous upgrading of electronic information systems. In 2004 new global working databases will be introduced, which will include CV's, a competence database and a reference database.

Evaluation and Feedback

Annual employee surveys to identify the views and needs of the personnel constitute an important tool for identifying possible improvements in the work environment and the organisation. They also serve as a valuable platform for further dialogue.

The fourth annual employee survey of employees from the WSP UK operating companies revealed overall levels of job satisfaction similar to previous years with 60% of staff stating that they are 'satisfied' or 'very satisfied' (60% in 2002; 57% in 2001 & 2000). Senior managers and those



NORDIC AND UK TASKFORCES

Taskforces provide a young perspective on the future of WSP.

with more than 10 years at the Group showed the highest satisfaction levels. Employee development was identified as the key staff motivator, and was also identified as the area of greatest improvement over the last year. In 2004 the survey will be extended to cover the major part of the Group. Managing Directors will be taking forward actions to address specific issues raised in the employee survey.

Annual appraisals for all employees provide staff with feedback as well as enabling programmes for continuing professional development to be drawn up.

An Employee Assistance Programme is in place in UK and Sweden. This is a counselling service established to support staff with personal and professional issues.

Incentives

Given WSP's need to hire and retain highly qualified personnel, the Group pays great attention to designing attractive remuneration systems.

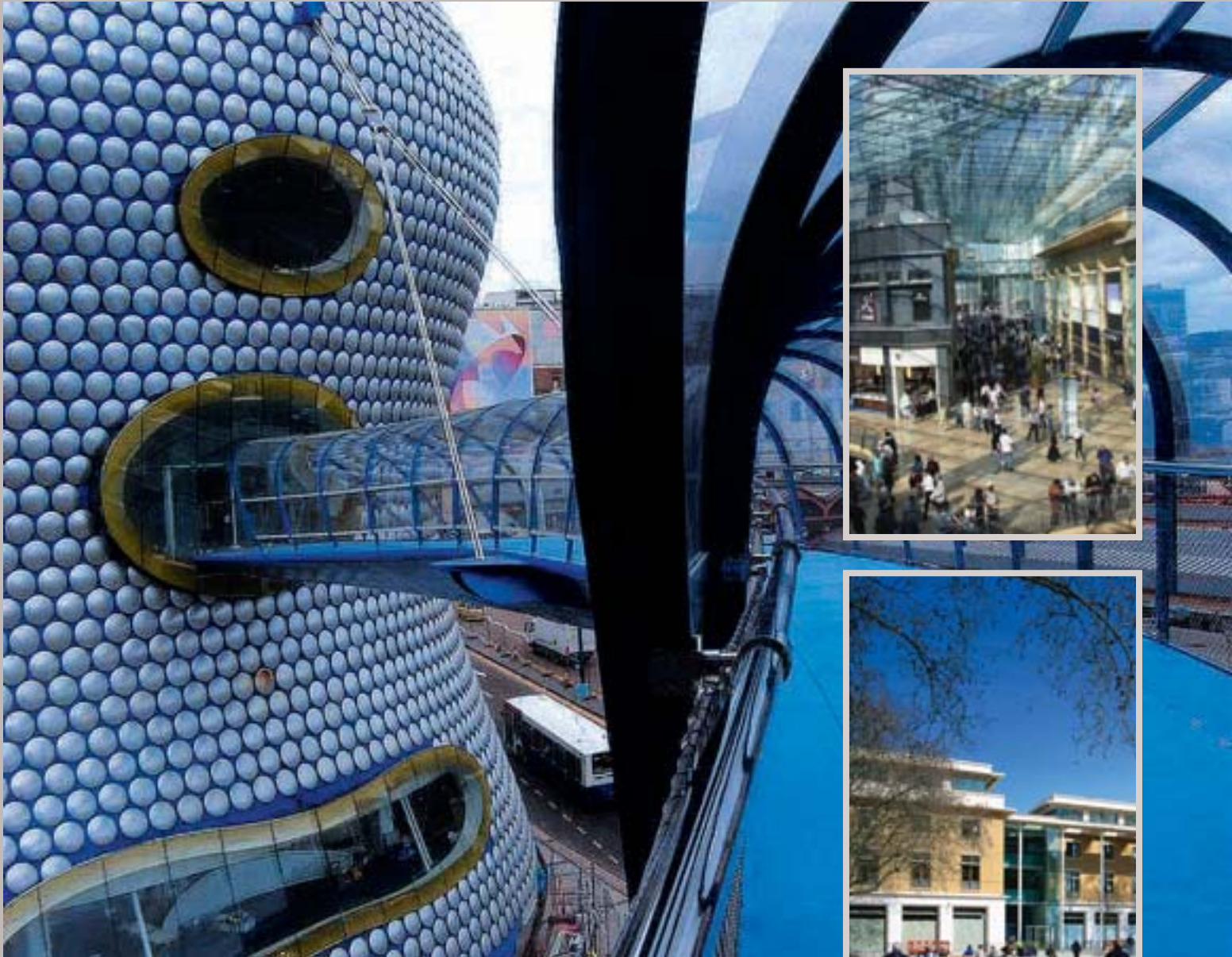
Culture and Communication

WSP has grown into a global enterprise via organic growth and acquisitions, and the natural result is the existence of cultural differences within the Group, some of which are based on language and nationality, others on variations in corporate culture. WSP is committed to reducing any obstacles that cultural differences might present to the creation of a highly efficient global organisation, through actively encouraging employees from different parts of the group to communicate, interact, co-operate and share knowledge.

We believe that our vision and values are of vital importance in helping our staff to embrace the culture of the company. Considerable work has already taken place in 2003 to ensure they are appropriate to the needs of an expanding global organisation, and they will continue to evolve, improve and develop as new companies are embedded.

CREATING VALUE

RETAIL



main: BIRMINGHAM BULLRING

Opened in September 2003, the 110,000 sq m Birmingham Bullring complex is one of Europe's largest retail-led regeneration projects.

inset-top: RETAIL THERAPY

Our designers are specialists in bringing shopping malls to life with a comfortable environment and natural light.

inset-middle: CITY CENTRE DEVELOPMENT

WSP is designing many mixed-use city centre schemes. The development of the Territorial Army Headquarters at the Duke of York Square in Chelsea, London, incorporates retail, commercial and residential accommodation.

inset-bottom: INTERNATIONAL EXCELLENCE

With 135,000 sq m of retail space, Mall of the Emirates in Dubai is another mixed development, and will incorporate a hotel and the first snow playground in the Middle East.

REGIONAL REVIEW

United Kingdom

WSP UK	2003	2002
Turnover	£101m	£87m
Staff	1,743	1,659

The emphasis on developing our public sector markets has delivered improved performance in the UK in 2003 with excellent long-term prospects reflected in an increasing order book for 2004 and beyond. Our specialist expertise in high rise buildings is giving us the market lead in the UK, with a number of major mixed-development city centre wins in Birmingham, Leeds, London and Manchester. We will benefit further as the commercial sector recovers. This combination of public sector growth and preferred supplier in the private sector places us in a solid position for 2004 and opens up real organic growth prospects.

Transport and Infrastructure

Early successes, including design of the M25 widening for Heathrow Airport's Terminal 5, set the scene for a very promising 2004. The business is now well placed to capitalise on potential markets offered by the increasing momentum of the Government's Targeted Programme of Road Improvements, the Irish PPP roads market and Local Authority out-sourcing. An excellent Highways Agency Capability Assessment score has triggered renewed interest from various contractors seeking partnerships for Early Contractor Involvement (ECI) schemes.

Our Policy and Research team at Cambridge maintains its reputation as world leader in the field of transport studies, with new projects this year including research into Road User Charging for the Department for Transport, and an EU funded project to study public transport across Europe.

With increasing demand for sustainable transport systems, WSP is playing a leading role in major initiatives including a high profile study of the relationship between housing and highway design/adoption issues in England for the Office of the Deputy Prime Minister; and a related study of roads layout and parking in new residential developments for the Scottish Executive. For local authorities we are carrying out a Mass Transit Study of public transport options for Telford, and providing high level management advice on transport co-ordination policy for Essex County Council. In London we continue to monitor and manage 46% of Transport for London's road network through our ongoing Stewardship Contracts.

Our position in the Aviation market strengthened during the year as we secured further strategic frameworks to provide building structures, services and baggage system design at a strategic and production level for BAA plc and Manchester Airport Group. We will also be looking to secure similar strategic frameworks for pavement infrastructure and environmental work.

A team has been formed to look at opportunities for providing strategic planning skills to the potential market highlighted by the Government's recent Air Transport White Paper outlining potential development at regional airports throughout the UK.

Property

WSP is the UK's leading designer of retail centres, with blue chip clients including Chelsfield, Grosvenor, Hammersons, Henderson Global Investors, and Land Securities. Highlights for 2003 include providing engineering and utility infrastructure design for the Bullring shopping centre, Birmingham, Europe's largest urban regeneration project, and our appointment to provide strategic advice for the building services and infrastructure for the 42 acre Paradise Street Development in Liverpool. Our current order book in this sector includes a further 20 retail centres, including major schemes with a construction cost of over £100m such as in Leicester, Bradford and Bath.

Along with retail, the residential market continues to be active. WSP has numerous projects across the UK with leading developers including Ballymore Properties, the Beetham Organisation, Cadogan Estates, City Lofts, Marleybone Warwick Balfour and New World. Three of our major projects utilise our high rise expertise with the Manchester Hilton (50 storeys), Birmingham Holloway Circus (37 storeys) and London Docklands Marriott (38 storeys).

CREATING VALUE ROADS



main: NETWORK MANAGEMENT

In 2003, WSP was appointed by the Highways Agency for the five year contract to provide management and design services to the motorway and trunk-road network in Yorkshire.

inset-top: CAREER DEVELOPMENT

Graduate engineer, Rebecca Bjerre, gaining on-site experience carrying out a bridge survey and inspection.

inset-middle: TECHNOLOGY

The monitoring of our road networks requires state of the art communication systems and WSP are leaders in this field, with both capital and framework contracts..

inset-bottom: JOHN WARD

John has been awarded an MBE in recognition of his work on highways maintenance and road safety spanning the last 40 years.

REGIONAL REVIEW

Our transport planning work has grown during the year to include the redevelopment of the 84 hectare Colchester Garrison site for 2,600 houses and 21,800 sq m of mixed use development for Taywood; the redevelopment of the 1.5m sq ft mixed use DERA site at Chertsey with Crest Nicholson Estates; and the redevelopment of Cambridge Airport for 10,000 houses plus ancillary mixed development for Marshalls of Cambridge.

Healthcare is also a growing market for WSP and we are part of the preferred bidder teams for hospital projects at Addenbrookes Cambridge (£60m), Newcastle (£120m) and North Staffordshire (£250m). In addition WSP has been selected by the NHS to deliver their £7.8bn 'Procure 21' capital investment programme over the next six years.

Urban Regeneration is seen as a key growth area within the UK. Recently we were appointed to undertake transportation and environmental work to take the Bath Western Riverside scheme forward to the planning application and public consultation stages, and there is major downstream work potential. WSP has been appointed to act as lead consultant for Yorkshire Forward, set up to promote regional development in Yorkshire and Humberside. This commission is expected to yield a series of project opportunities over the next eight years.

Over the last two years our strategy in the property sector has been to focus on public sector work and increase our focus on framework commissions. Our success in the public sector markets of healthcare, schools, defence and custodial is clear and we are well positioned to further exploit opportunities particularly in healthcare and schools. Through 2003 WSP secured long term framework agreements with Taylor Woodrow, Middlesex University, IBM, Ericsson, Unite and Land Securities Trillium and we now have over 25 formal frameworks.

Our specialist management company, Knowledge Solutions, won the Royal Mail Group Gold Award for the fourth year running for the management of their property helpdesk. These skills have been transferred into the road sector where a similar intelligent helpdesk has been developed for Transport for London dealing with street faults.

Europe

WSP EUROPE	2003	2002
Turnover	£100m	£93m
Staff	1,770	1,872

WSP has consolidated its position as one of the leading consultants in Northern Europe, where we now have significant presence in Sweden, Finland and, via the ownership of a 24.7% interest in the major Norwegian consultant Multiconsult, in Norway. In addition, WSP has local presence in Estonia, Poland, France and Germany.

Sweden

As in the UK, Sweden provides a fully multi-disciplined service to a broad range of clients. The new WSP brand has been well received in Sweden and client perception has strengthened as customers increasingly appreciate the advantages of using a global service provider. We have also identified a positive effect on recruitment.

Transport and Infrastructure

The Transport and Infrastructure sector remains strong with public sector investment continuing at a high level in both the road and rail markets. We have recently commenced a number of major projects such as the design of a new major traffic junction and tunnel in Gothenburg for the Swedish National Road Administration and the design contract for the City Line, a complex project consisting of an interconnecting tunnel and three underground stations providing a new line for local and regional trains under Stockholm city centre.

WSP is also undertaking the design for the reconstruction and repairs of the Southern Link Tunnel, the main link between the southern part of Stockholm and the city centre. The work includes refurbishment of concrete constructions in tunnel and bridges, lighting and power, architectural design, drainage, ventilation and fire security.

Increasing co-operation within the Group, in particular between Sweden and the UK, is further strengthening our position particularly on road and rail projects elsewhere in the world.

CREATING VALUE

MEDICAL



main: NORFOLK & NORWICH UNIVERSITY HOSPITAL

WSP provided structural and civil engineering design to this landmark project for the National Health Service, the first entirely new hospital of its size to be built in England under the Government's Private Finance Initiative.

inset-top: PROCURE 21

WSP has been selected by the National Health Service to deliver their £7.8bn Procure 21 capital investment programme over the next six years.

inset-middle: SUSTAINABILITY

At Mill View Hospital, Brighton, environmental sustainability was a priority, with natural ventilation and daylight contributing to a calm, relaxing environment for patients.

inset-bottom: US HEALTHCARE

In New York, WSP Flack + Kurtz is providing design services for Long Island Jewish Medical Centre hospitals in Long Island, Queens and Staten Island, serving a population of 3.6 million.

REGIONAL REVIEW

The prevailing market for infrastructure in Sweden remains very strong with the Government recently launching an investment programme worth £29bn for infrastructure investment over the next twelve years. £11bn has been allocated to new railway projects and the maintenance of existing infrastructure, which has significant potential benefit for WSP.

Property

The property market has been depressed since the end of 2002, however, WSP's results improved during 2003 due to the restructuring of the business. Activity in the commercial market is likely to remain slow for some years, although we are seeing signs of recovery particularly with increased investment in industrial buildings.

WSP has been appointed to undertake the civil and structural design and construction management for two large pulp and paper mill extension projects in Sweden for Stora Enso and the Skoghall Mill's Energy 2005 investment project. The second project aims to secure the future base for packaging board production and strengthen the mill's energy supply. This will enable cost-effective production with low emissions in both the short and long term.

Together with White Architects, WSP won a prestigious competition for a new £200m National Arena for football and concerts with a capacity of some 50,000 spectators in the Stockholm-Globen area. It is hoped to develop this project during 2004 once decisions have been reached in terms of conceptual and basic design.

Thanks to increasing collaboration during the year between WSP companies in the Nordic region and our partners elsewhere in the Group, our combined resources are giving us a competitive edge which has led to a number of contract wins. One example is the IBM Machine Room Project to provide 2,000 sq m of high grade machine room space to expand IBM capacity in Stockholm. WSP is working with IBM's project managers, Johnson Control, and an integrated team of WSP staff from both Sweden and UK providing building services and structural design as well as cost assessment advice.

Our fire and safety engineering business has won projects in Europe, Asia and the Middle East. These include a large project for a Chinese client in Beijing, where our fire and safety team worked in close co-operation with WSP Flack + Kurtz in San Francisco and with colleagues in the UK and Hong Kong offices.

New skills have been introduced aiming at adding innovative services to the existing business.

Finland

WSP has a solid platform in Finland with a full range of services to offer both the local and international market.

LT Konsultit's performance has improved during the year thanks to a more proactive, market-led approach and improved project management skills.

The company has a strong position in city and infrastructure planning and major projects have been won including the main Lohja-Lohjanharju Road for Skanska and Narva Power plant for EMP Projects.

Norway

WSP's associate company, Multiconsult has secured a number of major projects strengthening the order book through 2004. These include long term projects, such as the Central Hospitals in Oslo and Akker, and large contracts in the natural gas fields such as Snow White at Hammerfest and the Ormen Lange project in the North Sea.

Operationally, Multiconsult has had a good year affected financially by the decision to make prudent reserves against long term contracts, which we do not expect to impact on results in the future. The merger with NVK, an infrastructure business with significant growth over the last two years, has gone smoothly and we are optimistic of its contribution in the future.

Rest of Europe

Our Polish company achieved a sustained level of profit for the first time in many years. The management has worked hard to lower the cost base and, more importantly, to develop the client base to include both local and international investors.

Outside Poland, most of our efforts in Eastern Europe have been in the area of aid-financed projects with some wins in the Baltic States and Russia.

In the longer term, Eastern Europe is considered to be a promising market for WSP not least on account of the forecast economic growth and inward investments in many countries that will be stimulated by their joining the European Union.

CREATING VALUE

STADIA



main: PHILADELPHIA EAGLES

WSP Flack + Kurtz provided building services design for the stadium, which has a seating capacity of 68,500, and hosted its inaugural game between Philadelphia Eagles and the Tampa Bay Buccaneers in September 2003.

inset-top: MULTI-DISCIPLINARY SERVICES

WSP was commissioned to carry out the civil, structural, mechanical and electrical design for the redevelopment of St James' Park in Newcastle which increased seated capacity from 36,000 to 52,000.

inset-middle: COMMUNICATIONS AND TECHNOLOGY

Modern stadia require state of the art technology and WSP designs features which include flexible sports and stage lighting systems, redundant power supplies, telecommunications and security systems, and field de-watering.

inset-bottom: WEMBLEY STADIUM

WSP is the technical adviser to the financial institutions supporting the redevelopment of London's Wembley Stadium.



REGIONAL REVIEW

United States of America

WSP USA	2003	2002
Turnover	£28m	£33m
Staff	293	388

Our businesses in the United States of America, which are both focused on the property sector, have had to adjust to falling markets and economic uncertainties. This has been achieved by a concerted effort to move into public sector property work, however with confidence returning we are pleased to be able to report that we have won a number of new and significant commissions.

Flack + Kurtz

Market conditions remained difficult during 2003 with few opportunities in the private sector that impacted financially on both turnover and profit. In response we increased our active participation in the public sector, particularly in the fields of health and education.

In addition, project contracts for commercial work in Asia, supporting American concept and feasibility designs, created increased opportunities towards the end of the year to supplement our total revenues.

New project wins in the last quarter of 2003 have given us increased optimism for 2004. We have secured a major laboratory project at the Albert Einstein Medical Center in New York, the expansion of the Kennedy Center for the Performing Arts in Washington DC, a new campus for the University of Karachi in Pakistan, and a large tenant fit-out project for Genentech in San Francisco. In addition we have just been appointed for the new Jets /Olympic Stadium in New York City.

We cautiously expect market conditions to improve during 2004, with opportunities in the commercial sector anticipated to contribute to our results by the middle of the year.

Cantor Seinuk

The scarcity of opportunities during the first three quarters of the year reflected the downturn in commercial property work, however the last quarter saw a shift towards an influx of new and important projects.

We continued to receive recognition in our industry as one of the leading high rise designers in the world. New York Construction's Best of 2003 Award went to Time Warner Center, for which we acted as structural design engineers. Our design of No 7 World Trade Center, the first building to rise after September 11, has progressed and we have seen the first superstructure beam erected recently bearing the signature of the Governor of the State of New York.

Our expertise with seismic sensitive construction received industry awards, as well as recognition in trade and science periodicals following the building of the Torre Mayor Tower in Mexico City, which is Latin America's tallest office building.

The downturn in certain commercial markets has led to our exploring and winning work in other areas. We have also been successful in the health and education market and we have won a number of high rise buildings in Miami, Florida. We look forward to this market becoming another avenue for diversification.

We hope to be able to report further significant wins in the near future in order to return to the performances of the recent past.

International

WSP INTERNATIONAL	2003	2002
Turnover	£22m	£20m
Staff	606	589

Africa

2003 was a good year for WSP in South Africa, where the business environment remains stable and buoyant.

The year saw the merging of the two core businesses, with the combined group having a staff of over 400 people, and a turnover in excess of £10m. During the year, we have achieved growth in all of the key sectors including building services, civils, industrial engineering and, significantly, in facilities management. One of the key contracts won by this business was the facilities management of the South African Parliamentary buildings and associated housing estates, and we are seeking additional contracts using this as an important reference base.

The combined businesses have achieved a growth in gross turnover and profit of over 50% during the year. We have also moved outside Southern Africa in order to seek opportunities in the rest of Africa and the Indian Ocean Islands.

The order book for 2004 is well balanced with both the private and public sectors remaining buoyant and this will serve us well in 2004.

CREATING VALUE

ENVIRONMENTAL



main: REMEDIATION

Building on our success in the UK, our specialist consultants provide expert advice and solutions for the remediation of contaminated land in Europe and beyond.

inset-top: SUSTAINABLE MANAGEMENT SYSTEMS

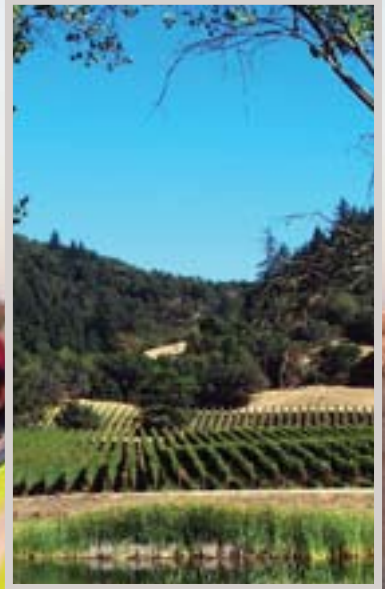
WSP is advising E & J Gallo Inc on a sustainability management system to be implemented in their North Coast vineyards operations in California.

inset-middle: NEW PRODUCTS

WSP continues to develop and implement new environmental products in response to demanding legislation in all markets. This includes asbestos liability management, Active Transfer, strategic risk management, and advice regarding The Response to Integrated Pollution Prevention and Control Directive.

inset-bottom: CHINA

Shanghai Research Institute of Building Science. This proposed headquarters building is a flagship for sustainable building design, setting the standards for new projects across the country.



REGIONAL REVIEW

Asia

Despite continuing difficult market conditions, progress was made during the year in delivering a re-shaped business and building the China operations. In addition to Beijing, a new office was opened in Shanghai and a wholly foreign owned enterprise business was established, enabling local staff recruitment and contracts to be accepted with payment in the local currency. The number of projects and amount of turnover from China projects increased during the year, and is scheduled to continue.

New services were introduced to the business during the year, including traffic and fire engineering, aimed at earlier involvement in master-planning of projects. A major success was achieved in negotiating the first fire-engineered building in China for China Poly, with substantial cost savings for the client.

A new office was established in Vietnam on the back of success in winning several projects, including the design of the tallest building in Vietnam. This market continues to show opportunities for the future.

The Manila design and production centre continued to thrive with major projects being undertaken not only for Asia but also for the UK. Outsourcing from Sweden is also being considered.

International Development

WSP International Management Consulting in both the UK and Sweden has over 40 years' experience of providing management and consulting services to developing and transitional countries. The two companies advise and assist government agencies and local authorities in infrastructure planning, construction, maintenance and operation; policy formulation, governance and public sector reform; and poverty alleviation and sustainable livelihoods. They have undertaken projects in over 50 countries on five continents with all the main international, multilateral and bilateral funding agencies.

Both companies performed well during 2003 with an increase in turnover on previous years.

We have continued to expand our core business of planning and implementation of infrastructure programmes and, simultaneously, developed the business in the management, financial and social disciplines.

Highlights in 2003 included three major new transport and training commissions in Indonesia; a large institutional development project in Bangladesh; new transport sector appointments in Ethiopia, Uganda, Zambia and Mozambique; a governance project in Russia, social welfare in Palestine, financial monitoring in Bangladesh, and first assignments in Afghanistan, Nicaragua, Guyana and Curacao.

We were also successful in securing a major highway reconstruction project in India; a highway design project in Afghanistan; and environmental and water resources management projects in Russia, Lithuania and Latvia.

With the increasing focus of the developed world on improving the conditions of the poor in developing countries the market for development assistance services continues to strengthen and this is reflected in our growing order book.

Environmental

WSP ENVIRONMENTAL		
	2003	2002
Turnover	£32m	£28m
Staff	558	511

The environmental business has performed well delivering strong organic growth alongside further improvement in profit and associated margins.

The expected value from the restructuring of this business into a global organisation is being realised and projects were undertaken in over 40 countries during 2003. International best practice reviews to assist development of environmental risk management procedures for ANZ Bank in Sydney, capacity building for the Saudi government, multi-national due diligence contracts for clients such as Hays plc and Royal Bank of Scotland and the development of an energy strategy for Arlanda Airport in Stockholm are all testament to the global brand that is being developed in this part of WSP.

Particularly pleasing has been the ongoing success, both domestically and internationally, of our specialist remediation business undertaking guaranteed fixed price remediation schemes for projects including a specialist clean up of a major residential site in the West Midlands for Persimmon Homes, remediation pilot tests for a Gulf oil company and a solvent clean up of groundwater on a manufacturing site for Astral Developments. This year will see the establishment of this business in Sweden.

CREATING VALUE

AVIATION



main: STANSTEAD AIRPORT

Europe's leading airport for fast growing low-cost scheduled airlines has seen substantial growth, with WSP Aviation providing the design of building structures and services for the new Satellite 3.

inset-top: COMMUNICATIONS AND TECHNOLOGY

At Arlanda Airport in Stockholm, WSP completed electrical and telecommunications design in the Air Traffic Control Tower.

inset-middle: AIRPORT SOLUTIONS

WSP Aviation embraces the whole range of skills necessary to provide integrated aviation design solutions to airports throughout the world.

inset-bottom: INTEGRATED TRANSPORT

At Sturup Airport, Malmö, WSP has provided building design input and undertaken a transportation study to provide rail links to Malmö.



REGIONAL REVIEW

The rapid turnaround of fortunes in our Swedish business is founded on a fitter, more agile business, resulting from the restructuring in 2002, strong business development domestically and penetration into the global marketplace with skills that are respected internationally as best practice. Their skills have been applied in the fields of energy management for the Science Museum development in Swindon and to aid agency funded projects in Southern Africa and the Baltic States.

In the US we continue to grow through establishing new client relationships with Corporate America. As pioneers of the sustainability management system our reputation is strong for delivering strategic environmental management into companies such as Applied Materials, Vishay Siliconix, and Genentec as well as ongoing environmental support for clients on the west coast such as Lifescan (part of Johnson & Johnson).

Particularly pleasing is the success of skills transfer to parts of our business such as South Africa where we have been able to secure projects such as energy audits for Barclays Bank in Africa and environmental audit work in Madagascar for Imperial Tobacco. Through our US business we were able to develop Ecological Footprinting, a tool for evaluating the environmental impact of cities and corporates, and import it into the UK where we established an Ecological Footprint of London. We are optimistic that we will see further improvement in performance in our financial and corporate services which are being boosted by the introduction of demanding new legislation.

The resurgence of mergers and acquisition opportunities and redevelopment activity, both brown and greenfield, will also fuel further growth in core services such as environmental auditing, impact assessment, contaminated land and geotechnical investigations. Our property clients such as ING Real Estate Investment Management Ltd, Slough Estates, Ashtenne, CBRE, GVA Grimley and Daimler Chrysler Property division continue to be active and have contributed to our strengthened order book in transactional auditing.

We have created a global platform for our environmental business that we expect will support further strategic and organic growth in 2004. Further geographical diversification is also expected into Europe, the Middle East and the US. China is also generating interest and a number of high level project commissions have been awarded in this territory.

Whilst our environmental business has a strong profile within their specialist market sectors we continue to be encouraged by the number of multi-disciplinary wins where environmental, whilst being a key component, represents a part of an integrated service provided by WSP. This remains the preference for a number of key clients. Examples include Heathrow Terminal 5, where Environmental have been extensively involved for over five years and other more recently awarded urban regeneration schemes such as Omega for Miller Developments and Bath Riverside for Grosvenor.

The environmental business is now well established within the top five players in their main domestic markets, with a growing reputation in the specialist global market in which they increasingly operate.

CORPORATE AND SOCIAL RESPONSIBILITY

Group Policy Statements

WSP strives to contribute to economic, social and sustainable development in its host countries. The Group respects the human rights of people affected by its operations and seeks to stimulate the enhancement of local capacity in its host countries.

In particular:

- WSP does not discriminate due to gender, age, ethnic background, religion, colour or political opinion;
- WSP's aim is to implement where possible suitable methods that will ensure effective transfer and distribution of knowledge and technique;
- WSP strives to perform development work in host countries to meet local needs;
- WSP strives to consider health and safety in its assignments as well as perform its work to secure sustainable development;
- WSP will regularly publish relevant and reliable information about the company, its structure, and financial results;
- Where third parties are involved, WSP will act in accordance with the market and promoting good practice;
- WSP strives to do business in an effective way that will not limit competition; and
- WSP supports the public finances of its host countries by fulfilling its statutory and taxation obligations in proper time.

Corporate and Social Responsibility

In line with WSP's core values, we conduct business in a way that is both ethical, environmentally sustainable and accountable, and meets the needs and aspirations of our employees across the world.

Against this background, the Group has identified the following social, ethical and environmental responsibilities that it will address for the benefit of all stakeholders:

- Creating the most appropriate working environment;
- Protecting the health and safety of all its people;
- Conducting ethical business relationships;
- Managing the impact of the business on its host environments and societies; and
- Delivering the best quality advice to clients through integrated environmental sustainability and social development services.

Addressing these responsibilities is integral to WSP's commitment to deliver growth and high quality services to clients, employees and shareholders.

Clients will benefit from new services that help them to address their environmental sustainability and social responsibility challenges.

Staff, the Group's major asset, will work for a responsible company that reflects their values and provides them with the supportive and productive environment they need to achieve their potential.

Shareholders will invest in a company that is keenly aware of its opportunities and risks in this area, and takes a long term, commercial approach to tackling them.

Group policy

WSP has developed a number of Group policy statements that complement the Group's vision and core values.

Responsibility for delivery of the policies is devolved to operating companies in their countries of operation. This reflects the very different legal and regulatory regimes that operate throughout the world as well as the social, ethical and environmental parameters that are often defined by the choice of services being provided.

In 2003 the Group carried out a review of both the awareness and implementation of the Group's policies on the Environment, Health and Safety, Equal Opportunities, Human Rights, Training and Development. Knowledge in some parts of the business was good, however we identified room for improvement in others, in part as a result of business growth and acquisition, and a number of initiatives are now in place to address this.

2003 Performance Equality of Opportunity

WSP is an Equal Opportunities employer. The Group's policy aims to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities.

In 2003, 25% of our employees were women, with 8% holding senior management positions. This compares to 24% and 4% respectively in 2002.

The relatively low number of women in the business is reflected throughout the construction and engineering sectors. It is the Group's policy to remove any barriers to women joining and progressing within the business.

Health and Safety

WSP aims to adopt the highest standards of health and safety management. The directors recognise that this is an integral part of good business practice and accept a prime duty to safeguard the health and safety of all employees whilst at work, and others affected by Group activities or visiting its premises.

The Group recognises that health and safety legislation sets out only the minimum standards to be achieved and therefore pursues a pro-active approach with a policy of progressive improvement in health and safety performance and standards. Health and safety policy is regularly reviewed to take account of changes in legislation, accident prevention techniques, recognised guidance and internal management structure and systems, together with the findings of internal and external audits and other procedural reviews.

Data collection on health and safety issues depends on local regulations and reporting requirements. For example in the UK, which accounts for approximately 40% of the Group's turnover, more than 5,700 person hours of formal health and safety training were delivered and there were no fatalities, specified major injuries, specified work-related diseases or specified dangerous occurrences. In addition, the Enforcing Authorities took no health and safety action against any UK operating company.



COMMUNITY SUPPORT, South Africa

Children from Mohlatse school welcome WSP staff from the UK, Europe and Africa who regularly provide assistance on community projects.

The Environment

Ensuring that sustainability is built into everything we do is one of our core values. Accordingly the Group is seeking to reduce the long term impact of our industry on the environment by ensuring:

- all staff are aware of and sensitive to the different cultural, social and political environments the Group encounters;
- all employees receive environmental awareness training as part of their induction; and
- the integration of environmental sustainability considerations into all projects and services.

As a technical consultancy, the environmental risks and impacts associated with our business are limited, particularly in comparison with the impacts of the projects on which we work. However, basic materials, computing equipment and air conditioning and heating systems do have a significant environmental impact, and the Group is committed to reducing its use of materials and energy, reducing waste and encouraging recycling in all its facilities.

BOARD OF DIRECTORS



THOMAS ERSÉUS, CHRISTOPHER COLE, MALCOLM PAUL, CHRISTOPHER STEPHENS, CAROLINE BROWN, DAVID TURNER

DAVID TURNER

Non-Executive Chairman FRICS

Age 66. David was chief executive of Barclays Property Holdings Limited from 1991 to 1997 and a divisional director of the Bank. He is also Vice Chairman and Deputy Pro-Chancellor of the City University, and is a director of a number of private companies. David has a wealth of knowledge of the property industry and has broad business experience. He was appointed a non-executive director of WSP in 1997 and appointed Chairman during 2003. He chairs the nominations committee and has previously sat on the audit and remuneration committees. **Shareholding: 10,217**

THOMAS ERSÉUS

Executive Director and Chairman of WSP Europe MSc CEng

Age 40. After qualifying as a civil engineer, Thomas joined Caran AB, a Swedish consultancy firm as a consultant. Having been instrumental in introducing the company to the Swedish Stock Exchange in 1995, he became Managing Director in 1997. In 1998, Thomas joined WSP Sweden as Managing Director, becoming Chairman of WSP Europe in 2002. He is a principal member of the performance and strategy committees and is responsible for the operational performance of WSP Europe. Thomas is also a director of Multiconsult Holdings AS and the Swedish securities firm Hagstromer and Qviberg AB. **Shareholding: 252,200**

CHRISTOPHER COLE

Chief Executive CEng FCIBSE MASHRAE

Age 57. Following initial training with a national contractor, Chris spent a number of years in industry and private practice. He joined WSP in 1971, becoming Managing Director in 1987 and Chief Executive in 2001. He chairs the performance and strategy committees and is responsible for both operational control of the Group and implementing strategic decisions. Chris maintains significant client contact, often leading major bid proposals. He is a non-executive director of Ashtead Group plc. **Shareholding: 908,777**

CHRISTOPHER STEPHENS

Non-Executive Director MA

Age 55. Chris has many years of experience in a variety of industries. He is currently Group Human Resources Director with Exel plc, having previously been Head of Human Resources at General Utilities, now Vivendi. As well as experience of motivation and incentivisation in large international service companies, he has general business experience both in the UK and internationally. Chris was appointed a non-executive director of WSP during the year and chairs the remuneration committee. **Shareholding: 5,000**

MALCOLM PAUL

Group Finance Director and Company Secretary FCA

Age 52. After qualifying as a chartered accountant, Malcolm worked in both practice and industry before joining Longcrofts, a City accountancy firm as a partner specialising in corporate finance. He became Finance Director of WSP in 1987. He is a principal member of the performance and strategy committees and is responsible for the financial control of the Group. Malcolm maintains links with the Group's professional advisers and has renegotiated the Group's long term borrowing facilities. During the year he was a non-executive director of MMT Computing plc. **Shareholding: 822,976**

CAROLINE BROWN

Non-Executive Director MBA PhD

Age 41. Caroline is a finance professional with executive and advisory experience in diverse industry sectors. She is currently Director of Finance Change at Norwich Union Insurance, part of Aviva plc, having previously been Chief Financial Officer with an AIM quoted software and services company. Caroline has UK and international banking experience as Director of Corporate Finance with UBS and HSBC. She brings particular experience in finance and risk to the board. Caroline was appointed a non-executive director of WSP during the year and chairs the audit committee. **Shareholding: Nil.**

SENIOR DIRECTORS



RIKARD APPELGREN



STUART McLACHLAN



ANDREW MATHER



MIKE O'BRIEN



YSRAEL SEINUK



SIV AXELSSON



NORMAN KURTZ



KEITH BULL



HANS WECKMAN



RANDY MYERS

RIKARD APPELGREN

Managing Director MSc WSP Sweden

Age 38. After working as an engineering consultant in Sweden and Germany, Rikard joined WSP Sweden in 1996, becoming Managing Director of Construction Design in 2001, and Managing Director of WSP Sweden in September 2002.

STUART McLACHLAN

Managing Director MSc WSP Environmental

Age 36. Having worked as an environmental consultant, Stuart joined WSP in 1995, becoming Managing Director of WSP Environmental UK in 1997. In 2001 he was appointed Managing Director of WSP Environmental.

ANDREW MATHER

Managing Director PrEng BSc Eng BCom WSP South Africa

Age 45. Andrew is an electrical engineer who specialises in industrial process control systems. He joined WSP as Managing Director of WSP Group S.A. in 1999, when WSP acquired the WEVS Group.

MIKE O'BRIEN

Managing Director CEng WSP UK

Age 57. Mike has over 35 years experience with contractors and consultants in the planning, design and construction of civil and structural projects. He joined WSP in 1979, becoming Managing Director of WSP UK in 2000.

YSRAEL SEINUK

Chief Executive Officer BSc Cantor Seinuk Group

Ysrael started his professional career in Cuba in the 1950's and co-founded the Cantor Seinuk Group in 1970. He is Professor of Architecture and head of the Structural Department for the School of Architecture at New York City's Cooper Union.

SIV AXELSSON

Group Human Resources and Communications Director MBA

Age 50. Siv has broad management experience with a variety of organisations and has published several books addressing the management of intellectual businesses. She joined WSP Sweden in 1998 and was appointed Group Human Resources and Communications Director in 2002.

NORMAN D. KURTZ

Chairman Flack+Kurtz

Norman has long experience encompassing a broad range of high profile international and US urban development projects. Formerly President of Flack + Kurtz for more than 30 years, he was appointed Chairman in 2002.

KEITH BULL

Managing Director MSc CEng WSP Asia

Age 58. Keith has long experience of project and resource management and international development projects. Formerly Managing Director of WSP Development and WSP International, he was appointed Managing Director of WSP Asia in 2002.

HANS WECKMAN

Managing Director LT-Konsultit

Age 53. After completing initial training, Hans worked extensively on international projects before co-founding Fundus Ltd in 1992 and becoming managing director. He joined WSP in 2001.

RANDY MYERS

President BSc Flack+Kurtz

Age 46. Originally specialising in Electrical Engineering, Randy joined Flack + Kurtz in 1984. He was appointed President of Flack + Kurtz in 2002.

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2003.

Principal Activity

WSP Group plc is an international business supplying specialist and integrated services in the built and natural environment.

Review of Business

The results for the Group are set out in the consolidated profit and loss account on page 50.

Details of the Group's operations and its future prospects are contained in the Chairman's statement, the Chief Executive's and the Finance Director's reports on pages 7 to 13.

Dividends

The directors propose a final dividend of 3.0p net per share, which, together with the interim dividend of 2.0p net per share paid in October 2003, gives a total dividend of 5.0p (2002: 5.0p) for the year. If approved at the Annual General Meeting, which is convened for 11 May 2004, the final dividend will be paid on 13 May 2004 to shareholders on the register of members at the close of business on 13 April 2004. The shares will be ex dividend from 7 April 2004.

Share Capital

During the year the Company has issued the following ordinary shares of 5p each:

	Issue Price	Ordinary Shares
Issued share capital at 1 January 2003		53,240,728
Shares issued during the year:		
Deferred consideration	73.8p - 125p	7,171,676
Share Options exercised	76.0p - 91.2p	32,882
Issued share capital at 31 December 2003		60,445,286

At the Annual General Meeting held on 9 May 2003 a resolution was approved to authorise the Company to make market purchases of up to 10% of its own ordinary shares. The power given by this resolution will only be exercised if the directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and therefore is in the best interest of the shareholders.

At the same meeting a resolution was approved to renew the directors' authority to allot relevant securities pursuant to Section 80 of the Companies Act 1985 up to an aggregate nominal amount of £837,963, and to dis-apply the statutory pre-emption provisions of Section 89 of the Companies Act 1985 in respect of any rights issue and for cash issues up to an aggregate nominal amount of £133,102. Similar resolutions will be proposed at the forthcoming Annual General Meeting on 11 May 2004.

Research and Development

To enable us to deliver innovative solutions, we maintain research links in many areas that make it possible for us to apply some of the latest technical solutions to the benefit of our clients. The sharing of knowledge and innovations is encouraged through the use of the company intranet and other staff communication.

Directors

The directors who served during the year were:

David Turner*, appointed Chairman 1 July 2003

Christopher Cole

Malcolm Paul

Thomas Erséus

Christopher Stephens*, appointed 1 January 2003

Caroline Brown*, appointed 1 July 2003

Peter Welch*, resigned as Chairman 30 June 2003

Jan Åkesson*, resigned 30 September 2003

*Non-executive directors

Details of Board Committees, directors' roles and responsibilities are set out in the Corporate Governance Report on pages 46 to 48.

In accordance with the Company's Articles of Association, Malcolm Paul and Thomas Erséus, being eligible, offer themselves for re-election. Caroline Brown, having been appointed since the last Annual General Meeting retires and, being eligible, offers herself for re-election. Malcolm Paul and Thomas Erséus have service contracts with the Company that require a one-year rolling notice period. Caroline Brown, as a non-executive director, is appointed for a three-year period, which may be terminated by three month's written notice given by either party. Biographical details are set out on page 36.

Details of directors' interests in shares and share options are set out in the Remuneration Report on pages 41 to 45.

Employees

The success of the business depends upon maintaining a highly qualified and well-motivated work force and every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the Group.

Regular communication with all employees is essential and this is achieved by formal and informal meetings, through national intranets, the global internet, and through the distribution of in-house magazines.

WSP is a committed equal opportunity employer and engages employees with broad backgrounds and skills. Within the limitations of its business, the Group's policy is to engage disabled persons and to provide training, career development and promotion opportunities within standard terms of employment. It is also WSP's policy to retain and re-train those employees who have become disabled. A report on Our People can be found on pages 19 to 21.

Supplier Payment Policy

As a service company WSP's principal cost base is its employees who are paid weekly or monthly in arrears. Many other costs, such as office rents and insurance, are paid in advance. In addition, in common with other businesses in the construction sector, sub-consultants who provide support or specialist services on projects operate on a paid when paid basis.

The terms and conditions of payment for the supply of other capital and revenue items are normally agreed with the supplier. However, subject to regional practices, and in the absence of any such agreement it is our policy to make payment 60 days after the end of the month in which the supplier's invoice was received.

The average number of days credit taken by the Company for trade purchases at 31 December 2003 was 51 days (2002: 52 days).

DIRECTORS' REPORT

Corporate and Social Responsibility

A report on Corporate and Social Responsibility may be found on pages 34 to 35.

Donations

During the year the Group made charitable donations of £49,535 (2002: £3,300). No political donations were made (2002: £Nil).

European Monetary Union

As the Euro has not been introduced either in the United Kingdom or Sweden, the two largest geographical markets in which the Group operates, the impact of the new currency has been minimal.

However, the Group's strategy continues to be to build a broad European business, and as this brings greater exposure to the Euro appropriate systems are being developed. It is not anticipated that there will be a material impact on WSP, which will continue to report results in Sterling.

Substantial shareholdings

At 5 March 2004 the directors had been notified of the following substantial interests in the ordinary share capital of the Company:

	Number of Shares	Percentage
Aviva plc	2,457,396	4.07%
Henderson Global Investors	5,942,174	9.83%
Hermes Administration Services	2,177,807	3.60%
Standard Life Investments Ltd	2,544,839	4.21%

Post Balance Sheet Event

In February 2004, the Group renewed its long term debt facilities. Details may be found in note 30 to the accounts.

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



MALCOLM PAUL

Company Secretary

5 March 2004

REMUNERATION REPORT

Remuneration Report

The Remuneration Committee determines on behalf of the Board, the Group's policy on executive remuneration and considers and approves remuneration packages for executive directors. The Board's report is set out below.

The Committee comprises the following non-executive directors:

Current members: Christopher Stephens, *Chairman, appointed 14 January 2003*
Caroline Brown, *appointed 8 July 2003*

Former members: Peter Welch, *resigned 14 January 2003*
Jan Åkesson, *resigned 30 September 2003*
David Turner, *resigned 31 December 2003*

The Committee met on three occasions during the year and details of attendance at meetings is set out in the Corporate Governance report on pages 46 to 48. During the year the Committee considered external independent remuneration advice including the comparison of the executives' remuneration with similar businesses.

Remuneration Policy

The policy of the Board is to motivate and retain the best executive directors by rewarding them with competitive salary and benefit packages linked to achieving the Group's strategic goals.

As WSP is an international business the Committee takes into account employment practices both in the UK and overseas, as well as having due regard to the remuneration packages throughout the Group.

The performance related elements of executive remuneration comprise annual bonuses and awards under the performance share plan. These incentives are designed to be relevant to the overall objectives of the Group and to enhance the business. The performance targets set by the Committee are intended to be stretching and to reward superior performance.

The members of the Committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and to the continuing financial and commercial health of the business.

The remuneration packages of the executive directors comprise:

- Basic salaries that are reviewed annually having regard to individual performance, responsibility and skills, and comparable evidence of other companies in the sector, together with specific employee benefits.
- The executive directors are members of defined contribution pension schemes and annual contributions are calculated by reference to basic salaries with neither annual bonuses nor awards under the share incentive schemes taken into account in calculating the amounts due.
- Performance related annual bonuses, up to a maximum of 100% of the executive directors' salary, that are calculated by reference to the Group meeting preset annual profit targets. These targets require profit before exceptional items, the amortisation of goodwill and tax to each grow by pre-determined amounts in order to achieve the maximum award.
- Share awards under the terms of the performance share plan, up to a maximum of 75% of the executive directors' basic salary, which are linked to the long term performance of the Company and thus align the executives' interests with those of the shareholders. The extent to which an award will vest, and thus becomes exercisable, is measured by reference to the growth in WSP's adjusted earnings per share over the performance period.

In respect of awards made up to and including 2002, participants only received 100% of any award if the adjusted earnings per share over a three-year period from the date of the award had increased by at least 72.8% plus the equivalent increase in the Retail Price Index, which represents 20% annual compounded growth. No award would vest unless the Company's adjusted earnings per share over the same period had increased by 15.8% plus the equivalent increase in the Retail Price Index, which represents 5% annual compound growth, and at this level the participant would receive 25% of any award.

REMUNERATION REPORT

In 2003, the Committee changed the performance criteria so that participants only receive 100% of any award if the earnings per share over a three-year period from the date of the award has increased by at least 8% per annum plus the equivalent increase in the Retail Price Index. No award will vest unless the Company's adjusted fully diluted earnings per share over the same period has increased by 4% per annum plus the equivalent increase in the Retail Price Index, and at this level the participant would receive 25% of any award. David Turner notified a number of the Group's largest Institutional investors of the proposed change prior to its announcement.

- The executive directors qualify for the WSP deferred bonus share plan that allows them and other senior executives to invest up to 50% of their after tax annual bonus in shares of the Company. If these shares are held for more than three years the Company will grant an award of the right to acquire a matching number of shares for a nominal price. This plan is designed to retain senior staff for at least a three-year period from the date the individual invests in the shares of the Company. For awards made in 2003, performance criteria have been set that require fully diluted earnings per share to have grown by at least 5% per annum plus the Retail Price Index for the awards to vest in March 2006.

Directors' Service Contracts

The directors' service contracts may be summarised as follows:

Director	Contract Date	Notice Period	Contractual Termination Payments
David Turner	01.06.1997	3 months	3 months' in lieu of notice
Christopher Cole	01.01.2004	12 months	One year's remuneration
Malcolm Paul	01.01.2004	12 months	One year's remuneration
Thomas Erséus	29.05.2001	12 months	One year's remuneration
Caroline Brown	01.07.2003	3 months	3 months' in lieu of notice
Chris Stephens	01.01.2003	3 months	3 months' in lieu of notice

Directors have service contracts with no fixed term. Service contracts may be terminated according to specified notice periods as disclosed in the table above.

The Board's policy is to offer service agreements to executive directors with notice periods of not more than 12 months. On 1 January 2004, Christopher Cole and Malcolm Paul entered into new service contracts with the company that reduce their rolling notice period from two years to one year, however for a period of one year from 1 January 2004, in the event of a change of control of WSP, they will both be entitled to contractual termination payments equivalent to two years' remuneration.

The non-executive directors of the Company have service contracts which may be terminated on three months' written notice. Renewal of their appointment is not automatic and they stand for re-election in accordance with the Company's Articles of Association. The contracts of Peter Welch and Jan Åkesson were terminated during the year following their retirement on 30 June 2003 and 30 September 2003 respectively.

The targeted composition of each director's remuneration for the forthcoming year is as follows:

Director	Position	Non Performance Related	Performance Related
David Turner	Non-executive Chairman	100%	-
Christopher Cole	Chief Executive	36%	64%
Malcolm Paul	Group Finance Director	36%	64%
Thomas Erséus	Executive Director	36%	64%
Caroline Brown	Non-executive Director	100%	-
Christopher Stephens	Non-executive Director	100%	-

In accordance with the Articles of Association the Board determines the remuneration of the non-executive directors.

Directors' Remuneration (Audited Information)

The following table shows an analysis of the remuneration of each director:

Director	Salary and fees £'000	Performance bonus £'000	Employee Benefits £'000	2003 Total £'000	2002 Total £'000	2003 Pension Contribution £'000	2002 Pension Contribution £'000
David Turner	35	-	-	35	20	-	-
Christopher Cole	220	44	20	284	241	44	44
Malcolm Paul	215	43	20	278	237	43	43
Thomas Erséus	186	37	5	228	177	51	40
Christopher Stephens	25	-	-	25	-	-	-
Caroline Brown	12	-	-	12	-	-	-
Peter Welch	34	-	-	34	45	-	-
Jan Åkesson	19	-	-	19	25	-	-
	746	124	45	915	745	138	127

The employee benefits include a car allowance, together with medical, life and permanent health insurance cover. The executive directors are members of defined contribution pension schemes.

Fees of £33,750 (2002: £45,000), including £11,250 in lieu of notice, for the services of the former Chairman, Peter Welch, were paid by the Company to Frankfield Limited.

Long Term Incentive Share Plans (Audited Information)

a) The WSP Performance Share Plan

The Committee has made awards under the terms of the WSP Performance Share Plan.

In respect of awards made to directors on 17 April 2000, the terms required adjusted earnings per share to grow from a base of 12.2p by a minimum of 5% per annum compounded plus RPI, at which 25% of the award would vest. Basic earnings per share before exceptional items and the amortisation of goodwill for 2002 as disclosed by the published financial statements showed that earnings per share over the three-year period had increased to 15.2p, an increase of 3.0p. As a result, 27.8% of the awards made in 2000 were transferred to the directors, and the balance lapsed.

In addition, in 2001 at the time of the rights issue to partially finance the acquisition of J&W, the WSP Employee Benefit Trust sold its rights in the market at a premium. As the outstanding awards to which this relates have vested wholly or in part between 2001 and 2003, the premium arising has been distributed pro rata to the beneficiaries of the awards. The following table shows the benefits arising to the executive directors during 2003:

Director	Award Date	Vesting Date	Market price at Award Date	Market price at Vesting Date	Number of shares Lapsing No.	Number of shares Vesting No.	2003 Gain on Vesting £'000	2003 Rights issue premium £'000	2003 Total Gain £'000	2002 Total Gain £'000
Christopher Cole	17.04.2000	17.04.2003	242.5p	75.0p	36,712	14,136	11	49	60	247
Malcolm Paul	17.04.2000	17.04.2003	242.5p	75.0p	35,488	13,665	10	47	57	238
					72,200	27,801	21	96	117	485

At 31 December 2003, the following awards had been made under the WSP share performance plan, which are dependent upon the future earnings per share growth of WSP.

REMUNERATION REPORT

Director	Award Date	Earliest Vesting Date	Market price at Award Date	Number of shares at 01.01.2003 No.	Granted in year No.	Number of shares Lapsing No.	Number of shares Vesting No.	Number of shares at 31.12.2003 No.	2003 Value of entitlement £'000	2002 Value of entitlement £'000
Christopher Cole										
	17.04.2000	17.04.2003	242.5p	50,848	-	36,712	14,136	0	0	20
	01.04.2001	01.04.2004	425.0p	42,552	-	-	-	42,552	84	17
	01.04.2002	01.04.2005	320.0p	51,563	-	-	-	51,563	102	21
	01.04.2003	01.04.2006	75.0p	-	220,000	-	-	220,000	434	-
				144,963	220,000	36,712	14,136	314,115	620	58
Malcolm Paul										
	17.04.2000	17.04.2003	242.5p	49,153	-	35,488	13,665	0	0	20
	01.04.2001	01.04.2004	425.0p	41,586	-	-	-	41,586	82	17
	01.04.2002	01.04.2005	320.0p	50,391	-	-	-	50,391	99	20
	01.04.2003	01.04.2006	75.0p	-	215,000	-	-	215,000	425	-
				141,130	215,000	35,488	13,665	306,977	606	57
Thomas Erséus										
	01.04.2002	01.04.2005	320.0p	44,063	-	-	-	44,063	87	18
	01.04.2003	01.04.2006	75.0p	-	210,000	-	-	210,000	415	-
				44,063	210,000	0	0	254,063	502	18

b) The WSP Deferred Bonus Share Plan

During 2003 the following directors exercised awards made under the deferred bonus share plan and realised the following gains:

Director	Award Date	Vesting Date	Market price at Award Date	Market price at Vesting Date	Number of shares Vesting No.	2003 Gain on exercise £'000	2002 Gain on exercise £'000
Christopher Cole	01.04.2000	01.04.2003	285.0p	75.0p	7,307	5	113
Malcolm Paul	01.04.2000	01.04.2003	285.0p	75.0p	7,307	5	111

At 31 December 2003, outstanding awards to directors under the deferred bonus share plan were as follows:

Director	Award Date	Earliest Vesting Date	Market price at Award Date	Number of shares 01.01.2003 No.	Exercised in year No.	Granted in year No.	Number of shares 31.12.2003 No.	2003 Value of entitlement £'000	2002 Value of entitlement £'000
Christopher Cole									
	01.04.2000	01.04.2003	285.0p	7,307	7,307	-	-	5	3
	01.04.2003	01.04.2006	75.0p	-	-	83,333	83,333	165	-
				7,307	7,307	83,333	83,333	170	3
Malcolm Paul									
	01.04.2000	01.04.2003	285.0p	7,307	7,307	-	-	5	3
	01.04.2003	01.04.2006	75.0p	-	-	83,333	83,333	165	-
				7,307	7,307	83,333	83,333	170	3
Thomas Erséus									
	01.04.2003	01.04.2006	75.0p	-	-	83,333	83,333	165	-
				-	-	83,333	83,333	165	-

The year end value of entitlements under the share performance plan and the deferred bonus share plan are calculated by reference to the middle market share price at 31 December 2003 which was 197.5p (2002: 40p) and the range in the year was 40p to 200.5p.

In accordance with the Group's accounting policy for employee share schemes, long term incentive compensation arising out of the above plans is included in remuneration when they crystallise, which will normally be after the third anniversary of the award, and appropriate provisions are built up over the vesting period.

Directors' interests

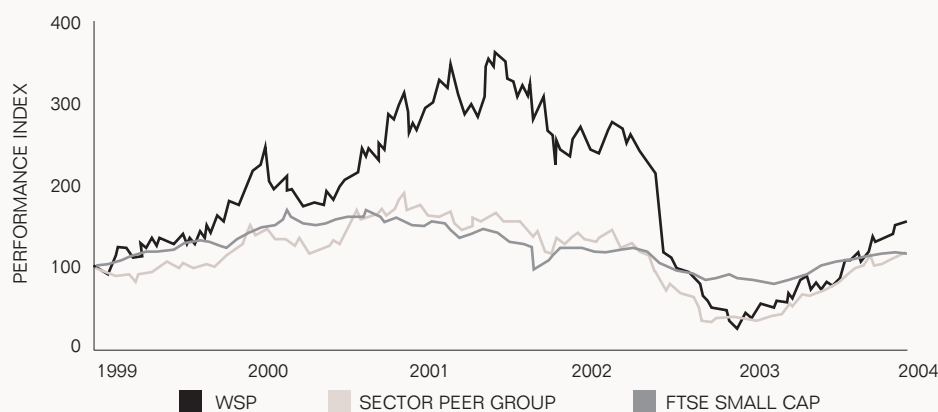
The beneficial and contingent interests of the directors in the 5p ordinary shares of the Company were as follows:

Director	Beneficial Shares No.	Performance Share plan No.	Deferred Bonus Share plan No.	Total Shares No.
At 31 December 2003				
David Turner	10,217	-	-	10,217
Christopher Cole	908,777	314,115	83,333	1,306,225
Malcolm Paul	822,976	306,977	83,333	1,213,286
Thomas Erséus	252,200	254,063	83,333	589,596
Christopher Stephens (appointed 1 January 2003)	5,000	-	-	5,000
Caroline Brown (appointed 1 July 2003)	-	-	-	-
At 1 January 2003				
Peter Welch (resigned 30 June 2003)	100,000	-	-	100,000
Christopher Cole	858,777	144,963	7,607	1,011,347
Malcolm Paul	772,976	141,130	7,607	921,713
Thomas Erséus	252,200	44,063	-	296,263
David Turner	6,707	-	-	6,707
Jan Åkesson (resigned 30 September 2003)	107,000	-	-	107,000

There have been no changes in directors' share interests since 31 December 2003.

Performance Graph

Set out below is a performance graph that compares the share price performance of WSP shares with the FTSE Small Cap index and a peer group of shares in the same sector that comprises W S Atkins plc, White Young Green Plc, Waterman Group plc and Mouchel Parkman plc. The FTSE Small Cap index has been selected because it includes UK quoted companies of a similar size to WSP.



The total shareholder return for the 5 year period to December 2003 of + 56% (2002: - 35%) compares to the total return provided by the FTSE Small Cap index of + 20% (2002: - 21%). Whilst WSP's share price initially performed strongly during the 5 year period, the events of 2001 contributed to a loss in sentiment which continued throughout 2002. It is therefore re-assuring that during the improved market conditions of 2003 there has been a strong improvement in WSP's performance both in relation to the Small Cap index and the sector.

CHRISTOPHER STEPHENS

Chairman of the Remuneration Committee
5 March 2004

CORPORATE GOVERNANCE REPORT

Directors

The Board of WSP Group plc is responsible for the corporate governance of the Group.

The Board comprises the non-executive Chairman, three executive directors together with two independent non-executive directors. All directors have access to the company secretary. Biographies of each of the directors are set out on page 36.

The Combined Code has recently been revised and will take effect for reporting years beginning on or after 1 November 2003. In recognition of revisions to the Code's recommendations on the role of the chairman and non-executive director independence it has been agreed that the Chairman should no longer be counted as an independent non-executive director, and with effect from 31 December 2003 has resigned his place on the Audit and Remuneration Committees. The Board continues to maintain an appropriate balance of executive and non-executive directors.

Christopher Stephens is the senior independent director and took over the role from David Turner when he was appointed Chairman in July 2003.

The Board is responsible to the shareholders for the Group's overall strategy and direction and it usually meets monthly throughout the year. The Board has a standing agenda, including receiving and considering reports from the Chief Executive and the Finance Director on the Group's operational performance, finances, ongoing strategy and risk profile, all of which are considered at the monthly meetings. In addition, there is a schedule of matters specifically reserved to the Board for decisions, including the consideration of acquisitions and disposals and succession planning. Any director may require any issue to be placed before the Board.

Where appropriate, reports are commissioned and discussed on specific subjects. Board papers are circulated to the Board in advance of meetings, and directors are encouraged to seek independent or specialist advice or training at the Company's expense where this will add to their understanding of the Group and the furtherance of their duties.

In accordance with the Company's Articles of Association, one third of directors are required to retire by rotation and, if appropriate, submit themselves for re-election, which in practice means that each director shall retire by rotation at least every three years. In addition directors appointed during the year are subject to election by shareholders at the first opportunity after their appointment. The names of those directors submitted for election or re-election are detailed in the Directors' Report on page 39.

Board Committees

The Board delegates certain specific responsibilities to the following committees:

- The Audit Committee has written terms of reference and reviews the draft financial statements prior to submission to the Board. It also monitors and makes recommendations to the Board regarding the Group's accounting policies and considers significant matters relating to internal control procedures. In addition, the Audit Committee reviews the relationship with the Group's external auditors.
- The Remuneration Committee has written terms of reference to determine on behalf of the Board, the Group's policy on executive remuneration and to consider and approve remuneration packages for the executive directors. The Remuneration Report may be found on pages 41 to 45.
- The Nomination Committee has written terms of reference to consider new Board appointments and make recommendations to the Board. Proposals by the Committee are considered and determined by the full Board.

The composition of the Remuneration Committee is set out on page 41 and that of the Audit and Nomination Committees is as follows:

Audit Committee

Current Members: Caroline Brown, *appointed Chairman 8 July 2003*
Christopher Stephens, *appointed 10 January 2003*

Former Members: David Turner, *resigned 31 December 2003*
Jan Åkesson, *resigned 30 September 2003*
Peter Welch, *resigned 10 January 2003*

Nomination Committee

Current Members: David Turner, *Chairman*
Caroline Brown, *appointed 8 July 2003*
Christopher Stephens, *appointed 10 January 2003*

Former Members: Jan Åkesson, *resigned 30 September 2003*
Peter Welch, *resigned 10 January 2003*

The number of Board and Committee meetings attended as members by each of the directors during the year was as follows:

	Full Board (11)	Audit Committee (3)	Remuneration Committee (3)	Nomination Committee (2)
David Turner	11	3	3	2
Peter Welch	5	-	-	-
Christopher Cole	11	-	-	-
Malcolm Paul	11	-	-	-
Thomas Erséus	10	-	-	-
Christopher Stephens	10	3	3	2
Caroline Brown	6	2	1	-
Jan Åkesson	5	1	2	1

The operational and strategic direction of the Group is monitored through the following committees:

- The Performance Committee has written terms of reference and meets once a month to review and discuss the operational and financial performance of the Group. Each meeting has a formal agenda that includes risk management issues. The Committee consists of the Chief Executive, the Finance Director and the Chairmen of the Executive Committees. The discussions of the Committee meetings are reported to the Board.
- Three Executive Committees meet monthly and are responsible for the day-to-day management of the Group. These Committees embrace the regional businesses in the UK and Sweden, while the Global Environmental Executive Committee is formed from the environmental businesses in all regions. The Committees comprise the Managing Directors of each of the principal operating subsidiaries. The Chief Executive and Group Finance Director regularly visit and attend Board meetings at our American and other international subsidiaries.
- The Strategy Committee, which usually meets at least twice a year, has written terms of reference to develop the strategic direction of the Group and to consider strategic proposals. The Committee consists of the Chief Executive, the Finance Director, the Chairmen of the Executive Committees together with such other senior executives as are deemed appropriate. The Committee reports to the Board.

Internal Control

The directors have ultimate responsibility for the system of internal controls and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. During the year the Board has reviewed the effectiveness of its internal controls and does so on an ongoing basis.

The Audit Committee is responsible for setting the strategy of the internal control review. In doing so, it takes account of the organisational framework and reporting mechanisms embedded within the Group.

The members of the Executive Committees and subsidiary directors are responsible for the management and operation of their businesses and clearly defined levels of authority have been established between the Group's executive directors, the Executive Committees and subsidiary Boards. Subsidiaries are given autonomy, as far as possible, while operating within a control environment established in accordance with Group Policies and Internal Control Procedures.

Executive management are responsible for carrying out risk assessments to identify, evaluate and manage the significant risks applicable to their areas of business. Risks are reviewed and assessed on a regular basis by the Performance Committee, the Group Financial Risk Manager, the Audit Committee and the Board. On an annual basis individual businesses complete internal control questionnaires from which an assessment of compliance with the Group's systems of internal control is prepared. The effectiveness of controls is considered in relation to the range of risks and their significance to the operating circumstances of individual businesses.

The Group Financial Risk Manager works throughout the Group to further identify, monitor and report on the significant financial and operating risks faced by the Group. Reporting to the Audit Committee, the key risks faced by the Group are targeted. The role of the Group Financial Risk Manager is to identify, monitor and report on the significant financial and operating risks faced by the Group in

CORPORATE GOVERNANCE REPORT

order to ensure that WSP meets the highest standards of corporate governance expected by all its stakeholders.

The Audit Committee assists the Board in its review of the effectiveness of internal controls. In its deliberations, the Board has taken account of the results of the internal control self-assessment together with the reports of the Group Financial Risk Manager, reports received from the external auditors, and any other related factors which have come to its attention.

Internal Audit

The Board has considered the need for a separate internal audit function. The Board is satisfied that the culture of embedded controls and continual peer review, together with the work of the Group Financial Risk Manager, is effective in monitoring the established systems.

Statement of Directors' responsibilities for preparing financial statements

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 the Group and of the profit or loss of the Group for that period.

In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Group's website, however information is accessible in many different countries where legislation governing the preparation and dissemination of financial statements may differ from that applicable in the United Kingdom. The responsibilities of the Auditors are set out in the Auditors' report on page 49.

Going concern

The directors believe, on the basis of current financial projections and facilities available that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Relations with Shareholders

In the interests of developing mutual understanding of the Board's objectives, the executive directors meet regularly with institutional investors to discuss the performance of the Group and its future strategy. During the year the Chairman has corresponded with selected institutional investors and has made himself available for meetings in order to discuss a variety of issues, including strategic direction, corporate governance and directors' remuneration.

Corporate and financial presentations are regularly made to Fund Managers, Brokers and the Press, particularly at the announcement of interim and final results. All shareholders are welcome to attend the Annual General Meeting in May where they have the opportunity to put questions to the directors, including the chairmen of Board Committees. Separate resolutions are proposed for each substantially different issue to enable each to receive proper consideration. Proxy votes are disclosed after each resolution has been dealt with by a poll. Notice of the AGM and related papers are sent to shareholders at least 20 working days in advance. Further information on the activities of the Group and other shareholder information are available via the WSP web site, www.wspgroup.com.

Statement of Compliance with the Combined Code

Throughout the year under review, the Group has complied with all the provisions of the Combined Code of good practice in corporate governance issued in June 1998 and as laid down in the Listing Rules of the Financial Services Authority with one exception.

Christopher Cole and Malcolm Paul had service contracts requiring a two-year rolling notice period, however with effect from 1 January 2004 new service contracts with one year rolling notice period have been signed, subject only to a change of control clause for the first 12 months which would require a two-year notice period.

AUDITORS' REPORT

Independent auditors' report to the members of WSP Group plc

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of Group total recognised gains and losses, the reconciliation of movements in equity shareholders' funds and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

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. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report 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 whether the financial statements and the auditable part of the directors' remuneration report have been 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the chief executive's statement, the finance director's report, the corporate governance report and other information for shareholders.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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 and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements 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 and the auditable part of the directors' remuneration report 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 affairs of the Company and the Group at 31st December 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place
London WC2N 6RH
5 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Notes	Before Goodwill £'000	Goodwill £'000	2003 Total £'000	Before Goodwill £'000	Goodwill £'000	2002 Total £'000
Group and share of joint ventures and associated undertakings turnover	1	298,868	-	298,868	272,024	-	272,024
Less: share of turnover of joint ventures and associated undertakings	4	(15,315)	-	(15,315)	(10,574)	-	(10,574)
Turnover		283,553	-	283,553	261,450	-	261,450
Group share of operating profit, before amortisation of goodwill		16,004	-	16,004	14,451	-	14,451
Exceptional items	3	(2,250)	-	(2,250)	(6,505)	-	(6,505)
Amortisation of goodwill		-	(5,269)	(5,269)	-	(5,128)	(5,128)
Total operating profit, including joint ventures and associated undertakings		13,754	(5,269)	8,485	7,946	(5,128)	2,818
Group share of operating profit		13,532	(5,269)	8,263	6,881	(5,128)	1,753
Share of operating profit of joint ventures and associated undertakings		222	-	222	1,065	-	1,065
Total operating profit	2	13,754	(5,269)	8,485	7,946	(5,128)	2,818
Profit on sale subsidiary undertaking	19	409	-	409	-	-	-
Net finance costs	5	(3,313)	-	(3,313)	(2,444)	-	(2,444)
Profit on ordinary activities before taxation		10,850	(5,269)	5,581	5,502	(5,128)	374
Taxation	8	(3,429)	-	(3,429)	(1,988)	-	(1,988)
Profit/(loss) on ordinary activities after taxation		7,421	(5,269)	2,152	3,514	(5,128)	(1,614)
Minority interests (equity)		(90)	-	(90)	(17)	-	(17)
Profit/(loss) for the financial year		7,331	(5,269)	2,062	3,497	(5,128)	(1,631)
Dividends	9	(3,010)	-	(3,010)	(2,662)	-	(2,662)
Retained (loss)/profit for the financial year		4,321	(5,269)	(948)	835	(5,128)	(4,293)
Basic earnings/(loss) per share	10	12.7p	(9.1p)	3.6p	6.6p	(9.7p)	(3.1p)
Basic earnings per share before operating exceptional items and profit on sale of subsidiary undertaking	10	15.0p	(9.1p)	5.9p	15.2p	(9.7p)	5.5p
Diluted earnings per share	10	12.4p	(8.9p)	3.5p			
Diluted earnings per share before operating exceptional items and profit on sale of subsidiary undertaking	10	14.6p	(8.9p)	5.7p	11.9p	(7.5p)	4.4p
Dividends per ordinary share	9			5.0p			5.0p

The above results all relate to continuing operations.

BALANCE SHEETS

as at 31 December 2003

	Notes	2003 £'000	The Group 2002 £'000	2003 £'000	The Company 2002 £'000
Fixed assets					
Intangible assets	11	92,556	93,024	1,357	1,357
Tangible assets	12	16,845	17,801	153	203
Investments in associated undertakings	13	3,196	3,767	-	-
Investments in joint ventures	13				
Share of gross assets		1,836	61	-	-
Share of gross liabilities		(1,808)	-	-	-
		28	61	-	-
Other investments	13	1,277	1,275	25,138	23,836
		113,902	115,928	26,648	25,396
Current assets					
Debtors	14	88,661	91,243	137,112	134,139
Cash at bank		16,444	12,002	131	922
		105,105	103,245	137,243	135,061
Creditors due within one year	15	(127,374)	(66,789)	(73,321)	(15,501)
Net current (liabilities)/assets		(22,269)	36,456	63,922	119,560
Total assets less current liabilities		91,633	152,384	90,570	144,956
Creditors due after more than one year	15	(1,027)	(54,850)	-	(53,482)
Provisions for liabilities and other charges					
Deferred taxation	16	(5,174)	(4,689)	(47)	(46)
Other provisions	17	(870)	(6,558)	(194)	(440)
Net assets		84,562	86,287	90,329	90,988
Capital and reserves					
Called up share capital	18	3,022	2,662	3,022	2,662
Share premium account	19	76,510	71,253	76,510	71,253
Shares to be issued	18	253	5,769	253	5,769
Other reserves	19	-	-	8,210	8,210
Profit and loss account	19	4,665	6,581	2,334	3,094
Equity shareholders' funds		84,450	86,265	90,329	90,988
Minority interests - equity		112	22	-	-
		84,562	86,287	90,329	90,988

Approved by the Board of Directors on 5 March 2004 and signed on their behalf by:

CHRISTOPHER COLE Chief Executive

MALCOLM PAUL Group Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	21	17,301	23,169
Dividend received from associated undertaking		532	454
Returns on investments and servicing of finance			
Bank interest paid		(3,685)	(3,591)
Bank interest received		448	596
Interest paid on finance leases		(76)	(48)
		(3,313)	(3,043)
Taxation paid			
UK taxation		(1,325)	(1,672)
Overseas taxation		(1,089)	(3,932)
		(2,414)	(5,604)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(4,732)	(5,415)
Sale of tangible fixed assets		542	1,456
Purchase of investments		(149)	(284)
		(4,339)	(4,243)
Acquisitions and disposals			
Sale of subsidiary undertaking		1,252	-
Net cash of subsidiary disposed		(259)	-
Purchase of subsidiary undertakings		(369)	(450)
Deferred consideration paid		(4,871)	(3,239)
		(4,247)	(3,689)
Equity dividends paid		(2,794)	(2,659)
Net cash inflow before financing		726	4,385
Financing	22	3,718	(626)
Increase in cash in the year	23	4,444	3,759

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit/(loss) for the financial year	2,062	(1,631)
Translation differences on foreign exchange	(1,203)	(3,077)
Total gains and losses recognised in the year	859	4,708

There is no material difference between the historic cost and the reported profit/(loss).

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

for the year ended 31 December 2003

	2003 £'000	The Group 2002 £'000	2003 £'000	The Company 2002 £'000
Profit/(loss) for the financial year	2,062	(1,631)	3,582	1,350
Dividends	(3,010)	(2,662)	(3,010)	(2,662)
Retained (loss)/profit for the financial year	(948)	(4,293)	572	(1,312)
New ordinary shares issued	5,617	282	5,617	282
Movement in shares to be issued	(5,516)	(1,979)	(5,516)	(1,979)
Performance share plan	235	(320)	235	-
Translation differences on foreign exchange	(1,203)	(3,077)	(1,567)	(519)
Net deduction from shareholders' funds	(1,815)	(9,387)	(659)	(3,528)
Shareholders' funds at 1 January	86,265	95,652	90,988	94,516
Shareholders' funds at 31 December	84,450	86,265	90,329	90,988

ACCOUNTING POLICIES

for the year ended 31 December 2003

The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom. The principal accounting policies have been applied consistently.

Accounting policies

In accordance with FRS18, the directors have reviewed the Group's accounting policies and no changes in accounting policy are required.

Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 1985 using the historical cost basis of accounting and on a going concern basis. In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not presented.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings all made up to 31 December each year. The results and net assets of subsidiary undertakings acquired are included in the Group profit and loss account and balance sheet using the acquisition method of accounting from the effective date of acquisition. The results, and net assets of subsidiary undertakings disposed of, are included in the Group profit and loss account and balance sheet using the acquisition method of accounting to the effective date of disposal. Income and expenditure relating to transactions between Group undertakings are eliminated on consolidation.

Investments

Investments in subsidiary and associated undertakings and joint ventures are stated in the Company's balance sheet at cost less any permanent impairment in value. The consolidated balance sheet and profit and loss account include the Group's equity interests and results of the Group's joint ventures and associated undertakings in accordance with FRS 9 'Associates and Joint Ventures'. Certain other investments are included at cost less provision for any diminution in value.

Goodwill

Goodwill represents the difference between the fair value of cost of acquisitions and the fair value of net assets acquired. The cost of acquisitions comprises the fair value of the initial consideration, deferred consideration paid or accrued and professional and other costs associated with the acquisition.

Purchased goodwill arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal. Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life on a case-by-case basis up to 20 years.

Impairment of goodwill is reviewed in accordance with FRS10 by reference to expected future profits and cash flows, discounted at an appropriate rate.

Turnover

Group turnover comprises the value of work performed during the year on contracts by reference to total sales value and stage of completion of these contracts.

Long term contracts

Amounts recoverable on contracts are stated at cost plus attributable profits less foreseeable losses and progress payments received and receivable and are disclosed under debtors. Cost comprises direct labour and attributable overheads. Attributable profit is that proportion of the total profit currently estimated to arise over the duration of a contract, which may reasonably be attributed to the work carried out at the balance sheet date.

Foreseeable losses are all losses currently expected to arise on contracts in progress, irrespective of their stage of completion at the balance sheet date. Progress payments receivable in excess of the value of work executed on individual contracts are included in creditors under the heading payments received on account.

In the case of short term projects, profit is not recognised until the end of the contract except where a right to consideration has been established as a result of performance. Under such circumstances revenue is based on the fair value of the right to consideration.

Depreciation

Depreciation is provided at rates calculated to write off the cost of tangible fixed assets less estimated realisable value by equal annual instalments over their expected useful lives, subject to an impairment review. The rates applicable are as follows:

Freehold and long leasehold property	1%
Short leasehold property	lease term
Motor vehicles	25%
Office equipment	20-33%
Fixtures and fittings	10%

Leasing

The capital cost of equipment acquired under finance leases is capitalised. Finance costs are charged to the profit and loss account over the period of the agreement. Obligations under finance leases are included in creditors net of finance costs allocated to future periods.

Rentals paid under operating leases are charged to the profit and loss account as incurred on a straight-line basis.

Earnings per share

In accordance with FRS 14 'Earnings per share' the Group presents both basic and diluted earnings per share for the current and preceding years. The basis of calculation is given in note 10 to the financial statements.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, or where forward cover contracts have been arranged, at the contracted rates. Monetary assets and liabilities denominated in foreign currencies, where a contracted rate does not apply, are translated at the exchange rates ruling at the balance sheet date and any exchange differences are taken to the profit and loss account.

The profit and loss accounts and balance sheets of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising on the translation of opening and closing net assets are shown as a movement in reserves and in the statement of total recognised gains and losses.

The Group's significant overseas equity investments are hedged by borrowings in the currencies in which those assets are denominated and by the use of derivative financial instruments. Exchange differences arising on the retranslation of overseas net investments, including goodwill, less exchange differences on the borrowings and derivative financial instruments are taken to reserves through the statement of total recognised gains and losses.

Derivatives and other financial instruments

The Group uses various derivative financial instruments to manage its exposure to foreign exchange and interest rate risks. These may include currency swaps, foreign exchange swaps, forward foreign currency contracts, currency options, interest rate swaps and interest rate caps and collars. The Group considers its derivative financial instruments to be hedges and matches them with the relevant hedged items.

Cash flows relating to these derivative financial transactions are netted against hedged transactions in the cash flow statement within net cash inflow from operating activities or return on investments and servicing of finance as appropriate.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2003

- **Currency swaps and foreign exchange swaps**

Swaps are revalued at the exchange rates ruling at the balance sheet date. Realised and unrealised exchange gains and losses on swaps that hedge investment in overseas operations are taken to reserves through the statement of total recognised gains and losses. Realised and unrealised exchange gains and losses on other swaps are recognised in the profit and loss account. The premium or discount on foreign exchange swaps and interest payments and receipts on currency swaps are recognised as part of the net interest payable over the period of the contract.

- **Forward foreign exchange contracts**

The Sterling equivalent of forward foreign exchange contracts used to hedge foreign currency trade debtors and creditors is recorded at the contracted amount. Realised and unrealised exchange gains and losses on these contracts are recognised in the profit and loss account.

- **Currency options**

Currency option premia are recognised at their historic cost in the consolidated balance sheet. At maturity the hedged item is recorded at the spot exchange rate net of option premia and any realised gains on exercise.

- **Interest rate swaps**

Interest payments and receipts are accrued with net interest payable. They are not revalued to fair value or shown on the consolidated balance sheet at the year end.

- **Interest rate caps and collars**

The option premia paid are recognised on the consolidated balance sheet as other debtors. The options are not revalued to fair value in the consolidated balance sheet. The option premia, net of any realised gains, are taken to net interest payable spread evenly over the life of the cap and collar.

- **Upfront fees**

Upfront fees on debt are amortised evenly over the term of the debt.

Pension costs

The Group makes contributions into six separate defined benefit schemes. These schemes are closed to new entrants. Payments are made into trust funds, which are financially separate from the Group, in accordance with periodic calculations by independent professionally qualified actuaries. The expected cost to the Group of providing defined benefit pensions is charged to the Profit and Loss account so as to spread the cost of pensions over the remaining service lives of employees in the schemes, in such a way that the cost is substantially a level percentage of payroll cost, with experience surpluses and deficits being amortised on a straight line basis.

Amounts payable to defined contribution schemes are charged to the profit and loss account in the year in which they arise.

FRS 17 'Retirement Benefits'

FRS 17 'Retirement Benefits' requires the assets of a defined benefit pension scheme to be measured at market value at each balance sheet date and the liabilities to be measured using a specified actuarial valuation method and to be discounted using a corporate bond rate.

It also requires the resulting pension scheme surplus or deficit to be recognised immediately on the Group balance sheet and any resulting actuarial gains and losses to be recognised immediately in the Group statement of total recognised gains and losses rather than being recognised gradually in the Group profit and loss account.

Full compliance with this standard is not currently required and the Group continues to account for pension costs under SSAP 24, however transitional disclosure has been made in note 25 to these financial statements.

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares (including conditional rights) are charged to the profit and loss account over the period to which the employees' performance relates. Long term incentive compensation is disclosed in directors' remuneration when it crystallises.

Employee Share Ownership Plan (ESOP)

The Group's ESOP is a separately administered discretionary trust for the benefit of employees. The assets of the ESOP mainly comprise shares in the Company. The material assets, liabilities, income and costs of the ESOP are consolidated within these financial statements.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, and where these transactions or events result in an obligation to pay more tax, or a right to pay less tax in the future. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred taxation assets are only recognised when the recoverability of these can be determined with a degree of certainty. Deferred taxation 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 at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Related party transactions

The Group has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose transactions between Group companies.

Research and development

Research and development costs are written off in the year incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1 Segmental analysis

	2003 £'000	2002 £'000
a) Turnover		
<i>By class of business:</i>		
Property	160,183	151,086
Transport & Infrastructure	91,097	82,656
Environmental	32,273	27,708
Turnover	283,553	261,450
<i>Share of turnover of:</i>		
Associated undertakings - Multi-disciplined services	11,275	10,574
Joint ventures - Transport & Infrastructure	4,040	-
Group and share of joint ventures and associated undertakings turnover	298,868	272,024
<i>By location of operations:</i>		
United Kingdom	120,684	106,572
Mainland Europe	111,547	102,259
United States of America	27,780	32,889
Africa	11,253	6,812
Asia	8,694	10,294
Other	3,595	2,624
Turnover	283,553	261,450
<i>Share of turnover of:</i>		
Associated undertakings - Mainland Europe	11,275	10,574
Joint ventures - United Kingdom	4,040	-
Group and share of joint ventures and associated undertakings turnover	298,868	272,024

There was no material difference between geographical turnover by location of operation and by location of client.

	2003 £'000	2002 £'000
b) Profit before taxation		
<i>By class of business:</i>		
Operating profit before exceptional items and amortisation of goodwill		
Property	7,559	6,792
Transport & Infrastructure	6,164	4,979
Environmental	2,059	1,615
	15,782	13,386
<i>Share of operating profit/(loss) of:</i>		
Associated undertakings - Multi-disciplined services	353	1,065
Joint ventures - Transport & Infrastructure	(131)	-
	16,004	14,451
Exceptional items – Property	(2,250)	(6,505)
Amortisation of goodwill	(5,269)	(5,128)
Total operating profit	8,485	2,818
Profit on sale of subsidiary undertaking	409	-
Net finance costs	(3,313)	(2,444)
Profit before taxation	5,581	374

The segmental analysis of amortisation of goodwill has not been disclosed as in the opinion of the directors this would not provide further meaningful information.

	2003 £'000	2002 £'000
<i>By location of operations:</i>		
Operating profit before exceptional items and amortisation of goodwill		
United Kingdom	8,339	7,612
Mainland Europe	5,165	3,690
United States of America	1,185	2,156
Africa	1,189	470
Asia	(227)	(347)
Other	131	(195)
	15,782	13,386
<i>Share of operating profit/(loss) of:</i>		
Associated undertakings - Mainland Europe	353	1,065
Joint ventures - United Kingdom	(131)	-
	16,004	14,451
<i>Exceptional items:</i>		
United Kingdom	(2,250)	(4,317)
Mainland Europe	-	(1,888)
Asia	-	(300)
	(2,250)	(6,505)
Amortisation of goodwill	(5,269)	(5,128)
Total operating profit	8,485	2,818
Profit on sale of subsidiary undertaking - Mainland Europe	409	-
Net finance costs	(3,313)	(2,444)
Profit before taxation	5,581	374
c) Net assets		
<i>By class of business:</i>		
Property	80,030	79,175
Transport & Infrastructure	42,276	42,242
Environmental	16,396	14,624
	138,702	136,041
<i>Share of net assets/(liabilities) of:</i>		
Associated undertakings	3,196	3,728
Joint ventures	28	-
Group syndicated loan facility	(57,364)	(53,482)
	84,562	86,287
<i>By location of operations:</i>		
United Kingdom	46,420	47,976
Mainland Europe	70,855	63,897
United States of America	16,870	20,401
Africa	1,438	1,051
Asia	3,593	3,303
Other	(474)	(587)
	138,702	136,041
<i>Share of net assets/(liabilities) of:</i>		
Associated undertakings - Mainland Europe	3,196	3,728
Joint ventures - United Kingdom	28	-
Group syndicated loan facility	(57,364)	(53,482)
	84,562	86,287

Net finance costs and the Group syndicated loan facility are shown separately as they service the Group as a whole.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

2 Total operating profit

	2003 £'000	2002 £'000
Group and share of joint ventures and associated undertakings turnover	298,868	272,024
Less: share of turnover of joint ventures and associated undertakings	(15,315)	(10,574)
Turnover	283,553	261,450
Cost of sales	(205,856)	(189,016)
Gross profit	77,697	72,434
Administrative expenses	(69,434)	(70,681)
Group share of operating profit	8,263	1,753
Share of operating profit of joint ventures and associated undertakings	222	1,065
Total operating profit	8,485	2,818

3 Exceptional items

In 1993, WSP acquired a company that had been party to the structural design of a building in 1991 that subsequently failed as a result of subsidence and this led to a professional negligence claim against WSP, as the successor company. Following the unexpected result of an arbitration hearing in October 2003, the potential liability to WSP increased substantially and despite various attempts at mediation the legal case finally came to trial in January 2004. An out of court settlement was negotiated during the trial and whilst the majority of WSP's liability arising out of the settlement will be paid by the Group's professional indemnity insurance, there remains a maximum amount of £2.25m to be paid by the Group in 2004, for which full provision has been made in the 2003 accounts.

In 2002, the Group reported exceptional items of £6.5m, of which £5.3m related to a restructuring programme and £1.2m to a bad debt from a client in the communications sector.

Tax credits of £0.6m (2002: £1.9m) have been recorded in the relevant years in respect of the above items.

4 Joint ventures and associated undertakings

	2003 £'000	2002 £'000
Share of associated undertakings turnover	11,275	10,574
Share of joint ventures turnover	4,040	-
	15,315	10,574
Operating profit of associated undertakings	353	1,065
Operating profit of joint ventures	(131)	-
	222	1,065
Interest receivable	114	-
Share of profit on ordinary activities before taxation	336	1,065
Taxation on profit on ordinary activities	(100)	-
Share of operating profit on ordinary activities after taxation	236	1,065

4 Joint ventures and associated undertakings (continued)

	2003 £'000	2002 £'000
Share of net assets of joint ventures and associated undertakings		
Intangible assets - Goodwill	132	151
Tangible fixed assets	931	686
Current assets	7,471	5,637
	8,534	6,474
Liabilities due within one year	(5,310)	(2,646)
	3,224	3,828
Group turnover with joint ventures and associated undertakings	2,429	700
Included in joint ventures and associated undertakings' current assets are:		
Trading balances with WSP	3	8
Included in joint ventures and associated undertakings' liabilities due within one year are:		
Trading balances with WSP	20	70

5 Net finance costs

	2003 £'000	2002 £'000
<i>Interest on loans and other borrowings wholly repayable within five years:</i>		
Bank overdrafts	567	989
Bank loans	3,118	2,571
Interest on deferred consideration	-	32
Finance leases	76	48
Interest payable	3,761	3,640
Interest receivable and other similar income	(448)	(596)
Net interest payable	3,313	3,044
Unwinding of discount relating to long term debtor	-	(600)
Net finance costs	3,313	2,444

6 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
<i>Is stated after charging/(crediting):</i>		
Property lease rentals	12,474	10,340
Equipment lease rentals	2,149	1,312
Auditors' remuneration for the statutory audit	522	498
Other fees paid to the auditors:		
Taxation services	96	43
Interim review	32	32
Internal controls review and other services	24	120
Amortisation of goodwill	5,269	5,128
Depreciation of owned assets	5,872	5,923
Depreciation of assets held under finance leases	506	535
Rents receivable	-	(119)
(Profit)/Loss on disposal of fixed assets	(1)	6

The audit fee for the Company was £50,000 (2002: £50,000)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

7 Directors and employees

	2003 £'000	2002 £'000
<i>Staff costs, including directors, were as follows:</i>		
Wages and salaries	132,700	128,575
Social security costs	23,097	21,901
Other pension costs	13,083	11,528
Contract and agency staff	10,197	8,828
Total staff costs	179,077	170,832

	Number	Number
<i>The weekly average number of employees, contract and agency staff, including directors, was as follows:</i>		
Engineering and technical	4,583	4,598
Administration	387	421
Total staff	4,970	5,019

	2003 £'000	2002 £'000
<i>Aggregate emoluments of the directors of the Company was as follows:</i>		
Salaries and benefits	790	655
Pension contributions	138	127
Non executive directors' fees	125	95
Aggregate emoluments	1,053	877
Aggregate gains on the exercise of share options	127	709

Full details of the Directors' emoluments, share options, long term incentive plans including gains on exercise and pension entitlements are included in the Remuneration Report on pages 41 to 45.

8 Taxation

	2003 £'000	2002 £'000
(a) Current tax		
UK corporation tax on profits of the year at 30% (2002:30%)	2,125	824
Adjustments in respect of previous years	235	(400)
	2,360	424
Foreign tax on profits of the year	1,038	2,475
Adjustments in respect of previous years	(247)	(218)
Share of tax of associated undertakings	100	298
Total current tax charge - note 8 (b)	3,251	2,979
Movement in deferred tax - note 16	178	(991)
Tax on profit on ordinary activities	3,429	1,988

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

The tax assessed for the year is higher (2002: higher) than the standard rate of corporation tax in the UK (30% (2002:30%))

The differences are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation and amortisation of goodwill	10,850	5,502
Amortisation of goodwill	(5,269)	(5,128)
Profit on ordinary activities before taxation	5,581	374
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	1,674	112
Effect of different tax rates on overseas earnings	(109)	72
Expenses not deductible for tax purposes	692	363
Other timing differences	(813)	991
Adjustments to current tax charge in respect of previous periods	(12)	(618)
Unrelieved overseas losses	238	521
Current tax charge before non deductible goodwill	1,670	1,441
Non deductible goodwill amortisation	1,581	1,538
Total current tax charge	3,251	2,979

The directors are not aware of any factors which may affect the future tax charge.

Further details of movement in deferred tax can be found in note 16.

9 Dividends

	2003 £'000	2002 £'000
Interim dividend of 2.0p (2002: 2.0p) per share	1,197	1,065
Proposed final dividend of 3.0p (2002: 3.0p) per share	1,813	1,597
Total dividend of 5.0p (2002: 5.0p) per share	3,010	2,662

If approved at the Annual General Meeting, which is convened for 11 May 2004, the final dividend will be paid on 13 May 2004 to shareholders on the register of members at the close of business on 13 April 2004.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

10 Earnings/(loss) per share

The directors believe that the presentation of an adjusted earnings per share, being the basic and diluted earnings per share adjusted for amortisation of goodwill and exceptional items, assists with the understanding of the underlying performance of the Group.

	Basic 2003 £'000	Adjusted 2003 £'000	Basic 2002 £'000	Adjusted 2002 £'000
Profit/(loss) for the financial year attributable to shareholders	2,062	2,062	(1,631)	(1,631)
Amortisation of goodwill	-	5,269	-	5,128
Earnings/(loss)	2,062	7,331	(1,631)	3,497
Operating exceptional items and profit on sale of subsidiary undertaking, net of taxation	-	1,289	-	4,554
Diluted earnings/(loss)	2,062	8,620	(1,631)	8,051
	No. 000	No. 000	No. 000	No. 000
Weighted average number of shares in issue	57,524	57,524	53,041	53,041
Basic earnings/(loss) per share	3.6p		(3.1p)	
Basic earnings per share before amortisation of goodwill		12.7p		6.6p
Basic earnings per share before amortisation of goodwill, operating exceptional items and profit on sale of subsidiary undertaking		15.0p		15.2p
	Diluted 2003 No. 000	Adjusted 2003 No. 000	Diluted 2002 No. 000	Adjusted 2002 No. 000
Weighted average number of shares in issue	57,524	57,524	53,041	53,041
Dilution effects of shares to be issued	128	128	14,423	14,423
Dilution effects of share options	1,501	1,501	439	439
	59,153	59,153	67,903	67,903
Diluted earnings per share	3.5p			
Diluted earnings per share before amortisation of goodwill		12.4p		5.1p
Diluted earnings per share before amortisation of goodwill, operating exceptional items and profit on sale of subsidiary undertaking		14.6p		11.9p

The weighted average number of shares in issue excludes shares held by the WSP Employee Benefit Trust.

The dilutive effect of shares to be issued is calculated by reference to the market value of shares at the year end as applied to the total performance related deferred consideration where conditions have been met at the year end.

11 Intangible assets

Intangible fixed assets comprise goodwill arising on the acquisition of businesses and subsidiaries, details of which are as follows:

	The Group £'000	The Company £'000
Cost at 1 January 2003	102,587	1,717
Additions	173	-
Adjustment to deferred consideration	271	-
Disposals	(455)	-
Translation differences on foreign exchange and other movements	4,633	-
Cost at 31 December 2003	107,209	1,717
Amortisation at 1 January 2003	9,563	360
Charge for the year	5,269	-
Translation differences on foreign exchange	(179)	-
Amortisation at 31 December 2003	14,653	360
Net book value		
At 31 December 2003	92,556	1,357
At 31 December 2002	93,024	1,357

11 Intangible assets (continued)

In accordance with the Group's accounting policy, goodwill arising is capitalised and amortised over its estimated useful life which the directors consider to be up to 20 years to reflect the nature of the businesses acquired and their prospective earnings stream.

No reinstatement has been made for goodwill written off prior to 1 January 1998 which amounted to £9.8m.

12 Tangible fixed assets

The Group	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Motor vehicles £'000	Office equipment £'000	Fixtures & fittings £'000	Total £'000
Cost at 1 January 2003	1,237	2,786	2,203	1,865	31,838	10,627	50,556
Additions during year	-	-	235	289	3,942	995	5,461
Disposals during year	(174)	-	(515)	(602)	(3,686)	(1,739)	(6,716)
Foreign exchange differences	111	-	(64)	121	1,454	547	2,169
Cost at 31 December 2003	1,174	2,786	1,859	1,673	33,548	10,430	51,470
Depreciation at 1 January 2003	252	349	785	1,219	24,184	5,966	32,755
Charge for the year	20	28	246	215	4,524	1,345	6,378
Disposals during year	(32)	-	(380)	(415)	(3,696)	(1,652)	(6,175)
Foreign exchange differences	23	-	(21)	80	1,245	340	1,667
Depreciation at 31 December 2003	263	377	630	1,099	26,257	5,999	34,625
Net book value							
At 31 December 2003	911	2,409	1,229	574	7,291	4,431	16,845
At 31 December 2002	985	2,437	1,418	646	7,654	4,661	17,801
The Company							
Cost at 1 January 2003	-	-	12	-	519	397	928
Cost at 31 December 2003	-	-	12	-	519	397	928
Depreciation at 1 January 2003	-	-	9	-	481	235	725
Charge for the year	-	-	1	-	13	36	50
Depreciation at 31 December 2003	-	-	10	-	494	271	775
Net book value							
At 31 December 2003	-	-	2	-	25	126	153
At 31 December 2002	-	-	3	-	38	162	203

The net book value of Group fixed assets of £16.8m (2002: £17.8m) includes an amount of £0.6m (2002: £0.8m) in respect of assets held under finance leases.

The net book value of Company fixed assets of £0.2m (2002: £0.2m) includes an amount of £Nil (2002: £Nil) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

13 Investments

The Group's interest in joint ventures, associated undertakings and other investments was as follows:

	Other investments Note 13 (a) £'000	Investment in own shares Note 13 (b) £'000	Other investments Total £'000	Investment in joint ventures Note 13 (c) £'000	Investment in associated undertakings Note 13 (c) £'000
Cost at 1 January 2003	1,158	275	1,433	61	3,767
Additions	82	-	82	87	-
Profit/(loss) for year	-	-	-	(120)	356
Dividends	-	-	-	-	(532)
Other movements	-	-	-	-	(20)
Foreign exchange	(76)	-	(76)	-	(375)
Cost at 31 December 2003	1,164	275	1,439	28	3,196
Amortisation at 1 January 2003	-	158	158	-	-
Charge for the year	-	4	4	-	-
Amortisation at 31 December 2003	-	162	162	-	-
Net investments					
At 31 December 2003	1,164	113	1,277	28	3,196
At 31 December 2002	1,158	117	1,275	61	3,767

The Company's interest in subsidiary undertakings and own shares was as follows:

	Investment in own shares Note 13 (b) £'000	Subsidiary undertakings Note 13 (d) £'000	Total £'000
Cost at 1 January 2003	275	23,719	23,994
Additions	-	1,393	1,393
Cost at 31 December 2003	275	25,112	25,387
Amortisation at 1 January 2003	158	-	158
Charge for the year	4	87	91
Amortisation at 31 December 2003	162	87	249
Net investments			
At 31 December 2003	113	25,025	25,138
At 31 December 2002	117	23,719	23,836

The increase in investment in subsidiary undertakings is primarily due to the capitalisation of loans to overseas subsidiaries.

(a) Other investments

Other investments relate to the capital value of life assurance policies written on the lives of certain vendors of Flack + Kurtz that were transferred to the Group at the time of the acquisition of that business, and property interests. The cost of these is not significantly different to the market value.

13 Investments (continued)

(b) The WSP Employee Benefit Trust

The Group operates the WSP Performance Share Plan and the WSP Deferred Bonus Share Plan for the benefit of its executive directors and senior management. The WSP Employee Benefit Trust, which was set up in 1997, holds ordinary shares in the Company to meet commitments in respect of the share awards granted under these schemes. As the Group makes all decisions over how the shares of the Trust are used for the benefit of the employees, the assets and liabilities of the Trust are recognised within these accounts as assets and liabilities of the WSP Group plc, in accordance with UITF 13.

WSP Group plc has provided loans totalling £1,529,141 (2002: £1,529,141) to the Trust in the form of interest free loans to enable the Trust to purchase shares in the Company. Subsidiary undertakings of the Group will make cash contributions to the Trust which will be used to repay the loans.

The cost of the potential future awards of the two schemes is accrued over the 3-year performance periods of each plan. The cost of future awards charged in 2003 in the accounts of WSP Group plc was £240,518 (2002: £Nil). The market value of awards made for the 2000 plan that crystallised in 2003 was £54,662.

As at 31 December 2003 the Trust owned 167,146 ordinary shares of the Company (2002: 167,146). The market value of each share held at 31 December 2003 was 197.5p per share (2002: 40p). All shares held are reserved to meet existing commitments under the employee incentive schemes.

(c) Principal joint ventures and associated undertakings

	Group's interest	Class of shares held	Country of Registration	Principal activities
Associated undertakings:				
Gifford Graham & Partners	50.0%	ordinary	England	Civil engineering
Multiconsult AS	24.7%	ordinary	Norway	Multi-disciplined consultancy
Talone AS	49.0%	ordinary	Estonia	Structural building design
Joint ventures:				
Ryan Hanley WSP Limited	50.0%	ordinary	Ireland	Civil engineering
Carillion WSP	40.0%	unincorporated	England	Civil engineering
Diarchon TSA	50.0%	ordinary	Greece	Project management

(d) Principal subsidiary undertakings

Unless otherwise indicated the following principal subsidiary undertakings are registered and operate in England.

The Group's interest comprises entirely ordinary equity shares.

Principal subsidiary undertakings	Group's interest	Principal activities
WSP Buildings Limited	100%	Multi-disciplined building design
WSP Civils Limited*	100%	Civil engineering and network management
WSP Development Limited*	100%	Infrastructure and transport planning
WSP Environmental Limited*	100%	Environmental and geotechnical services
WSP Knowledge Solutions plc	100%	Facilities management
WSP International Management Consulting Limited*	100%	Management consultancy and infrastructure support
WSP Management Services Limited	100%	Management services
WSP Remediation Limited*	100%	Remediation of contaminated land
WSP Sweden AB*	100%	Multi-disciplined consultancy, registered in Sweden
LT Konsultit Oy*	100%	Multi-disciplined consultancy, registered in Finland
The Cantor Seinuk Group Inc.*	100%	Structural building design, registered in U.S.A.
Cantor Seinuk UK Limited*	100%	Structural building design
Flack + Kurtz Inc.*	100%	Building services design, registered in U.S.A.
Flack + Kurtz UK Limited*	100%	Building services design
WSP Group South Africa (Pty) Limited*	100%	Multi-disciplined building design, registered in South Africa
WSP Asia Limited*	100%	Multi-disciplined building design, registered in Hong Kong
WSP Hong Kong Limited*	100%	Building services design, registered in Hong Kong
WSP Philippines Limited*	100%	Building services design, registered in Philippines

* The investment in these companies is held through subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

14 Debtors

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
<i>Due within one year:</i>				
Trade debtors	54,359	54,824	40	71
Amounts recoverable on contracts	24,513	22,390	-	-
Amounts due from group undertakings	-	-	136,767	132,619
Amounts due from joint ventures and associated undertakings	20	70	-	-
Other debtors	3,311	7,459	147	301
Prepayments and accrued income	6,458	6,500	158	1,148
	88,661	91,243	137,112	134,139

15 Creditors

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
<i>Due within one year:</i>				
Bank overdrafts	1,112	1,114	1,422	2,008
Bank loans	58,495	1,395	57,364	-
Property mortgage	40	22	-	-
Obligations under finance leases	378	304	-	-
Trade creditors	10,244	11,870	63	57
Amounts due to joint ventures and associated undertakings	3	8	-	-
Amounts due to group undertakings	-	-	10,606	9,690
Payments received on account	4,362	7,426	-	-
Corporation tax	2,002	1,254	579	323
Other taxes and social security costs	10,179	10,949	145	8
Dividend payable	1,813	1,597	1,813	1,597
Other creditors and accruals	38,727	30,643	1,329	1,818
Deferred consideration	19	207	-	-
	127,374	66,789	73,321	15,501
<i>Due after more than one year:</i>				
Bank loans	81	53,970	-	53,482
Property mortgage	489	568	-	-
Obligations under finance leases				
– Between one and two years	419	260	-	-
Deferred consideration	38	52	-	-
	1,027	54,850	-	53,482

At 31 December 2003 the Group's syndicated loan facility of £60m was due for renewal in May 2004 therefore amounts outstanding have been shown as current liabilities. In February 2004 new long term bank facilities were negotiated, further details of which are set out in note 30.

16 Provisions for liabilities and other charges – Deferred taxation

Group	Work in progress £'000	Short term timing differences £'000	Accelerated capital allowances £'000	2003 Total £'000	2002 Total £'000
At 1 January 2003	5,230	(351)	(190)	4,689	5,314
Charged during year	885	(455)	(252)	178	(991)
Translation differences on foreign exchange	309	(2)	-	307	526
Provisions utilised in year	-	-	-	-	(160)
At 31 December 2003	6,424	(808)	(442)	5,174	4,689

Full provision has been made for deferred tax liabilities. In Sweden, a deferred tax liability of £6,424,000 (2002: £5,230,000) relates to the value of work in progress written down to tax value in the individual entities but included at cost in the consolidated accounts. In the United States, a deferred tax asset of £808,000 (2002: £351,000) relates to short term timing differences on disallowed provisions.

In the Company accounts provisions relate mainly to short term timing differences and amount to a deferred tax liability of £47,000 (2002: £46,000).

17 Provisions for liabilities and other charges – Other provisions

Group	Deferred consideration £'000	Vacant property provisions £'000	2003 Total £'000	2002 Total £'000
At 1 January 2003	5,621	937	6,558	8,600
Created during year	-	-	-	669
Release of unused provisions	-	-	-	(513)
Translation differences on foreign exchange	(271)	-	(271)	(264)
Provisions utilised during the year	(4,674)	(743)	(5,417)	(1,934)
At 31 December 2003	676	194	870	6,558

Provision has been made for the full amount of deferred consideration that may become payable in 2004 and beyond depending on the future profits of certain acquired subsidiary undertakings.

The provision for vacant properties relates to the rent, service charge and other associated costs should the properties remain vacant for the duration of the lease or the next 10 years, whichever is the shorter. In the Company accounts, provisions relate solely to vacant properties and amount to £194,000 (2002: £440,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

18 Called up share capital

The share capital of the Company comprises 5p ordinary shares.

	2003 No '000	Authorised 2003 £'000	Issue Price	Allotted and fully paid 2003 No '000	2003 £'000
At 1 January 2003	70,000	3,500		53,241	2,662
<i>Issued during the year</i>					
As deferred consideration:					
Walmsley Environmental			75.5p	37	2
Flack + Kurtz Group			73.8p	6,557	327
Cantor Seinuk Group			125.0p	578	29
Upon the exercise of share options			76.0p - 91.2p	33	2
At 31 December 2003	70,000	3,500		60,446	3,022

The following number of shares to be issued in respect of acquisitions assumes that the performance targets set will be achieved and therefore the maximum deferred consideration will become payable. The number of shares to be issued has been determined with reference to the middle market share price at 31 December 2003 which was 197.5p (2002: 40p).

	2003 No '000	2003 £'000	2002 No '000	2002 £'000
Shares to be issued	128	253	14,423	5,769

19 Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
The Group			
At 1 January 2003	71,253	-	6,581
Retained loss for the year	-	-	(948)
Loss on foreign exchange	-	-	(1,203)
Performance share plan	-	-	235
Premium arising on issue of ordinary shares	5,257	-	-
At 31 December 2003	76,510	-	4,665
The Company			
At 1 January 2003	71,253	8,210	3,094
Retained loss for the year	-	-	572
Loss on foreign exchange	-	-	(1,567)
Performance share plan	-	-	235
Premium arising on issue of ordinary shares	5,257	-	-
At 31 December 2003	76,510	8,210	2,334

20 Acquisitions and disposals

In March 2003, the Group sold its interest in Intégria Certifying AB, a wholly owned subsidiary providing certification and training services, for £1,252,000 resulting in a profit to the Group of £409,000. The goodwill disposed of amounted to £455,000.

In May 2003, the Group acquired the remaining shares in Fundus Oy for a total consideration of £369,000. The book and fair value of assets acquired was £196,000 giving rise to goodwill of £173,000.

These entities did not have a material impact on turnover or operating profit.

21 Reconciliation of operating profit to operating cash flows

	2003 £'000	2002 £'000
Group share of operating profit	8,263	1,753
Depreciation	6,378	6,458
Amortisation of goodwill	5,269	5,128
Amortisation of investment in own shares	4	-
Performance share plan	235	(320)
(Profit)/loss on disposal of tangible fixed assets	(1)	6
Movements in provisions	(743)	(1,643)
Changes in debtors	2,560	6,938
Changes in creditors	(4,142)	4,731
Exchange rate effect	(522)	118
Net cash inflow from operating activities	17,301	23,169

Major non-cash transactions entered into during the year were as follows:

The Group entered into or acquired finance leases with a total capital value of £729,000 (2002: £374,000).

22 Financing

	2003 £'000	2002 £'000
Share issues	28	35
Other new loans/drawdowns on existing facilities	6,927	5,686
Bank loan and property mortgage repayments	(2,730)	(5,673)
Repayments on finance leases	(507)	(674)
Total financing	3,718	(626)

23 Reconciliation of net cash flow to movement in net debt

	2003 £'000	2002 £'000
Increase in cash balances in the year	4,442	3,617
Decrease in bank overdrafts in the year	2	142
Increase in cash in the year	4,444	3,759
New finance leases	(730)	(374)
Finance lease repayments	507	674
Property mortgage repayments	114	22
New bank loans/drawdowns on existing facilities	(6,927)	(5,686)
Bank loan repayments	2,616	5,673
Movement in net debt resulting from cash flows	24	4,068
Foreign exchange	1,037	856
Movement in net debt in the year	1,061	4,924
Net debt at 1 January 2003	(45,631)	(50,555)
Net debt at 31 December 2003	(44,570)	(45,631)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

24 Analysis of net debt

	1 January 2003 £'000	Net cash flows £'000	Other movements £'000	Foreign exchange £'000	31 December 2003 £'000
Cash balances	12,002	4,442	-	-	16,444
Bank overdrafts	(1,114)	2	-	-	(1,112)
<i>Due within one year</i>					
Property mortgage	(22)	114	(79)	(53)	(40)
Bank loans	(1,395)	(4,311)	(53,889)	1,100	(58,495)
Finance leases	(304)	507	(571)	(10)	(378)
<i>Due after one year</i>					
Property mortgage	(568)	-	79	-	(489)
Bank loans	(53,970)	-	53,889	-	(81)
Finance leases	(260)	-	(159)	-	(419)
	(45,631)	754	(730)	1,037	(44,570)

25 Pensions

a) SSAP 24 'Accounting for Pension Costs'

The Group operates both defined contribution and funded defined benefit pension schemes. The Group's defined benefit schemes (which are closed to new members) consist of the WSP Group plc Retirement Benefit Scheme, the Graham Consulting Group Retirement Benefit Scheme, the Donald Rudd & Partners Pension Fund, the Cairns & Byles Pension Scheme, the Brian Ford Partnership Employee Benefits Scheme and the James Carrington Pension Plan.

The assets of the defined contribution and defined benefit schemes are held in separate independently administered funds.

Contributions to the Group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Group. The contributions are determined by qualified actuaries on the basis of triennial valuations principally using the projected unit method.

The Group's pension cost amounted to £13.1m (2002: £11.5m) of which £11.6m (2002: £10.7m) related to defined contribution and £1.5m (2002: £0.8m) to defined benefit schemes. Contributions of £28,000 (2002: £16,000) were outstanding at the balance sheet date. Included in the pension charge for the year is an amount of £336,000 (2002: £(44,000)) in respect of the amortisation of historic experience deficits/(surpluses) that are being recognised over the average remaining service lives of employees.

SSAP 24 requires the disclosure of the most recent actuarial valuations of the Group's pension funds, which are normally carried out every three years by independent professionally qualified actuaries. The effective dates of the valuations were between May 2000 and April 2002. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments which range from 6.0% to 7.5%, the rates of increase in salaries which range from 4.0% to 4.6% and the rates of increase in pensions which range from 2.3% to 2.8%. These valuations showed that the market value of the schemes' assets were £34.1m and that the actuarial value of those assets represented 93% of the benefits that had accrued to members, after allowing for expected future increase in earnings. The contributions of the company and employees will be 21% and 8.6% of earnings respectively.

In the case of WSP Sweden, the directors are unable to identify the underlying assets and liabilities of this pension scheme on a consistent and reasonable basis as its contributions are to a State run scheme, therefore it has been treated as a defined contribution scheme for the purposes of disclosure.

25 Pensions (continued)

b) FRS 17 'Retirement Benefits'

The Group still accounts for pension costs under SSAP 24, as the Board has decided to defer full implementation of FRS 17 following the UK Accounting Standards Board proposal to extend the transitional regime for the new Standard. FRS 17 requires pension fund valuations to be updated by actuaries at each balance sheet date using different criteria to SSAP 24, and on this basis the defined benefit schemes in existence in the UK show a net deficit, after deferred tax relief, of £14.2m (2002: £13.5m). The amount of this net pension liability would have a consequential effect on reserves.

Set out below are the FRS 17 valuations, together with the assumptions used by the actuaries, which due to the timescale covered, may not necessarily be borne out in practice. These valuations show the best estimates of the fair value of the schemes' assets at the balance sheet dates, which are not intended to be realised in the short term and may be subject to significant change before they are realised, together with the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain. The anticipated rate of return on scheme investments is also disclosed.

The major assumptions used in these valuations were:

	2003	2002	2001
Rate of increase in pensionable salaries	4.0%	3.8%	3.9%
Rate of increase in pensions in payment	2.5%	2.3%	2.4%
Discount rate	5.6%	5.4%	5.9%
Inflation assumption	2.5%	2.3%	2.4%

FRS 17 valuations and anticipated return on investments:

	Anticipated return on investments 2003	Valuation 2003 £'000	Anticipated return on investments 2002	Valuation 2002 £'000
Equities	8.2%	20,481	8.2%	16,680
Bonds	4.7%	4,806	5.2%	5,853
Property	8.2%	1,005	8.0%	452
Other assets	3.8%	7,068	6.0%	6,064
Fair value of schemes' assets		33,360		29,049
Actuarial value of schemes' liabilities		(53,634)		(48,377)
Pension deficit		(20,274)		(19,328)
Related deferred tax asset		6,082		5,798
Net pension liability under FRS 17		(14,192)		(13,530)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

25 Pensions (continued)

Had the Group adopted FRS 17 in full, profit and loss reserves would have been adjusted as follows:

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2003 £'000	2002 £'000
Current service cost	906	1,381
Settlements and curtailments	14	20
Total operating charge	920	1,401
Movement in deficit during the year		
Deficit in the schemes at the beginning of the year	(19,328)	(9,613)
Movement:		
Current service cost	(906)	(1,381)
Contributions	1,413	1,465
Settlements and curtailments	(14)	(20)
Other finance income	(672)	(84)
Actuarial loss	(767)	(9,695)
Deficit in the schemes at the end of the year	(20,274)	(19,328)
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	2,077	2,383
Interest on pension scheme liabilities	(2,749)	(2,467)
Net return	(672)	(84)
Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	1,954	(6,733)
Experience gains and losses arising on the scheme liabilities	328	(1,911)
Changes in the assumptions underlying the present value of the scheme liabilities	(3,049)	(1,051)
Actuarial loss recognised in the statement of total recognised gains and losses	(767)	(9,695)

History of experience gains and losses

The following disclosures will be built up over time as a five year history:

Difference between the actual and expected return on scheme assets		
Amount (£'000)	1,954	(6,733)
Percentage of scheme assets	6%	(23%)
Experience gains and losses on the scheme liabilities		
Amount (£'000)	328	(1,911)
Percentage of the present value of scheme liabilities	(1%)	4%
Changes in the assumptions underlying the present value of the scheme liabilities		
Amount (£'000)	(3,049)	(1,051)
Percentage of the present value of scheme liabilities	6%	2%

26 Financial Instruments

The explanation of the Board's objectives, policies and strategies for holding and issuing financial instruments is set out in the Finance Director's Review on pages 11 to 13.

Short term debtors and creditors, as permitted by FRS 13, have been omitted from all of the numerical financial instruments disclosures, except for those relating to foreign currency risks. The Group and the Company have £16.4m and £0.1m respectively of cash at the year end held in bank accounts (2002: £12.0m the Group, £0.9m the Company) which is immediately available for use.

	Functional currency of the local operation					
	2003	The Group	2002	2002	The Company	2002
	£'000	£'000	£'000	£'000	£'000	£'000
	Sterling	Other	Sterling	Other	Sterling	Sterling
Cash at bank at year end by major currency						
Sterling	8,639	-	4,408	-	88	81
US Dollars	450	988	1,508	1,066	43	841
Swedish Krona	-	4,886	56	4,559	-	-
Other	-	1,481	-	405	-	-
	9,089	7,355	5,972	6,030	131	922

Cash surplus to short term requirements is usually invested overnight on the money market to earn interest at rates close to the Bank of England base rate.

a) Liquidity

The maturity of financial liabilities is as follows:

	The Group		The Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
In one year or less, or on demand	60,424	8,318	58,786	-
In more than one year but not more than two years	452	53,877	-	53,481
In more than two years but not more than five years	544	838	-	-
In more than five years	327	480	-	-
	61,747	63,513	58,786	53,481

In addition to the UK bank facility the Group has negotiated working capital facilities with local relationship banks in the countries in which it operates. These facilities are negotiated annually and are normally repayable on demand. At 31 December 2003 committed but undrawn working capital facilities amounted to £10.7m (2002: £14.5m) of which £8.1m is renewable in one year or less and £2.6m is renewable in more than one year (2002: £8.3m in one year or less and £6.2m was in more than two years).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

26 Financial Instruments (continued)

b) Interest rate risk profile of financial liabilities

	Floating rate liabilities 2003 £'000	Fixed rate liabilities 2003 £'000	Non-interest bearing liabilities 2003 £'000	Total 2003 £'000	Floating rate liabilities 2002 £'000	Fixed rate liabilities 2002 £'000	Non-interest bearing liabilities 2002 £'000	Total 2002 £'000
Sterling	45,500	359	50	45,909	39,733	160	50	39,943
US Dollars	12,917	107	-	13,024	12,781	150	4,675	17,606
Swedish Krona	18,128	45,401	613	64,142	23,593	42,699	964	67,256
Hong Kong Dollars	651	-	-	651	608	4	-	612
South African Rand	787	163	71	1,021	507	397	192	1,096
	77,983	46,030	734	124,747	77,222	43,410	5,881	126,513

The figures shown in the table above take into account various interest rate and currency swaps and hence the increase in Swedish Krona liability of £63.0m equivalent created to hedge the Group's investment in its Swedish subsidiary.

The floating rate liability consists mainly of local bank overdrafts and the portion of the syndicated banking facility and cross currency swap that has not been fixed via the use of derivatives. Floating interest rates usually fall within the range 0.5% to 1% over the relevant country national bank base rates.

The fixed rate liabilities consist of the portion of the cross currency swap that has been fixed at 5.05% via the use of derivatives, sundry small loans to overseas subsidiaries at weighted average rates of 7% (2002: 7%) and finance leases. The weighted average interest rate applicable to finance leases is 9% (2002: 9%). The weighted average period on which interest rates on the fixed rate financial liabilities are fixed is 3 years (2002: 3 years).

The syndicated banking facility is secured by a fixed and floating charge over the Group's UK and Swedish assets comprising amounts due on contracts. In addition the UK charge also comprises a first legal charge over the long leasehold property and cross guarantees from all subsidiaries included within the syndicated arrangement.

Finance lease obligations are secured on the assets to which they relate.

c) Swaps and hedges

The Group has drawn US \$18.4m of funds from its syndicated facility to hedge against its investments in the US. In addition the Group has entered into a 3 year Swedish Krona currency swap contract which has created a Swedish Krona financial liability of approximately £63.0m equivalent. This Krona denominated liability has been used to hedge the investment in the Group's Swedish subsidiary.

Gains and losses on currency swaps used as hedges are passed through the reserves and the statement of total recognised gains and losses.

d) Currency risk

The analysis of the Group's net monetary assets and liabilities denominated in other than the functional currencies of the local operation may be summarised as follows:

	Functional currency of the local operation					
	Sterling 2003 £'000	Others 2003 £'000	Total 2003 £'000	Sterling 2002 £'000	Others 2002 £'000	Total 2002 £'000
Net foreign currency monetary assets/(liabilities)						
US Dollars	450	-	450	1,475	25	1,500
Swedish Krona	-	-	-	56	-	56
Other	478	-	478	121	13	134
	928	-	928	1,652	38	1,690

26 Financial Instruments (continued)

e) Fair values

The fair value of financial assets and liabilities of the Group with the exception of the 3 year interest rate fixing swap contracts are considered to be materially equivalent to their book value. The fair values of these interest rate fixing swaps are shown below.

	Fair Value 2003 £'000	Book Value 2003 £'000	Fair Value 2002 £'000	Book Value 2002 £'000
Interest rate fixing swaps	(560)	-	(334)	-

The figures shown above have been derived from third party valuations as at the balance sheet date. The market values vary on a daily basis and the Group monitors all its derivatives on a regular basis to ensure that they are consistent with the stated Group policy.

27 Guarantees, contingent liabilities and other commitments

At the year end the Company and its UK subsidiary undertakings cross guarantee the £60m syndicated loan facility, of which £57.4m had been drawn at the year end.

In common with other professional firms, the Group maintains professional indemnity insurance against claims for professional negligence which in the ordinary course of business have been, or may in the future be, received. The directors assess each claim and make provision for legal and settlement costs where, on the basis of advice received, it is considered that a liability may exist.

No other commitments either authorised or contracted for existed at 31 December 2003.

At the year end there existed the following annual commitments under operating leases which expire:

	The Group 2003 £'000	2002 £'000	The Company 2003 £'000	2002 £'000
Equipment and plant:				
Within one year	655	713	-	-
Between two and five years	1,314	1,220	-	-
After more than five years	-	318	-	-
	1,969	2,251	-	-
Property:				
Within one year	803	2,035	-	-
Between two and five years	9,353	8,254	-	-
After more than five years	1,519	1,492	-	-
	11,675	11,781	-	-

28 Related party transactions

During the year the Group entered into arm's length transactions with its joint ventures and associated undertakings. Turnover with these companies amounted to £2.4m (2002: £0.7m) and the Group purchased services of £0.1m (2002: £Nil).

At 31 December 2003 a net balance of £17,000 (2002: £62,000) was due from joint ventures and associated undertakings to the Group.

In the course of its normal business the Group has entered into arm's length transactions with companies with which the non-executive directors are associated by virtue of their employment. During 2003, the total value of these transactions did not exceed £100,000 (2002: £100,000). There were no substantial balances outstanding at either year end. Certain senior employees are entitled to receive deferred consideration payable in cash and shares in respect of the acquisition of businesses in which they formerly held equity interests. At 31 December 2003, the maximum total due to these senior employees was £986,000 (2002: £11,390,000), subject to meeting performance targets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2003

29 Share options, the performance share plan and the bonus share plan

At 31 December 2003 outstanding options and awards to subscribe for ordinary shares of 5p each in the Company, granted in accordance with the rules of the relevant share option schemes, the bonus share plan and the performance share plan were as follows:

Exercise or vesting date	Exercise price	SAYE Options No	Ordinary Options No	Performance plan awards No	Bonus plan awards No	Total No
WSP Group plc 1997 Save As You Earn scheme						
11.04.2000-11.04.2003	247.0p	2,347				2,347
11.04.2001-11.04.2004	420.0p	139,816				139,816
11.04.2002-11.04.2005	300.0p	172,212				172,212
WSP Group plc 1997 share option scheme						
08.04.2001-08.04.2008	91.0p		70,696			70,696
30.06.2002-30.06.2009	183.0p		89,879			89,879
26.05.2003-26.05.2010	242.0p		154,545			154,545
06.04.2004-06.04.2011	429.0p		313,475			313,475
06.04.2005-06.04.2012	334.0p		383,250			383,250
10.04.2006-10.04.2013	75.0p		111,000			111,000
WSP Group plc 1997 performance share plan						
01.04.2005	-			149,902		149,902
01.04.2005	-			206,455		206,455
01.04.2006	-			1,190,000		1,190,000
WSP Group plc 1997 bonus share plan						
01.04.2004	-				14,178	14,178
01.04.2005	-				2,275	2,275
20.05.2005	-				6,017	6,017
01.04.2006	-				324,960	324,960
		314,375	1,122,845	1,546,357	347,430	3,331,007

In accordance with the rules of the various WSP Share Option Schemes the number and price of options have been subject to appropriate adjustment to reflect the impact of the rights issue in June 2001.

a) Ordinary Options

The exercise of ordinary options are contingent upon meeting performance targets set by the Remuneration Committee that presently require Earnings per Share to grow by at least the equivalent to the increase in the Retail Price Index plus, on average, 3% per annum.

b) Performance Share Plan and Deferred Bonus Share Plan

As at 31 December 2003 there were 167,146 ordinary shares active in the WSP Group Employee Benefit Trust (see Note 13), all of which are due for transfer, at nil exercise price, to directors and senior management under the conditions of the Performance Share Plan and the Deferred Bonus Share Plan. The performance conditions applicable to awards granted under the WSP Performance Share Plan are set out in the Remuneration Committee Report.

	Scheme shares at 1 January 2003 No	Granted in Year No	Vested in Year No	Lapsed in Year No	Scheme shares 31 December 2003 No
Performance Share Plan	522,680	1,190,000	-	(166,323)	1,546,357
Deferred Bonus Share Plan	65,456	324,960	(41,539)	(1,447)	347,430
Total	588,136	1,514,960	(41,539)	(167,770)	1,893,787

30 Post Balance Sheet Event

In February 2004, the Group renewed its long term bank facilities in order to replace the existing £60m syndicated loan facility due to expire in May 2004. New bank facilities have been negotiated in the UK and Sweden and are made up of two lines of credit of £30m, each comprising a £25m reducing revolving credit renewable in February 2007 and an overdraft of £5m.

FIVE YEAR REVIEW

Consolidated profit and loss accounts

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Group and share of joint ventures and associated undertakings turnover	298,868	272,024	230,545	137,925	100,090
Less: share of turnover of joint ventures and associated undertakings	(15,315)	(10,574)	(5,812)	-	-
Turnover	283,553	261,450	224,733	137,925	100,090
Operating profit on ordinary activities before exceptional items and goodwill	16,004	14,451	17,502	10,945	7,171
Exceptional items	(2,250)	(6,505)	-	-	-
Amortisation of Goodwill	(5,269)	(5,128)	(3,592)	(844)	(122)
Operating profit	8,485	2,818	13,910	10,101	7,049
Profit on sale of subsidiary undertaking	409	-	-	-	-
Net finance costs	(3,313)	(2,444)	(2,408)	(1,352)	(542)
Profit before tax	5,581	374	11,502	8,749	6,507
Taxation	(3,429)	(1,988)	(4,696)	(3,127)	(2,171)
Profit/(loss) after tax	2,152	(1,614)	6,806	5,622	4,336
Minority interests	(90)	(17)	-	(21)	(48)
Dividends	(3,010)	(2,662)	(2,657)	(1,560)	(1,330)
Retained (loss)/profit for the year	(948)	(4,293)	4,149	4,041	2,958
Basic earnings/(loss) per share	3.6p	(3.1p)	14.9p	14.8p	11.8p
Basic earnings per share before operating exceptional items and profit on sale of subsidiary undertaking	15.0p	15.2p	22.7p	17.0p	12.2p

Consolidated balance sheets

Fixed assets	113,902	115,928	120,775	42,885	13,578
Current assets	105,105	103,245	98,571	70,652	33,633
	219,007	219,173	219,346	113,537	47,211
Creditors due within one year	(127,374)	(66,789)	(63,824)	(63,622)	(24,714)
Debtors due after more than the year	-	-	7,594	-	-
Total assets less current liabilities	91,633	152,384	163,116	49,915	22,497
Long term liabilities and provisions	(7,071)	(66,097)	(67,464)	(18,086)	(5,259)
Net assets	84,562	86,287	95,652	31,829	17,238
Called up share capital	3,022	2,662	2,657	1,752	1,697
Share premium account	76,510	71,253	70,976	10,190	7,434
Shares to be issued	253	5,769	7,748	8,761	-
Profit and loss account	4,665	6,581	14,271	10,902	7,869
Equity shareholders' funds	84,450	86,265	95,652	31,605	17,000
Minority interests - equity	112	22	-	224	220
- non equity	-	-	-	-	18
	84,562	86,287	95,652	31,829	17,238

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 24-30 Holborn, London EC1N 2HS on Tuesday 11 May 2004 at 11.00 a.m. for the following purposes:

1. To receive the Reports of the directors and the Auditors and to adopt the Accounts for the year ended 31 December 2003.
2. To receive and approve the Remuneration Report.
3. To declare a final dividend.
4. To re-elect Malcolm Paul as a director of the Company.
5. To re-elect Thomas Erséus as a director of the Company.
6. To re-elect Caroline Brown as a director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to agree their remuneration.

As special business, to consider, and if thought fit, to pass the following resolutions, which will be proposed, as to resolution numbered 8 as an ordinary resolution and as to resolutions 9 and 10 as special resolutions:

8. THAT, for the purposes of Section 80 of the Companies Act 1985 ("the Act"), the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £477,736 (being the difference between the authorised share capital and the issued share capital of the Company at 5 March 2004) provided that this authority shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this resolution, except that the Company may before the expiry of such period make offers or agreements which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired, this authority to replace any existing like authority.
9. THAT, subject to the passing of resolution 8 above, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred upon them by resolution 8 above (as varied from time to time by the Company in General Meeting) as if Section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited to:
 - a) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusion or other arrangements as the directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise; and
 - b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £151,113 (being approximately 5% of the issued share capital of the Company at 5 March 2004);

and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this resolution unless renewed or extended prior to or at such meeting that the Company may before the expiry of any power contained in this resolution make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

10. THAT the Company be and it is hereby authorised to purchase its own ordinary shares of 5p each ("Ordinary Shares") by way of market purchase (within the meaning of Section 163 of the Act) on the London Stock Exchange plc ("the Stock Exchange") upon and subject to the following conditions:

- a) the maximum number of Ordinary Shares which may be purchased by the Company is 6,044,528;
- b) the maximum price at which any Ordinary Share may be purchased is an amount equal to 105 per cent of the middle market quotation of an Ordinary Share as derived from the Stock Exchange Daily Official List during the period of 5 business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased (exclusive of expenses) and the minimum price at which any Ordinary Shares may be purchased is 5p per share (exclusive of expenses);
- c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company provided that the Company may under the authority hereby conferred and prior to the expiry of that authority make a contract to purchase its own shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board
Malcolm Paul
Company Secretary
2 April 2004

Registered Office
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EC1N 2HS

Notes:

1. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll to vote instead of him. A proxy need not be a member. Completion and return of the enclosed Form of Proxy will not preclude shareholders from attending and voting at the Annual General Meeting.
2. To be valid, Forms of Proxy, together with the power of attorney, if any, under which it is signed, or notarially certified copy thereof, must be received at the office of the Company's Registrars, Capita IRG plc, Registration Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR, not less than 48 hours before the time fixed for the meeting.
3. There will be available for inspection at the registered office during normal business hours from the date of this notice to the date of the Annual General Meeting and at the place of the Meeting for 15 minutes prior to and during the Meeting, the following:
 - (a) the register of directors' interests in shares of the Company;
 - (b) copies of directors' contracts of service and every variation thereof.
4. The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those holders of ordinary shares registered in the register of members of the Company as at 6.00 p.m. on 7 May 2003 shall be entitled to attend or vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 p.m. on 7 May 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

NOTES

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