VERITAS DGC INC
Form 10-K
October 16, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JULY 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-7427

VERITAS DGC INC.
(Exact name of registrant as specified in its charter)

DELAWARE	76-0343152
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10300 TOWN PARK HOUSTON, TEXAS	77072
(Address of principal executive offices)	(Zip Code)

(832) 351-8300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.01 par Value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant was $ 345,147,938 as of September 28, 2001.

The number of shares of the Company's common stock, $.01 par value, outstanding at September 28, 2001 was 32,385,359 (including 1,484,914 Veritas Energy Services Inc. exchangeable shares which are identical to the Common Stock in all material respects).

The registrant's proxy statement to be filed in connection with the registrant's 2001 Annual Meeting of Stockholders is incorporated by reference into Part III of this report.

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FORM 10-K

This report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors including those set forth under Item 1. "Business" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

PART I

ITEM 1. BUSINESS

GENERAL

We are a leading provider of integrated geophysical services to the petroleum industry worldwide. Our customers include major, national and independent oil and gas companies that utilize geophysical technologies to achieve the following:

- Identify new areas where subsurface conditions are favorable for the production of hydrocarbons.
- Determine the size and structure of previously identified oil and gas fields.
- Optimize development and production of hydrocarbon reserves.

We acquire, process, and interpret geophysical data and produce geophysical surveys that are either 2D or 3D images of the subsurface geology in the survey area. We also produce 4D surveys, which record fluid movement in the reservoir, by repeating specific 3D surveys over time. Additionally, we are increasingly using geophysical data for reservoir characterization to enable our customers to maximize their recovery of oil and natural gas.

SERVICES AND MARKETS

We conduct geophysical surveys on both a contract and a multi-client basis. Approximately 46% of our business was done on a multi-client basis in fiscal year 2001. The high cost of acquiring and processing geophysical data on an exclusive basis has prompted many oil and gas companies to increase their licensing of multi-client surveys. In response, we have added significantly to our multi-client data library, increasing its size and geographic breadth, as well as enhancing the quality of the data through advanced processing. Currently our library consists of 165,900 line kilometers of 2D survey data and 109,700 square kilometers of 3D data, 65% of which was acquired and processed within the past three years. The marine library covers areas in the Gulf of Mexico, the North Atlantic, Southeast Asia, West Africa, North Africa, Canada and Brazil. The land data library includes surveys in Texas, Mississippi, Oklahoma, Wyoming and Alberta, Canada.

These tables describe our revenues by contract type and geographic area.

	YEARS ENDED JULY 31,		
REVENUES BY CONTRACT TYPE	2001	2000	1999
		(IN THOUSANDS)	

Contract work	$ 258,403	$ 171,213	$ 227,699
Licensing of multi-client data	218,899	181,866	161,206
Total	$ 477,302	$ 353,079	$ 388,905

REVENUES BY GEOGRAPHIC AREA	YEARS ENDED JULY 31, 2001	2000	1999
	(IN THOUSANDS)		
United States	$ 193,204	$ 130,872	$ 203,667
Canada	113,334	95,686	32,325
Latin America	68,501	41,480	61,187
Europe	48,427	35,388	35,850
Middle East/Africa	18,363	27,012	20,785
Asia Pacific	35,473	22,641	35,091
Total	$ 477,302	$ 353,079	$ 388,905

In fiscal 2001, 2000 and 1999, 60%, 63%, 48%, respectively, of our revenues were attributable to non-U.S. operations and export sales. (See Note 13 of Notes to Consolidated Financial Statements for additional geographic information.)

PRINCIPAL OPERATING ASSETS

We acquire, process, and interpret geophysical information utilizing a wide array of assets as follows.

LAND ACQUISITION

Our land acquisition activities are performed with technologically advanced geophysical equipment. The equipment, as of July 31, 2001, had a combined recording capacity of 41,000 channels.

Each crew consists of a surveying unit which lays out the lines to be recorded and marks the site for shot-hole placement or equipment location, an explosive or mechanical vibrating unit that produces the acoustical impulse and a recording unit that synchronizes the shooting and captures the signal via geophones. On a typical land geophysical survey, the geophysical crew is supported by several drill crews, which are typically furnished by third parties under short-term contracts. Drill crews operate in advance of the geophysical crew and bore shallow holes for explosive charges which, when detonated by the geophysical crew, produce the necessary acoustical impulse.

MARINE ACQUISITION

Our marine acquisition crews operate from both owned and chartered vessels that have been modified or equipped to our specifications. All of the vessels we utilize are equipped to perform both 2D and 3D geophysical surveys. During the last several years, a majority of the marine geophysical data acquisition services we performed involved 3D surveys. The following table contains certain information concerning the geophysical vessels we operate.

VESSEL	YEAR ENTERED SERVICE	LENGTH	BEAM	CHARTER EXPIRATION
Pacific Sword	1999	189 feet	40 feet	December 2001
New Venture	2000	250 feet	56 feet	September 2002
Polar Search	1992	300 feet	51 feet	January 2002
Seisquest	2001	302 feet	61 feet	May 2004
Veritas Viking	1998	305 feet	72 feet	June 2006
Veritas Viking II	1999	305 feet	72 feet	June 2007
Veritas Searcher	1983	217 feet	44 feet	Owned

Each vessel generally has an equipment complement consisting of geophysical recording instrumentation, digital geophysical streamer cable, cable location and geophysical data location systems, multiple navigation systems, a source control system which controls the synchronization of the energy source and a firing system which generates the acoustical impulses. Streamer cables contain hydrophones that receive the acoustical impulses reflected by variations in the subsurface strata. Data acquired by each channel in the digital cable is transmitted to recording instruments for storage on magnetic media where some processing sequences may be applied, thus reducing subsequent processing time and the effective acquisition costs to the customer.

At present, five of our vessels are equipped with multiple streamers and multiple energy sources. These vessels acquire more lines of data with each pass, which reduces completion time and the effective acquisition cost. The Veritas Viking and Viking II are both capable of deploying 12 streamer cables. We plan to take delivery of a third Viking class vessel, the Veritas Vantage, in May, 2002. This vessel has been leased under a term expiring in April 2010 and is currently being outfitted to our specifications.

DATA PROCESSING AND INTERPRETATION

We operate 16 data processing centers capable of processing 2D, 3D and 4D data. A majority of our data processing services are performed on 3D seismic data. The centers process data received from the field, both from our own and other geophysical crews, to produce an image of the earth's subsurface using proprietary computer software and techniques. We also reprocess older geophysical data using new techniques designed to enhance the quality of the data. Our data processing centers have opened at various times since 1966 and are at present located in:

NORTH AMERICA	SOUTH AMERICA	EUROPE/AFRICA/ MIDDLE EAST	ASIA PACIFIC
Houston	Buenos Aires	Crawley, England	Singapore

Midland, Texas	Caracas	Stavanger, Norway	Perth
Denver	Quito	Aberdeen	Jakarta
Calgary		Abu Dhabi	Kuala Lumpur
		Lagos	

Our processing centers operate high capacity, advanced technology data processing systems on high-speed networks. These systems run our proprietary data processing software. The marine and land data acquisition crews have software compatible with that utilized in the processing centers, allowing for ease in the movement of data from the field to the data processing centers. We operate both land and marine data processing centers and tailor the equipment and software deployed in an area to meet the local market demands.

We operate four visualization centers in Houston, Calgary, Perth and Crawley. These centers allow teams of geoscientists and engineers to view and interpret large volumes of complex 3D data. The visualization centers are imaging tools used for advanced interpretive techniques that enhance the understanding of regional geology and reservoir modeling. These visualization centers allow us to offer the type of collaborative geophysical model building that is enabling oil companies to explore areas of complex geology such as the large sub-salt plays in the deepwater Gulf of Mexico.

TECHNOLOGY AND CAPITAL EXPENDITURES

The geophysical industry is highly technical, and the requirements for the acquisition and processing of geophysical data have evolved continuously during the past 50 years. Accordingly, it is significant to us that our technological capabilities are comparable or superior to those of our competitors. We maintain our technological capabilities through continuing research and development, strategic alliances with equipment manufacturers or by acquiring technology under license from others. We have introduced several technological innovations that have become industry standard practice in both acquisition and processing of geophysical data.

Currently, we employ approximately 90 people in our research and development activities, substantially all of whom are scientists, engineers or programmers. During fiscal 2001, 2000 and 1999, research and development expenditures were $9.9 million, $8.3 million and $7.7 million, respectively. Our research and development budget for fiscal 2002 is $11.1 million.

During fiscal 2001, 2000, and 1999, capital expenditures were $96.9 million, $55.9 million, and $52.4 million, respectively. Our capital expenditure budget for fiscal 2002 is approximately $100.0 million. The actual level of future capital expenditures will depend on the availability of funding and market requirements as dictated by oil and gas company spending levels. A substantial portion of our fiscal 2002 capital expenditure budget is allocated to begin replacement of the fluid-filled streamers on our boats with solid streamers, which are more efficient to use and maintain and will improve the quality of our data. Another significant portion of the budget is allocated to the outfitting of the Veritas Vantage seismic vessel.

COMPETITION

The acquisition and processing of geophysical data for the oil and gas industry has historically been highly competitive worldwide. Success in marketing geophysical services is based on several competitive factors, including price, crew experience, equipment availability, technological expertise, reputation for quality and dependability and, in the case of multi-client surveys, customer interest in the area surveyed.

As a result of changing technology and increased capital requirements, the geophysical industry has consolidated substantially since the late 1980's. Our largest competitors are Western-Geco (a joint venture between Schlumberger and Baker Hughes), Compagnie Generale Geophysique and Petroleum Geo-Services.

BACKLOG

At July 31, 2001, our backlog of commitments for services was $193.9 million, compared with $102.5 million at July 31, 2000. Approximately 40% of this backlog is related to pre-funding of multi-client work. It is anticipated that a majority of the July 31, 2001 backlog will be completed in the next 12 months. This backlog consists of written orders or commitments believed to be firm. Contracts for services are subject to modification by mutual consent and in certain instances are cancelable by the customer on short notice without penalty. As a result of these factors, our backlog as of any particular date may not be indicative of our actual operating results for any succeeding period.

SIGNIFICANT CUSTOMERS

Historically, our principal customers have been major oil and gas companies, national oil companies and independent oil and gas companies. In fiscal 2001 and fiscal 2000, no customer accounted for 10% or more of total revenues. In fiscal 1999, Royal Dutch/Shell and its subsidiaries accounted for approximately 12% of our revenues.

EMPLOYEES

At July 31, 2001, we employed approximately 4,300 people on a full-time basis. Our monthly employment figures are subject to seasonal variation and averaged 3,800 during fiscal 2001. With the exception of 30 employees working at the Singapore data processing center, none of our employees are subject to collective bargaining agreements. We consider our relations with our employees to be good.

ITEM 2. PROPERTIES

In the first quarter of fiscal 2001 we moved all of our Houston employees into our new 218,151 square foot leased office and warehouse complex. The complex houses data processing operations, as well as executive, accounting, research and development and operating personnel. This lease expires in 2015. We lease additional space aggregating approximately 416,081 square feet, which is used by operations around the world. These leases expire at various times through 2015.

ITEM 3. LEGAL PROCEEDINGS

As of September 30,2001, we were not a party to, nor was our property the subject of any material pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended July 31, 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table sets forth the high and low sales prices for our common stock as reported by the New York Stock Exchange for the periods shown.

	PERIOD	HIGH	LOW
2001	4th Quarter	$ 39.24	$ 19.70
	3rd Quarter	39.80	26.90
	2nd Quarter	34.55	23.50
	1st Quarter	33.06	21.25
2000	4th Quarter	$ 29.94	$ 20.19
	3rd Quarter	30.00	15.50
	2nd Quarter	18.50	12.43
	1st Quarter	22.63	14.16

On September 28, 2001, the last reported sales price for our common stock on the New York Stock Exchange was $ 11.15 per share. On September 28, 2001, there were approximately 334 record holders of common stock.

We have not paid any dividends on our common stock and have no present plans to pay any dividends. The payment of any future dividends on common stock would depend, among other things, upon our current and retained earnings, our financial condition, and upon a determination by our Board of Directors that the payment of dividends would be desirable. In addition, the indentures governing our senior notes and our revolving credit facility restrict the payment of cash dividends.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	YEARS ENDED JULY 31,			
	2001	2000	1999	
	(IN THOUSANDS, EXCEPT PER SHARE			
STATEMENT OF OPERATIONS DATA:				
Revenues	$ 477,302	$ 353,079	$ 388,905	$
Income before extraordinary charge ...	22,458	6,481	20,294	
Income before extraordinary charge per common share -- basic	.73	.26	.89	
Income before extraordinary charge per common share -- diluted	.71	.26	.88	
BALANCE SHEET DATA:				
Total assets	796,952	$ 611,808	$ 541,846	$
Long-term debt (including current maturities)	135,000	135,106	135,251	

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Sustained oil prices in the $25 to $30 / bbl range throughout fiscal 2001 led to relatively robust levels of exploration spending on a global basis. The deepwater regions in the Gulf of Mexico were particularly active. In North America, natural gas prices as high as $10 / mcf led to high interest in gas-prone areas such as the Rocky Mountain foothills. Brazil's opening of its offshore basins to foreign investment fueled significant interest there.

We were well positioned to take advantage of the increased spending and were able to exploit some new areas. We performed extensive multi-client surveys in the Canadian Rockies that were well funded by customers. We performed contract and multi-client work off Brazil and the East Coast of Canada and we entered the Canadian and Alaskan Arctic to acquire contract surveys. In our established areas, we sold significant numbers of licenses to our Gulf of Mexico surveys and continued to have high utilization of our land crews in North America. Our processing centers throughout the world ran at capacity most of the year. Through the third quarter of fiscal 2001 we generated six consecutive quarters of earnings growth. However, delays of certain large multi-client sales during quarter four resulted in reduced quarterly profits, but still left us with annual earnings of almost three times those of the prior year.

RESULTS OF OPERATIONS

FISCAL 2001 COMPARED WITH FISCAL 2000

Revenues. Revenues increased by 35%, from $353.1 million in fiscal 2000 to $477.3 million in fiscal 2001, due to the upturn in exploration spending driven by higher commodity prices. Multi-client revenues increased 20% from $181.9 million to $218.9 million, while contract revenues increased 51%, from $171.2 million to $258.4 million. Contract revenue showed the stronger year on year increase due to our expansion into new market areas, such as Alaska, the Canadian Arctic, offshore Canada, and Brazil.

Operating Income. Operating income increased by 100%, from $23.2 million in fiscal 2000 to $46.4 million in fiscal 2001. Approximately $2 million of this $23 million increase was due to the adjustment of receivable reserves. These adjustments were made due to improved collection of past due receivables and the improved ability of a long-term debtor to repay debt. Cost of services increased to 68% from 66% due to the increased percentage of lower margin contract revenue as described above. Research and development increased by 19%, from $8.3 million in fiscal 2000 to $9.9 million in fiscal 2001. This increase was due to higher numbers of employees dedicated to research and development. Selling, general and administrative expense increased by 44%, from $17.7 million in fiscal 2000 to $25.5 million in fiscal 2001. The primary increases in cost were associated with the move to the new Houston headquarters building, increased corporate marketing efforts and higher incentive compensation payments.

Other income. Other income increased by $3.0 million from fiscal 2000 to fiscal 2001 due partly to an additional $1.5 million in interest income resulting from the higher cash balances in fiscal 2001. In addition, gains on sales of assets of $1.3 million in fiscal 2001 were an improvement of $1.6 million over the $0.3 million loss on sales of assets experienced in fiscal 2000.

Provision for income taxes. The provision for income taxes increased by $10.9 million from fiscal 2000 to fiscal 2001 due to the increased profitability of the company. The effective income tax rate in fiscal 2001 was 41% compared to 43% in fiscal 2000.

FISCAL 2000 COMPARED WITH FISCAL 1999

Revenues. Revenues decreased by 9%, from $388.9 million in fiscal 1999 to $353.1 million in fiscal 2000, due to the general downturn in exploration spending driven by our customers' concern that commodity prices would return to the low levels of prior years. Multi-client revenues increased 13% from $161.2 million to $181.9 million, while contract revenues decreased 25%, from $227.7 million to $171.2 million. Multi-client revenues as a percent of total revenues grew from 41% in fiscal 1999 to 52% in fiscal 2000. This reflects the trend in customer preference to obtain geophysical data through licensing rather than outright ownership.

Operating Income. Operating income declined by 38%, from $37.7 million in fiscal 1999 to $23.2 million in fiscal 2000. Cost of services was approximately 34% of revenue in both years. Research and development expenses increased 8% from $7.7 million in fiscal 1999 to $8.3 million in fiscal 2000 due to increased emphasis on leading edge technologies, including reservoir characterization. Selling, general and administrative expenses increased 6% from $16.7 million in fiscal 1999 to $17.7 million in fiscal 2000 resulting from termination costs related to the resignation of our former chief executive officer. Interest expense increased from $12.6 million in fiscal 1999 to $14.1 million in fiscal 2000 due to the issuance of $60.0 million of 9.75% senior notes at the end of October 1998.

Other income. Other income decreased from $5.1 million in fiscal 1999 to $3.3 million in fiscal 2000. In fiscal 1999 other income was primarily composed of net foreign currency gains of $1.8 million and interest income of $4.2 million as compared with interest income of $3.6 million in fiscal 2000, due to lower cash balances during the year.

Income taxes. Provision for income taxes decreased from $9.6 million in fiscal 1999 to $5.0 million in fiscal 2000 as a result of our lower net income and the mix between U.S. and non-U.S. source income.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES

Our internal sources of liquidity are cash, cash equivalents and cash flow from operations. External sources include public financing, equity sales, the unutilized portion of a revolving credit facility, equipment financing and trade credit. We believe that these sources of funds are adequate to meet our liquidity needs for fiscal 2002.

As of July 31, 2001, we had $135.0 million in senior notes outstanding due in October 2003. These notes contain a change of control provision allowing the holders to require us to call the notes under certain conditions. We also have a revolving credit facility due August 2003 from commercial lenders that provides U.S. advances up to $80.0 million and non-U.S. advances up to $20 million. Advances bear interest, at our election, at LIBOR plus a margin or prime rate plus a margin. These margins are based on either certain of our financial ratios or our credit rating. At July 31, 2001 the LIBOR margin was 1.25% and the prime rate margin was 0%. As of July 31, 2001, there were no outstanding advances under the credit facility, but $7.9 million of the credit facility was utilized for letters of credit, leaving $72.1 million available for borrowings.

We require significant amounts of working capital to support our operations and fund our research and development program. Our capital expenditure budget for fiscal 2002 is approximately $100.0 million, which includes expenditures of approximately $60 million to expand or upgrade our marine fleet. We have planned

$47.2 million additional net investment in our data library (measured as the change in the balance sheet account) and planned $11.1 million for research and development spending in fiscal 2002.

We will require substantial cash flow to continue our investment in multi-client library, complete our capital expenditure and research and development programs and meet our principal and interest obligations with respect to outstanding indebtedness. While we believe that we have adequate sources of funds to meet our liquidity needs, our ability to meet our obligations depends on our future performance, which, in turn, is subject to many factors beyond our control. Key internal factors affecting future results include utilization levels of acquisition and processing assets and the level of multi-client data library licensing, all of which are driven by the external factors of exploration spending and, ultimately, underlying commodity prices.

To ensure that we have available as many financing options as possible, we have filed a shelf registration allowing the issuance of up to $200 million in debt, preferred stock or common stock. On October 26, 1999, we filed a prospectus supplement relating to the sale of up to 2.0 million shares of our common stock, from time to time through ordinary brokerage transactions, under the shelf registration. As of July 31, 2001, we had issued approximately 1.3 million shares in connection with these transactions, generating approximately $30.1 million in net proceeds. In October 2000 we sold 3.1 million shares of stock in a public offering and netted $82.4 million in proceeds.

OTHER

Since our quasi-reorganization on July 31, 1991 with respect to Digicon Inc., the tax benefits of net operating loss carryforwards existing at the date of the quasi-reorganization have been recognized through a direct addition to additional paid-in capital, when realization is more likely than not. Additionally, the utilization of the net operating loss carryforwards existing at the date of the quasi-reorganization is subject to certain limitations. For the year ended July 31, 2001, we recognized $1.7 million related to these benefits.

We receive some account receivable payments in foreign currency. We currently do not conduct a hedging program because we do not consider our current exposure to foreign currency fluctuations to be significant, although we have hedged certain future charter payments to be made in a foreign currency.

In July 2001, the Financial Accounting Standards Board issued SFAS No.141 (Business Combinations) and SFAS No.142 (Goodwill and Other Intangible Assets.) We have adopted the use of these new accounting statements. The main effect of SFAS No.141 is to require purchase accounting be used in all future business combinations, disallowing the pooling-of-interests method allowed under APB Opinion No.16. SFAS No.142 defines the booking and subsequent treatment of goodwill and other intangible assets derived from business combinations and supercedes APB Opinion No.17. The adoption of this statement had no impact on our results. This statement requires us to discontinue our amortization of goodwill and requires that we test goodwill and other intangible assets for impairment in a specific manner on an annual basis or when certain events trigger such a test.

In August 2001, the Financial Accounting Standards Board issued SFAS No.143 (Disposal of Long-lived Assets). We will adopt the use of this accounting statement in fiscal 2003. We have not yet completed our evaluation of the effect of this statement on our accounting practices.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires us to record derivative financial instruments on our balance sheet as assets or liabilities, as appropriate, at fair value. We adopted this statement in fiscal 2001 and there was no impact of adoption.

RISK FACTORS

An investment in our common stock is subject to a number of risks discussed below. You should carefully consider these discussions of risks and the other information included in this report.

AS A PROVIDER OF GEOPHYSICAL TECHNOLOGIES, OUR BUSINESS IS SUBSTANTIALLY DEPENDENT ON THE LEVEL OF CAPITAL EXPENDITURES BY OIL AND GAS COMPANIES.

Capital expenditures by oil and gas companies have tended in the past to follow trends in the price of oil and natural gas, which have fluctuated widely in recent years. These capital expenditures may also be affected by worldwide economic conditions. Should there be a sustained period of substantially reduced capital expenditures by oil and gas companies, as we have experienced in recent years, the demand for geophysical services likely will drop and there will be an adverse effect on our results of operations and cash flow during the affected period.

WEAK DEMAND OR TECHNOLOGICAL OBSOLESCENCE COULD IMPAIR THE VALUE OF OUR MULTI-CLIENT DATA LIBRARY; CHANGES IN ACCOUNTING PRACTICES COULD AFFECT OUR METHODS OF ACCOUNTING FOR OUR MULTI-CLIENT DATA LIBRARY.

We have invested significant amounts in acquiring and processing multi-client data and expect to continue to do so for the foreseeable future. There is no assurance that we will recover all the costs of such surveys. Technological, regulatory or other industry or general economic developments could render all or portions of our multi-client data library obsolete or reduce its value.

In accordance with industry practice, we capitalize our investments in our multi-client library and charge these investments to cost of services as sales are made. Certain accounting authorities are reviewing accounting practices relating to the capitalization of expenditures made in the development of certain data bases, particularly in the context of "e-commerce" companies. We cannot predict whether future accounting changes could adversely affect our balance sheet or results of operations.

WE ARE DEPENDENT ON ACHIEVING AND MAINTAINING TECHNOLOGICAL ADVANCES, WHICH CREATES RISKS REGARDING TECHNOLOGICAL OBSOLESCENCE, REQUIREMENTS FOR SUBSTANTIAL FUTURE CAPITAL EXPENDITURES, THE UNAVAILABILITY OF NECESSARY TECHNOLOGY AND THE FAILURE OF NEW TECHNOLOGIES.

The development of geophysical data acquisition and processing equipment has been characterized by rapid technological

advancements in recent years. We expect this trend to continue. We will be required to invest substantial capital in the future to maintain our leading edge technology. Furthermore, manufacturers of geophysical equipment may develop new systems that render our equipment, even if recently acquired, obsolete or less desirable, requiring significant additional capital expenditures. Since some of our competitors are themselves leading designers and manufacturers of seismic equipment, we may not have access to their technology. Even if critical new and advanced equipment is available to us, we may not have funds available or be able to obtain necessary financing on acceptable terms to acquire it. Further, any investment we may make in a perceived technological advance may not be effective, economically successful or otherwise accepted in the market.

WE FACE INTENSE COMPETITION IN OUR INDUSTRY, WHICH COULD ADVERSELY AFFECT OUR RESULTS.

Competition among geophysical service providers historically has been, and will continue to be, intense. Competitive factors in recent years have included price, crew experience, equipment availability, technological expertise and reputation for quality, safety and dependability. Some of our competitors operate substantially more data acquisition crews than we do and have significantly greater financial and other resources. These larger and better-financed operators could enjoy an advantage over us in a competitive environment for contract awards and data sales and in the development of new technologies. Other competitors operate with extremely low overhead and compete vigorously on price in certain markets where that is the determining factor in awarding work. These low-cost competitors can have a competitive advantage over us in these markets.

HIGH FIXED COSTS COULD RESULT IN OPERATING LOSSES.

Our business has high fixed costs. As a result, downtime or low productivity due to reduced demand, weather interruptions, equipment failures or other causes can result in significant operating losses. Low utilization rates may hamper our ability to recover the cost of necessary capital investments.

OUR REVENUES ARE SUBJECT TO FLUCTUATIONS THAT ARE BEYOND OUR CONTROL, WHICH COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS IN ANY FINANCIAL PERIOD.

Our operating results may, in the future, vary in material respects from quarter to quarter. Factors that could cause variations include the timing of the receipt and commencement of contracts for data acquisition, customers' budgetary cycles, the timing of offshore lease sales and the effect of such timing on the demand for geophysical activities, seasonal factors and the timing of sales of geophysical data from our multi-client data library, which may be significant to us and which are not typically made in a linear or consistent pattern. Combined with our high fixed costs, these revenue fluctuations could produce unexpected adverse results of operations in any financial period.

WE MAY BE UNABLE TO ATTRACT AND RETAIN KEY EMPLOYEES, WHICH COULD ADVERSELY AFFECT OUR BUSINESS.

Our success depends upon attracting and retaining highly skilled professionals and other technical personnel. A number of our employees are highly skilled scientists and highly trained technicians, and our failure to continue to attract and retain such individuals could adversely affect our ability to compete in the geophysical services industry. We may confront significant and potentially adverse competition for key personnel, particularly during periods of increased demand for geophysical services. In addition, our success will depend to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could adversely affect our business.

WE FACE RISKS ASSOCIATED WITH OUR FOREIGN REVENUE GENERATING ACTIVITIES.

Substantial portions of our revenues are derived from foreign activities and, as a result, significant portions of our revenues are denominated in foreign currencies. These revenues are impacted by foreign currency fluctuations. In addition, net assets reflected on the balance sheets of our foreign subsidiaries, and therefore on our consolidated balance sheet, are subject to currency fluctuations. Foreign revenues are also subject to special risks that may disrupt markets, including the risk of war, terrorism, civil disturbances, embargo and government activities. Revenue generating activities in certain foreign countries may require prior United States government approval in the form of an export license and otherwise be subject to tariffs and import/export restrictions. There can be no assurance that we will not experience difficulties in connection with future foreign revenues and, in particular, adverse effects from foreign currency fluctuations.

WE OPERATE UNDER HAZARDOUS CONDITIONS THAT SUBJECT US TO RISK OF DAMAGE TO PROPERTY OR PERSONAL INJURIES AND MAY INTERRUPT OUR BUSINESS.

Our seismic data acquisition activities involve operating under extreme weather and other hazardous conditions. These operations are subject to risks of loss to property and injury to personnel from fires, accidental explosions, ice floes and high seas. Although we carry insurance against these risks in amounts we consider adequate, these events could result in an interruption of our business or significant liability. We may not obtain insurance against all risks or for certain equipment located from time to time in certain areas of the world.

THE TRADING PRICE OF OUR SECURITIES COULD BE SUBJECT TO SIGNIFICANT FLUCTUATIONS.

The trading price of our securities fluctuates. Factors such as fluctuations in our financial performance, and that of our competitors, as well as general market conditions could have a significant impact on the future trading prices of our securities. The trading prices also may be affected by weakness in oil prices, changes in interest rates and other factors beyond our control. These factors may have an adverse effect on the trading price of our securities.

OUR BUSINESS IS SUBJECT TO GOVERNMENTAL REGULATION, WHICH MAY ADVERSELY AFFECT OUR FUTURE OPERATIONS.

Our operations are subject to a variety of federal, provincial, state, foreign and local laws and regulations, including environmental laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Failure to timely obtain the required permits may result in crew downtime and operating losses. Because laws and regulations change frequently, we cannot predict the impact of government regulations on our future operations. The adoption of laws and regulations that have the effect of curtailing exploration by oil and gas companies could also adversely affect our operations by reducing the demand for our geophysical services.

CERTAIN PROVISIONS OF OUR CHARTER, DELAWARE LAW AND OUR SHAREHOLDER RIGHTS PLAN MAY MAKE IT DIFFICULT FOR A THIRD PARTY TO ACQUIRE US, EVEN IN SITUATIONS THAT MAY BE VIEWED AS DESIRABLE BY OUR STOCKHOLDERS.

The General Corporation Law of the State of Delaware contains provisions that may delay or prevent an attempt by a third party to acquire control of us. Our certificate of incorporation and bylaws contain provisions that authorize the issuance of preferred stock, and establish advance notice requirements for director nominations and actions to be taken at stockholder meetings. These provisions could also discourage or impede a tender offer, proxy contest or other similar transaction involving control of us, even if viewed favorably by stockholders. In addition, we have adopted a stockholder rights plan that would likely discourage a hostile attempt to acquire control of us.

CAUTIONARY STATEMENTS ABOUT FORWARD-LOOKING STATEMENTS

This report on Form 10-K and the documents incorporated by reference contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include statements incorporated by reference to other Veritas DGC documents filed with the SEC. Forward-looking statements include, among other things, business strategy and expectations concerning industry conditions, market position, future operations, margins, profitability, liquidity and capital resources. Forward-looking statements generally can be identified by the use of terminology such as "may," "will," "expect," "intend," "estimate," "anticipate" or "believe" or the negatives thereof. Although we believe that the expectations reflected in such statements are reasonable, we can give no assurance that such expectation will be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report on Form 10-K. Our operations are subject to a number of uncertainties, risks and other influences, many of which are outside our control and any one of which, or a combination of which, could cause our actual results of operations to differ materially from the forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in "Risk Factors" and elsewhere in this report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES REGARDING MARKET RISK

At July 31, 2001, we had limited market risk related to foreign currencies. In March 2001, we entered into a contract requiring payments in Norwegian kroner to charter the seismic vessel M/V Seisquest. The contract requires 36 monthly payments commencing on June 1, 2001. To protect our exposure to exchange rate risk, we entered into multiple forward contracts as cash flow hedges fixing our exchange rates for Norwegian kroner to the U.S. dollar. The total fair value of the open forward contracts at July 31, 2001 in U.S. dollars is $8.8 million. At July 31, 2001, we had $135.0 million of 9 3/4% fixed rate debt maturing in October 2003 with a fair value of $136.8 million based on the trading price of 101.3, with a yield to maturity of 9.06% at July 31, 2001.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Veritas DGC Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Veritas DGC Inc. and its subsidiaries at July 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
September 27, 2001

VERITAS DGC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	FOR THE YEARS	
	2001	200
	(IN THOUSANDS, EXCEPT	
Revenues	$ 477,302	$ 353
Costs and expenses:		
Cost of services	326,748	232

Research and development	9,934	8
Depreciation and amortization	68,638	71
Selling, general and administrative	25,548	17
Operating Income	46,434	23
Interest expense	13,660	14
Other income	(5,567)	(2
Income before provision for income taxes and extraordinary item	38,341	11
Provision for income taxes	15,883	5
Income before extraordinary charge	22,458	6
Extraordinary loss on debt repurchase (net of tax, $95)		
Net income	$ 22,458	$ 6
Other comprehensive income (loss) (net of tax, $0 in all periods)		
Foreign currency translation adjustments	(3,205)	
Unrealized gain(loss) on investments - available for sale	1,600	(1
Unrealized (loss) on foreign currency hedge	(420)	
Total other comprehensive income	(2,025)	
Comprehensive income	$ 20,433	$ 6
PER SHARE:		
BASIC:		
Income per common share before extraordinary item	$ .73	$
Loss per common share from extraordinary item		
Net income per common share	$ .73	$
Weighted average common shares	30,727	25
DILUTED:		
Income per common share before extraordinary item	$ .71	$
Loss per common share from extraordinary item		
Net income per common share	$ .71	$
Weighted average common shares	31,479	26

See Notes to Consolidated Financial Statements

VERITAS DGC INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS
Current assets:
Cash and cash equivalents
Restricted cash investments
Accounts and notes receivable (net of allowance for doubtful accounts: 2001, $709; 2000, $1,749
Materials and supplies inventory
Prepayments and other
Income taxes receivable
Investments -- available for sale
Total current assets
Property and equipment:
Land
Geophysical equipment
Data processing equipment
Geophysical ship
Leasehold improvements and other
Total
Less accumulated depreciation
Property and equipment -- net
Multi-client data library
Investment in and advances to joint ventures
Goodwill (net of accumulated amortization: 2001, $6,844; 2000, $4,984)
Deferred tax asset
Long term notes receivable (net of allowance: 2001, $0; 2000, $1,000)
Other assets
Total
LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:
Current maturities of long-term debt
Accounts payable -- trade
Accrued interest
Other accrued liabilities
Income taxes payable
Total current liabilities
Non-current liabilities:
Long-term debt -- less current maturities
Deferred tax liability
Other non-current liabilities
Total non-current liabilities
Commitments and contingent liabilities (See Note 8)
Stockholders' equity:
Common stock, $.01 par value; authorized: 40,000,000 shares; issued: 30,920,550 and 25,069,834 shares (excluding 1,484,948 and 2,014,205 Exchangeable Shares, respectively) at July 31, 2001 and 2000, respectively
Additional paid-in capital
Accumulated earnings (from August 1, 1991 with respect to Digicon Inc.)
Accumulated other comprehensive income:
Cumulative foreign currency translation adjustment
Unrealized loss on investments -- available for sale
Unrealized loss on foreign currency hedge

Unearned compensation	
Treasury stock, at cost; 65,296 and 104,175 shares at July 31, 2001 and 2000, respectively	
Total stockholders' equity	
Total	

See Notes to Consolidated Financial Statements

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VERITAS DGC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR T
	2001
Operating activities:	
Net income	$ 22,458
Non-cash items included in net income:	
Depreciation and amortization (other than multi-client)	68,638
Amortization of multi-client library	119,208
(Gain)/loss on disposition of property and equipment	(1,266)
Equity in (earnings) loss of 50% or less-owned companies and joint ventures ...	103
Deferred taxes	22,158
Amortization of unearned compensation	712
Change in operating assets/liabilities:	
Accounts and notes receivable	(22,020)
Materials and supplies inventory	(5,048)
Prepayments and other	(5,264)
Income tax receivable	(6,275)
Accounts payable and other accrued liabilities	27,683
Income taxes payable	(1,934)
Other non-current liabilities	(232)
Other	(2,160)
Total cash (used in) provided by operating activities	216,761
Investing activities:	
Decrease (increase) in restricted cash investments	206
Investment in multi-client library	(199,571)
Acquisitions, net of cash received	(424)
Sale of KC Offshore, net	
Purchase of property and equipment	(96,881)
Sale of Brigham Exploration Company stock	4,098
Sale of property and equipment	3,390
Total cash used by investing activities	(289,182)
Financing activities:	
Payments of long-term debt	(448)
Borrowings from long-term debt	
Debt issue costs	
Net proceeds from sale of common stock	99,117

Purchase of treasury stock	
Total cash provided by financing activities	98,669
Currency gain on foreign cash	(184)
Change in cash and cash equivalents	26,064
Beginning cash and cash equivalents balance	43,154
Ending cash and cash equivalents balance	$ 69,218

See Notes to Consolidated Financial Statements

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VERITAS DGC INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE
	2001
	(
SCHEDULE OF NON-CASH TRANSACTIONS:	
Increase in property and equipment for accounts payable - trade	
Utilization of net operating losses existing prior to the quasi-reorganization resulting in an increase (decrease) in:	
Deferred tax asset valuation allowance	$ (1,728)
Additional paid-in capital	1,728
Tax deduction due to exercise of stock options resulting in an increase in:	
Deferred tax asset	1,636
Additional paid-in capital	1,636
Treasury stock issued for purchase of Time Seismic Exchange Ltd.	
Treasury stock issued in lieu of cash for bonuses payable	
Common stock issued for future services resulting in an increase (decrease) in:	
Additional paid-in-capital	90
Unearned compensation	90
Treasury stock issued for future services resulting in an increase (decrease) in:	
Additional paid-in-capital	682
Unearned compensation	1,322
Settlement of accounts receivable for long term notes receivable, net	
Settlement of accounts receivable and interest payments for investments-available for sale	479
Common stock issued for purchase of Enertec Resource Services Inc.	
Common stock issued for purchase of an interest in Fairweather Geophysical Inc.	500
Common stock issued for purchase of Reservoir Characterization Research and Consulting Inc.	34,392

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for:	
Interest (net of amounts capitalized)	
Senior notes	$ 13,163
Equipment purchase obligations	97
Credit agreements	450
Other	18
Income taxes	1,863

See Notes to Consolidated Financial Statements

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VERITAS DGC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JULY 31, 2001, 2000 AND 1999

	COMMON STOCK ISSUED	
	SHARES	PAR VALUE
	(IN THOUSANDS, EXC	
BALANCE, JULY 31, 1998	21,302,865	$ 213
Common stock issued for exchangeable stock	200	
Common stock issued to employees	167,873	1
Common stock reacquired for cash, including fees		
Treasury stock issued under key contributor incentive plan		
Treasury stock issued in Connection with Time Seismic Exchange Ltd. acquisition		
Treasury stock issued for services under restricted stock agreements		
Registration and filing costs		
Utilization of net operating loss carryforwards existing prior to quasi-reorganization		
Cumulative foreign currency transaction adjustment		
Amortization of unearned compensation		
Loss on investments -- available for sale		
Net income		
BALANCE, JULY 31, 1999	21,470,938	$ 214
Common stock issued for exchangeable stock	1,928,917	19
Common stock issued to employees	479,779	6
Common stock issued for cash	1,190,200	12
Treasury stock issued for services under restricted stock Agreements		
Registration and filing fees		

Class A Exchangeable Shares issued in Enertec Acquisition		
Utilization of net operating loss carryforwards existing prior to quasi-reorganization		
Cumulative foreign currency transaction adjustment		
Amortization of unearned compensation		
Loss on investments -- available for sale		
Net income		
BALANCE, JULY 31, 2000	25,069,834	$ 251
Common stock issued for exchangeable stock	529,257	5
Common stock issued to employees	860,957	9
Common stock issued for cash	3,302,793	33
Common stock issued in acquisition of Reservoir Characterization Research and Consulting Inc.	1,137,466	11
Common stock issued for investment in Fairweather Geophysical LLC	20,243	
Treasury stock issued for services under restricted stock Agreements		
Registration and filing fees		
Utilization of net operating loss carryforwards existing prior to quasi-reorganization		
Tax deduction for stock option exercises		
Cumulative foreign currency transaction adjustment		
Amortization of unearned compensation		
Unrealized gain on investments -- available for sale		
Unrealized loss on foreign currency hedge		
Net income		
BALANCE, JULY 31, 2001	$ 30,920,550	$ 309

	ADDITIONAL PAID-IN-CAPITAL	ACCUMULATED EARNINGS FROM AUGUST 1, 1991 WITH RESPECT TO DIGICON INC.
		(IN THOUSANDS, EXC
BALANCE, JULY 31, 1998	$ 203,258	$ 94,358
Common stock issued for exchangeable stock		
Common stock issued to employees	2,031	
Common stock reacquired for cash, including fees		
Treasury stock issued under key contributor incentive plan	(652)	
Treasury stock issued in Connection with Time Seismic Exchange Ltd. acquisition	(402)	
Treasury stock issued for services under restricted stock agreements	(126)	
Registration and filing costs	(1)	
Utilization of net operating loss carryforwards existing prior to quasi-reorganization	4,641	
Cumulative foreign currency transaction adjustment		
Amortization of unearned compensation		
Loss on investments -- available for sale		
Net income		20,294
BALANCE, JULY 31, 1999	$ 208,749	$ 114,652
Common stock issued for exchangeable stock	(19)	

Common stock issued to employees	5,873	
Common stock issued for cash	27,247	
Treasury stock issued for services under restricted stock Agreements	189	
Registration and filing fees	(401)	
Class A Exchangeable Shares issued in Enertec Acquisition	25,637	
Utilization of net operating loss carryforwards existing prior to quasi-reorganization	2,080	
Cumulative foreign currency transaction adjustment		
Amortization of unearned compensation		
Loss on investments -- available for sale		
Net income		6,481
BALANCE, JULY 31, 2000	$ 269,355	$ 121,133
Common stock issued for exchangeable stock	(5)	
Common stock issued to employees	12,987	
Common stock issued for cash	86,634	
Common stock issued in acquisition of Reservoir Characterization Research and Consulting Inc.	34,381	
Common stock issued for investment in Fairweather Geophysical LLC	500	
Treasury stock issued for services under restricted stock Agreements	682	
Registration and filing fees	(456)	
Utilization of net operating loss carryforwards existing prior to quasi-reorganization	1,728	
Tax deduction for stock option exercises	1,636	
Cumulative foreign currency transaction adjustment		
Amortization of unearned compensation		
Unrealized gain on investments -- available for sale		
Unrealized loss on foreign currency hedge		
Net income		22,458
BALANCE, JULY 31, 2001	$ 407,442	$ 143,591

See Notes to Consolidated Financial Statements

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VERITAS DGC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2001, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

We provide integrated geophysical technologies to the petroleum industry worldwide. The accompanying consolidated financial statements include our accounts and the accounts of majority-owned domestic and foreign subsidiaries. Investment in an 80% owned joint venture is accounted for on the equity method due to provisions in the joint venture agreement that give minority shareholders the right to exercise control. All material intercompany balances and transactions have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATION OF PRIOR YEAR BALANCES

Certain prior year balances have been reclassified for consistent presentation.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Our financial instruments include cash and short-term investments, restricted cash investments, accounts and notes receivable, accounts payable and debt. The fair market value of the $135.0 million senior notes included in long-term debt is $136.8 million based on the trading price of 101.3 with a yield to maturity of 9.06% at July 31, 2001. The carrying value is a reasonable estimate of fair value for all other financial instruments.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued SFAS No.141 (Business Combinations) and SFAS No.142 (Goodwill and Other Intangible Assets.) We have adopted the use of these new accounting statements.. The main effect of SFAS No.141 is to require purchase accounting be used in all future business combinations, disallowing the pooling-of-interests method allowed under APB Opinion No.16. SFAS No.142 defines the booking and subsequent treatment of goodwill and other intangible assets derived from business combinations and supercedes APB Opinion No.17. The adoption of this statement had no impact on our results. This statement requires us to discontinue our amortization of goodwill and requires that we test goodwill and other intangible assets for impairment in a specific manner on an annual basis or when certain events trigger such a test.

In August 2001, the Financial Accounting Standards Board issued SFAS No.143 (Disposal of Long-lived Assets). We will adopt the use of this accounting statement in fiscal 2003. We have not yet completed our evaluation of the effect of this statement on our accounting practices.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires us to record derivative financial instruments on our balance sheet as assets or liabilities, as appropriate, at fair value. We adopted this statement in fiscal 2001 and there was no impact of adoption.

TRANSLATION OF FOREIGN CURRENCIES

The U.S. dollar is the functional currency of all of our operations except Canada, which uses the Canadian dollar as its functional currency. Currency gains and losses result from the remeasurement of assets and liabilities denominated in currencies other than their functional currency. (See Note 11)

CASH EQUIVALENTS

For purposes of the Consolidated Statements of Cash Flows, we define "cash equivalents" as items readily convertible into known amounts of cash with original maturities of three months or less.

RESTRICTED CASH INVESTMENTS

Restricted cash investments in the amount of $206,000 at July 31, 2000 were pledged as collateral on certain bank guarantees related to contracts entered into in the normal course of business.

ACCOUNTS RECEIVABLE

Unbilled amounts of approximately $51.7 million and $52.7 million are included in accounts and notes receivable at July 31, 2001 and 2000, respectively. Such amounts were not billable to the customer at the fiscal year end in accordance with the provisions of the contract and generally will be billed in one to four months.

INVENTORIES

Inventories of materials and supplies are stated at the lower of average cost or market.

INVESTMENTS AVAILABLE FOR SALE

Our marketable securities are considered available for sale and are reported at fair value, with change in fair values recorded as unrealized gains and losses in Accumulated Other Comprehensive Income within stockholders' equity. Realized gains and losses are calculated using the specific identification method.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

	ESTIMATED USEFUL LIFE IN YEARS
Geophysical equipment......................	3-5
Data processing equipment..................	3
Geophysical ship...........................	5
Leasehold improvements and other...........	3-10

Expenditures for routine repairs and maintenance are charged to expense as incurred. Planned major maintenance projects such as dry-docking are accrued in advance of the actual cash expenditure. Such accruals were $1.4 million and $3.0 million at July 31, 2001 and 2000, respectively. Expenditures for additions and improvements, including capitalized interest, are capitalized and depreciated over the estimated useful life of the related asset. The net gain or loss on property and equipment that is disposed is included in other costs and expenses. (See Note 11)

MULTI-CLIENT DATA LIBRARY

We collect and process geophysical data for our own account and retain all ownership rights. We license the data to clients on a non-transferable basis. We capitalize costs associated with acquiring and processing the data. The capitalized cost of multi-client data is charged to cost of services in the period sales occur based on the percentage of total estimated costs to total estimated sales multiplied by actual sales. Any costs remaining 36 months after completion of a survey are charged to cost of services over a period not to exceed 24 months. The total amortization period of sixty months represents the minimum period over which benefits from these surveys are expected to be derived. We periodically review the carrying value of the multi-client data library to assess whether there has been a permanent impairment of value and record losses when it is determined that estimated sales would not be sufficient to cover the carrying value of the asset. We have recorded no such losses in the years ended July 31, 2001, 2000 and 1999.

During the fourth quarter of fiscal 2001 we changed the book life of marine surveys to from 48 months to 60 months. We believe that 60 months more accurately represents the time over which we will derive benefits from our current portfolio of marine surveys. This change in accounting estimate was made prospectively and had an immaterial impact on the Company's results for the year ended July 31, 2001.

GOODWILL

For acquisitions accounted for under the purchase method, we record the purchase price of businesses or joint venture interests in excess of the fair value of net assets acquired as goodwill which is amortized using the straight-line method over a period of 10 to 20 years which approximates the period in which benefits are expected to be derived. This amortization will be discontinued in the beginning of fiscal 2002 with our adoption of SFAS No. 142. We periodically review the carrying value of goodwill, as well as the amortization period, to determine whether current events or circumstances warrant adjustments to the carrying value or estimated useful life. These evaluations are based on projected future estimated cash flows.

MOBILIZATION COST

Transportation and other expenses incurred prior to commencement of geophysical operations in an area, that would not have been incurred otherwise, are deferred and amortized over the lesser of the term of the related contract or backlog of contracts in that area. Amounts applicable to operations performed for our own account are included in the cost of the multi-client data library. Included in other assets at July 31, 2001 and 2000, are unamortized mobilization costs approximating $5.1 million and $2.8 million, respectively.

LEASES

Operating leases include those for office space, specialized geophysical equipment, and our geophysical vessels, which are chartered on a short-term basis relative to their useful lives.

REVENUES

Revenues from the licensing of multi-client data surveys are based upon agreed rates set forth in the contract and are recognized upon delivery of such data. Revenues from contract services are recognized on the percentage-of-completion method measured by the amount of data collected or processed to the total amount of data to be collected or processed or by time incurred to total time expected to be incurred. Revenues generated from external pre-funding of data library projects are recognized on a similar percentage-of-completion method, modified slightly to account for the timing of pre-funding.

STOCK-BASED COMPENSATION

We maintain stock-based compensation plans that are accounted for using the intrinsic value based method allowed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Under that method, compensation expense is recorded in the accompanying consolidated financial statements when the quoted market price of stock at the grant date or other measurement date exceeds the amount an employee must pay to acquire the stock. As required by SFAS No. 123, "Accounting for Stock-Based Compensation," the effect on net income and earnings per share of compensation expense that would have been recorded using the fair value based method is reported through disclosure. (See Note 8.)

EARNINGS PER SHARE

The computation of earnings per share -- basic is based on the weighted average common shares outstanding (including the exchangeable shares -- see Notes 2 and 10). The computation of earnings per share -- diluted is based upon the weighted average common shares outstanding (including the exchangeable shares) and additional common shares, utilizing the treasury stock method and average market prices, that would have been outstanding if dilutive potential common shares had been issued. (See Note 12.)

2. BUSINESS COMBINATIONS

On February 2, 2001, we consummated a merger with Reservoir Characterization Research and Consulting, Inc., ("RC2"), a Colorado corporation. Under the terms of the agreement, we acquired 100% of RC2 in exchange for 1,137,466 shares of our common stock. The total purchase price of RC2 was $34.4 million, comprised of $33.0 million of stock and $1.4 million of options. The

acquisition was accounted for as a purchase with the allocation of purchase price, in accordance with APB 16, yielding $2.2 million of current assets, $8.5 million of property and long term assets, $2.3 million of liabilities, and $26.0 million of goodwill.

On September 30, 1999, Veritas DGC, Veritas Energy Services Inc. ("VES") and Enertec Resource Services Inc. ("Enertec"), a Canadian company, consummated a business combination (the "Combination") whereby Enertec became a wholly owned subsidiary of VES. As a result of the Combination, each share of Enertec stock was converted into the right to receive VES Class A Exchangeable Series 1 stock (the "Class A shares) at an exchange ratio of 0.345 of a Class A share for each share of Enertec. All of the holders of Enertec common shares became holders of Class A shares and accordingly, 2,437,527 Class A shares were issued. Each Class A share is convertible, at the option of the holder, into one share of common stock of Veritas DGC. Outstanding options to purchase shares of Enertec stock were converted into options to purchase approximately 236,000 shares of common stock of Veritas DGC.

The total purchase price of Enertec was approximately $28.0 million, comprised of approximately $24.7 million of stock, $0.9 million of our stock options and $2.4 million of business combination costs. The acquisition was accounted for as a purchase with the allocation of purchase price, in accordance with APB 16, yielding approximately $4.9 million of current assets, $13.4 million of property and long-term assets, $2.6 million of liabilities and $12.3 million of goodwill. Goodwill is being amortized over ten years.

On April 28, 2000 we sold our marine high-resolution survey business, KC Offshore, L.L.C. and its subsidiary Kinco Operating, Inc., to the Racal Corporation for $6.9 million.

Pro forma revenue, net income before extraordinary item, net income and earnings per share of the combined Veritas DGC/Enertec entity, presented as if the Combination had occurred on August 1, 1999 and 1998, are shown below. This pro forma financial information is not necessarily indicative of the actual results that would have been achieved had the Combination occurred at the beginning of the periods presented.

	(Unaudited) FOR THE YEARS ENDED JULY	
	2000	1
	(IN THOUSANDS, EXCEPT PER SHAR	
Revenues	$ 355,467	$
Net income before extraordinary item	$ 5,251	$
Net income	$ 5,064	$
Earnings per share:		
Basic		
Income per common share before extraordinary item	$ .20	$
Net income per common share	$ .20	$
Diluted		
Income per common share before extraordinary item	$ .20	$
Net income per common share	$ .19	$

3. LONG-TERM DEBT

Long-term debt is as follows:

	2001
	(I
Senior notes due October 2003, at 9 3/4%	135,000
Equipment purchase obligations maturing through July 2001 at 8.97%	
Total	135,000
Less current maturities	
Long-term debt	$ 135,000

The senior notes are due in October 2003 with interest payable semi-annually at 9 3/4% per annum. The senior notes are unsecured and are effectively subordinated to any of our secured debt (none at July 31, 2001), with respect to the assets securing such debt, and to all debt of our subsidiaries whether secured or unsecured. The indenture relating to the senior notes contains certain covenants that

limit our ability to, among other things, incur additional debt, pay dividends and complete mergers, acquisitions and sales of assets. Upon a change in our control, as defined in the indenture, each holder of the senior notes has the right to require us to purchase all or a portion of such holder's senior note at a price equal to 101% of the aggregate principal amount. We have the right to redeem the senior notes, in whole or part, on or after October 15, 2000. On September 24, 1999, we repurchased $5.5 million of 9 3/4% senior notes on the open market at a price of $5.7 million, resulting in an extraordinary loss of $0.2 million, net of tax. On December 3, 1999, we reissued $1.0 million of 9 3/4% senior notes at a price of $1.0 million. On December 10, 1999, we reissued $4.6 million of 9 3/4% senior notes at a price of $4.7 million.

We maintain a revolving credit agreement expiring August 2003 with commercial lenders that provides for U.S. advances up to $80.0 million and non-U.S. advances up to $20.0 million. Advances bear interest, at our election, at LIBOR plus a margin or prime rate plus a margin, with the margins based on certain financial ratios maintained by us or our credit rating. At July 31, 2001 the LIBOR margin was 1.25% and the prime rate margin was 0%. Covenants in the agreement limit, among other things, our right to take certain actions, including creating indebtedness. In addition, the agreement requires us to maintain certain financial ratios. No advances were outstanding at July 31, 2001, under the credit agreement, although $7.9 million in letters of credit had been issued under the facility.

During the year ended July 31, 2001, we incurred interest costs of $14.2 million. For the years ended July 31, 2001 and 2000, we capitalized $523,000 and $185,000, respectively. No amount was capitalized for the year ended July 31, 2000. The capitalized amounts represent costs for capital improvements to chartered vessels.

4. OTHER ACCRUED LIABILITIES

Other accrued liabilities include the following:

	JULY 31,	
	2001	2000
	(IN THOUSANDS)	
Accrued payroll and benefits	$ 17,666	$ 9,442
Deferred revenue	$ 12,083	$ 15,370
Accrued taxes other than income	$ 4,329	$ 4,255

5. INCOME TAXES

Pretax income was taxed under the following jurisdictions:

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	1999
	(IN THOUSANDS)		
U.S.	$ 15,073	$ 11,019	$ 34,560
Non-U.S.	23,371	1,346	(4,397)
Total	$ 38,444	$ 12,365	$ 30,163

The provision for income taxes consists of the following:

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Current -- U.S.	$ (6,552)	$ 5,643	$ 4,916
Deferred -- U.S.	15,534	(2,316)	3,939
Current -- Non-U.S.	277	3,663	3,742
Deferred -- Non-U.S.	6,624	(1,984)	(3,031)
Total	$ 15,883	$ 5,006	$ 9,566

A reconciliation of income tax expense computed at the U.S. statutory rate to the provision reported in the consolidated statements of income is as follows:

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	199
	(IN THOUSANDS)		
Income tax at the U.S. statutory rate	$ 13,455	$ 4,328	$ 10
Increase (reduction) in taxes resulting from:			
Non-U.S. operations	1,181	2,677	(2
Prior year adjustments	147	(1,364)	
State income tax	343	195	
Other	757	(830)	
Total	$ 15,883	$ 5,006	$ 9

The non-U.S. operations category includes non-U.S. earnings taxed at other than the U.S. statutory rate, non-U.S. losses with no tax recovery, foreign tax credits and deductions, foreign withholding taxes and U.S. tax on Subpart F income, dividends and foreign branch operations.

Deferred taxes result from the effect of transactions that are recognized in different periods for financial and tax reporting purposes. The primary components of our net deferred tax asset are as follows:

	JULY 3
	2001
	(IN THOUS
Deferred tax assets:	
Difference between book and tax basis of property and equipment	$ 8,291
Difference between book and tax basis of multi-client data library ...	13,250
Net operating loss carryforwards	22,596
Deferred revenues	2,983
Total	47,120
Deferred tax liability	(4,816)
Net deferred tax asset	42,303
Valuation allowance	(27,273)
Net deferred tax asset	$ 15,030

A valuation allowance is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance is then adjusted when the realization of deferred tax assets becomes more likely than not. Adjustments are also made to recognize the expiration of net operating loss and investment tax credit carryforwards, with equal and offsetting adjustments to the related deferred tax asset. Should the income projections result in the conclusion that realization of additional deferred tax assets is more likely than not, further adjustments to the valuation allowance are made. Since the quasi-reorganization on July 31, 1991, with respect to Digicon, the tax benefits of net operating loss carryforwards existing at the date of the quasi-reorganization have been recognized through a direct addition to paid-in capital, when realization is more likely than not. The net reductions in the valuation allowance of $8.9 million during 2001 and $1.8 million in 2000 resulted primarily from recognition of the expected utilization of net operating loss carryforwards generated prior to the quasi-reorganization.

As of July 31, 2001, we had U.S. net operating loss carryforwards of approximately $32.6 million. Approximately $11.8 million of net operating loss carryforwards existed prior to the quasi-reorganization.

The following schedule sets forth the expiration dates of the U.S. and non-U.S. net operating losses.

FISCAL YEAR	U.S. NET OPERATING LOSS	NON-U.S. NET OPERATING LOSS
	(IN THOUSANDS)	
2002	$	$ 848
2003	4,222	1,574
2004	6,355	3,080
2005	1,198	2,258
2006	1,347	3,121
2007	2,505	3
2008		3,124
2009	152	114
2010	2,710	21
2011	9,986	91
2017	224	
2018	2,737	
2019	1,172	
2020	22	
Indefinite		21,036
Total	$ 32,630	$ 35,270

Internal Revenue Service regulations restrict the utilization of U.S. net operating loss carryforwards and other tax benefits (such as investment tax credits) for any company in which an "ownership change" (as defined in Section 382 of the Internal Revenue Code) has occurred. We performed the required testing and concluded that two "ownership changes" occurred. The first occurred in connection with the issuance of common stock through a public offering we made on January 6, 1992. The utilization of U.S. net operating loss carryforwards existing at the date of the first "ownership change" is limited to approximately $4.0 million per year. The second "ownership change" occurred in 1996 as a result of the stock acquisition of Veritas Energy Services Inc. The utilization of U.S. net operating losses incurred between the first and second ownership changes is limited to approximately $8.9 million per year, which includes the limitation of approximately $4.0 million from the first ownership change. We utilized approximately $8.9 million of limitation carryover in each of the years ended July 31, 2001 and 2000. U.S. net operating loss carryforwards increased by $4.2 million as a result of the acquisition of RC2. These loss carryforwards expire in years from 2017 to 2020.

Non-U.S. operations had net operating loss carryforwards of approximately $35.3 million at July 31, 2001, of which approximately $9.7 million existed prior to the quasi-reorganization. Approximately $12.5 million of the total non-U.S. net operating loss carryforwards are related to United Kingdom operations, have an indefinite carryforward period, and are available to offset future profits in our current trade or business. Approximately $9.1 million of the United Kingdom net operating loss carryforwards existed prior to the quasi-reorganization. Approximately $3.1 million of the total non-U.S. net operating loss carryforwards are related to Singapore operations and have an indefinite carryforward period.

We consider the undistributed earnings of our non-U.S. subsidiaries to be permanently reinvested. We have not provided deferred U.S. income tax on those earnings, as it is not practicable to estimate the amount of additional tax that might be payable should these earnings be remitted or deemed remitted as dividends or if we should sell its stock in the subsidiaries.

6. COMMITMENTS AND CONTINGENT LIABILITIES

Total rentals of vessels, equipment and office facilities charged to operations amounted to $78.8 million, $57.0 million, and $62.5 for the years ended July 31, 2001, 2000 and 1999, respectively.

Minimum rentals payable under operating leases, principally for office space and vessel charters with remaining noncancellable terms of at least one year are as follows:

FISCAL YEAR	MINIMUM RENTALS (IN THOUSANDS)
2002.................................	$35,490
2003.................................	32,322
2004.................................	28,951
2005.................................	23,893
2006.................................	23,026

We carry workers compensation insurance that limits our liability on a per claim and per policy year basis. Management has evaluated the adequacy of the accrual for the liability for incurred but unreported workers compensation claims and has determined that the ultimate resolution of any such claims would not have a material adverse impact on our financial position.

7. EMPLOYEE BENEFITS

We maintain a 401(k) plan in which employees of our majority-owned domestic subsidiaries and certain foreign subsidiaries are eligible to participate. Employees of foreign subsidiaries who are covered under a foreign deferred compensation plan are not eligible. Employees are permitted to make contributions of up to 15% of their salary to a maximum of $10,500 per year. Generally, we contribute an amount equal to one-half of the employee's contribution of up to $8,000 or 8% of the employee's salary (whichever is less). However, if consolidated pre-tax income for any fiscal year is less than the amount we are required to contribute, we may elect to reduce our contribution, but in no event may we reduce the total contribution to less than 25% of the employee contribution. We may make additional contributions from our current or cumulative net profits in an amount determined by the Board of Directors. Our matching contributions to the 401(k) plan were $971,000 in 2001, $821,000 in 2000, and $741,000 in 1999.

We have two employee nonqualified stock option plans under which options are granted to officers and key employees. Options generally vest over three years and are exercisable over a ten-year period from the date of grant. The exercise price for each option is the fair market value of the common stock on the grant date. Our Board of Directors has authorized 5,954,550 shares of common stock to be issued under the option plans.

We also maintain a stock option plan for non-employee directors (the "Director Plan") under which options are granted to our non-employee directors.

The Director Plan provides that every year each eligible director is granted options to purchase 5,000 shares of our common stock which vest over a period of three years from the date of grant and are exercisable over ten years from the date of grant. The exercise price for each option granted is the fair market value at the date of grant. The Board of Directors has authorized 600,000 shares of common stock to be issued under the Director Plan.

	FOR THE YEAR ENDED J		
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	G F
Beginning balance	2,278,562	$ 17.43	
Options granted	568,456	$ 34.44	$
Options converted from RC2	149,370	$ 21.02	$
Options exercised	(857,757)	$ 15.05	
Options forfeited	(127,012)	$ 23.31	
Ending balance	2,011,619	$ 23.15	
Options exercisable	1,087,533	$ 20.50	
Options exercisable by range of exercise price:			
$ 0.00-$ 5.65	8,833	$ 5.25	
$ 5.65-$11.30	328,295	$ 9.62	
$11.30-$16.95	26,463	$ 12.68	
$16.95-$22.60	289,714	$ 19.43	
$22.60-$28.25	247,825	$ 26.08	
$28.25-$33.90	1,356	$ 29.65	
$33.90-$39.55	170,977	$ 35.03	
$39.55-$45.20	7,958	$ 43.63	
$45.20-$50.85	4,828	$ 45.13	
$50.85-$56.50	1,284	$ 54.80	
Ending balance	1,087,533		
Ending balance by range of exercise price:			
$ 0.00-$ 5.65	8,833	$ 5.25	
$ 5.65-$11.30	523,788	$ 10.03	
$11.30-$16.95	36,031	$ 12.81	
$16.95-$22.60	290,784	$ 19.43	
$22.60-$28.25	559,650	$ 25.87	
$28.25-$33.90	1,495	$ 29.82	
$33.90-$39.55	574,852	$ 34.62	
$39.55-$45.20	9,645	$ 43.73	
$45.20-$50.85	4,828	$ 45.31	
$50.85-$56.50	1,713	$ 54.80	
Ending balance	2,011,619		

(1) Life remaining at date of exchange

	FOR THE YEAR ENDED JULY 31, 2000		
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Beginning balance	1,928,048	$ 14.43	
Options granted	576,011	$ 26.10	$ 19.88
Options converted from Enertec	236,000	$ 12.65	
Options exercised	(349,056)	$ 11.70	
Options forfeited	(112,441)	$ 18.15	
Ending balance	2,278,562	$ 17.43	
Options exercisable	1,232,590	$ 16.38	

	FOR THE YEAR ENDED JULY 31, 1999		
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Beginning balance	1,022,539	$ 18.00	
Options granted	1,019,824	$ 11.08	$ 7.55
Options exercised	(23,883)	$ 9.81	
Options forfeited	(90,432)	$ 18.91	
Ending balance	1,928,048	$ 14.43	
Options exercisable	789,781	$ 14.15	

The weighted average fair values of options granted are determined using the Black-Scholes option valuation method assuming no expected dividends. Other assumptions used are as follows:

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	1999

Risk-free interest rate	5.1%	5.9%	5.5%
Expected volatility	67.5%	62.3%	49.7%
Expected life in years	10.0	10.0	10.0

On November 1, 1997, we initiated a compensatory employee stock purchase plan for up to 500,000 shares of common stock. Participation is voluntary and substantially all full-time employees meeting limited eligibility requirements may participate. Contributions are made through payroll deductions and may not be less than 1% or more than 15% of the participant's base pay as defined. The participant's option to purchase common stock is deemed to be granted on the first day and exercised on the last day of the fiscal quarter at a price which is the lower of 85% of the market price on the first or last day of the fiscal quarter. During the year ended July 31, 2001 61,001 share of common stock were issued with a weighted average grant date fair value of $27.04 per share. During the year ended July 31, 2000, 130,744 shares of common stock were issued with a weighted average grant date fair value of $13.57 per share. During the year ended July 31, 2000, 130,744 shares of common stock were issued with a weighted average grant date fair value of $13.57 per share.

On June 9, 1998, we initiated a restricted stock plan. This plan was amended and restated on March 7, 2000 for available shares of 173,975. On March 8, 2001 an additional 200,000 shares were reserved for use under the new 2001 plan. The eligibility of an employee and the terms and amount of the grant are determined by the Board of Directors' Compensation Committee. In addition, we have issued restricted stock in conjunction with certain employment agreements.

These tables represent the restricted shares issued for fiscal 2001 and 2000.

YEAR ENDED JULY 31, 2001

NUMBER OF SHARES GRANTED	GRANT DATE	WEIGHTED AVERAGE GRANT PRICE	VESTING PERIOD
1,500	August 2000	$ 23.88	3 Years
5,000	September 2000	$ 30.50	3 Years
1,000	September 2000	$ 30.25	3 Years
4,000	November 2000	$ 30.50	3 Years
5,113	February 2001	$ 28.40	3 Years
2,556	February 2001	$ 28.40	3 Years
15,947	March 2001	$ 36.98	3 Years
7,378	March 2001	$ 34.40	1 Year
1,500	April 2001	$ 30.24	3 Years
1,200	May 2001	$ 32.82	3 Years
2,000	May 2001	$ 35.21	3 Years

YEAR ENDED JULY 31, 2000

NUMBER OF SHARES GRANTED	GRANT DATE	WEIGHTED AVERAGE GRANT PRICE	VESTING PERIOD
5,000	September 1999	$ 19.06	5 Years
2,000	September 1999	$ 20.00	3 Years
2,250	October 1999	$ 19.88	3 Years
25,000	January 2000	$ 17.19	3 Years*
1,000	March 2000	$ 25.63	3 Years
11,173	March 2000	$ 26.19	1 Year
3,000	May 2000	$ 22.88	3 Years
1,500	June 2000	$ 26.00	3 Years
1,000	July 2000	$ 24.56	3 Years

* Vested upon resignation of former chief executive officer

Compensation expense relating to the stock-based compensation plans described above was $712,000, $1.1 million and $466,000 for the years ended July 31, 2001, 2000 and 1999, respectively. The effect on net income and earnings per share that would have been recorded using the fair value based method as required by SFAS 123 is as follows:

	FOR THE YEARS ENDED JULY 3		
	2001	2000	
	(IN THOUSANDS, EXCEPT PER SHARE		
Reported net income	$ 22,458	$ 6,481	$
Pro forma net income	$ 8,837	$ 303	$
Reported net income per common share -- basic	$ .73	$ .25	$
Pro forma earnings per common share -- basic	$ .29	$ .01	$
Reported net income per common share -- diluted	$ .71	$ .25	$
Pro forma earnings per common share -- diluted	$ .28	$ .01	$

The pro forma effect on net income and earnings per share may not be representative of the pro forma effects on future net income and earnings per share because some options vest over several years and additional awards may be granted.

We maintain a contributory defined benefit pension plan (the "Pension Plan") for eligible participating employees in the United Kingdom. Monthly contributions by employees are equal to 4% of their salaries. We provide an additional contribution in an actuarially determined amount necessary to fund future benefits to be provided under the Pension Plan. Benefits provided are based upon 1/60 of the employee's final pensionable salary (as defined) for each complete year of service up to 2/3 of the employee's final pensionable salary and increase annually in line with inflation subject to a maximum of 5% per annum. The Pension Plan also provides for 50% of such actual or expected benefits to be paid to a surviving spouse upon the death of a participant. Pension Plan assets consist mainly of investments in marketable securities that are held and managed by an independent trustee. The net periodic pension costs are as follows:

	FOR THE YEARS ENDED JULY 31,	
	2001	2000
	(IN THOUSANDS)	
Service costs (benefits earned during the period)	$ 550	$ 622
Interest costs on projected benefit obligation	656	733
Expected return on plan assets	(551)	(856)
Net amortization and deferral	46	555
Net periodic pension costs	$ 701	$ 1,054

The funded status of the Pension Plan is as follows:

	JULY 31,	
	2001	2000
	(IN THOUSANDS)	
Plan assets at fair value	$ 7,935	$ 8,543
Projected benefit obligation in excess of plan assets	$ (4,358)	$ (2,896)
Unrecognized prior service costs	1,590	1,807
Unrecognized actuarial loss	1,361	512
Net amount recognized	$ 1,407	$ 577

Amounts recognized in the consolidated balance sheet consist of:

	JULY 31,	
	2001	2000
	(IN THOUSANDS)	
Accrued benefit liability	$ (2,997)	$ (2,384)
Intangible asset	1,590	1,807
Net amount recognized	$ 1,407	$ 577

The weighted average assumptions used to determine the projected benefit obligation and the expected long-term rate of return on assets are as follows:

	FOR THE YEARS ENDED JULY 31,	
	2001	2000
Discount rate	6.0%	6.0%
Rates of increase in compensation levels	4.0%	4.0%
Expected long-term rate of return on assets	6.5%	6.5%

The following is a reconciliation of the beginning and ending balances of the benefit obligation and the fair value of plan assets:

	JULY 31,	
	2001	2000
	(IN THOUSANDS)	
Benefit obligation at beginning of year	$ 11,439	$ 12,480
Service cost	550	622
Interest cost	656	733
Contributions by plan participants	231	255
Actuarial gains and losses	177	92
Benefits paid	(45)	(38)
Foreign currency exchange rate changes	(715)	(807)
Plan amendments		(1,898)
Benefit obligation at end of year	$ 12,293	$ 11,439
Fair value of plan assets at beginning of year	$ 8,543	$ 7,573
Actual return on plan assets	(694)	856
Employer contribution	409	461
Plan participants' contributions	231	255
Benefits paid	(45)	(38)
Foreign currency exchange rate changes	(509)	(564)
Fair value of plan assets at end of year	$ 7,935	$ 8,543

8. UNREALIZED LOSS ON INVESTMENTS -- AVAILABLE FOR SALE

In April 1999, we exchanged a $4.7 million account receivable from Miller Exploration Company ("Miller"), a publicly traded company, for a long-term note receivable bearing 18% interest. Effective October 15, 2000, the note bears interest at 9 3/4%. Interest is paid in Miller common stock warrants, with an exercise price of $0.01 per share, in advance, at six-month intervals. During fiscal 2001 we exchanged 500,000 warrants for 496,923 shares of Miller common stock.

In 1999 we exchanged an account receivable from Brigham Exploration Company ("Brigham"), a publicly traded company, for shares of Brigham common stock. We sold these shares in fiscal 2001 for $4.1 million generating a recognized gain of $27,000.

	JULY 31,				
	2001				
	COST BASIS	UNREALIZED (LOSS)/GAIN	FAIR VALUE	COST BASIS	U (L
Brigham common stock	$	$	$	$ 4,099	$
Miller stock and warrants	1,501	(15)	1,486	1,500	
Total	$ 1,501	$ (15)	$ 1,486	$ 5,599	$

9. HEDGE TRANSACTION

In March 2001, we entered into a contract requiring payments in Norwegian kroner to charter the seismic vessel M/V Seisquest. The contract requires 36 monthly payments commencing on June 1, 2001. To protect our exposure to exchange rate risk, we entered into multiple forward contracts as cash flow hedges effectively locking our exchange rate for Norwegian kroner to the U.S. dollar. The unrealized loss on the hedge transaction is summarized below:

	JULY 31, 2001		
	FORWARD VALUE	UNREALIZED LOSS	FAIR VALUE
		(In thousands)	
Forward contracts	$ 9,183	$ (421)	$ 8,762

10. COMMON AND PREFERRED STOCK AND SPECIAL VOTING STOCK AND EXCHANGEABLE SHARES

The Board of Directors, without any action by the stockholders, may issue up to one million shares of preferred stock, par value, $.01, in one or more series and determine the voting rights, preferences as to dividends and in liquidation and the conversion and other rights of such stock. There are no shares of preferred stock outstanding as of July 31, 2001.

On May 27, 1997, our Board of Directors declared a distribution of one right for each outstanding share of common stock or Exchangeable Stock to shareholders of record at the close of business on June 12, 1997 and designated 400,000 shares of the authorized preferred stock as a class to be distributed under a shareholder rights agreement. Upon the occurrence of certain events enumerated in the shareholder rights agreement, each right entitles the registered holder to purchase a fraction of a share of our preferred stock or the common stock of an acquiring company. The rights, among other things, will cause substantial dilution to a person or group that attempts to acquire us. The rights expire on May 15, 2007 and may be redeemed prior to that date.

Two shares of special voting stock of Veritas DGC are authorized and outstanding, each as a series of common shares. One special voting share was issued in connection with the combination of Digicon Inc. (Veritas DGC's former name) and Veritas Energy Services Inc. in August of 1996. The other special voting share was issued in connection with the combination of Veritas DGC, Veritas Energy Services and Enertec Resources Inc. in September 1999.

These special voting shares possess a number of votes equal to the number of outstanding Veritas Energy Services exchangeable shares and Veritas Energy Services Class A exchangeable shares, Series 1 that are not owned by Veritas DGC or any of its subsidiaries. Such exchangeable shares were issued to the former stockholders of Veritas Energy Services and Enertec Resources in business combinations with Veritas DGC. In any matter submitted to Veritas DGC stockholders for a vote, each holder of a Veritas Energy Services exchangeable share has the right to instruct a trustee as to the manner of voting for one of the votes comprising the Veritas Energy Services special voting share for each Veritas Energy Services exchangeable share owned by the holder. Likewise, each holder of a Veritas Energy Services class A exchangeable share, series 1 has the right to instruct a trustee as to the manner of voting for one of the votes comprising the Enertec special voting share for each Veritas Energy Services class A exchangeable shares, series 1 owned by the holder. The Veritas Energy Services exchangeable shares and the Veritas Energy Services class A exchangeable shares, series 1 are convertible on a one-for-one basis into shares of the common stock and, when coupled with the voting rights afforded by the special voting shares, have rights virtually identical to Veritas DGC common stock.

11. OTHER COSTS AND EXPENSES

Other costs and expenses consist of the following:

	FOR THE J	
	2001	
		(IN
Net foreign currency exchange (gain) loss	$ 745	$
Net (gain) loss on disposition of property and equipment	(1,266)	
Interest income	(5,126)	
Loss from unconsolidated subsidiary	103	
Other	(23)	
Total	$ (5,567)	$

12. EARNINGS PER COMMON SHARE

Earnings per common share -- basic and earnings per common share -- diluted are computed as follows:

	FOR THE J
	2001

	(IN THOUSANDS, EX	
Income before extraordinary item	$ 22,458	$
Extraordinary loss on debt repurchase		
Net income	$ 22,458	$
Basic:		
Weighted average common shares (including exchangeable shares)	30,727	
Income per common share before extraordinary item	$ .73	$
Loss per common share from extraordinary item		
Net income per share	$ .73	$
Diluted:		
Weighted average common shares (including exchangeable shares)	30,727	
Shares issuable from assumed conversion of:		
Options	752	
Total	31,479	
Income per common share before extraordinary item	$ .71	$
Loss per common share from extraordinary item		
Net income per share	$ .71	$

The following options to purchase common shares have been excluded from the computation assuming dilution for the years ended July 31, 2001, 2000 and 1999 because the options' exercise price exceeded the average market price of the underlying common shares.

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	
Number of options	664,516	1,236,590	
Exercise price range	$26.00-55.13	$20.25-$55.13	$1
Expiring through	March 2011	March 2010	No

13. SEGMENT AND GEOGRAPHICAL INFORMATION

We have two segments, land and marine operations, both of which provide geophysical products and services to the petroleum industry. The two segments have been aggregated, as they are so similar in their economic characteristics and the nature of their products, production processes and customers. A reconciliation of the reportable segments' results to those of the total enterprise is given below.

	FOR THE YEAR ENDED JULY 31, 2001		
	SEGMENTS	CORPORATE	TOTAL
	(DOLLARS IN THOUSANDS)		
Revenue	$ 477,302		$ 477
Operating income	80,441	$ (34,007)	46
Net income (loss) before income tax	82,737	(44,396)	38
Total assets	676,936	120,016	796

	FOR THE YEAR ENDED JULY 31, 2000		
	SEGMENTS	CORPORATE	TOTAL
	(DOLLARS IN THOUSANDS)		
Revenue	$ 353,079		$ 353
Operating income	46,112	$ (22,893)	23
Net income (loss) before income tax	47,284	(35,610)	11
Total assets	530,119	81,689	611

	FOR THE YEAR ENDED JULY 31, 1999		
	SEGMENTS	CORPORATE	TOTAL
	(DOLLARS IN THOUSANDS)		
Revenue	$ 388,905		$ 388
Operating income	59,837	$ (22,101)	37
Net income (loss) before income tax	61,461	(31,601)	29
Total assets	456,401	85,445	541

This table presents consolidated revenues by geographic area based on the location of the use of the product or service for the years ended July 31, 2001, 2000 and 1999:

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Geographic areas:			
United States	$ 193,204	$ 130,872	$ 203
Canada	113,334	95,686	32
Latin America	68,501	41,480	61
Europe	48,427	35,388	35
Middle East/Africa	18,363	27,012	20
Asia Pacific	35,473	22,641	35
Total	$ 477,302	$ 353,079	$ 388

This table presents long-lived assets by geographic area based on the location of the asset.

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	1999
		(IN THOUSANDS)	
Geographic areas:			
United States	$ 120,077	$ 93,464	$ 104
Asia Pacific	13,710	17,056	16
Canada	18,071	14,560	6
Europe	9,931	11,253	11
Latin America	4,821	6,588	10
Middle East/Africa	7,325	3,657	6
Total	$ 173,935	$ 146,578	$ 156

In fiscal 2001 and 2000, no customer accounted for 10% or more of total revenue. In fiscal 1999 Royal Dutch/Shell and its subsidiaries accounted for about 12% of our revenue.

We generate our revenue in the exploration and production ("E&P") sector of the petroleum industry and, therefore, are subject to fluctuations in E&P spending. E&P spending is directly related to the prices of oil and gas which are subject to wide and relatively unpredictable variations.

14. SELECTED UNAUDITED QUARTERLY FINANCIAL DATA

	FOR THE YEAR ENDED JULY 31, 2001			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QU
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Revenues	$ 111,299	$ 134,415	$ 126,617	$ 1
Gross profit	$ 32,962	$ 37,483	$ 39,515	$
Net income	$ 5,008	$ 7,220	$ 8,384	$
Net income per common share -- basic	$ .18	$ .24	$ .26	$
Net income per common share -- diluted	$ .18	$ .23	$ .26	$

	FOR THE YEAR ENDED JULY 31, 2000			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QU
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Revenues	$ 68,677	$ 91,023	$ 93,742	$
Gross profit	$ 25,936	$ 30,439	$ 30,811	$
Income (loss) before extraordinary Item	$ (580)	$ 1,170	$ 2,539	$
Net income (loss)	$ (767)	$ 1,170	$ 2,539	$
Income (loss) per common share -- basic, before extraordinary item	$ (.02)	$ .05	$ .10	$
Income (loss) per common share -- diluted, before extraordinary item	$ (.02)	$ .05	$ .09	$
Net income (loss) per common share -- basic	$ (.03)	$ .05	$ .10	$
Net income (loss) per common share -- diluted	$ (.03)	$ .05	$ .09	$

Quarterly per share amounts may not total to annual per share amounts because weighted average common shares for the quarter may vary from weighted average common shares for the year.

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VERITAS DGC INC. AND SUBSIDIARIES

FINANCIAL STATEMENT SCHEDULE
VALUATION AND QUALIFYING ACCOUNTS
SCHEDULE II

	FOR THE YEARS ENDED JULY 31,		
	2001	2000	1999
	(DOLLARS IN THOUSANDS)		
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Beginning.......................	$ 1,749	$ 3,038	$ 1,248

Expenses/(Adjustments)..........	(1,040)(1)	(914)(1)	1,415
Write-offs......................			375
Recovery........................		(375)	
Ending..........................	709	$ 1,749	$ 3,038
ALLOWANCE FOR LONG-TERM RECEIVABLES			
Beginning	1,000	$ 1,000	
Expense	(1,000)(2)		$ 1,000
Ending	$	$ 1,000	$ 1,000
ACCRUED DRY DOCK			
Beginning.......................	2,958	$ 2,621	$ 1,565
Additions.......................	2,485	3,295	2,724
Reduction.......................	(4,011)	(2,894)	(1,683)
Other...........................		(64)	15
Ending..........................	1,432	$ 2,958	$ 2,621
TAX VALUATION ALLOWANCE			
Beginning.......................	36,229	$ 38,078	$ 40,805
Projected utilization of net operating carryforwards.......	(8,956)	(1,849)	(2,727)
Ending..........................	27,273	$ 36,229	$ 38,078

(1) Estimates were revised due to improved collections of past due receivables.

(2) Estimate was revised due to published report of debtor's intent and ability to repay debt.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item is incorporated by reference to the material to appear under the headings "Election of Directors -- Nominees" and "Other Information -- Executive Officer Tenure and Identification" in the Proxy Statement for the 2001 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to the material to appear under the heading "Other Information -- Executive Compensation" in the Proxy Statement for the 2001 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item is incorporated by reference to the material to appear under the headings "Election of Directors" and "Other Information -- Certain Stockholders" in the Proxy Statement for the 2001 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item is incorporated by reference to the material to appear under the heading "Other Information -- Certain Transactions" in the Proxy Statement for the 2001 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

Financial Statement Schedule II -- Valuation and Qualifying Accounts appears on page 33. All other financial statement schedules are omitted for the reason that they are not required or are not applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

Individual financial statements of 50% or less-owned companies and joint ventures accounted for by the equity method have been omitted because such 50% or less-owned companies and joint ventures, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

FORM 8-K REPORTS DURING THE QUARTER ENDED JULY 31, 2001

No Form 8-K reports were filed during the quarter ended July 31, 2001.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on the 27th day of September, 2001.

VERITAS DGC INC.

By: /s/ DAVID B. ROBSON

David B. Robson
(Chairman of the Board and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant in the indicated capacities have signed this report below on the 27th day of September 2001.

/s/ DAVID B. ROBSON David B. Robson	Chairman of the Board and Chief Executive Officer, Director
/s/ STEPHEN J. LUDLOW Stephen J. Ludlow	Vice Chairman, Director
/s/ TIMOTHY L. WELLS Timothy L. Wells	President and Chief Operating Officer
/s/ MATTHEW D. FITZGERALD Matthew D. Fitzgerald	Executive Vice President, Chief Financial Officer and Treasurer
/s/ CLAYTON P. CORMIER Clayton P. Cormier	Director
/s/ LAWRENCE C. FICHTNER Lawrence C. Fichtner	Director
/s/ JAMES R. GIBBS James R. Gibbs	Director
/s/ STEVEN J. GILBERT Steven J. Gilbert	Director
/s/ BRIAN F. MACNEILL	Director

Brian F. MacNeill

/s/ JAN RASK Director

Jan Rask

EXHIBIT INDEX

EXHIBIT NO.		DESCRIPTION
3-A	--	Restated Certificate of Incorporation with amendments Of Veritas DGC Inc. dated August 30, 1996. (Exhibit 3.1 to Veritas DGC Inc.'s Current Report on Form 8-K dated September 16, 1996 is incorporated herein by reference.)
3-B	--	Certificate of Ownership and Merger of New Digicon Inc. And Digicon Inc. (Exhibit 3-B to Digicon Inc.'s Registration Statement No. 33-43873 dated November 12, 1991 Is incorporated herein by reference.)
3-C	--	By-laws of New Digicon Inc. dated June 24, 1991. (Exhibit 3-C to Digicon Inc.'s Registration Statement No. 33-43873 dated November 12, 1991 is incorporated herein by Reference.)
3-D	--	Certificate of Amendment to Restated Certificate of Incorporation of Veritas DGC Inc. dated September 30, 1999. (Exhibit 3-D to Veritas DGC Inc.'s For 10-K for the year ended July 31, 1999 is incorporated herein by reference.)
3-F	--	By-laws of Veritas DGC Inc. as amended and restated March 7, 2000 (Exhibit 3-E to Veritas DGC Inc.'s Form 10-Q for the quarter ended January 31, 2000 is incorporated herein by reference)
4-A	--	Specimen certificate for Senior Notes (Series A). (Included as part of Section 2.2 of Exhibit 4-B to Veritas DGC Inc.'s Registration Statement No. 333-12481 dated September 20, 1996 is incorporated herein by reference.)
4-B	--	Form of Trust Indenture relating to the 9 3/4% Senior Notes due 2003 of Veritas DGC Inc. between

		Veritas DGC Inc. and Fleet National Bank, as trustee. (Exhibit 4-B to Veritas DGC Inc.'s Registration Statement No. 333-12481 dated September 20, 1996 is incorporated herein by reference.)
4-C	--	Specimen Veritas DGC Inc. Common Stock certificate. (Exhibit 4-C to Veritas DGC Inc.'s Form 10-K for the year ended July 31, 1996 is incorporated herein by reference.)
4-D	--	Rights Agreement between Veritas DGC Inc. and ChaseMellon Shareholder Services, L.L.C. dated as of May 15, 1997. (Exhibit 4.1 to Veritas DGC Inc.'s Current Report on form 8-K filed May 27, 1997 is incorporated herein by reference.)
4-E	--	Form of Restricted Stock Grant Agreement. (Exhibit 4.8 to Veritas DGC Inc.'s Registration Statement No. 333-48953 dated March 31, 1998 is incorporated herein by reference.)
4-F	--	Restricted Stock Plan as amended and restated March 7, 2000. (Exhibit 4-F to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 2000 is incorporated herein by reference.)
4-G	--	Key Contributor Incentive Plan as amended and restated March 9, 1999. (Exhibit 4.9 to Veritas DGC Inc.'s Registration Statement No. 333-74305 dated March 12, 1999 is incorporated herein by reference.)
4-H	--	Specimen for Senior Notes (Series C). (Exhibit 4-K to Veritas DGC Inc.'s Form 10-Q for the quarter ended January 31, 1999 is incorporated herein by reference.)
4-I	--	Indenture relating to the 9 3/4% Senior Notes due 2003, Series B and Series C of Veritas DGC Inc. between Veritas DGC Inc. and State Street Bank and Trust Company dated October 28, 1998. (Exhibit 4.3 to Veritas DGC Inc.'s Current Report on Form 8-K dated November 12, 1998 is incorporated herein by reference.)
9-A	--	Voting and Exchange Trust Agreement dated August 30, 1996 among Digicon Inc., Veritas Energy Services Inc. and The R-M Trust Company. (Exhibit 9.1 of Veritas DGC Inc.'s Current Report on Form 8-K dated September 16, 1996 is incorporated herein

by reference.)

9-B	--	Voting and Exchange Trust Agreement dated September 30, 1999 among Veritas DGC Inc., Veritas Energy Services Inc. and CIBC Mellon Trust Company.
10-A	--	Support Agreement dated August 30, 1996 between Digicon Inc. and Veritas Energy Services Inc. (Exhibit 10.1 of Veritas DGC Inc.'s Current Report on Form 8-K dated August 30, 1996 is incorporated herein by reference.)
10-B	--	1992 Non-Employee Director Stock Option Plan as amended and restated March 7, 2000. (Exhibit 10-B to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 2000 is incorporated herein by reference.)
10-C	--	1992 Employee Nonqualified Stock Option Plan as amended and restated March 7, 2000. (Exhibit 10-C to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 2000 is incorporated herein by reference.)
10-D	--	1997 Employee Stock Purchase Plan. (Exhibit 4.1 to Veritas DGC Inc.'s Registration Statement No. 333-38377 dated October 21, 1997 is incorporated herein by reference.)
10-E	--	Restricted Stock Agreement dated April 1, 1997 between Veritas DGC Inc. and Anthony Tripodo. (Exhibit 10-O to Veritas DGC Inc.'s Form 10-K for the year ended July 31, 1997 is incorporated herein by reference.)
10-F	--	Employment Agreement executed by David B. Robson. (Exhibit 10-L to Veritas Inc.'s Form 10-K for the year Ended July 31, 1997 is incorporated herein by reference.)
10-G	--	Employment Agreement executed by Stephen J. Ludlow. (Exhibit 10-B to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 1997 is incorporated herein by reference.)
10-H	--	Employment Agreement executed by Anthony Tripodo. (Exhibit 10-I to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 1997 is incorporated herein by reference.)
10-I	--	Employment Agreement executed by Rene M.J. VandenBrand. (Exhibit 10-N to Veritas DGC Inc.'s Form 10-K for the year ended July 31, 1997 is incorporated herein by reference.)
10-J	--	Employment Agreement executed by Timothy L. Wells. (Exhibit 10-K to Veritas DGC Inc.'s Form 10-K for the year ended July 31, 1999.)
10-K	--	Credit Agreement among Veritas DGC Inc., as borrower, and Bank One, Texas, N.A., as issuing bank, as a bank and agent for the banks, and the

		banks therein named dated November 1, 1999. (Exhibit 10-N to Veritas DGC Inc.'s Form 10-Q for the quarter ended October 31, 1999 is incorporated herein by reference.)
10-L	--	Sales agency agreement between Veritas DGC Inc. and Paine Webber Incorporated, dated October 26, 1999. (Exhibit 10-N to Veritas DGC Inc.'s Form 10-Q for the quarter ended October 31, 1999 is incorporated herein by reference.)
10-M	--	Form of Indemnity Agreement between Veritas DGC Inc. and its executive officers and directors as amended and restated March 7, 2000. (Exhibit 10-M to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 2000 is incorporated herein by reference.)
10-N	--	Employee Agreement executed by Richard C. White. (Exhibit 10-Q to Veritas DGC Inc.'s Form 10-Q for the quarter ended January 31, 2000 is incorporated herein by reference.)
10-O	--	Indemnity Agreement between Veritas DGC Inc. and Richard C. White. (Exhibit 10-O to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 2000 is incorporated herein by reference.)
10-P	--	Settlement Agreement between Veritas DGC Inc. and Richard C. White. (Exhibit 10-P to Veritas DGC Inc.'s Form 10-Q for the quarter ended October 31, 2000 is incorporated herein by reference.)
10-Q	--	Deferred Compensation Plan effective January 1, 2001. (Exhibit 10-Q to Veritas DGC Inc.'s for 10-Q for the quarter ended October 31, 2000 is incorporated by reference.)
10-R	--	Rabbi Trust Agreement between Veritas DGC Inc. and Austin Trust Company relating to the Deferred Compensation Plan. (Exhibit 10-R to Veritas DGC Inc.'s Form 10-Q for the quarter ended October 31, 2000 is incorporated herein by reference.)
10-S	--	2001 Key Employee Nonqualified Stock Option Plan effective February 1, 2001. (Exhibit 10-S to Veritas DGC Inc.'s Form 10-Q for the quarter ended January 31, 2001 is incorporated by reference.
10-T	--	Key Employee Restricted Stock Plan effective February 1, 2001. (Exhibit 10-T to Veritas DGC Inc.'s Form 10-Q for the quarter ended January 31, 2001 is incorporated herein by reference.)

10-U	--	Employment Agreement between Veritas DGC Inc. and Matthew D. Fitzgerald. (Exhibit 10-U to Veritas DGC Inc.'s Form 10-Q for the quarter ended April 30, 2001 is incorporated herein by reference.)
*10-V	--	Employment Agreement between Veritas DGC Inc. and Anthony Tripodo.
*10-W	--	Credit Agreement among Veritas DGC Inc., as borrower, and Wells Fargo, Inc., as a bank and agent for the banks named therein, dated July 19, 2001.
*21	--	Subsidiaries of the Registrant.
*23	--	Consent of PricewaterhouseCoopers LLP.
*99	--	Audit Committee Charter, revised and approved by the Board of Directors on June 12, 2001

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* Filed herewith