Scott Wilson Scotland

Extracts from Business Plans

Performance

This data has been abstracted from Business Plans. The data reflects events and figures on the performance of SWS.. Typically data recorded in any Business Plan Year reflects activity carried out in the previous year.

FY 1997-1998 SWSL

1.6 An Overview of 1996/97 Performance.

This has been a good year for SWKC(S)L.

The original financial targets of £4.38M Turnover, £3.13M in Core Fees and PBEIT £168K or 5.37% of Core Fees were all in excess of SWKHL's targets.

At the end of Quarter 2, budgets and projections were revised upwards significantly to take account of an extremely good performance and order book.

The latest projected outcome for the year indicates Turnover £6.0M, up 37%, Core Fees £3.7M, up 18% and PBEIT £670K (possibly as high as £750K), up by a factor of 4 to 4.5.

Of particular note for Scotland are:-

- The continuing importance of the roads/bridges market and our prominent position with Government and Construction Companies as major clients.
- The growing importance of Railways and our prominent position in the market.
- Increasing Environmental awareness.
- The continuing importance of Building Structures.
- The growing Project Management market.
- SWKC(S)L recognised as the market leader in Scotland in Roads, Bridges, Railways and DWS Projects.
- Northern Ireland and North England, two of the three major areas of UK with no regional offices.
- More clients placing significant importance on quality as well as price.

FY 1998-1999 SWSL

1.6 An Overview of 1997/98 Performance.

This has been another good year for SWKC(S)L.

However, indications of a downturn in fortunes over the second half of the year resulted in the full year forecasts being revised slightly downwards in October 1997 and again in February 1998. The original financial targets were £6.5M Gross Income, £4.0M Core Fees, 57% Gross Profit on Core Fees and £620K Profit (PBEIT) or 15.5% of Core Fees.

The latest outlook indicates £6.3M Gross Income, £4.1M Core Fees, 52.4% Gross Profit on Core Fees and £521K Profit (PBEIT) or 12.7% of Core Fees (8.27% Gross Income).

A creditable performance despite falling below original targets. SWKC(S)L has had a positive and growing cash balance since March 1996 but there has been greater volatility this year and a downward trend. It is currently expected that the cash balance out-turn will be around £610K indicating a drop of around £340K in the year primarily due to Corporation Tax expected to be written off against aged inter-company debt due from SWKCL.

FY 1999-2000 SWSL

1.6 An Overview of 1998/99 Performance.

This has been a difficult year for SWSL

The predictions included in last year's Business Plan of a downturn in fortunes and a fair to difficult year ahead proved to be over optimistic and an underestimation of the difficulties that lay ahead.

The downturn resulted from continuing uncertainty about the direction the new Scottish Parliament will take, a consequent slowing down in project funding and the postponement or even cancellation of major projects in the pipeline. There has also been a significant collapse in the roads market as a result of central government policy and a subsequent downgrading and `de-layering` of our major client, the Scottish Office National Roads Directorate.

The **original financial targets** were £[redacted]M Gross Income, £[redacted]M Core Fees, [redacted]% Gross Profit on Core Fees ([redacted]% on Gross Income) and £[redacted]k Profit BIT or [redacted]% of Core Fees ([redacted]% Gross Income).

These financial targets had to be **revised sharply downwards** in November 1998, reflecting difficult trading conditions, to £[redacted]M Gross Income, £[redacted]M Core Fees, [redacted]% Gross Profit on Core Fees and £[redacted]k Profit BIT or [redacted]% of Core Fees ([redacted]% Gross Income).

Current indications are that these revised targets will be met, and possibly exceeded, giving reasonable cause for satisfaction given the current difficult circumstances.

A further cause for satisfaction is that a long standing claim for additional fees from Scottish Office for the M74 project is about to be settled in the sum of £[redacted]k + VAT within this financial year giving a further boost to PBIT.

1.7 An Overview of 1999/2000 Performance.

At the time of writing, Feb 2000, **this has turned out to be a good year for SWSL.**

- **Last year's Business Plan 1999 - 2000** included the prediction that "the prospects for the year ahead, taking an optimistic view, remain difficult!" The previous year 1998 - 1999 had indeed been difficult although the out-turn had been reasonable by generally accepted standards. It was also predicted that "a recovery in underlying profit could be achieved this FY (1999 - 2000) and that further recovery to recent higher profits could be achieved in the future."

  These predications turned out to be generally accurate in that there has been a greatly improved PBIT compared to the budget, and the previous year's figure, while Fees Earned and Turnover are only slightly greater than budget.

- **The financial year started off reasonably well** with workload as predicted but there was still uncertainty about the Scottish Executive's intentions for the roads programme. Marketing expenditure was quite high and job prospects and success relatively modest.

In March, Railtrack awarded the DB Float Viaduct to Carillion/SWSL and in June, Land Securities appointed us for a major retail development at Livingston but by October, **the situation was further improving** when we won a major 2 - 4 year Partnering Term Commission for Defence Estates. **Prospects continued to improve** in November when we were awarded the Tamworth - Lichfield section of the WCML improvement, with SWRSL, for Railtrack. The same month the Scottish Executive published the results of the long awaited **Strategic Roads Review** which was more pro-roads than expected and included two major projects, the A96 Fochabers Bypass and A78 Ardrossan Bypass which came to SWSL as the incumbent consultants. In December, we won our first project for **The Highways Agency** - the A66 Temple Sowerby Bypass. In January we found oursleves the `preferred consultant' and Joint Venture Partner in Groups bidding for three of the four new **Trunk Road Management & Maintenance Contracts** in Scotland. Two of the three Groups are incumbent Local Authority Consortia, the third a Private Sector Contractor. Throughout the year, work in **N Ireland** with Ferguson McIlveen progressed and major prospects appear to be to opening up in **Ireland** in association with COU and Malone O'Reagan.

- **Conquest,** introduced at the start of the financial year, has proven to be less than user friendly for project managers. While the situation is slowly improving as familiarity spreads, further work is required to provide better, and more easily accessed, control information.

- At the **six month review,** the original financial targets for the period had been exceeded, particularly in terms of PBIT, £[redacted]k ([redacted]% Fees Earned) against the budget of £[redacted]k ([redacted]% Fees Earned). It was decided, therefore that the **financial targets** for the year should be **revised upwards** to reflect improved market conditions, from £4.15M to £4.2M Fees Earned and £[redacted]k ([redacted]%) to £[redacted]k ([redacted]%) PBIT.

FY 2001 – 2002 SWSL

1.9 An Overview of 2000 – 2001 Performance

- The 2000 - 2001 Business Plan included the view that while the market had improved, it remained fragile and at times overheated. It was also recognised that recruitment and retention of staff could be problematic and that an unpredictable and unstable staff regime lay ahead.

  We had successfully diversified into N Ireland and N England and could see opportunities in the Republic of Ireland. Further diversification of services was thought to be advantageous. All things considered, the prospects for the year ahead looked reasonable.

  These predictions turned out to be remarkably accurate. Staff retention has posed some difficulties but, at slightly less than 5% staff loss per year, leavers are still relatively low. The expansion into N Ireland and N England has continued successfully and, at the time of writing, January 2001, **this has been a good year for SWSL**. Fees Earned and Turnover have remained stubbornly on target while **PBIT has exceeded expectations**.

  Ireland, however, has been a disappointment for Scotland, nothing has yet come our way from the Roads initiative with Malone O'Regan. **Diversification of services also continues to be somewhat elusive, but non critical in the current market.**

FY 2002 – 2003 SWSL

1.10 An Overview of 2000 – 2001 Performance

- The 2001 – 2002 Business Plan included the view that the positive outlook for the UK as a whole was reflected from Scotland but that prospects still looked better in the South. Our continuing involvement in N Ireland and our expansion into the new Newcastle office were expected to boost growth and it was anticipated that there would be further opportunities in Ireland. A continuing instability in the staff regime was predicted and it was recognised that recruitment of the right staff would be an issue for the year.

  As things turned out, it was a good year for growth in the home market, where there was a growth and continued success in the roads and defence sectors; in Newcastle, where the workload and staff grew faster than expected, and in N Ireland, where we continued to have success in roads.

  Ireland continued to be a disappointment despite JPMcC's heavier commitment to the coordination of SW activity there. The 'ownership' of projects by other OU's and the sharp decline following 11 September played their part.

  Diversification of services continues to be elusive and needs a different approach.

- Staff retention and recruitment continued to be more of an issue than in previous years with leavers approaching 10%. There has, however, been a marked overall increase in staff particularly at the graduate and junior level. Graduate recruitment continues to be relatively straightforward with good candidates presenting themselves from the Scottish Universities.

  At the time of writing, February 2002, this has been a reasonably good year for SWSL. Turnover and Fees Earned are up 20% from 2001 to 2002 and PBIT, at 8.0%, is only slightly short of target.

  The expansion has resulted in some cash flow issues and a drop in Fees Earned per head of technical staff, both of which are being addressed in this Plan for 2002 – 2003.

1.10 An Overview of 2002 - 2003 Performance

- The 2002 - 2003 Business Plan included the view that most UK consultants had just experienced their busiest 12 months for years with increased turnover and expansion into new sectors. There was concern about PII premiums and staff shortages. Ireland was seen as the place to be in Europe.

  The positive outlook for the UK as a whole was reflected here in Scotland but it was thought that prospects remained better in the South. The concerns about PII and staff shortages were also reflected here. Recruitment and retention of good staff remained a top priority.

It was thought that there was room for growth in our core skills and sectors but acquisition was considered necessary if we were to break into new disciplines such as water and develop building structures.

- As things turned out, it was a good year for growth, particularly in the Roads Market where we were very successful in DB/PFI bids. The Defence market held up but is destined to decline for us in the short to medium term because the Bovis Group, with which we were aligned, failed to win the Prime Contract for Scotland. Northern Ireland continued to be a success, primarily in Roads with FM. Newcastle grew significantly but struggled to break even in the first 6 months although the financial outcome looks better for the second half of the year.

- The proposed plan of action on possible acquisitions was followed through with positive results. Potential mergers/acquisitions exist with three firms, two quite small, one quite large. Any one of them would allow diversification, particularly into buildings and water, and give us a greater geographical reach.

- Staff retention and recruitment turned out to be less of a problem than perceived and staff numbers have grown rapidly.

- This rapid expansion has prompted a review and optimisation of support staff and accommodation which will take place over the next few months.

2.4 An Overview of 2003 - 2004 Performance

- The 2003 - 2004 Business Plan included the view that business was booming for consultants, particularly the bigger firms. Growth was underpinned by rising public spending on road, rail, schools and hospitals. Flexible working arrangements were being introduced as women and younger staff demanded a better work life balance. Recruitment of graduates seemed to be relatively easy for the bigger firms but there were still expected to be skills shortages in some specialisms and among senior experienced staff. Ireland and Poland were seen as the places to be in Europe.

  This positive outlook for the UK as a whole was again reflected here in Scotland but it was thought that there still continued to be bigger pickings in the South.

  The main concern for Scott Wilson Scotland was whether or not high growth levels in our core business could be sustained given our then dominant position in the roads market. It was also hoped that a major acquisition might be possible and that this would not only increase our size but also propel us into new sectors and markets.

- As things turned out, it has been another good year for growth particularly in the Roads market where we have had greater than expected workload which stretched the staff and resulted in some difficulties in quality and delivery. The Defence market continued to decline, as predicted, and efforts in Edinburgh have concentrated, with reasonable success, on replacing that work with flood assessment, water and building structures projects. Bridges saw a decline in the WCRM work countered by a heavy involvement in supporting the increased internal Roads workload (some of which had to be sub-contracted to Central) and a steady workload for DB Rail Bridge contractors. N Ireland continued to be a success. Newcastle has had a better year than expected but it remains a tight market and is now operating as a fully functional regional office.

- Overall, Scott Wilson Scotland is currently close to target for Turnover and Fees Earned but the last quarter is proving to be more difficult and it now looks likely that we will not meet our PBIT target.

- The plan of action on possible acquisitions was carried through. While this did not result in any acquisitions, we have remained on friendly terms, and are currently working on projects, with all three target firms.

- Recruitment, as predicted, has been relatively straightforward this year and has produced a good group of graduates and some more senior staff. Retention of staff, never poor in Scott Wilson Scotland, has improved.

- The continuing expansion in staff members, particularly in Glasgow, has resulted in the leasing of a further two floors at 20 Park Circus which have been refurbished and are about to be occupied by the Geotechnics and Traffic sections.

FY 2005 – 2006 SWSL

2.4 An Overview of 2004 - 2005 Performance

- The 2004 – 2005 Business Plan reported a positive outlook for UK Consultants although the prospects around London were thought to be better than in Scotland. The main concern in Scotland remained the sustainability of our core business given our current dominant position in the marketplace. Public sector spending in Northern Ireland and the North of England was reported as growing.

- As it turned out we met our Turnover targets in bridgework, mainly due to the WCRM, however nearly all other sectors did not reach their targets, in the main due to a slow down in projects emanating from the public sector. That said profitability of the work carried out was on target.

- Recruitment started to prove difficult and was expensive; arguably the skills shortage affected income on time-charge jobs.

- Both MOU6 (Environment) and MOU7 (Newcastle) endured difficult trading conditions but with intensive effort both MOUs reversed their difficulties towards the end of the year. Indeed the year end performance of the Division as a whole improved giving encouragement for the future.

- Our technical successes were acknowledged by winning five Saltire Awards during the course of the year.

FY 2007 – 2008 SWSL

One of the key issues acknowledged during the acquisition process was the need to maintain performance in line with the 2006-2007 Business Plan whilst fully integrating the former Ferguson McIlveen organisation into SW systems and more importantly dealing with the softer issues. Much of the integration effort fell on the functional support teams. In financial terms our performance exceeded budgetary expectations with a solid year of achievement. We were not able to fully achieve some of our more detailed aspirations within individual MOU's and functions. This was hardly surprising given the integration effort and ideas have not been lost; they will be taken forward into this plan. All in all a very good year's performance.

FY 2008 – 2009 SWSL

Performance 2007 – 2008

We commenced the year with what we thought were some quite stretching targets. We also knew that we had some hard work to do in fully integrating the former Ferguson McIlveen organisation particularly in regard to financial systems; this integration proved troublesome principally because of the difficulties encountered in extending Progression. Throughout the year we also had to integrate the former McLay Collier operation. Whilst in all cases our staff performed admirably, it was, again, our financial staff who bore the brunt of the integration. In financial terms we found it hard work to meet our Revenue target but we did meet our profitability target for the year. The one area where we did experience difficulty was in Capital Utilisation where we performed much worse than expected, particularly in the middle of the year and much attention needs to be focused on this respect going forward. The performance of individual MOU's was in the main good although one or two will have to take forward lessons into the next year. One area of disappointment was the demise of MOU12 (Glasgow Landscape); the former Ferguson McIlveen staff, despite intensive efforts, would not integrate with our business and the MOU was disbanded.

That all said, given the integration issues, it was a very creditable years performance, which achieved both growth and profit expectations.