

EQUIFAX INC
Form 10-K/A
April 11, 2003
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002

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 001-06605

EQUIFAX INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: EQUIFAX INC - Form 10-K/A

Georgia

58-0401110

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification No.)

1550 Peachtree Street, N.W.

Atlanta, Georgia

30309

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 404-885-8000

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1.25 par value per share	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

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

None.

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 ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES ☒ NO ☐

Edgar Filing: EQUIFAX INC - Form 10-K/A

The aggregate market value of the voting and non-voting common equity held by non-affiliates, based upon the closing price for the Common Stock as reported on the New York Stock Exchange composite tape on June 28, 2002, was \$3,882,338,937. All executive officers, directors, and holders of 5% or more of the outstanding Common Stock of registrant have been deemed, solely for purposes of the foregoing calculation, to be affiliates of the registrant.

As of March 21, 2003, 140,996,187 shares of registrant's Common Stock were outstanding.

Table of Contents

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement for the Annual Meeting of Shareholders to be held on May 14, 2003, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the registrant's fiscal year.

EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2002 is being filed for the sole purposes of (1) disclosing the aggregate market value of our voting and non-voting common equity held by non-affiliates as of June 28, 2002, rather than as of March 21, 2003 on the cover page of the report; and (2) correcting a typographical error that appears on page 37 of the report due to a printer's error. Goodwill, net as of December 21, 2001 was incorrectly reported in the Consolidated Balance Sheet included in Part II, of Item 8 Financial Statements and Supplementary Data as \$265.4 million and should have been \$516.5 million. All other information in the original filing remains unchanged.

Table of Contents

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

<u>Consolidated Statements of Income for each of the three years in the period ended December 31, 2002</u>	4
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2002</u>	5
<u>Consolidated Balance Sheets at December 31, 2002 and 2001</u>	6
<u>Consolidated Statements of Shareholders' Equity and Comprehensive Income for each of the three years in the period ended December 31, 2002</u>	7
<u>Notes to Consolidated Financial Statements</u>	10
<u>Report of Ernst & Young LLP, Independent Auditors</u>	30
<u>Report of Arthur Andersen LLP, Independent Public Accountants</u>	30

Table of Contents

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)

Year Ended December 31	2002	2001	2000
Operating revenue	\$ 1,109.3	\$ 1,139.0	\$ 1,189.2
Costs and expenses:			
Costs of services	427.6	451.0	513.2
Selling, general and administrative expenses	249.9	267.6	261.2
Depreciation	12.9	17.1	21.9
Amortization	67.6	63.7	59.9
Goodwill amortization (Note 1)		25.4	24.4
Restructuring and impairment charges (Note 5)		60.4	
Total costs and expenses	758.0	885.2	880.6
Operating income	351.3	253.8	308.6
Other income (expense), net	6.8	(1.2)	3.7
Minority interest in earnings, net of tax	(2.0)	(2.2)	(7.1)
Interest expense	(41.2)	(47.8)	(55.8)
Income from continuing operations before income taxes	314.9	202.6	249.4
Provision for income taxes	(123.6)	(85.3)	(108.3)
Income from continuing operations	191.3	117.3	141.1
Discontinued operations (Note 2):			
(Loss) income from discontinued operations, net of income tax (benefit) expense of (\$2.2), \$21.4, and \$49.1, respectively	(13.3)	33.6	86.9
Costs associated with effecting the spin-off, net of income tax benefit of \$8.1		(28.4)	
Total discontinued operations	(13.3)	5.2	86.9
Net income	\$ 178.0	\$ 122.5	\$ 228.0
Per common share (basic):			
Income from continuing operations	\$ 1.41	\$ 0.86	\$ 1.05
Discontinued operations	(0.10)	0.04	0.65
Net income	\$ 1.31	\$ 0.90	\$ 1.70
Shares used in computing basic earnings per share	136.2	136.8	134.4
Per common share (diluted):			

Edgar Filing: EQUIFAX INC - Form 10-K/A

Income from continuing operations	\$ 1.38	\$ 0.84	\$ 1.04
Discontinued operations	(0.10)	) 0.04	0.64
Net income	\$ 1.29	\$ 0.88	\$ 1.68
Shares used in computing diluted earnings per share	138.5	139.0	136.0
Dividends per common share	\$ 0.080	\$ 0.225	\$ 0.370

See Notes to Consolidated Financial Statements.

Table of Contents

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

Year Ended December 31

	2002	2001	2000
Cash flows from operating activities:			
Net income	\$ 178.0	\$ 122.5	\$ 228.0
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Loss (income) from discontinued operations	13.3	(33.6)	(86.9)
Costs associated with effecting the spin-off		28.4	
Depreciation and amortization	80.5	106.2	106.2
Restructuring and impairment charges		60.4	
Income tax benefit from stock plans	6.6	4.5	5.6
Deferred income taxes	17.9	8.2	19.6
Loss from sale of businesses		5.8	4.2
Changes in assets and liabilities, excluding effects of acquisitions:			
Accounts receivable, net	27.5	16.1	(33.4)
Current liabilities, excluding debt	(31.7)	(31.3)	(7.3)
Other current assets	12.0	(0.6)	(13.0)
Other long-term liabilities, excluding debt	(10.8)	(17.4)	(13.0)
Other assets	(44.5)	(14.1)	(17.2)
Cash provided by operating activities	248.8	255.1	192.8
Investing activities:			
Additions to property and equipment	(12.8)	(13.0)	(26.0)
Additions to other assets, net	(43.0)	(34.1)	(45.9)
Acquisitions, net of cash acquired	(321.2)	(43.5)	(336.6)
Investments in unconsolidated companies	(0.1)	(25.2)	(10.2)
Proceeds from sale of businesses	41.0	5.4	149.2
Proceeds from sale of assets		7.0	8.3
Deferred payments on prior year acquisitions	(4.9)	(3.1)	(1.8)
Cash used by investing activities	(341.0)	(106.5)	(263.0)
Financing activities:			
Net short-term (payments) borrowings	(25.8)	9.3	(21.0)
Additions to long-term debt	249.5		73.0
Payments on long-term debt	(75.0)	(298.9)	(3.3)
Treasury stock purchases	(79.8)	(42.3)	(6.5)
Dividends paid	(11.4)	(32.3)	(52.3)
Proceeds from exercise of stock options	34.2	36.4	23.2
Other	0.9	2.3	3.3
Cash provided (used) by financing activities	92.6	(325.5)	16.4
Effect of foreign currency exchange rates on cash	(2.8)	(5.6)	(5.3)
Cash (used) provided by discontinued operations	(0.3)	156.1	15.7
Decrease in cash and cash equivalents	(2.7)	(26.4)	(43.4)

Edgar Filing: EQUIFAX INC - Form 10-K/A

Cash and cash equivalents, beginning of year	33.2	59.6	103.0
Cash and cash equivalents, end of year	\$ 30.5	\$ 33.2	\$ 59.6

See Notes to Consolidated Financial Statements.

Table of ContentsEQUIFAX INC.
CONSOLIDATED BALANCE SHEETS

(In millions, except par values)

December 31	2002	2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 30.5	\$ 33.2
Trade accounts receivable, net of allowance for doubtful accounts of \$17.3 in 2002 and \$14.0 in 2001	179.8	197.0
Other receivables	20.8	69.2
Deferred income tax assets	20.9	26.4
Other current assets	33.6	32.2
Total current assets	285.6	358.0
Property and Equipment:		
Land, buildings and improvements	29.3	32.3
Data processing equipment and furniture	115.9	134.9
	145.2	167.2
Less accumulated depreciation	94.6	112.0
	50.6	55.2
Goodwill, net	650.5	516.5
Purchased Data Files, net	265.4	207.0
Other Assets	247.3	285.9
Assets of Discontinued Operations	7.5	
	\$ 1,506.9	\$ 1,422.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt and current maturities	\$ 233.9	\$ 62.0
Accounts payable	16.5	13.2
Accrued salaries and bonuses	31.0	26.5
Other current liabilities	146.5	174.2
Total current liabilities	427.9	275.9
Long-Term Debt	690.6	693.6
Deferred Revenue	11.7	17.2
Deferred Income Tax Liabilities	25.9	88.6
Other Long-Term Liabilities	122.6	103.8
Liabilities of Discontinued Operations	7.2	
Total liabilities	1,285.9	1,179.1

Edgar Filing: EQUIFAX INC - Form 10-K/A

Commitments and Contingencies (Note 10)

Shareholders' Equity:

Preferred stock, \$0.01 par value: Authorized - 10.0; Issued - none

Common stock, \$1.25 par value:

Authorized shares - 300.0

Issued shares - 180.1 in 2002 and 178.4 in 2001

Outstanding shares - 135.7 in 2002 and 136.2 in 2001

Paid-in capital

Retained earnings

Accumulated other comprehensive loss

Treasury stock, at cost, 38.1 shares in 2002 and 35.2 shares in 2001 (Note 8)

Stock held by employee benefits trusts, at cost, 6.3 shares in 2002 and 7.0 shares in 2001 (Note 8)

Total shareholders' equity

225.1	223.0
412.0	376.7
925.4	758.8
(359.4)	(197.2)
(899.7)	(828.0)
(82.4)	(89.8)
221.0	243.5
\$ 1,506.9	\$ 1,422.6

See Notes to Consolidated Financial Statements.

Table of Contents

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	<u>Common Stock:</u>		Paid-In	Retained	Accumulative Other Comprehensive (Loss) Income	Treasury Stock	Stock Held By Employee Benefits Trusts	Total Shareholders' Equity
	Shares Outstanding	Amount	Capital	Earnings				
<i>(In millions)</i>								
Balance, December 31, 1999	134.0	\$ 217.8	\$ 304.5	\$ 726.8	\$ (162.0)	\$ (816.2)	\$ (55.4)	\$ 215.5
Net income				228.0				228.0
Other comprehensive loss					(44.1)			(44.1)
Shares issued under stock plans	1.8	2.2	21.1			0.4	0.4	24.1
Treasury stock purchased	(0.3)					(6.5)		(6.5)
Treasury stock reissued for acquisitions	0.3		2.6			8.0		10.6
Cost of treasury stock transferred to employee benefits trust						35.3	(35.3)	
Cash dividends				(52.3)				(52.3)
Income tax benefit from stock plans			5.6					5.6
Dividends from employee benefits trusts			2.7					2.7
Balance, December 31, 2000	135.8	220.0	336.5	902.5	(206.1)	(779.0)	(90.3)	383.6
Net income				122.5				122.5
Other comprehensive loss					(67.3)			(67.3)
Shares issued under stock plans	2.5	3.0	33.7			0.5	0.5	37.7
Treasury stock purchased	(2.1)					(49.5)		(49.5)
Cash dividends				(32.3)				(32.3)
Spin-off of Certegy Inc.				(233.9)	76.2			(157.7)
Income tax benefit from stock plans			4.9					4.9
Dividends from employee benefits trusts			1.6					1.6
Balance, December 31, 2001	136.2	223.0	376.7	758.8	(197.2)	(828.0)	(89.8)	243.5
Net income				178.0				178.0
Other comprehensive loss					(162.2)			(162.2)
Shares issued under stock plans	2.4	2.1	28.2			0.8	7.4	38.5
Treasury stock purchased	(2.9)					(72.5)		(72.5)
Cash dividends				(11.4)				(11.4)
Income tax benefit from stock plans			6.6					6.6
Dividends from employee benefits trusts			0.5					0.5
Balance, December 31, 2002	135.7	\$ 225.1	\$ 412.0	\$ 925.4	\$ (359.4)	\$ (899.7)	\$ (82.4)	\$ 221.0

Table of Contents

Accumulated Other Comprehensive Loss consists of the following components at December 31:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Foreign currency translation	\$ (239.6)	\$ (191.8)	\$ (202.8)
Minimum pension liability, net of tax of \$70.2 in 2002, \$3.2 in 2001, and \$2.3 in 2000	(117.0)	(4.6)	(3.3)
Cash flow hedging transactions, net of tax of \$1.9 in 2002 and \$0.6 in 2001	(2.8)	(0.8)	
	<u>\$ (359.4)</u>	<u>\$ (197.2)</u>	<u>\$ (206.1)</u>

Comprehensive Income is as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net income	\$ 178.0	\$ 122.5	\$ 228.0
Other comprehensive loss:			
Foreign currency translation adjustment	(47.8)	(65.2)	(45.5)
Minimum pension liability adjustment	(112.4)	(1.3)	1.4
Change in cumulative loss from cash flow hedging transactions	(2.0)	(0.8)	
	<u>\$ 15.8</u>	<u>\$ 55.2</u>	<u>\$ 183.9</u>

See Notes to Consolidated Financial Statements.

Table of Contents

1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Accounting Principles. Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation. Our Consolidated Financial Statements include the accounts of Equifax Inc. and its majority-owned and controlled subsidiaries. All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation. The 2000 financial statements presented have been restated to reflect the spin-off of Certegy Inc. (Note 2).

Nature of Operations. We provide information services to businesses to help them grant credit and market to their customers. We also provide products via the internet to individuals to enable them to manage and protect their financial affairs (see Note 12 for segment information). Our primary markets include retailers, banks and other financial institutions, the transportation, telecommunications, utility, and manufacturing industries, as well as consumers and government. Our operations are predominantly located within the United States, with foreign operations principally located in Canada, the United Kingdom, and Brazil.

Use of Estimates. Our financial statements are prepared in conformity with accounting principles generally accepted in the United States. Those principles require us to make estimates and assumptions. We believe that these estimates and assumptions are reasonable based upon information available to us at the time they are made. 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 as well as reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used for, but not limited to, the accounting for the allowance for doubtful accounts, goodwill impairments, contingencies, restructuring costs, preliminary allocation of purchase price of acquisitions, and valuation of pension assets. Actual results could differ materially from these estimates.

Revenue Recognition and Deferred Revenue. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectibility of the selling price is reasonably assured. For sales contracts having multiple elements that can be divided into separate units of accounting, we allocate revenue to these separate units based on their relative fair values. If relative fair values cannot be established, revenue recognition is deferred until all elements under the contract have been delivered. Multiple deliverable arrangements generally involve delivery of multiple product lines. These product lines are distinct enough to be separated into separate units of accounting. Each product line does not impact the value or usage of other deliverables in the arrangement, and each can be sold alone or purchased from another vendor without affecting the quality of use or value to the customer of the remaining deliverables. Delivery of product lines generally occurs consistently over the contract period.

In conjunction with certain products and services, we charge a non-refundable set-up fee which is recognized ratably on a pro-rata basis over the term of the contract. Revenue from the sale of decision or statistical models is recognized upon customer installation and acceptance. For certain products and services sold on a subscription basis, we recognize revenue pro rata over the term of the contract.

Amounts billed in advance are recorded as current or long-term deferred revenue on the balance sheet, with current deferred revenue reflecting services expected to be provided within the next twelve months. Current deferred revenue is included with other current liabilities in the accompanying consolidated balance sheets, and as of December 31, 2002 and 2001, totaled \$22.9 million and \$21.8 million, respectively. In 1996, we received a one-time payment of \$58.0 million related to a lottery subcontract and recognized \$5.4 million in revenue. The remaining balance was recognized as revenue over the term of the contract, with \$9.6 million per year recognized in 1997 through 2001 and \$4.4 million recognized in 2002. In conjunction with the divestiture of our risk management collections businesses in the U.S. and Canada in October 2000 (Note 4), certain of the proceeds received related to contracts to provide credit information products and services to the buyers over the next five to six years and were recorded in current and long-term deferred revenue. At December 31, 2002, \$14.9 million remained unrecognized, with \$10.6 million included in long-term deferred revenue in the accompanying consolidated balance sheets. This deferred revenue will be recognized as the contracted products and services are provided.

Trade Accounts Receivable. The provision for losses on trade accounts receivable was \$17.3 million, write-offs were \$12.6 million and recoveries were \$1 million for 2002, and were included in the selling, general and administrative expenses line item on the accompanying Consolidated Statements of Income.

Table of Contents**Notes to Consolidated Financial Statements**

Costs of Services. Costs of services consist primarily of data acquisition and royalties; customer service costs, which include: personnel costs to collect, maintain and update our proprietary databases, to develop and maintain software application platforms, and to provide consumer and customer call center support; hardware and software expense associated with transaction processing systems; telecommunication and computer network expense; and occupancy costs associated with facilities where these functions are performed.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist primarily of personnel costs paid to sales and administrative employees and management.

Legal Contingencies. We periodically review claims and legal proceedings and assess whether we have potential financial exposure. If the potential loss from any claim or legal proceeding is probable and can be estimated, we accrue a liability for estimated legal fees and settlements.

Income Taxes. We base income tax expense on pre-tax financial accounting income, and recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Significant judgment is required to determine our global income tax expense due to transactions and calculations where the ultimate tax consequence is uncertain, and we record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is likely to be received. We believe that our estimates are reasonable, however, the final outcome of tax matters may be different than the estimates reflected on our financials.

Earnings Per Share. Our basic earnings per share, or EPS is calculated as income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated to reflect the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding. The income amount used in our EPS calculations is the same for both basic and diluted EPS. A reconciliation of the weighted average outstanding shares used in the two calculations is as follows:

<i>(In millions)</i>	2002	2001	2000
Weighted average shares outstanding (basic)	136.2	136.8	134.4
Effect of dilutive securities:			
Stock options	2.3	2.1	1.4
Long-term incentive plans		0.1	0.2
Weighted average shares outstanding (diluted)	138.5	139.0	136.0

Property and Equipment. The cost of property and equipment is depreciated primarily on the straight-line basis over estimated asset lives of 30 to 50 years for buildings; useful lives, not to exceed lease terms, for leasehold improvements; three to five years for data processing equipment; and eight to 20 years for other fixed assets.

Goodwill. Prior to 2002, goodwill was amortized on a straight-line basis predominantly over periods from 20 to 40 years. In 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets," or SFAS 142. SFAS 142 eliminates the amortization of goodwill and certain other intangible assets and requires that goodwill be evaluated for impairment by applying a fair value-based test. We adopted the standard effective June 30, 2001, for all subsequent acquisitions, and adopted the standard effective January 1, 2002 for all acquisitions that occurred prior to June 30, 2001. We completed fair value-based impairment tests and in doing so, we determined that goodwill was not impaired; therefore no transitional impairment charge was recorded.

Edgar Filing: EQUIFAX INC - Form 10-K/A

Amortization expense was \$25.4 million in 2001 and \$24.4 million in 2000. As of December 31, 2002 and 2001, accumulated amortization balances were \$88.2 million and \$94.5 million, respectively.

Table of Contents**Notes to Consolidated Financial Statements**

A reconciliation of 2001 and 2000 reported earnings with pro forma earnings excluding goodwill amortization is shown on the table below (in millions, except per share amounts):

	As Reported	Amortization (Net of Tax)	Pro Forma
Year Ended December 31, 2001:			
Income from continuing operations	\$ 117.3	\$ 18.5	\$ 135.8
Income from continuing operations per share (diluted)	\$ 0.84	\$ 0.13	\$ 0.98
Net income	\$ 122.5	\$ 22.0	\$ 144.5
Net income per share (diluted)	\$ 0.88	\$ 0.16	\$ 1.04
Year Ended December 31, 2000:			
Income from continuing operations	\$ 141.1	\$ 19.6	\$ 160.7
Income from continuing operations per share (diluted)	\$ 1.04	\$ 0.14	\$ 1.18
Net income	\$ 228.0	\$ 25.6	\$ 253.6
Net income per share (diluted)	\$ 1.68	\$ 0.18	\$ 1.86

Purchased Data Files. Purchased data files are amortized on a straight-line basis primarily over 15 years. Amortization expense was \$26.3 million in 2002, \$21.8 million in 2001, and \$20.2 million in 2000. As of December 31, 2002 and 2001, accumulated amortization balances were \$147.5 million and \$136.6 million, respectively.

Impairment of Long-Lived Assets. We test long-lived assets for impairment annually, and more frequently if events and circumstances indicate that the carrying amounts of such assets may not be recoverable. If potential indicators of impairment exist, we estimate recoverability using undiscounted future cash flows resulting from the use of the assets and their eventual disposition. If the carrying value of the assets exceeds the estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the assets' carrying value over the fair value.

Other Assets. Other assets at December 31, 2002 and 2001 consist of the following:

<i>(In millions)</i>	2002	2001
Systems development and other deferred costs	\$ 102.8	\$ 81.5
Purchased software	22.1	28.6
Prepaid pension cost	13.3	97.3
Risk management purchased paper (Note 4)	1.7	31.2
Investments in unconsolidated companies	27.4	26.3
Indefinite lived intangible and other	80.0	21.0
	\$ 247.3	\$ 285.9

Edgar Filing: EQUIFAX INC - Form 10-K/A

Purchased software and systems development and other deferred costs are being amortized on a straight-line basis over five to ten years. Amortization expense for other assets was \$39.7 million in 2002, \$38.7 million in 2001, and \$36.7 million in 2000. As of December 31, 2002 and 2001, accumulated amortization balances were \$123.9 million and \$117.6 million, respectively. For intangible assets subject to amortization, the estimated aggregate amortization expense is \$70.7 million for 2003, \$69.7 million for 2004, \$57.3 million for 2005, \$40.9 million for 2006 and \$35.2 million for 2007. We have entered into strategic investments in privately held companies totaling \$27.4 million and \$26.3 million at December 31, 2002 and 2001, respectively. These investments are accounted for under the cost method as we do not exercise significant influence over the investment entities or hold significant levels of ownership. Investments in unconsolidated companies also include a notes receivable from a company of \$20.0 million which is due November 2006. We regularly review these investments for impairment issues, and in the fourth quarter 2001, we wrote off investments totaling \$6.9 million (Note 5). We believe that these investments are appropriately valued at December 31, 2002.

Foreign Currency Translation. The functional currency of our foreign subsidiaries are those subsidiaries' local currencies. We translate the assets and liabilities of foreign subsidiaries at the year-end rate of exchange, and income statement items at the average rates prevailing during the year. We record the resulting translation adjustment as a

Table of Contents**Notes to Consolidated Financial Statements**

component of shareholders' equity. We also record gains and losses resulting from the translation of intercompany balances of a long-term investment nature as a component of shareholders' equity. We record other foreign currency translation gains and losses, which are not material, in the consolidated statements of income.

Consolidated Statements of Cash Flows. We consider cash equivalents to be short-term cash investments with original maturities of three months or less.

Cash paid for income taxes and interest from continuing operations is as follows:

<i>(In millions)</i>	2002	2001	2000
Income taxes, net of amounts refunded	\$ 92.6	\$ 78.4	\$ 81.7
Interest	41.8	49.7	56.0

In 2002, 2001, and 2000, we acquired various businesses that were accounted for as purchases (Note 3). In conjunction with these transactions, liabilities were recorded as follows:

<i>(In millions)</i>	2002	2001	2000
Fair value of assets acquired	\$ 344.2	\$ 50.4	\$ 368.2
Cash paid for acquisitions	328.4	44.4	334.8
Value of treasury stock reissued for acquisitions			10.6
Liabilities recorded	\$ 15.8	\$ 6.0	\$ 22.8

Financial Instruments. Our financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, accounts payable, and short-term and long-term debt. The carrying amounts of these items, other than long-term debt, approximate their fair market values due to their short maturity. As of December 31, 2002, the fair value of our long-term debt (determined primarily by broker quotes) was \$720.5 million compared to its carrying value of \$690.6 million.

Accounting for Stock-Based Compensation. In accordance with the provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), we have elected to apply APB Opinion No. 25 and related interpretations in accounting for our stock option and performance share plans. Accordingly, we do not recognize compensation cost in connection with our stock option plans and record compensation expense related to our performance share plan based on the current market price of the our common stock and the extent to which performance criteria are being met.

We have computed the proforma disclosures required under SFAS No. 123 using the Black-Scholes option pricing model. The fair value of options granted in 2002, 2001, and 2000 is estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

2002	2001	2000
-------------	------	------

Edgar Filing: EQUIFAX INC - Form 10-K/A

Dividend yield	0.3%	0.5%	1.7%
Expected volatility	40.8%	41.0%	42.0%
Risk-free interest rate	3.5%	4.2%	6.5%
Expected life in years	2.9	2.6	2.3

The weighted-average grant-date fair value per share of options granted in 2002, 2001, and 2000 is as follows:

	2002	2001	2000
Grants (all at market price)	\$ 7.51	\$ 8.80	\$ 6.14

If we had elected to recognize compensation cost for these plans based on the fair value at grant date as prescribed by SFAS No. 123, net income and net income per share would have been reduced to the pro forma amounts indicated in the table below (in millions, except per share amounts):

	2002		2001		2000	
	Reported	Pro Forma	Reported	Pro Forma	Reported	Pro Forma
Net income	\$ 178.0	\$ 163.9	\$ 122.5	\$ 102.6	\$ 228.0	\$ 211.9
Net income per share (basic)	\$ 1.31	\$ 1.20	\$ 0.90	\$ 0.75	\$ 1.70	\$ 1.58
Net income per share (diluted)	\$ 1.29	\$ 1.18	\$ 0.88	\$ 0.74	\$ 1.68	\$ 1.56

Derivative Instruments and Hedging Activities. Effective January 1, 2001, we adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities or SFAS 133. SFAS 133 requires that a company recognize derivatives as assets or liabilities on its balance sheet, and also requires that the gain or loss related to the effective portion of derivatives designated as cash flow hedges be recorded as a component of other comprehensive income.

We enter into hedging transactions in order to reduce financial volatility and manage the fixed-floating mix of our debt portfolio. As of December 31, 2002, the only hedging transactions to which we were a counterparty consisted of interest rate swap agreements.

At December 31, 2002, we have a \$29.0 million notional amount floating-to-fixed interest rate swap agreement in place with a bank counterparty that fixes the interest rate on the \$29.0 million synthetic lease related to our corporate headquarters through its maturity in 2010. This hedge has been designated as a cash flow hedge under SFAS 133, is fully effective, and at December 31, 2002, was valued as a liability totaling \$4.7 million. This liability is included with other current liabilities in the accompanying consolidated balance sheets, and the related loss was recorded, net of income tax, as a component of accumulated other comprehensive loss.

At December 31, 2002, we also have interest rate swap agreements in place with a bank counterparty to float the interest rate on \$250.0 million of our fixed rate senior unsecured notes through their maturity date in 2005. These derivatives have been designated as fair value hedges and are fully effective. The value of these swaps was \$18.3 million at December 31, 2002, and was recorded as an asset along with a corresponding increase in long-term debt.

Our maximum exposure to loss due to credit risk on these interest rate swap agreements approximates \$13.5 million if all of the bank counterparties default. We mitigate this exposure by monitoring the concentration of risk exposure that we have with any one bank, and through the use of minimum credit quality standards for all counterparties.

Edgar Filing: EQUIFAX INC - Form 10-K/A

Recent Accounting Pronouncements. In January 2002, we adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets or SFAS 144. The statement supersedes SFAS No. 121 Accounting for the Impairment of

Table of Contents

Notes to Consolidated Financial Statements

Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, but retains the fundamental provisions of that statement related to the recognition and measurement of the impairment of long-lived assets to be held and used while expanding the measurement requirements of long-lived assets to be disposed of by sale to include discontinued operations. The SFAS 144 also supersedes Accounting Principles Board Opinion No. 30 Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, or APB 30, for the disposal of a segment of business, extending the reporting of a discontinued operation to a component of an entity. Further, the SFAS 144 requires operating losses from a component of an entity to be recognized in the period(s) in which they occur rather than at the measurement date as had been required under APB 30.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections or SFAS 145. SFAS 145 amends SFAS No. 13, Accounting for Leases, to eliminate inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS 145 also rescinds SFAS 4, Reporting Gains and Losses from Extinguishment of Debt. Accordingly, gains or losses from extinguishment of debt shall not be reported as extraordinary items unless the extinguishment qualifies as an extraordinary item under the criteria APB 30, SFAS 145 is effective for fiscal years beginning after May 15, 2002. We adopted SFAS 145 on January 1, 2003.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, or SFAS 146. SFAS 146 provides guidance related to accounting for costs associated with disposal activities covered by SFAS 144 or with exit or restructuring activities previously covered by Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS 146 supercedes EITF Issue No. 94-3 in its entirety. SFAS 146 requires that costs related to exiting an activity or to a restructuring not be recognized until the liability is incurred. SFAS 146 will be applied prospectively to exit or disposal activities that are initiated after December 31, 2002. We adopted SFAS 146 on January 1, 2003.

In November 2002, the FASB issued FASB Interpretation No. 45, or FIN 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 currently requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, as of December 31, 2002, FIN 45 requires disclosures about the guarantees that an entity has issued, including a roll-forward of the entity's product warranty liabilities. We adopted the disclosure requirements of FIN 45 effective December 31, 2002 and the remaining provisions on January 1, 2003 and have included the required disclosures in these Notes to our Consolidated Financial Statement.

In November 2002, the EITF reached a consensus on Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003 and are not expected to have a material impact on our financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation, Transition and Disclosure or SFAS 148. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure provisions of SFAS 123 Accounting for Stock Based Compensation to currently require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS 148 does not amend SFAS 123 to require companies to account for their employee stock-based awards using the fair value method. However, the disclosure provisions are required for all companies with stock-based employee compensation, regardless of whether they utilize the fair value method of accounting described in SFAS 123 or the intrinsic value method described in APB Opinion No. 25, Accounting for Stock Issued to Employees. We adopted SFAS 148 on January 1, 2003 and have included the initial required disclosures in these Notes to our Consolidated Financial Statements.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after

Table of Contents**Notes to Consolidated Financial Statements**

January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. We are evaluating the impact of FIN 46 on our financial position and results of operations.

2. DISCONTINUED OPERATIONS

During the third quarter of 2002, we made the decision to exit our commercial services business in Spain, and this business is now held for sale, with the expectation to sell the business within twelve months. In accordance with SFAS 144 (Note 1), the net assets, results of operations and cash flows of the Spain commercial business for 2002 have been classified as discontinued operations. For 2002, revenues for this business totaled \$9.1 million and pre-tax losses (after minority interest and before estimated loss on disposal) were \$6.5 million. The estimated loss on disposal recorded in the third quarter of 2002 totaled \$9.0 million after minority interest, or \$0.07 per share. Prior year results were not material and have not been reclassified to discontinued operations.

On July 7, 2001, we completed the spin-off of our Payment Services business segment (Certegey Inc. or Certegey) through a tax-free dividend of all of our Certegey stock to our shareholders. Shareholders received a dividend of one share of Certegey stock for each two shares of Equifax stock owned. This non-cash dividend totaled \$233.9 million. Also in connection with the spin-off, we reduced debt by \$275.0 million in July 2001 following Certegey's cash dividend of that amount to us.

As a result of the spin-off, our financial statements have been prepared with Certegey's net assets, results of operations, and cash flows classified as discontinued operations. All historical statements have been restated to conform with this presentation. Also as a result of the spin-off, during the second quarter of 2001 we recorded an expense of \$36.5 million (\$28.4 million after tax, or \$0.21 per share) to accrue the costs associated with effecting the spin-off. These costs include fees for investment bankers, legal and accounting services, duplicate software licenses, and various other directly related expenses. This expense has been included as a component of discontinued operations in the accompanying statements of income and cash flows. In 2002, charges to this reserve totaled \$2.3 million, and the remaining reserve of \$0.7 million at December 31, 2002, which represents known costs we expect to incur within the foreseeable future, is included in other current liabilities in the accompanying consolidated balance sheets.

Summarized financial information for the discontinued Certegey operation is as follows:

<i>(In millions)</i>	2001	2000
Revenue	\$ 398.3	\$ 776.7
Income before income taxes	56.0	137.1
Net Income	\$ 33.6	\$ 86.9

3. ACQUISITIONS

In 2002, we acquired the credit files, contractual right to territories (generally states of integration areas), and customer relationships and related businesses of eight independent credit reporting agencies that house their consumer information on our system (Affiliates) located in the United States and three Affiliates in Canada to continue to grow our credit data franchise. The consumer credit files, contractual right to territories (generally states of integration areas), and customer relationships of the largest of these Affiliates, CBC Companies, Inc., were acquired in November 2002 for \$95.0 million. In April 2002, in conjunction with a put arrangement with the original owners, we completed the purchase of the remaining 20% minority interest in our Brazilian operation making us the sole owners, and in June 2002 completed the purchase of a small technology development company. In August 2002, to accelerate growth in our marketing services business, we purchased Naviant, Inc., a provider of precision marketing services, for approximately \$135.0 million. At the closing of the Naviant, Inc. acquisition, the sellers deposited \$10.0 million of the transaction consideration into escrow. The escrow fund will be held for 24 months following the closing date of August 15, 2002. The escrow arrangement provides for payment to us in the event any indemnified loss arises and is settled during the period. At the end of the 24 months, all escrow funds will be returned to the sellers with holdback for any unresolved claims. In October 2002, we acquired outstanding shares and increased our ownership to 79.4%, from 60.0%, of our information Spanish subsidiary. These acquisitions were accounted for as purchases and had a total purchase price of \$333.6 million. They were acquired for cash of \$328.4 million and notes payable of

Edgar Filing: EQUIFAX INC - Form 10-K/A

\$5.2 million. The following table summarizes the estimated fair value of the net assets acquired and the liabilities assumed at the acquisition dates.

(In millions)

Table of Contents**Notes to Consolidated Financial Statements**

Current Assets	\$ 17.6
Property and Equipment	3.1
Other Assets	59.0
Purchased Data Files	88.8
Goodwill	175.7
Total Acquired Assets	344.2
Total Liabilities	10.6
Net Assets Acquired	\$ 333.6

The results of operations from these acquisitions have been included in the consolidated statements of income from the dates of acquisition. The following unaudited pro forma information has been prepared as if these acquisitions had occurred on January 1, 2001. The information is based on the historical results of the separate companies, and may not necessarily be indicative of the results that could have been achieved, or of results that may occur in the future.

<i>(In millions, except per share amounts)</i>	2002	2001
Revenue	\$ 1,148.0	\$ 1,178.2
Net income	182.4	98.4
Net earnings per common share (diluted)	1.32	0.72

In 2001, we acquired the credit files, customer contracts and related businesses of five Affiliates located in the United States and 13 Affiliates in Canada, as well as an information services business in Uruguay. These acquisitions were accounted for as purchases and had a purchase price of \$48.9 million. They were acquired for cash of \$44.4 million and notes payable of \$4.5 million. They resulted in \$20.5 million of goodwill and \$27.2 million of purchased data files. Their results of operations have been included in the consolidated statements of income from their respective dates of acquisition and were not material.

Goodwill related to acquisitions was allocated to our reporting segments as follows:

<i>(In millions, except per share amounts)</i>	2002	2001	2000
Equifax North America	\$ 145.5	\$ 13.2	\$ 195.5
Equifax Europe	2.6		15.4
Equifax Latin America	27.6	7.3	7.2
Total	\$ 175.7	\$ 20.5	\$ 218.1

During 2000, we acquired or increased our ownership in the following businesses:

Edgar Filing: EQUIFAX INC - Form 10-K/A

Business	Month Acquired	Industry Segment	Percentage Ownership	
Organizacion Veraz S.A. (Argentina)	December	Latin America	79.5	%(1)
SEK S.r.l. and AIF Gruppo Securitas S.r.l. (Italy)	November	Europe	100.0	%
Compliance Data Center, Inc.	October	North America	100.0	%
Consumer Information Solutions (CIS) Group of R.L. Polk & Co.	May	North America	100.0	%
Propago, S.A. (Chile)	January	Latin America	100.0	%

(1) Increased to 79.5% from 66.7% acquired in 1997 and 1994

In 2000, in addition to the businesses above, we acquired the credit files, customer contracts, and related business, of 12 Affiliates located in the United States and 14 Affiliates in Canada. All of the 2000 acquisitions were accounted for as purchases and had an aggregate purchase price of \$348.4 million. They were purchased with a combination of cash totaling \$334.8 million, the re-issuance of treasury stock with a fair market value of \$10.6 million, and notes payable of \$3.0 million. The estimated fair value of the net assets acquired and the liabilities assumed at the acquisition dates are summarized in the following table.

(In millions)

Current Assets	\$ 43.0
----------------	---------

Table of Contents

Notes to Consolidated Financial Statements

Property and Equipment	11.0
Other Assets	17.3
Purchased Data Files	78.8
Goodwill	218.1
Total Acquired Assets	368.2
Total Liabilities	19.8
Net Assets Acquired	\$ 348.4

The results of operations from these acquisitions have been included in our consolidated statements of income from the dates of acquisition. The following un-audited pro forma information has been prepared as if these acquisitions had occurred on January 1, 2000. The information is based on the historical results of the separate companies, and may not necessarily be indicative of the results that could have been achieved, or of results that may occur in the future.

<i>(In millions, except per share amounts)</i>	2000
Revenue	\$ 1,277.0
Net income	141.1
Net earnings per common share (diluted)	1.04

4. DIVESTITURES

In October 2001, we sold our City Directory business, which had been acquired from R.L. Polk & Co. in May 2000. The resulting pre-tax loss of \$5.8 million (\$4.9 million after tax, or \$0.035 per share) was recorded in our consolidated statement of income as a charge to other income in September 2001.

In October 2000, we sold our risk management collections businesses located in the U.S., Canada, and the United Kingdom, and in December 2000, sold our vehicle information business in the United Kingdom, as well as a direct marketing business in Canada that was a small component of the CIS group acquired earlier in the year from R.L. Polk & Co. Proceeds from these sales included cash of \$149.2 million (net of cash sold) and a \$41.0 million note receivable from one of the buyers (repaid to us in 2002), and resulted in a pre-tax loss of \$4.2 million recorded in other income. Approximately \$25.5 million of the proceeds received in the U.S. and Canadian risk management sales related to exclusive contracts to provide the buyers with credit information products and services over several years, and was recorded in current and long-term deferred revenue. In conjunction with the sale of our risk management collections business in the United Kingdom, we guaranteed approximately \$60.0 million of the buyer's third-party acquisition financing which related to a portfolio of purchased paper. Since this purchased paper financing was entirely guaranteed by us, the amount guaranteed has been recorded in other assets and other long-term liabilities in the accompanying consolidated balance sheets. These corresponding asset and liability balances will be reduced as the buyer makes principal payments on their loan and our guarantee is reduced. The balances totaled \$1.7 million, \$31.2 million, and \$59.1 million at December 31, 2002, 2001, and 2000, respectively.

5. RESTRUCTURING AND IMPAIRMENT CHARGES

In the fourth quarter of 2001, we recorded restructuring and impairment charges (discussed below) of \$60.4 million (\$35.3 million after tax, or \$0.25 per share).

Due to changes in market conditions and our technology strategy, we recorded an impairment charge in the fourth quarter of 2001 of \$23.2 million to write down certain technology investments, including \$6.9 million of investments in several third-party technology companies.

Edgar Filing: EQUIFAX INC - Form 10-K/A

In the fourth quarter of 2001, we initiated a restructuring plan to align our cost structure with changing market conditions, reduce expenses and improve efficiencies, particularly in international operations. The plan included headcount reductions of approximately 700 employees, primarily located in our international operations. The restructuring charge for the year ended 2001 totaled \$37.2 million, and consisted of severance costs associated with headcount reductions and other related costs, including reserves to reflect our estimated exposure on facilities to be vacated or consolidated. Charges to the restructuring reserve totaled \$12.1 million in 2002 and \$8.8 million in 2001, and the remaining reserve of \$16.3 million at December 31, 2002 is included in other current liabilities in the accompanying consolidated balance sheet. During the fourth quarter of 2002, based on revised estimates, we determined that the severance portion of the reserve was inadequate and that the facilities and other portion of the reserve was excessive and made an adjustment of \$1.6 million to each reserve with no effect to net income. The majority of the remaining

Table of Contents**Notes to Consolidated Financial Statements**

severance and related charges are expected to be paid in 2003, with charges related to real estate rental obligations being paid over the next several years. An analysis of activity in the reserve for 2001 and 2002 is as follows (in millions):

	Severance	Facilities and Other	Total
Original reserve, fourth quarter, 2001	\$ 12.0	\$ 25.2	\$ 37.2
Less 2001 charges	(3.6)	(5.2)	(8.8)
Balance, December 31, 2001	8.4	20.0	28.4
Less 2002 charges	(8.4)	(3.7)	(12.1)
Adjustment	1.6	(1.6)	
Balance, December 31, 2002	\$ 1.6	\$ 14.7	\$ 16.3

6. LONG-TERM DEBT AND SHORT-TERM BORROWINGS

Long-term debt at December 31, 2002 and 2001 was as follows:

<i>(In millions)</i>	2002	2001
Senior Notes, 6.5%, due 2003, net of unamortized discount of \$0.1 million in 2002 and \$0.2 million in 2001	\$ 199.9	\$ 199.8
Notes, 6.3%, due 2005, net of unamortized discount of \$0.4 million in 2002 and \$0.6 million in 2001	249.6	249.4
Notes, 4.95%, due 2007, net of unamortized discount of \$0.5 million in 2002	249.5	
Debentures, 6.9%, due 2028, net of unamortized discount of \$1.3 million in 2002 and \$1.3 million in 2001	148.7	148.7
Borrowings under revolving credit facilities, weighted average rate of 2.6% at December 31, 2002	21.8	90.9
Other	22.4	8.7
	891.9	697.5
Less current maturities	201.3	3.9
	\$ 690.6	\$ 693.6

Edgar Filing: EQUIFAX INC - Form 10-K/A

In October 2002, we issued new 4.95% fixed rate five-year senior unsecured notes with a face value of \$250.0 million. The notes, which expire in 2007, were sold at a discount of \$0.5 million. The discount, and related issuance costs, will be amortized on a straight-line basis over the term of the notes. Our \$200.0 million 6.5% senior unsecured notes, originally issued in 1993, mature during June 2003, and therefore appear in the short-term debt and current maturities category on our December 31, 2002 balance sheet. The indebtedness evidenced by our 4.95% senior unsecured notes, our 6.5% senior unsecured notes, our 6.3% notes, and our 6.9% senior unsecured debentures, none of which has been guaranteed by any of our subsidiaries, is unsecured, and ranks on parity in right of payment with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.

In October 2001, we replaced our \$750.0 million revolving credit facility with a new, committed \$465.0 million revolving credit facility with a group of commercial and investment banks. This facility is comprised of a \$160.0 million, 364-day portion and a \$305.0 million, multi-year portion. The 364-day portion matures October 2, 2003. The multi-year portion expires October 4, 2004. The agreement provides for borrowings tied to Base Rate, LIBOR and competitive bid interest rate options and contains certain financial covenants related to interest coverage, funded debt to cash flow, and limitations on subsidiary indebtedness. Our borrowings under this facility, which have not been guaranteed by any of our subsidiaries, are unsecured and will rank on parity in right of payment with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. At December 31, 2002, \$11.8 million of the revolving credit facility's outstanding balance was denominated in a foreign currency. This foreign denominated obligation is used to hedge the impact of foreign exchange rate fluctuations related to inter-company advances with one of our foreign subsidiaries.

Scheduled maturities of long-term debt during the five years subsequent to December 31, 2002, are as follows:

<i>(In millions)</i>	Amount
2003	\$ 201.3
2004	23.8

Table of Contents

Notes to Consolidated Financial Statements

2005	249.6
2006	
2007	249.8

Our short-term borrowings at December 31, 2002 and 2001, totaled \$32.6 million and \$58.1 million, respectively, and consisted primarily of notes payable to banks. These notes had a weighted average interest rate of 3.24% at December 31, 2002 and 3.30% at December 31, 2001. In October 2001, one of our Canadian subsidiaries entered into a C\$100.0 million loan, renewable annually, with a bank. The loan agreement provides interest rate options tied to Prime, Base Rate, LIBOR, and Canadian Banker's Acceptances, and contains financial covenants related to interest coverage, funded debt to cash flow, and limitations on subsidiary indebtedness. Our subsidiary's borrowings under this facility, which we have guaranteed, are unsecured. Borrowings under this loan (which are included in the short-term borrowings totals above) at December 31, 2002 and 2001 were \$29.3 million and \$47.7 million, respectively.

7. INCOME TAXES

We record deferred income taxes using enacted tax laws and rates for the years in which the taxes are expected to be paid. Deferred income tax assets and liabilities are recorded based on the differences between the financial reporting and income tax bases of assets and liabilities.

The provision for income taxes from continuing operations consists of the following:

<i>(In millions)</i>	2002	2001	2000
Current:			
Federal	\$ 71.9	\$ 65.7	\$ 60.6
State	10.0	8.4	2.9
Foreign	20.6	5.7	25.6
	102.5	79.8	89.1
Deferred:			
Federal	23.3	5.7	10.8
State	(1.9)	(2.5)	2.2
Foreign	(0.3)	2.3	6.2
	21.1	5.5	19.2
	\$ 123.6	\$ 85.3	\$ 108.3

Domestic and foreign income from continuing operations before income taxes was as follows:

<i>(In millions)</i>	2002	2001	2000
----------------------	-------------	------	------

Edgar Filing: EQUIFAX INC - Form 10-K/A

United States	\$ 264.5	\$ 197.6	\$ 216.3
Foreign	50.4	5.0	33.1
	<u>314.9</u>	<u>202.6</u>	<u>249.4</u>

The provision for income taxes from continuing operations is reconciled with the federal statutory rate, as follows:

<i>(In millions)</i>	2002	2001	2000
	<u>35.0</u>	<u>% 35.0</u>	<u>% 35.0</u>
Federal statutory rate			
Provision computed at federal statutory rate	\$ 110.2	\$ 70.9	\$ 87.3
State and local taxes, net of federal tax benefit	5.0	3.8	3.3
Nondeductible goodwill (including amounts related to divestitures)		6.7	8.8
Foreign	(8.8)	) 1.3	4.0
Valuation allowance	21.1		
Other	(3.9)	) 2.6	4.9
	<u>123.6</u>	<u>85.3</u>	<u>108.3</u>

Components of the deferred income tax assets and liabilities at December 31, 2002 and 2001 are as follows:

Table of Contents**Notes to Consolidated Financial Statements**

<i>(In millions)</i>	2002	2001
Deferred income tax assets:		
Reserves and accrued expenses	\$	\$ 30.0
Postretirement benefits	70.2	10.0
Employee compensation programs	11.5	9.9
Deferred revenue	6.9	4.7
Depreciation	6.2	
Net operating loss carryforwards of subsidiaries	42.3	9.9
Foreign tax credits	22.2	41.5
Valuation allowance	(52.7)	(21.6)
Other	5.0	4.6
	111.6	89.0
Deferred income tax liabilities:		
Reserves and accrued expenses	(2.4)	
Data files and other assets	(44.6)	(54.4)
Depreciation		(0.5)
Pension expense	(47.2)	(40.8)
Undistributed earnings of foreign subsidiaries	(11.7)	(36.3)
Other	(10.7)	(19.2)
	(116.6)	(151.2)
Net deferred income tax liability	\$ (5.0)	\$ (62.2)

Our deferred income tax assets and liabilities at December 31, 2002 and 2001, are included in the accompanying consolidated balance sheets as follows:

<i>(In millions)</i>	2002	2001
Deferred income tax assets	\$ 20.9	\$ 26.4
Deferred income tax liabilities	(25.9)	(88.6)
Net deferred income tax liability	\$ (5.0)	\$ (62.2)

Accumulated undistributed retained earnings of Canadian subsidiaries amounted to approximately \$51.9 million at December 31, 2002. No provision for Canadian withholding taxes or United States federal income taxes is made on these earnings, because they are considered by management to be permanently invested in those subsidiaries and, under the tax laws, are not subject to such taxes until distributed as dividends. If the earnings were not considered permanently invested, approximately \$2.6 million of deferred income taxes would have been provided. Such

taxes, if ultimately paid, may be recoverable as foreign tax credits in the United States.

As of December 31, 2002, we have a deferred tax asset of \$78.6 million related to accumulated foreign currency translation loss for foreign locations, excluding Canada. A full valuation allowance, included in accumulated other comprehensive loss, has been provided due to uncertainty of future realization of this deferred tax asset.

At December 31, 2002, we had net operating loss and capital loss carry-forwards of approximately \$125.7 million of which \$61.2 million related to U.S. federal and \$64.5 million to foreign jurisdictions. Of the total net operating loss and capital loss carry-forwards, \$39.1 million has no expiration date, \$32.7 million will expire in 2006 and \$53.9 million will begin to expire at various times beginning in 2012. The U.S. federal loss carry-forward may be subject to certain limitations under Section 382 of the Internal Revenue Code of 1986, as amended. Additionally, we had foreign tax credit carry-forwards of approximately \$22.2 million of which \$13 million will begin to expire in 2005 and the remaining \$9.2 million will be utilized upon repatriation of foreign earnings. Tax effected net operating loss, capital loss and foreign tax credit carry-forwards of \$52.7 million have been fully reserved in the deferred tax valuation allowance due to the uncertainty resulting from a lack of previous foreign taxable income within certain foreign tax jurisdictions, uncertainty that sufficient capital gains will be generated and U.S. federal limitations under Section 382.

A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. We increased the valuation allowance by \$31.1 million in 2002 for capital loss carryovers and net operating loss carryforwards relating to Naviant, Spain, the United Kingdom and other entities.

8. SHAREHOLDERS EQUITY

Rights Plan. In 1995, our Board of Directors adopted a Shareholder's Rights Plan. Our Rights Plan contains provisions to protect our shareholders in the event of an unsolicited offer to acquire us, including offers that do not treat all shareholders equally, the acquisition in the open market of shares constituting control without offering fair value to all

Table of Contents

Notes to Consolidated Financial Statements

shareholders, and other coercive, unfair or inadequate takeover bids and practices that could impair the ability of our Board to represent shareholders' interests fully. Pursuant to the Rights Plan, our Board declared a dividend of one Share Purchase Right for each outstanding share of our common stock, with distribution to be made to shareholders of record as of November 24, 1995. The Rights, which will expire in November 2005, initially will be represented by, and traded together with, our common stock. The Rights are not currently exercisable and do not become exercisable unless certain triggering events occur. Among the triggering events is the acquisition of 20% or more of our common stock by a person or group of affiliated or associated persons. Unless previously redeemed, upon the occurrence of one of the specified triggering events, each Right that is not held by the 20% or more shareholder will entitle its holder to purchase one share of common stock or, under certain circumstances, additional shares of common stock at a discounted price.

Treasury Stock and Employee Benefits Trusts. During 2002, 2001, and 2000, we repurchased 2.9 million, 2.2 million, and 0.3 million of our own common shares through open market transactions at an aggregate investment of \$72.5 million, \$49.5 million, and \$6.5 million, respectively. At its February 2002 meeting, our Board of Directors authorized an additional \$250.0 million in share repurchases. At December 31, 2002, approximately \$222.2 million remained available for future purchases from prior authorizations of our Board of Directors.

In 1993, we established the Equifax Inc. Employee Stock Benefits Trust to fund various employee benefit plans and compensation programs and transferred 6.2 million treasury shares to the Trust. In 1994 and 2000, we transferred 0.6 million and 1.5 million treasury shares, respectively, to two other employee benefits trusts. Shares held by the trusts are not considered outstanding for earnings per share calculations until released to the employee benefit plans or programs. During 2002, 2001, and 2000, 752,178 shares, 48,593 shares and 39,830 shares, respectively, were used for various employee incentive and stock option programs.

Stock Options. Our shareholders have approved several stock option plans which provide that qualified and nonqualified options may be granted to officers and employees. Our Board of Directors has also approved a nonqualified stock option plan that cannot be used to grant shares to directors or executive officers. In addition, options remain outstanding under two plans from which no new grants may be made, one which was approved by shareholders. All plans require that options be granted at exercise prices not less than market value on the date of grant. Generally, options vest over periods of up to four years and are exercisable for ten years from grant date. Certain of the plans also provide for awards of restricted shares of our common stock. At December 31, 2002, there were 4.5 million shares available for future option grants and restricted stock awards.

The number of options outstanding and their exercise prices were adjusted in July 2001 pursuant to a formula as a result of the spin-off of Certegy. The adjustment increased the number of options outstanding in 2001 by approximately 2.1 million shares. A summary of changes in outstanding options and the related weighted average exercise price per share is shown in the following table:

	2002		2001		2000	
	Shares	Average Price	Shares	Average Price	Shares	Average Price
(Shares in thousands)						
Balance, beginning of year	10,909	\$ 16.37	9,698	\$ 25.22	10,563	\$ 24.14
Adjustment due to spin-off			2,055			
Granted (all at market price)	2,388	25.06	2,680	28.27	1,841	22.39
Canceled	(414)	18.41	(1,171)	22.25	(924)	28.75
Exercised	(2,314)	15.31	(2,353)	16.91	(1,782)	13.70
Balance, end of year	10,569	18.48	10,909	16.37	9,698	25.22
Exercisable at end of year	8,232	\$ 17.59	7,743	\$ 15.66	6,069	\$ 22.13

Edgar Filing: EQUIFAX INC - Form 10-K/A

The following table summarizes information about stock options outstanding at December 31, 2002 (shares in thousands):

	Options Outstanding			Options Exercisable	
		Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price		Weighted Average Exercise Price
Range of Exercise Prices	Shares			Shares	
\$5.14 to \$14.47	3,410	5.3	\$ 12.22	3,310	\$ 12.21

Table of Contents**Notes to Consolidated Financial Statements**

\$14.58 to \$19.35	2,692	6.9	17.13	2,012	17.16
\$19.39 to \$25.5	4,176	7.5	23.76	2,650	23.56
\$25.75 to \$37.25	291	5.0	28.55	260	28.63
	<u>10,569</u>	6.6	18.48	<u>8,232</u>	17.59

Long-Term Incentive Plans. We have key management long-term incentive plans for certain key officers that provide for cash awards at the end of various measurement periods based on the growth in earnings per share and/or various other criteria over the measurement period. For certain awards, the employee may elect to receive some or all of their distribution as an equity interest.

Expense for these plans can vary between years due to revisions of estimates of future distributions under the plans, which are based on the likelihood that the performance criteria will be met. The total expense under these plans was \$1.6 million in 2002, and \$4.5 million in 2001, and a credit to expense of \$3.1 million in 2000.

9. EMPLOYEE BENEFITS

In 1998, we adopted SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. This statement revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of these plans.

Pension Benefits: Pension benefits are provided through U.S. and Canadian defined benefit pension plans and a supplemental executive defined benefit pension plan.

Table of Contents**Notes to Consolidated Financial Statements**

U.S. and Canadian Retirement Plans: We have a non-contributory qualified retirement plan covering most US salaried employees and maintain a defined benefit plan for most salaried employees in Canada. Benefits are primarily a function of salary and years of service.

Supplemental Retirement Plan: We maintain a supplemental executive retirement program for certain key employees. The plan, which is unfunded, provides supplemental retirement payments based on salary and years of service.

Other Benefits. We maintain certain health care and life insurance benefit plans for eligible retired employees. Substantially all of our US employees may become eligible for these benefits if they reach retirement age while working for us and satisfy certain years of service requirements. We accrue the cost of providing these benefits over the active service period of the employee.

A reconciliation of the benefit obligations, plan assets, and funded status of the plans are as follows (*in millions*):

	Pension Benefits		Other Benefits	
Change in benefit obligation	2002	2001	2002	2001
Benefit obligation at beginning of year	\$ 442.6	\$ 422.1	\$ 23.1	\$ 22.5
Service cost	4.8	5.8	0.7	0.7
Interest cost	30.8	31.9	1.6	1.6
Actuarial loss	32.7	48.5	4.8	2.0
Plan amendments	0.7			
Foreign currency exchange	0.3	(1.5)		
Curtailments		(1.5)		
Spin-off of Certegy		(27.3)		(1.8)
Settlements		(0.3)		
Benefits paid	(34.7)	(35.1)	(2.2)	(1.9)
Benefit obligation at end of year	\$ 477.2	\$ 442.6	\$ 28.0	\$ 23.1

	Pension Benefits		Other Benefits	
Change in plan assets	2002	2001	2002	2001
Fair value of plan assets at beginning of year	\$ 446.3	\$ 549.2	\$ 0.0	\$ 0.2
Actual return on plan assets	(55.7)	(33.0)	(0.5)	
Employer contribution	19.2	12.3	4.0	
Foreign currency exchange	0.4	(2.1)		
Spin-off of Certegy		(45.0)		
Benefits paid	(34.7)	(35.1)		(0.2)
Fair value of plan assets at end of year	\$ 375.5	\$ 446.3	\$ 3.5	\$

Table of Contents**Notes to consolidated Financial Statements**

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Funded Status	\$ (101.7)	\$3.7	\$(24.5)	\$(23.1)
Unrecognized actuarial loss	210.5	75.0	8.0	2.3
Unrecognized prior service cost	0.9	0.2	(0.4)	(0.6)
Net amount recognized	\$ 109.7	\$ 78.9	\$ (16.9)	\$(21.4)

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Amounts recognized in the statement of financial position consist of:				
Prepaid benefit cost	\$ 13.3	\$97.3	\$	\$
Accrued benefit liability	(91.6)	(26.3)	(16.9)	(21.4)
Intangible asset	0.8	0.1		
Accumulated other comprehensive income	187.2	7.8		
Net amount recognized	\$ 109.7	\$ 78.9	\$ (16.9)	\$ (21.4)

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Weighted-average assumptions as of December 31				
Discount rate	6.75	% 7.25	% 6.75	% 7.25
Expected return on plan assets	9.50	% 9.50	% 9.50	% 5.00
Rate of compensation increase	4.25	% 4.25	% N/A	N/A

For measurement purposes, a 9 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease gradually to 5 percent for 2007 and remain at that level thereafter.

Net pension (income) expense for the plans include the following (income) expense components:

Pension Benefits	Other Benefits
-------------------------	-----------------------

Edgar Filing: EQUIFAX INC - Form 10-K/A

<i>(In millions)</i>	2002	2001	2000	2002	2001	2000
Service cost	\$ 4.8	\$ 5.8	\$ 5.9	\$ 0.7	\$ 0.7	\$ 0.8
Interest cost	30.8	31.9	32.8	1.6	1.6	1.6
Expected return on plan assets	(47.3)	(47.1)	(46.3)	(0.4)		
Amortization of initial unrecognized net (asset)		0.1	(0.1)			
Amortization of prior service cost		0.3	0.7	(0.2)	(0.5)	(1.0)
Recognized actuarial loss	0.2	0.1	0.4			
Curtailment gain			(1.3)			(0.8)
Settlement gain		0.3				
Net pension income	\$ (11.5)	\$ (8.6)	\$ (7.9)	\$ 1.7	\$ 1.8	\$ 0.6

Assumed health care cost trend rates have an effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service cost and interest cost components	\$ 0.1	(\$0.1)
Effect on postretirement benefit obligation	\$ 0.7	(0.7)

The discount rate used to calculate the U.S. Retirement Plan funded status was decreased from 7.25% for year-end 2001 to 6.75% for year-end 2002. The effect of this change was an increase in year-end 2002 benefit obligation (and reduction in funded status) of \$22.3 million.

The discount rate used to calculate US Retirement Plan pension income was decreased from 8.00% for 2001 to 7.25% for 2002. The effect of this change was a decrease in 2002 income of \$0.1 million.

Table of Contents

Notes to consolidated Financial Statements

For calculating pension income, a market-related value of assets is used. The market-related value of assets recognizes the difference between actual returns and expected returns over five years at a rate of 20% per year.

The net pension income shown above includes income amounts allocated to discontinued operations of \$0, \$2.1 million, and \$3.3 million in 2002, 2001, and 2000, respectively. The 2000 curtailment gains of \$1.3 million (pension benefits) and \$0.8 million (other benefits) related to the sale of the U.S. risk management collections business (Note 4), and was included as a component of the loss on sale of businesses recorded in other income.

The U.S. Retirement Plan and the Supplemental Retirement Plan both have accumulated benefit obligations in excess of plan assets as of December 31, 2002. The aggregate projected benefit obligation, accumulated benefit obligation, and fair value of plan assets (in millions) for these two plans are \$451.2, \$436.4, and \$344.8, respectively, as of December 31, 2002, and \$419.0, \$408.1, and \$413.1, respectively, as of December 31, 2001.

During 2002, actual asset returns for the pension plans were adversely impacted by further deterioration in the equity markets. The S&P 500 has declined 22% and 12% in 2002 and 2001, respectively. Our actual return on pension plan assets in 2002 was a negative 12.8%. Also in 2002, corporate bond yields, which we use in determining our discount rate for future pension obligations, continued to decline. The 2002 asset returns and lower discount rates negatively impacted the funded status of our pension plans requiring us to recognize a minimum pension liability. The liability was recorded as a non-cash \$112.4 million after tax reduction to Shareholder's equity as part of accumulated other comprehensive income (loss). This equity reduction did not impact our net income or cash flow in 2002 and has no impact on compliance with debt covenants.

While the asset return and interest rate environment have negatively impacted the funded status of our plans, we do not currently have minimum funding requirements, as set forth in the Employment Retirement Income Security Act and federal tax laws. Although no minimum funding was required, we voluntarily contributed \$20.0 million to our U.S. retirement plan in 2002.

At December 31, 2002 and 2001, the plan's assets included 1.76 million shares of the Company's common stock with a market value of approximately \$40.9 million and \$42.6 million, respectively.

Foreign Retirement Plans We also maintain defined contribution plans for certain employees in the United Kingdom. For the year ended December 31, 2002 our expenses related to these plans were \$1.2 million.

Employee Retirement Savings Plans. Our retirement savings plans provide for annual contributions, within specified ranges, determined at the discretion of the Board of Directors for the benefit of eligible employees in the form of cash or shares of common stock. Employees may sell their stock, including shares contributed as the Company match, at any time. Expense for these plans was \$3.0 million in 2002, \$2.5 million in 2001, and \$2.4 million in 2000.

10. COMMITMENTS AND CONTINGENCIES

Leases. Our operating leases involve principally office space and office equipment. Under the terms of the operating lease for our headquarters building in Atlanta, Georgia, which commenced in 1998, we have guaranteed a portion of the residual value of the building at the end of the lease in 2010. The maximum exposure under the guarantee is approximately \$23.2 million. We believe the fair market value of this property exceeds the amount of the guarantee.

Rental expense related to our operating leases was \$22.0 million in 2002, \$23.8 million in 2001, and \$28.4 million in 2000. Our headquarters building operating lease has ground purchase options exercisable beginning in 2019, ground renewal options exercisable in 2048, and escalation clauses of \$50,000 beginning in 2009. Our technology center in Alpharetta, Georgia has rent escalations of approximately \$4.0 million over the next five years, termination options exercisable beginning in 2003, and renewal options through 2039. Future minimum payment obligations for noncancelable operating leases exceeding one year are as follows as of December 31, 2002:

(In millions)

Amount

2003	\$ 23.3
------	---------

24

Table of Contents**Notes to consolidated Financial Statements**

2004	18.7
2005	15.7
2006	13.0
2007	11.3
Thereafter	74.0
	\$ 156.0

Agreement with Computer Sciences Corporation. We have an agreement with Computer Sciences Corporation and certain of its affiliates, collectively, CSC, under which CSC-owned credit reporting agencies utilize our computerized credit database services. CSC retains ownership of its credit files and the revenues generated by its credit reporting activity. We receive a processing fee for maintaining the database and for each report supplied. The agreement was renewed by CSC for a ten-year period beginning August 1, 1998. The agreement provides us with an option to purchase CSC's credit reporting business if CSC does not elect to renew the agreement or if there is a change in control of CSC while the agreement is in effect. Under the agreement CSC also has an option, exercisable at any time, to sell its credit reporting business to us. The option expires in 2013. The option exercise price will be determined by a third-party appraisal process and would be due in cash within 180 days after the exercise of the option. We estimate that if the option were exercised at this time, the price range would approximate \$650.0 - \$700.0 million. This estimate is based solely on our internal analysis of the value of the businesses, current market conditions, and other factors, all of which are subject to constant change. Therefore, the actual option exercise price could be materially higher or lower than the estimated amount. If CSC were to exercise its option, we would have to obtain additional sources of funding. We believe that this funding would be available from sources such as additional bank lines of credit and the issuance of public debt and/or equity. However, the availability and terms of any such capital financing would be subject to a number of factors, including credit market conditions, the state of the equity markets, general economic conditions, and our financial performance and condition.

Data Processing and Outsourcing Services Agreements. We have separate agreements with IBM, PwCES LLC, Polk/Acxiom, Seisint Inc., Xerox Connect, Inc., and Jones-Lang LaSalle which outsource portions of our computer data processing operations and related functions and certain administrative functions. The agreements expire between 2004 and 2010. The estimated aggregate contractual obligation remaining under these agreements is \$578.5 million as of December 31, 2002, with no future year expected to exceed \$115.0 million. However, these amounts could be more or less depending on various factors such as the inflation rate, the introduction of significant new technologies, or changes in our servicing needs as a result of acquisitions or divestitures. Under certain circumstances (e.g., a change in control, or for our convenience), we may terminate these agreements. However, some of the agreements provide that we must pay a significant termination charge in the event of such a termination.

Change in Control Agreements. We have agreements with 15 of our officers which provide certain severance pay and benefits in the event of a termination of the officer's employment under certain circumstances following a change in control. Change in control is defined as the accumulation by any person, entity, or group of 20% or more of the combined voting power of our voting stock or the occurrence of certain other specified events. In the event of a change in control, our performance share plan provides that all shares designated for future distribution will become fully vested and payable, subject to the achievement of certain levels of growth in earnings per share and certain other criteria. At December 31, 2002, the maximum contingent liability under the agreements and plans was approximately \$22.0 million.

Guarantees. We will from time to time issue standby letters of credit, performance bonds or other guarantees in the normal course of business. The aggregate notional amount of all performance bonds and standby of all letters of credit is less than \$15.0 million and all have a maturity of less than one year. Guarantees are issued from time to time to support the needs of operating units. The only outstanding guarantee that is not reflected as a liability on our balance sheet was extended in connection with the sale of our risk management collections business to RMA Holdings, LLC (RMA) in October 2000, at which time we guaranteed the operating lease payments of a partnership affiliated with RMA to a lender of the partnership pursuant to a term loan. The term loan, which had \$7.9 million outstanding as of December 31, 2002, expires December 1, 2011. Our obligations under such guarantee are not secured. We believe the likelihood of demand for payment under these instruments is minimal and expect no material losses to occur in connection with these instruments.

Subsidiary Dividends and Fund Transfers. The ability of certain of our subsidiaries and associated companies to transfer funds to us is limited by certain restrictions imposed by foreign governments, which do not, individually or in the aggregate, materially limit our ability to service our indebtedness, meet our current obligations, or pay dividends.

Table of Contents

Litigation. A number of lawsuits seeking damages are brought against us each year, primarily as a result of reports issued by us. In 2002, a class of plaintiffs was recently certified in a lawsuit, *Franklin Clark and Latanjala Denise Miller v. Equifax Inc. and Equifax Credit Information Services, Inc.*, which alleges that we violated the Fair Credit Reporting Act by failing to follow reasonable procedures to assure maximum possible accuracy with respect to the reporting of accounts included in a bankruptcy. All parties have reached an agreement to settle all claims, and the court has preliminarily approved the settlement. The suit was filed in April 2000 and is pending in federal court in South Carolina. We do not believe the final settlement will be material to our operations or financial condition.

In addition, in *1600 Peachtree, L.L.C. v. Equifax Inc.* the Plaintiff alleges breach of a guaranty agreement relating to our prior headquarters building, and seeks damages of approximately \$43.0 million, substantially all of which represents future rent contingencies. We contend that the guaranty is void and intend to vigorously defend the matter. A related lawsuit based on the same facts, *SouthTrust Bank f/k/a SouthTrust Bank National Association v. Equifax Inc.*, has been dismissed for lack of standing.

We are involved in other lawsuits, claims and proceedings as is normal in the ordinary course of our business. Any possible adverse outcome arising from these matters is not expected to have a material impact on or resulted operations or financial position, either individually or in the aggregate. However, our evaluation of the likely impact of these pending lawsuits could change in the future.

We provide for estimated legal fees and settlements relating to pending lawsuits. In our opinion, the ultimate resolution of these matters will not have a materially adverse effect on our financial position, liquidity, or results of operations.

11. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for 2002 and 2001 are as follows (in millions, except per share amounts):

2002	First	Second	Third	Fourth
Operating revenue	\$ 259.0	\$ 268.0	\$ 289.7	\$ 292.6
Operating income	\$ 79.3	\$ 87.6	\$ 89.7	\$ 94.7
Income from continuing operations	\$ 42.0	\$ 47.9	\$ 49.7	\$ 51.7
Net income	\$ 41.7	\$ 47.5	\$ 38.9	\$ 49.9
Per Common Share (Basic):				
Income from continuing operations	\$ 0.31	\$ 0.35	\$ 0.37	\$ 0.38
Net income	\$ 0.31	\$ 0.35	\$ 0.29	\$ 0.37
Per Common Share (Diluted):				
Income from continuing operations	\$ 0.30	\$ 0.34	\$ 0.36	\$ 0.38
Net income	\$ 0.30	\$ 0.34	\$ 0.28	\$ 0.36

Edgar Filing: EQUIFAX INC - Form 10-K/A

2001	First	Second	Third	Fourth
Operating revenue before divested operations	\$ 272.5	\$ 281.4	\$ 274.0	\$ 281.9
Divested operations	12.7	8.1	8.4	
Operating revenue	\$ 285.2	\$ 289.5	\$ 282.4	\$ 281.9
Operating income before divested operations, goodwill, and restructuring and other charges	\$ 75.4	\$ 85.3	\$ 88.2	\$ 93.6
Divested operations	1.3	(2.8)	(1.4)	
Goodwill amortization	(6.4)	(6.3)	(6.3)	(6.4)
Restructuring and other charges				(60.4)
Operating income	\$ 70.3	\$ 76.2	\$ 80.5	\$ 26.8

Table of Contents

Income from continuing operations	\$ 34.1	\$ 38.3	\$ 35.8	\$ 9.1
Net income	\$ 48.1	\$ 29.5	\$ 35.8	\$ 9.1
Per Common Share (Basic):				
Income from continuing operations	\$ 0.25	\$ 0.28	\$ 0.26	\$ 0.07
Net income	\$ 0.35	\$ 0.22	\$ 0.26	\$ 0.07
Per Common Share (Diluted):				
Income from continuing operations	\$ 0.25	\$ 0.28	\$ 0.26	\$ 0.07
Net income	\$ 0.35	\$ 0.21	\$ 0.26	\$ 0.07

12. SEGMENT INFORMATION

Our operations are primarily organized in five reportable segments, with three segments based on the provision of our three core product lines (Information Services, Marketing Services and Consumer Direct) within geographic regions (Equifax North America, Equifax Europe, and Equifax Latin America), and two segments based on other criteria (Other and Divested Operations). The accounting policies of the segments are the same as those described in our summary of significant accounting and reporting policies (Note 1). We evaluate the segment performance based on its operating income before unusual items (if any). Intersegment sales and transfers are not material. The measurements of segment profit or loss and segment assets for each reportable segment are substantially the same. All transactions between segments are accounted for at cost, and no timing differences occur between segments.

The 2002 operating results of Spain's Commercial Services business have been reclassified to discontinued operations and are not included in Equifax Europe's segment results below. The 2001 and 2000 operating results for this business have not been reclassified to discontinued operations since they were not material, and are included in Equifax Europe's segment results below (Note 2).

Goodwill amortization in 2001 and 2000 for all business segments has been reclassified to a separate line to provide for comparability with 2002.

A description of segment products and services is as follows:

Equifax North America. Information Services including consumer services such as credit information; credit card marketing services; locate services; fraud detection and prevention services; mortgage loan origination information; analytics and consulting; identity verification services; commercial services, primarily in Canada and Marketing Services consisting of consumer demographic and lifestyle information and Consumer Direct credit and finance products sold directly to individuals.

Equifax Europe. Information Services including Consumer and Commercial Services such as credit, credit scoring and modeling services and Credit Marketing Services.

Equifax Latin America. Information Services including consumer and Commercial Services such as credit and other commercial, financial, and consumer information.

Other. Lottery services relating solely to a contract to provide services to the state of California. No further revenue or operating income has been received since the second quarter 2002 or is expected to occur in this segment.

Edgar Filing: EQUIFAX INC - Form 10-K/A

Divested Operations Includes businesses divested in the fourth quarter of 2001 and 2000 (City Directory, the risk management collections businesses in the U.S., Canada, and the United Kingdom, as well as the vehicle information business in the United Kingdom) (Note 4).

Table of Contents**Notes to Consolidated Financial Statements**

Segment information for 2002, 2001, and 2000 is as follows (in millions):

	2002	2001	2000
	<u> </u>	<u> </u>	<u> </u>
Operating Revenue:			
Equifax North America	\$ 902.2	\$ 852.4	\$ 755.2
Equifax Europe	126.1	141.1	142.9
Equifax Latin America	76.6	106.7	119.5
Other	4.4	9.6	9.6
	<u> </u>	<u> </u>	<u> </u>
	1,109.3	1,109.8	1,027.2
Divested Operations		29.2	162.0
	<u> </u>	<u> </u>	<u> </u>
	\$ 1,109.3	\$ 1,139.0	\$ 1,189.2
	<u> </u>	<u> </u>	<u> </u>
Operating Income (Loss):			
Equifax North America	\$ 361.6	\$ 340.6	\$ 295.9
Equifax Europe	12.7	5.8	17.2
Equifax Latin America	20.3	32.0	40.0
Other	4.4	8.9	8.9
General Corporate Expense	(47.7)	(44.8)	(41.7)
	<u> </u>	<u> </u>	<u> </u>
	351.3	342.5	320.3
Divested Operations		(2.9)	12.7
Goodwill Amortization		(25.4)	(24.4)
Restructuring and Other Charges (Note 5)		(60.4)	
	<u> </u>	<u> </u>	<u> </u>
	\$ 351.3	\$ 253.8	\$ 308.6
	<u> </u>	<u> </u>	<u> </u>
Total Assets at December 31:			
Equifax North America	\$ 1,064.8	\$ 825.5	\$ 832.9
Equifax Europe	174.4	192.4	225.0
Equifax Latin America	161.8	190.6	251.6
Other	3.5	3.7	2.9
Corporate	94.9	210.3	213.5
	<u> </u>	<u> </u>	<u> </u>
	1,499.4	1,422.6	1,525.9
Divested Operations			39.3
	<u> </u>	<u> </u>	<u> </u>
	1,499.4	1,422.6	1,565.2
Assets of Discontinued Operations	7.5		504.4
	<u> </u>	<u> </u>	<u> </u>
	\$ 1,506.9	\$ 1,422.6	\$ 2,069.6
	<u> </u>	<u> </u>	<u> </u>

	2002	2001	2000
Depreciation and Amortization:			
Equifax North America	\$ 53.8	\$ 64.4	\$ 57.2
Equifax Europe	12.9	18.5	17.9
Equifax Latin America	5.4	14.4	15.7
Other		0.8	0.8
Corporate	8.4	6.9	5.4
	80.5	105.0	97.0
Divested Operations		1.2	9.2
	\$ 80.5	\$ 106.2	\$ 106.2

	2002	2001	2000
Capital Expenditures (excluding property and equipment and other assets acquired in acquisitions):			
Equifax North America	\$ 42.9	\$ 20.1	\$ 40.3
Equifax Europe	6.2	12.3	13.8
Equifax Latin America	5.3	8.6	12.3
Other			
Corporate	1.4	5.5	3.9
	55.8	46.5	70.3

Table of Contents

Divested Operations		0.6	1.6
	<u>\$ 55.8</u>	<u>\$ 47.1</u>	<u>\$ 71.9</u>

Financial information by geographic area is as follows:

	2002		2001		2000	
	Amount	%	Amount	%	Amount	%
Operating Revenue (based on location of customer):						
United States	\$ 826.0	\$ 74 %	\$ 813.8	\$ 71 %	\$ 801.6	\$ 67 %
Canada	80.4	7	77.5	7	94.6	8
United Kingdom	97.6	9	97.6	9	137.7	12
Brazil	43.4	4	49.5	4	60.9	5
Other	61.9	6	100.6	9	94.4	8
	<u>\$ 1,109.3</u>	<u>100 %</u>	<u>\$ 1,139.0</u>	<u>100 %</u>	<u>\$ 1,189.2</u>	<u>100 %</u>

Long-Lived Assets of Continuing Operations at December 31:

United States	844.1	70 %	\$ 665.2	63 %	\$ 717.1	62 %
Canada	99.9	8	100.8	9	96.7	8
United Kingdom	84.0	7	78.8	7	88.2	8
Brazil	89.0	7	97.3	9	119.3	10
Other	96.8	8	122.5	12	140.2	12
	<u>\$ 1,213.8</u>	<u>\$ 100 %</u>	<u>\$ 1,064.6</u>	<u>\$ 100 %</u>	<u>\$ 1,161.5</u>	<u>\$ 100 %</u>

Table of Contents

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders

Equifax Inc.

We have audited the accompanying consolidated balance sheet of Equifax Inc. (the Company) as of December 31, 2002, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company as of December 31, 2001, and for the two years then ended, were audited by other auditors who have ceased operations and whose report dated February 8, 2002 expressed an unqualified opinion on those statements before the revisions in the consolidated statements of shareholders' equity and comprehensive income of the Company for each of the two years in the period ended December 31, 2001, and as described in Notes 1, 3, 5, 7, 9, and 12.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 1 to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill and other intangible assets to conform with Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets*.

As discussed above, the consolidated financial statements of the Company as of December 31, 2001 and for the two years then ended were audited by other auditors who have ceased operations. However, the Company made certain adjustments and disclosures to the prior years financial statements to conform with the current year's presentation or to comply with adoption requirements of new accounting pronouncements, as follows:

- (i) The consolidated statements of income of the Company for each of the two years in the period ended December 31, 2001 have been revised to separately disclose depreciation expense, amortization expense and goodwill amortization expense which were classified within cost of services and selling, general and administrative expenses in the prior years. Our audit procedures with respect to these revisions included (a) agreeing the depreciation expense, amortization expense and goodwill amortization expense balances to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the revisions within the consolidated statements of income.

Edgar Filing: EQUIFAX INC - Form 10-K/A

- (ii) The consolidated statements of shareholders' equity and comprehensive income of the Company for each of the two years in the period ended December 31, 2001 have been revised to include the income tax effect for the minimum pension liability and cash flow hedging transactions. Our audit procedures with respect to the income tax effects for 2001 and 2000 included (a) agreeing the previously reported minimum pension liability and cash flow hedging transactions before tax balances to the previously issued financial statements, (b) re-calculating the income tax effect for the minimum pension liability and cash flow hedging transactions using the Company's income tax rate for the respective year, and (c) re-calculating the minimum pension liability, net of tax, and the cash flow hedging transactions, net of tax, balances.
- (iii) As discussed in Note 1, the consolidated financial statements of the Company as of December 31, 2001 and for each of the two years in the period then ended have been revised to include the disclosures required by Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangibles*, which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 1 with respect to 2001 and 2000 included (a) agreeing the previously reported net income to the previously issued financial statements, (b) agreeing the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill that is no longer being amortized as a result of initially applying Statement No. 142 (including any related tax effects) to the Company's underlying records obtained from management, (c) agreeing all 2001 separate asset and accumulated amortization balances as disclosed for individual intangibles to the Company's underlying accounting records obtained from management, (d) agreeing all 2001 and 2000 amortization expense disclosures to the Company's underlying accounting records obtained from management and (e) testing the mathematical accuracy of the reconciliation of pro forma net income to reported net income.
- (iv) The disclosures in Note 3 of the consolidated financial statements of the Company have been revised to disclose additional detail with respect to the estimated fair value of assets acquired and liabilities assumed at the acquisition dates. Our audit procedures with respect to these additional disclosures in Note 3 included (a) agreeing the estimated fair value of assets acquired and liabilities assumed at the acquisition dates balances to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the estimated fair value of the net assets acquired and liabilities assumed information included within the table in Note 3.
- (v) The disclosures in Note 5 of the consolidated financial statements of the Company as of December 31, 2001 and for the year then ended have been revised to disclose additional detail with respect to severance and facilities and other charges reserve and the related activity for 2001. Our audit procedures with respect to these additional disclosures in Note 5 included (a) agreeing the severance and facilities and other charges reserve and the related activity for 2001 to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the restatement within the table in Note 5.
- (vi) The disclosures in Note 7 of the consolidated financial statements of the Company as of December 31, 2001 and 2000 with respect to certain deferred tax balances have been revised to disclose additional detail with respect to the net operating loss carryforwards of subsidiaries, foreign tax credits and valuation allowance balances. Our audit procedures with respect to these additional disclosures in Note 7 included (a) agreeing the net operating loss carryforwards of subsidiaries, foreign tax credits and valuation allowance balances to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the revisions within the table in Note 7.
- (vii) The disclosures in Note 9 of the consolidated financial statements of the Company as of December 31, 2001 and 2000 and for each of the two years in the period then ended with respect to employee benefit plan information have been revised to disclose additional detail for the Canadian Retirement Plan, Supplemental Retirement Plan, and Other Benefits with respect to benefit obligations, plan assets, funded status, and amounts recognized in the statement of financial position as of December 31, 2001 and net pension (income) expense components for each of the two years in the period ended December 31, 2001. Our audit procedures with respect to these additional disclosures in Note 9 included (a) agreeing the benefit obligations, plan assets and funded status as of December 31, 2001 and net pension (income) expense components for each to the two years in the period ended December 31, 2001 to the Company's underlying records obtained from management and (b) testing the mathematical accuracy of the revisions included in the tables disclosed in Note 9.

In our opinion, the adjustments and disclosures with respect to the matters discussed in the preceding paragraphs (i) through (vii) are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 consolidated financial statements of the Company other than with respect to such adjustments and disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 consolidated financial statements taken as a whole.

/s/ Ernst & Young LLP

Atlanta, Georgia

January 22, 2003

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Equifax Inc.:

We have audited the accompanying consolidated balance sheets of Equifax Inc. (a Georgia corporation) and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equifax Inc. and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia

February 13, 2002

THIS IS A COPY OF AN ACCOUNTANTS' REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ANDERSEN. SEE EXHIBIT 23.2 FOR FURTHER INFORMATION.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EQUIFAX INC.

(Registrant)

Date: April 10, 2003

/s/ THOMAS F. CHAPMAN

Name:

Thomas F. Chapman

Title:

Chief Executive Officer

Table of Contents

CERTIFICATIONS

I, Thomas F. Chapman, Chief Executive Officer of Equifax Inc. (the registrant), certify that:

1. I have reviewed this annual report on Form 10-K/A of Equifax Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

Edgar Filing: EQUIFAX INC - Form 10-K/A

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 10, 2003

/s/ THOMAS F. CHAPMAN

Thomas F. Chapman,

Chairman and Chief Executive Officer

Table of Contents

I, Donald T. Heroman, Corporate Vice President and Chief Financial Officer of Equifax Inc. (the registrant), certify that:

1. I have reviewed this annual report on Form 10-K/A of Equifax Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Edgar Filing: EQUIFAX INC - Form 10-K/A

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 10, 2003

/s/ DONALD T. HEROMAN

Donald T. Heroman

Corporate Vice President and Chief

Financial Officer

Table of Contents

EXHIBIT INDEX

The following Exhibits are being filed with this amendment to report.

<u>Exhibit No.</u>	<u>Description</u>
23.1(a)	Consent of Ernst & Young LLP Independent Auditors
23.2(a)	Notice Regarding Consent of Arthur Andersen LLP
99.1	Certification of Thomas F. Chapman, Chairman and Chief Executive Officer of Equifax Inc., Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Donald T. Heroman, Corporate Vice President and Chief Financial Officer of Equifax Inc., Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.