

The breadth
and depth of skills
to deliver simple
solutions to
complex questions

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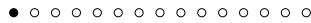
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Environmental impact

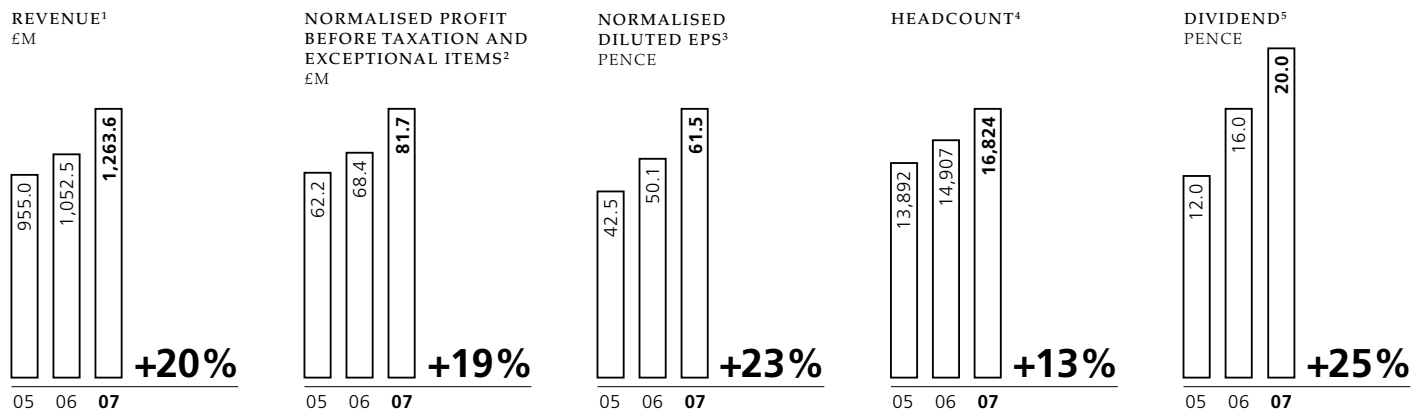
At Atkins we are genuinely concerned about our environmental performance. You can help us to reduce our environmental impact by opting to receive electronic versions of shareholder communications (e-comms). As well as the obvious “green” benefits, e-comms is also faster than the post.

Please visit www.myatkinsshare.com to sign up for e-comms. We will donate £1 to RedR (Register of Engineers for Disaster Relief) for each shareholder who chooses this method of communication.

At our AGM this year we are seeking approval to communicate with our shareholders electronically, except where a shareholder specifically requests otherwise. Full details are contained in the notice of meeting.



Our focus is on organic growth with excellence as the driver.



Notes

1. Revenue excludes the Group's share of revenue from Joint Ventures.
2. Normalised profit before taxation and exceptional items is defined as profit before taxation, exceptional items and any profits or losses from disposals. This is considered to be a more representative measure of underlying trading.
3. Normalised earnings per share (EPS) is stated after allowing for the dilutive effect of share options.
4. Headcount is shown on a full-time equivalent basis at the year-end, including agency staff.
5. Dividend relating to the year, comprising the interim dividend paid in the year and the proposed final dividend.



United Kingdom

12,500

employees*

North America

650

employees*

Total employees*

17,000

Revenue 2007**

£1,250m

Largest

engineering consultancy
in the UK¹

3rd

largest global design firm²

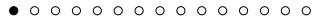
*Approximate full-time equivalent as at 31 March 2007, including agency staff.

**Approximate revenue as at 31 March 2007.

Source:

1. New Civil Engineer Consultants File, 2007.

2. Engineering News Record 2006. Ranking according to total revenue for design services performed in UK and non-UK territories.



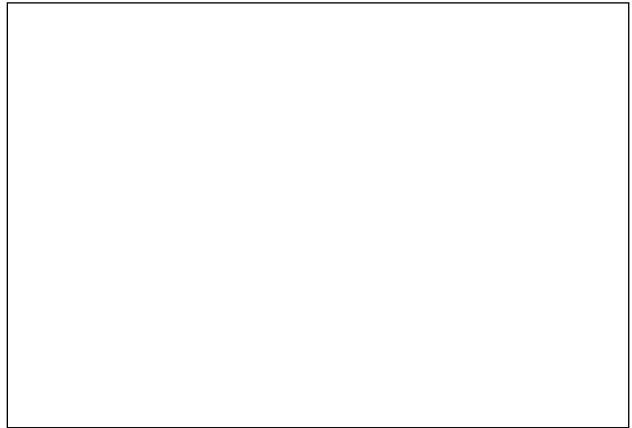
Highways and Transportation



Revenue £251m

We are the UK's largest provider of highways and transportation consultancy and related services¹. Our principal activities are transport planning, design of new roads and road improvements, development of intelligent transport systems, management of road maintenance and integrated road network management.

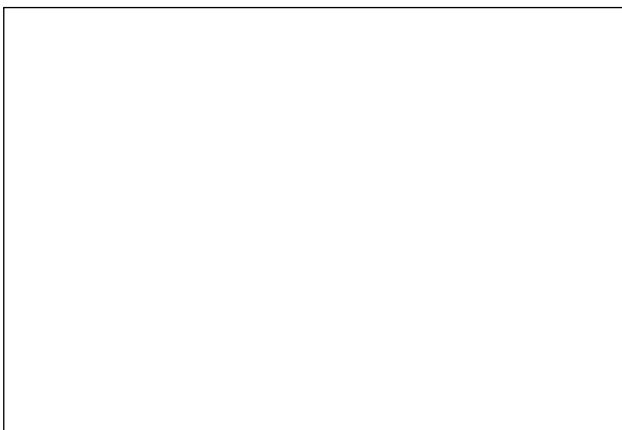
Rail



Revenue £237m

We are the largest rail consultancy operating in the UK¹. We provide services covering a wide range of engineering disciplines, including signalling, civils, electrification and specialist services in strategic planning, safety, systems integration and asset management.

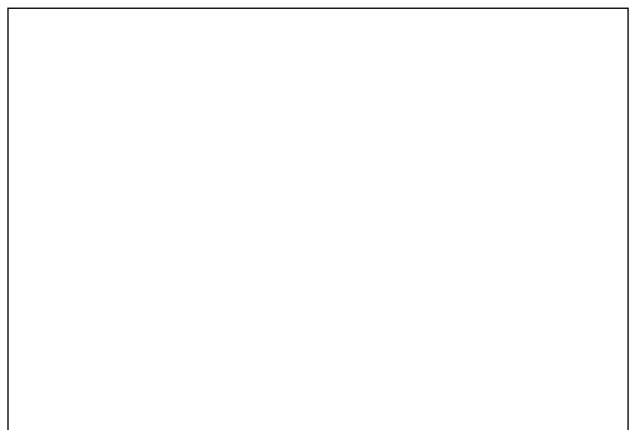
Equity Investments



Revenue £84m

The Equity Investments segment comprised Lambert Smith Hampton and our interest in PPP/PFI Joint Ventures. Our largest Joint Venture is Metronet, the consortium responsible for upgrading, maintaining and running two-thirds of the London Underground network.

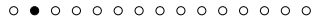
Asset Management



Revenue £51m

We provide independent property asset management services, focusing on delivery of top quality facilities management services to selected public and private sector clients.

OUR PEOPLE



Camilla Osuji

Structural Engineer
Design and Engineering Solutions
1 year with Atkins

Ludwig Tewksbury

Senior Landscape Architect and
Urban Designer
Design and Engineering Solutions
2 years with Atkins

Philip Rowbourne

Director of Client Services
Management Consultancy
18 years with Atkins

Chief executive – Our strategy

Keith Clarke

We are focused on answering increasingly complex questions.

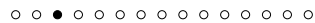
Plan, Design, Enable is what we do. We now have a focused company, extremely well positioned to both improve our consultancy services and continue to grow in a whole range of sectors where our depth in design, engineering and planning skills can be brought to bear. The complexity of our client capital programmes continues to increase and skills from all our business segments are absolutely key to our ability to address them successfully. Internal boundaries are being eroded to enable greater collaboration by people across teams, business segments and countries.

Identity and Excellence is our shorthand for how we are taking the Group forward. It is about keeping the balance between our development of technical and design skills, staff retention and recruitment, generation of cash, the winning of the work we want to have and, most importantly, the successful completion of the work we have won. All must be continually kept in balance as the Group goes forward. But the last point is absolutely fundamental.

We have successfully done this for the past three years and are confident growth will continue to be the consequence of this strategic focus. While we continue to have a strong

balance sheet which could position us well for acquisitions, our focus is on organic growth with excellence as the driver. With selective bolt-on acquisitions to supplement, it is vital we keep our ethos clearly intact as we continue to grow in both capability and size. Our size means we must continue to decentralise and build local management strengths and simultaneously glue the Group together to allow not only staff mobility and flexible career development within the whole Group, but also to ensure resources are focused on projects that transcend business segment boundaries. The protocols we applied to the Dubai Metro project have been an excellent first example of how we wish to achieve this as a matter of course.

A significant challenge for us is to continue to attract talented people to the Group and to retain them. We are establishing links with academia and are looking to recruit a broader cross-section of talent and experience. We are also accelerating recruitment in our Global Design Centres in Bangalore and Sharjah – not to save costs, but to enable us to recruit some of the brightest engineers in the world to our organisation.



NCE CONSULTANTS FILE 2007 MARKET RANKINGS

UK RANK	COMPANY	BUILDING	DEFENCE	ENVIRONMENT	FACILITIES MANAGEMENT	FLOODING & COASTAL	GEOTECHNICS	HEALTH & SAFETY	MANUFACTURING	POWER	PUBLIC SECTOR	RAIL/RAIL BRIDGES	ROAD/ROAD BRIDGES	TELECOMS	TRANSPORT PLANNING	TUNNELLING	WASTE	WATER
1 (1)	ATKINS	2	1	4	1	2	2	1	2	3	1	1	1	1	2	3	4	4
2 (2)	MOTT MACDONALD	7	4	15		8	4	16	6	2	3	2	4	4	7	1	5	2
3 (3)	ARUP	1	10	12	11	11	1	3	3	5	14	3	8	3	5	2	13	10
4 (4)	WSP	3		2	8		6	8	4	9	9	7	6	2	1	8	4	19
5 (6)	MOUCHEL PARKMAN			20	2						2	5	2		17		11	3
6 (5)	JACOBS	14	2	5	4	4	7	12	1	4	4	10	3		10	6	2	9
7 (8)	RPS			1														
8 (10)	SCOTT WILSON	11		11	12	13	5	14	9	6	7	4	5		15	7	6	14
9 (7)	HALCROW	17	12	13	15	1	9	13		7	8	6	7		8	4	21	5
10 (9)	CAPITA SYMONDS	12	9	16	8	9	10	5	14	15	6	13	10	8	11	5	14	28

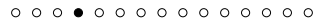
The next half decade will see the most radical changes to the design process (including procurement) we have ever seen. It will be a far greater impact than the advent of Computer Aided Design (CAD) or climate change. The need to move rapidly towards a sustainable society will introduce extra complexity. This is not about bolt-on green initiatives, nor offsetting, but introducing at the very start of the conceptual planning of all projects – whether buildings, utilities, urban design or infrastructures – a different set of values. Atkins with its breadth and depth of skills is ideally placed to tackle such complex projects if we keep to our strategy of Identity and Excellence. Within this context and exciting future we must not lose sight of leadership on health and safety, and not just Atkins' staff but of the construction industry as a whole.

To conclude, we have a great position, good markets, opportunities to lead change and a proven track record with a strong reputation.

Keith Clarke, chief executive

26 June 2007

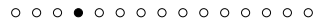
By sharing experiences
across teams and
encouraging the
transfer of skills we
create ever-improving
solutions for our clients
around the world



Menino Da Silva
Mechanical Associate
Design and Engineering Solutions
3 years with Atkins

Paul Moreira
Assistant Architect
Design and Engineering Solutions
2 years with Atkins

Hannah Feddon
Whole-life Cost Consultant
Faithful+Gould
4 years with Atkins



Matt Tooby

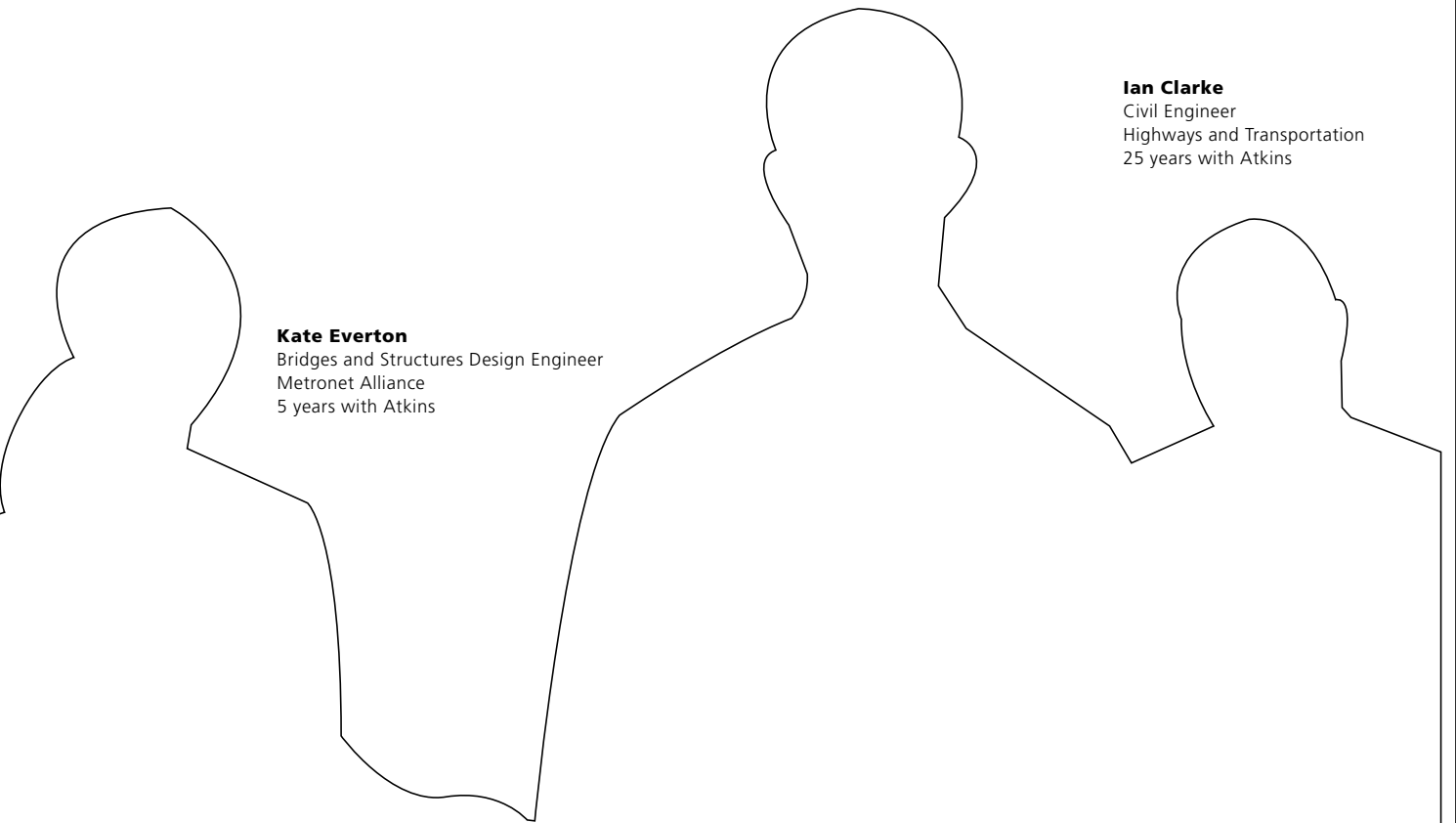
Ecologist
Design and Engineering Solutions
2 year with Atkins

Ian Clarke

Civil Engineer
Highways and Transportation
25 years with Atkins

Kate Everton

Bridges and Structures Design Engineer
Metronet Alliance
5 years with Atkins



No organisation is the perfect employer, but we are investing a considerable amount of time and money to become better – the results speak for themselves

Operating and financial review

Overview of the business and performance in the year

Atkins provides professional design and engineering consultancy services. We are the largest engineering consultancy in the UK and the third largest global design firm.

Our business

Our core business is helping our clients to plan, design and enable their capital programmes that resolve challenges in the built and natural environment.

We are able to plan all aspects of our clients' projects, conducting feasibility studies and impact analyses covering technical, logistical, legal, environmental and financial considerations. We design systems, infrastructures, processes, buildings and civil structures. We enable our clients' complex programmes by optimising procurement methods and managing supply chains on their behalf, to reduce timescales, cost and risk.

The Group's operations and customers are primarily UK-based, with 82% of revenue being derived from UK operations (2006: 85%). Revenue from our non-UK operations grew by 43% in year, driven by strong growth in the Middle East, while our UK businesses grew 16%. Our most significant businesses outside the UK are in the Middle East, China and the US.

We report our activities in seven business segments as this reflects how we manage the business according to different markets and geographies where appropriate. An overview is shown on pages 4-5. Details of activities and results by business segment are shown on pages 18-29.

Segmental performance

Highways and Transportation

PERFORMANCE IN 2007

Our Highways and Transportation segment had a good year with growth in all parts of the business, despite a slow start. Operating profit increased by £2.2m (20%) as margins grew to 5.3% (2006: 5.1%) due to the strong demand for our higher margin design activities. The business continues to offer a broad range of services in highways management, transport planning and design. Over 90% of revenue comes from public sector clients, both central government and agencies.

For the second year running we've received a top award for our safety management systems

The highways services business, which represents around 65% of this segment, is engaged in operating, maintaining and improving highways and motorways on behalf of the Highways Agency and local authorities. This year's results included the first year of our five-year Gloucestershire County Council contract, which commenced in April 2006, and the first seven months of our up to ten-year £250m integrated

contract to provide transport consultancy and highways management services for Cambridgeshire County Council. We have been granted a seven-month extension to our Northamptonshire contract to March 2008.

Whilst capital funding remains relatively strong there is continuing downward pressure on revenue budgets for local authorities. This is leading to longer term, more complex service contracts where quality and certainty of service outcome are as important as price. Our technical expertise in these areas was an important factor in securing our Gloucestershire and Cambridgeshire contract awards.

Our transport design business, which delivers all aspects of design of highway infrastructure and transport technology, performed well. The results in the year benefited from the Hackney M11 Link Road and Transport Direct Portal projects together with Dubai Metro where a substantial and technically complex contribution was made to the design of the viaducts by our UK teams. Delivery of this project required the input of over 50 staff in Highways and Transportation and represents an excellent example of collaborative working across segments and geographical regions.

During the year we were awarded a new contract by the Highways Agency to provide design and maintenance

KEY PERFORMANCE INDICATORS

	2007	2006	CHANGE IN YEAR
FINANCIAL METRICS			
REVENUE	£250.5M	£215.4M	+16%
OPERATING PROFIT	£13.2M	£11.0M	+20%
OPERATING MARGIN	5.3%	5.1%	+0.2%PTS
SHARE OF POST-TAX JV PROFITS	£0.6M	£0.7M	-£0.1M
WORK IN HAND	77%	75%	+2%PTS
PEOPLE			
HEADCOUNT AT 31 MARCH ¹	3,095	2,891	+7%
AVERAGE HEADCOUNT ¹	3,067	2,834	+8%

1. Headcount is shown on a full-time equivalent basis, including agency staff.

Segmental performance Middle East and China

PERFORMANCE IN 2007

The Middle East and China segment had another year of significant growth and improving performance. This growth has been driven by the continuing strong demand in the Middle East region, which now accounts for approximately three-quarters of the segment's revenues. The Dubai Metro contract, along with other major commissions, contributed to the 61% increase in revenue in the year to £108.2m. Whilst the China business is profitable, the majority of the segment's profit is derived from the Middle East. During the year our range of services in the Middle East continued to expand and now includes rail engineering, masterplanning and urban building design. We also provide project management services in the Middle East under the Faithful+Gould brand.

The Middle East business now employs over 1,700 people, an increase of 70% in the year. The increasing demand for high-quality residential, leisure, healthcare and education developments mirrors the maturing local economies. Our strong reputation for delivery helped us achieve continued growth.

During the year we secured the civil design services contract for the Red Line of the Dubai Metro light rail scheme. This complex multidisciplinary project required the mobilisation of up to 400 staff across the Group, and within three months of our appointment by the Japan Turkey Metro Joint Venture, we delivered the necessary designs to enable the client to commence construction. A substantial proportion of our design work on the Red Line is now complete and we are also now engaged on the design of a second line, the Green Line. Together these

two contracts require 70km of railway line and viaducts and 44 stations.

Involvement in sustainable building design research partnerships with Cardiff University and the British University in Dubai has enabled the Group to move closer to clients' design solutions based on the very latest research linked to sustainability.

We continued to make progress in China and our business delivered a small operating profit, reflecting our investment for future positioning in this market. We continue to be highly selective as the trading conditions become more open. We won a design competition for a major new high-density residential community in one of China's developing cities and we have won a number of projects for the concept design of airport terminals.

OUTLOOK

The outlook for this segment remains very good, especially in the Middle East. Our work in hand at year end was 64% (2006: 78%) but increased in absolute terms reflecting improved revenue expectations for the year ahead.

Prospects in the Middle East are encouraging and numerous clients are actively seeking and creating development opportunities in response to demand for urban planning and infrastructure design.

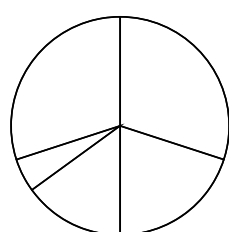
Capital investment in China continues to accelerate, driven strongly by the urbanisation process that has so far affected one-third of the population. The market offers great potential and our approach is to concentrate on infrastructure projects in China's secondary and tertiary cities, which are likely to attract increasing investment.

KEY PERFORMANCE INDICATORS

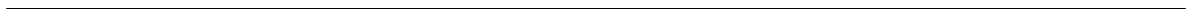
	2007	2006	% CHANGE IN YEAR
FINANCIAL METRICS			
REVENUE	£108.2M	£67.1M	+61%
OPERATING PROFIT	£7.2M	£3.0M	+140%
OPERATING MARGIN	6.7%	4.5%	+2.2% PTS
WORK IN HAND	64%	78%	-14% PTS
PEOPLE			
HEADCOUNT AT 31 MARCH ¹	2,602	1,708	+52%
AVERAGE HEADCOUNT ¹	2,253	1,548	+46%

1. Headcount is shown on a full-time equivalent basis, including agency staff.

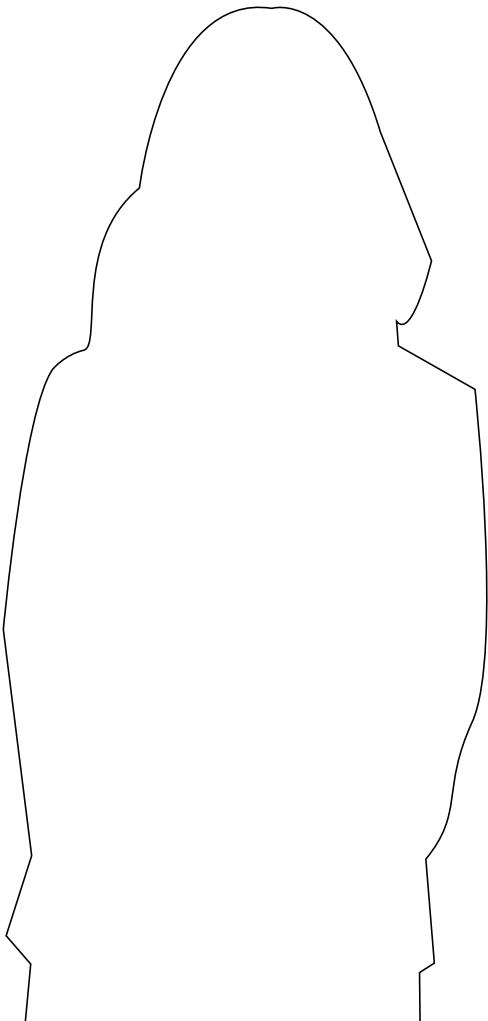
WHAT WE DO AND WHERE WE DO IT – BY TURNOVER (APPROX %)



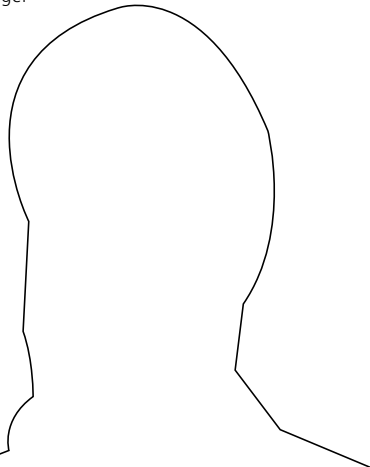
MIDDLE EAST		
Urban Planning and Design & Building Design	30%	
Rail	20%	
Project Supervision and Services	15%	
Other	5%	
CHINA		
Urban Planning & Infrastructure Design	30%	



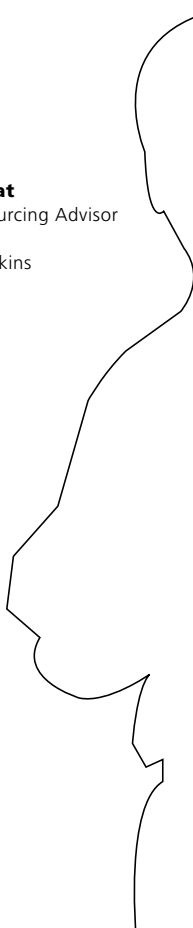
Sue Dunstan
Client Director
Highways and Transportation
20 years with Atkins



Kam Singh
Environmental Strategy Manager
Asset Management
Recently joined Atkins



Wasim Liaqat
Regional Resourcing Advisor
Middle East
1 year with Atkins



Segmental performance

Asset Management

PERFORMANCE IN 2007

The results of this segment were broadly in line with our expectations as last year's results included a non-recurring benefit of approximately £2m arising from temporary extensions to certain MoD contracts.

During the year we continued to work with private sector clients such as Barclays Bank, with whom we have extended our relationship for a further three years. Our results also included the benefit of last year's wins with the Metropolitan Police and HBOS.

Our activity with the MoD is now procured via the Defence Housing Prime Contract in which we have a 25% interest through the Modern Housing Solutions Joint Venture. Our work on Colchester Garrison continues to meet expectations although our historical hospital and schools contracts, where contracting risk was taken, remain challenging.

OUTLOOK

Our Asset Management business remains a small part of the Group. Work in hand at 31 March 2007 represented 99% of budgeted revenue for 2007/08, compared with 96% last year.

KEY PERFORMANCE INDICATORS

	2007	2006	CHANGE IN YEAR
FINANCIAL METRICS			
REVENUE	£50.5M	£61.5M	-18%
OPERATING PROFIT	£1.6M	£4.0M	-60%
OPERATING MARGIN	3.2%	6.5%	-3.3%PTS
SHARE OF POST-TAX JV PROFITS	£0.1M	-	+£0.1M
WORK IN HAND	99%	96%	+3%PTS
PEOPLE			
HEADCOUNT AT 31 MARCH ¹	680	730	-7%
AVERAGE HEADCOUNT ¹	669	877	-24%

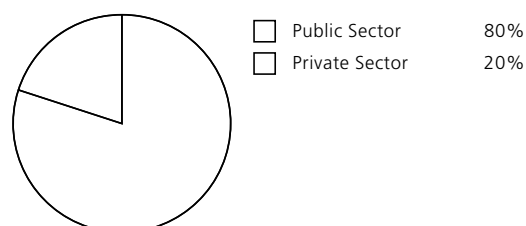
1. Headcount is shown on a full-time equivalent basis, including agency staff.

WHAT WE DO – BY TURNOVER (APPROX %)

	25%	20%
--	-----	-----

- Defence 55%
- Managing Contractor (Public Sector) 25%
- Managing Agent (Private Sector) 20%

CLIENT TYPE BY SECTOR – BY TURNOVER (APPROX %)



Segmental performance

Equity Investments

The Equity Investments segment comprises Lambert Smith Hampton (LSH) and the Group's interest in PPP/PFI Joint Ventures, principally Metronet.

LAMBERT SMITH HAMPTON PERFORMANCE IN 2007

LSH, which operated independently under its own brand, had an exceptionally strong year with operating profit of £7.3m (2006: £3.6m). The results for the year benefited from some significant revenues arising from transactions completed in the year. Two small acquisitions, Poolman Harlow (Swansea) in April 2006 and Young & Butt (Fareham/Southampton) in November 2006, were completed.

The market for commercial property investment remained strong in the year, although rising UK interest rates and the increasing commercial prices are reducing yields on investment properties.

During the year LSH was re-appointed to the BBC and both Hertfordshire and Essex County Councils to provide professional estate services for their property portfolio on contract periods from three years to six years.

Nearly 60% of LSH's revenue is generated from consultancy services, reflecting in part the growing level of outsourced work now being performed for UK national and public sector clients.

METRONET ENTERPRISE

The results of the Metronet Enterprise included within the Group's profit before tax for the year are as follows:

	BEFORE EXCEPTIONAL ITEMS	2007 EXCEPTIONAL ITEMS	TOTAL	2006
	£M	£M	£M	£M
METRONET	–	(91.3)	(91.3)	7.5
COST OF LETTERS OF CREDIT	(1.3)	–	(1.3)	(2.0)
	(1.3)	(91.3)	(92.6)	5.5
SUPPLY CHAIN:				
TRANS4M	(1.0)	(26.0)	(27.0)	(1.0)
BUSINESS SEGMENTS	1.7	(4.0)	(2.3)	(2.7)
METRONET ENTERPRISE	(0.6)	(121.3)	(121.9)	1.8

METRONET

During the year Metronet's operating performance was mixed and while some progress was made on its capital programme, the stations and certain other programmes remain behind schedule.

The Metronet PPP contracts contain provision for an Extraordinary Review to protect Metronet against significant additional costs or revenue shortfalls arising between the periodic reviews that occur every seven and a half years.

KEY PERFORMANCE INDICATORS

	2007	2006	CHANGE IN YEAR
FINANCIAL METRICS			
REVENUE	£84.2M	£73.8M	+14%
OPERATING PROFIT	£9.3M	£5.0M	+86%
OPERATING MARGIN	11.0%	6.8%	+4.2% PTS
SHARE OF POST-TAX JV (LOSS)/PROFITS	(£46.1M)	£8.1M	-£54.2M
IMPAIRMENT IN INVESTMENT IN METRONET JV	(£70.0M)	–	-£70.0M
PEOPLE			
HEADCOUNT AT 31 MARCH ¹	956	887	+8%
AVERAGE HEADCOUNT ¹	947	880	+8%

1. Headcount is shown on a full-time equivalent basis, including agency staff.

Any such additional costs or revenue shortfalls qualify for reimbursement by London Underground provided that they have been incurred in an "economic and efficient" manner, although Metronet is required to bear the first £50m in each infraco. As previously stated, the costs of Metronet's capital programme are substantially higher than anticipated and as a result on 21 June 2007 Metronet gave notice to London Underground of its intention to invite the Arbiter to conduct an Extraordinary Review on Metronet BCV in July and on Metronet SSL later in the year. The review process is likely to take at least six to nine months to conduct and it is too early to assess its outcome.

The Arbiter reported in November 2006 that Metronet was not wholly "economic and efficient" in the first three years of operation, from April 2003 until March 2006, although he also noted that Metronet was making improvements to its operations. There is therefore a risk that some of the additional costs in excess of the first £50m per infraco will be borne by Metronet.

As a result of the additional cost being incurred, Metronet accelerated the payment of committed equity contributions from its shareholders. Atkins injected a total of £18.0m in the year, bringing our total cash investment in Metronet to £50.7m at 31 March 2007. The Group's remaining equity commitment of £19.3m has also been accelerated. As at today's date £15.6m of this commitment has been contributed, with the remainder likely to be contributed in the first half of the current year, taking our total investment to £70m.

Metronet is currently unable to access its lending facilities. Metronet, its banks and shareholders are in discussion about how to ensure that Metronet is able to continue until the completion of the Extraordinary Review. Metronet's financial structure demands that a resolution of this issue is achieved if it is to continue to be able to deliver its PPP programmes.

Given the current uncertainties associated with Metronet's funding position and the outcome of the Extraordinary Review process, the results for the Group for the year include an exceptional loss of £91.3m (after JV tax). This reflects the total equity investment of £70m plus the reversal of £21.3m of profit recognised in earlier years. This exceptional loss has no cash impact but reduces the carrying value of the Group's investment in Metronet to Enil.

TRANS4M

Trans4m is primarily responsible for the delivery of improvements to stations. The stations programme remains behind plan and the costs have risen significantly. Trans4m has recently started awarding station contracts to outside contractors rather than using companies within its tied supply chain. In the short term, this increases capacity and also provides an external benchmark against which it may more easily assess whether the delivery of the station improvements has been carried out in an "economic and efficient" manner. To further address the stations programme, Metronet and its shareholders have recently reached agreement on heads of terms for the future early termination of Trans4m's contract. This agreement is subject to approval by Metronet's banks.

The cost of delivering stations is significantly higher than originally anticipated and Trans4m bears a contractual share of the over-run together with penalties for late delivery of stations into service. Although Trans4m's liabilities for the cost over-runs are capped, the Group's results include a loss for the year of £1.0m and an exceptional loss from Trans4m of £26.0m to take account of the expected outturn for Trans4m's remaining contract.

The cash impact of this is expected to be around £30m, the majority of which will be paid by Atkins to Trans4m during the financial year ended 31 March 2008.

ATKINS' SUPPLY CHAIN

The work that Atkins carries out for Trans4m is primarily related to station design. Given the changes to Trans4m's supply chain noted above, some of the work that Atkins was originally in line to undertake may now be carried out by other companies. As a result an exceptional loss of £4.0m is included in the results for the year to take account of expected future losses.

Our supply chain performance is expected to result in a cash outflow of around £35m during the year ending 31 March 2008, primarily in settlement of previously accounted-for liabilities.

OUTLOOK

In the short term, the outlook for Metronet is dependent upon reaching agreement with its banks upon its future funding. Atkins is committed to working with Metronet, its banks and all its other stakeholders to enable Metronet to reach a successful conclusion to the Extraordinary Review process.

Financial performance

NET FINANCE INCOME

Finance income for the year was £2.0m higher than the prior year at £9.9m and finance cost £4.5m lower at £6.7m, resulting in net income of £3.2m (2006: net finance cost £3.3m).

The increase in finance income is largely a consequence of the Group's improving cash position. The reduction in finance cost in the year was principally due to a decrease of £4.3m in the net finance cost on retirement benefit liabilities.

TAXATION

The Group's income tax expense for the year reduced by £0.2m to £17.7m.

The Group's effective income tax rate after adjusting for the impact of exceptional items reduced to 22.6% (2006: 29.6%). This reduction comes from HMRC's agreement of our claim for three years' research and development tax credits (£4.1m) and the increasing proportion of profits from lower tax regimes, principally the Middle East.

We anticipate an annual continuing benefit from research and development tax credits, and the increase in profits earned by operations in countries with tax rates lower than the UK will continue to have a favourable impact on our effective tax rate.

EARNINGS PER SHARE (EPS)

Normalised basic EPS before exceptional items was 62.2p (2006: 51.1p), reducing to a loss per share of 56.8p after exceptional items. Normalised diluted EPS before exceptional items, which is considered to be a more representative measure of underlying trading, was 61.5p (2006: 50.1p), an increase of 23%. Further details are given in note 11 to the financial statements.

PENSIONS

Funding

The latest actuarial valuation of the defined benefit Atkins Pension Plan (the "Plan") was carried out as at 1 April 2004 and indicated that the Plan had an actuarial deficit of £69.0m. A funding programme was agreed with the Trustees at that time but since then, recognising the likely increase in the deficit, the Group has accelerated contributions to the Plan.

In the year the Group paid a further accelerated contribution of £25.0m (2006: £20.0m) to the Plan, making total accelerated contributions over the last three years of £53.6m. As at 30 June 2006 our actuaries estimated that the deficit had increased to approximately £187m despite the accelerated cash contributions due to changes in discount rates, longevity and other assumptions. Our next actuarial valuation, as at 1 April 2007, is currently underway and the results are expected to be available in autumn 2007.

The Group is currently in consultation with approximately 1,900 employees regarding a proposal to close the Plan to future accrual in conjunction with further additional cash contributions of £140.0m over the next four years: £50.0m in the next 12 months, followed by £30.0m in each of the subsequent three years. These proposals do not affect members of the Plan whose benefits are protected through either a contractual obligation or statutory protection.

Charges

The Group accounts for pension costs under IAS 19, Employee benefits. The total charge to the Income Statement in respect of defined benefit schemes amounted to £24.9m (2006: £24.8m), comprising total service cost of £22.5m (2006: £18.1m) and net finance cost of £2.4m (2006: £6.7m). The charge relating to defined contribution schemes amounted to £16.0m (2006: £12.3m) and is expected to continue to increase as the membership of these schemes grows.

IAS 19 valuation and accounting treatment

The Group assesses pension scheme funding with reference to actuarial valuations but for reporting purposes uses IAS 19. Under IAS 19, the Group recognised a post-tax retirement benefit liability of £175m at 31 March 2007 (2006: £210m). The post-tax actuarial gain recognised through equity amounted to £21.7m for the year ended 31 March 2007 (2006: actuarial loss of £26.4m).

The assumptions used in the IAS 19 valuation are detailed in note 27 to the financial statements.

Buy-out basis

The deficit on the Atkins Pension Plan measured on a solvency buy-out basis is estimated to be £520m, pre-tax.

CASH

Net funds at 31 March 2007 were £199.1m (2006: £176.6m), which comprised cash balances and current financial assets of £237.3m (2006: £218.2m) less bank loans and finance lease payables of £38.2m (2006: £41.6m).

Cash generated from operations was £106.1m (2006: £111.7m). This is partly driven by a decrease in working capital despite significant revenue growth over the same period. Much of the reduction in working capital is driven by advance cash receipts on large contracts, principally in the Middle East, and timing differences on our work on the Metronet supply chain. We anticipate an increase in working capital in the coming year driven by a cash outflow of up to £65m in relation to the Metronet supply chain, as discussed in the Metronet Enterprise section above.

There was a net tax refund of £2.9m (2006 tax paid: £10.9m). This follows our successful claim for research and development tax credits and timing issues associated with Metronet consortium tax relief.

As described in the Metronet Enterprise section above, the Group made injections amounting to £18.0m into the Metronet PPP companies during the year (2006: £11.2m). The Group is committed to making further loan capital payments to the Metronet PPP companies amounting to £19.3m.

Net capital expenditure in the year, including the purchase of computer software licences, amounted to £25.1m (2006: £28.2m). We expect a similar level in the year ahead.

Cash payments relating to acquisitions in the year amounted to £31.5m (2006: £4.9m). Further details are given below.

ACQUISITIONS

Three acquisitions, adding to the capability and reach of our core business, were completed during the year. In addition Lambert Smith Hampton (LSH) acquired Poolman Harlow Ltd in April 2006 and Young and Butt Ltd in November 2006.

Further details of all these transactions are given in note 39 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

On 25 June 2007 contracts were exchanged for the disposal of LSH for an estimated consideration of £46.5m together with earn-out potential for a further £10m depending upon on LSH's performance in the year ending 31 March 2008. The profit on disposal is estimated to be approximately £20m assuming that no additional payments are made by LSH in relation to the performance in the year ending 31 March 2008.

CAPITAL STRUCTURE

The Group had 104.5m fully paid ordinary shares in issue at 31 March 2007 (2006: 104.5m), full details of which are shown in note 29 to the financial statements. As at 31 March 2007, the Group had a shareholders' deficit of £76.1m (2006: deficit of £36.1m).

TREASURY POLICIES AND OBJECTIVES

The Group's treasury function manages and monitors external funding and investment requirements and financial risks in support of the Group's corporate objectives. The Board reviews and agrees policies and authority levels for treasury activities.

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group also enters into derivative transactions, principally forward foreign currency contracts. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk, along with the risks arising from the financing of the Group's activities in the Public Private Partnership and Private Finance Initiative sectors. The Group's policies for managing each of these risks are summarised below. These policies have remained unchanged during the year. The Group does not trade in financial instruments.

ACQUISITIONS

COMPANY ACQUIRED	SECTOR	DATE	INITIAL CASH CONSIDERATION	TOTAL CONSIDERATION
MANTIX GROUP LTD	MANAGEMENT CONSULTANTS	JUNE 06	£11.2M	£11.2M
BOREAS CONSULTANTS LTD	OIL & GAS	DECEMBER 06	£2.9M	£3.9M
ADVANTAGE BUSINESS GROUP LTD	DEFENCE	MARCH 07	£15.3M	£19.5M

Financial performance Continued

Interest rate risk and liquidity risk

The Group funds its ongoing activities through cash generated from its operations and, where necessary, bank borrowings and finance leases. The Group has banking facilities which include cash facilities and bonding lines, as well as a letter of credit facility in relation to the ongoing equity obligations of the Group's PPP/PFI projects. The Group accepts some interest rate risk and any loans drawn under the banking facilities are at floating rates. At 31 March 2007, the amount undrawn under the Group's credit lines was £31.0m (2006: £36.7m).

Foreign currency risk

The Group, through its ownership of companies based outside the UK, has foreign currency-denominated assets. To mitigate the effect of currency exposures arising from net investments overseas, it is the Group's policy to hedge those exposures, where material, using borrowings denominated in foreign currency. At 31 March 2007 the Group had £17.3m (2006: £23.3m) of loans denominated in foreign currency.

The Group also has transactional currency exposures. These exposures arise from sales or purchases in currencies other than its subsidiaries' functional currencies. It is the Group's policy to hedge such risks, where material, using forward currency contracts. At 31 March 2007 the Group had outstanding forward foreign exchange contracts amounting to the equivalent of £12.3m (2006: £6.8m).

The Group accounts for financial instruments in accordance with IAS 39, Financial instruments: recognition and measurement. Where a derivative is a designated hedging instrument and is assessed as effective under IAS 39, any gain or loss on re-measurement is taken to equity. In all other cases the gain or loss is recognised in the income statement.

Public Private Partnership (PPP) and Private Finance Initiative (PFI)

The Group's PPP and PFI projects involve the arrangement of finance as part of the overall project service. Individual projects are undertaken by Special Purpose Companies (SPCs) in Joint Ventures with other parties. These SPCs contract with end users for the provision of serviced facilities and also arrange funding, construction, facilities management services and, where required, operational support for projects. Except for equity commitments, the funding of the SPCs is arranged without recourse to the rest of the Group.

The Group's share of the gross assets and liabilities of the SPCs is reflected separately in the Group accounts in accordance with the provisions of IAS 31, Interests in joint ventures.

CRITICAL ACCOUNTING POLICIES

The Group's principal accounting policies are described in note 1 to the financial statements. The financial statements for the year ended 31 March 2007 have been prepared under IFRS; however for years prior to 2005 the amounts included within the five year record on page 101 are under UK GAAP but are presented alongside current figures in IFRS format.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Material estimates applied across the Group's businesses and Joint Ventures are reviewed to a common standard and adjusted where appropriate to ensure that consistent treatment of similar and related issues that require judgement is achieved upon consolidation. Any revisions to estimates are recognised prospectively.

The accounting policies and areas that require the most significant estimates and judgements to be used in the preparation of the financial statements are in relation to contract accounting and defined benefit pension schemes.

Contract accounting

Profit is recognised on contracts on a percentage completion basis, provided the outcome of the project can be reasonably foreseen. Full provision is made for estimated losses. Where contracts span more than two accounting periods profit is not generally recognised until the project is 50% complete.

The projected outcome of any given contract is necessarily based on estimates of revenues and costs to completion. Whilst the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove inaccurate, with a consequent effect on the reporting of results.

Defined benefit pension schemes

Accounting for pensions involves judgement about uncertain events in the future such as inflation, salary levels at retirement, longevity rates, rates of return on plan assets and discount rates. Assumptions in respect of pensions and post-retirement benefits are set after consultation with independent qualified actuaries. Management believes the assumptions are appropriate. However, a change in the assumptions used would impact the Group's results and net assets. Any differences between the assumptions and the actual outcome will affect results in future years.

PRINCIPAL RISKS AND UNCERTAINTIES

In order to achieve our business objectives the Group must respond effectively to the associated risks. The Group has established risk management procedures, involving the identification and monitoring of strategic and operational risks at various levels of management. The Board regularly reviews material risks identified and risk management is embedded in our annual budgeting and strategic planning processes. It is, however, not possible to fully mitigate all risks that the Group enters into. The principal key risks for the Group have been assessed as follows:

Recruitment and retention of sufficient high calibre staff

The Group's people are its key resource and the recruitment and retention of top quality staff are crucial to our future success. Failure to do so would constrain the growth of the business and prevent the Group from achieving its potential. The skills needed are in short supply especially within the UK and the Group has to compete with a large number of other organisations to secure the best staff. The Group expends a great deal of management effort and resource in this area, and a summary of our approach is shown in the Human resources review on page 10.

Changes in the competitive environment resulting from government policy

Many of the markets in which the Group operates are regulated and funded by government bodies. These markets may be altered by government policy (in the UK and abroad) in the form of increased or reduced regulation or a change in public sector procurement practices. There is a risk that any withdrawal of government funding will impact our operations. The Group seeks to mitigate this risk by working in a diverse portfolio of sectors and markets and regularly monitoring government spending patterns.

Competition

In common with all companies, the Group faces competition from others in all of our markets. Some of the markets in which the Group works serve limited clients and barriers to entry are high. In other markets such as architectural design and environment there are numerous competitors and barriers to entry are lower. To ensure that the Group continues to win work, we work hard to develop long-term relationships with our clients at multiple levels. A measure of this success is our work in hand, which measures our secured workload over the next year. Our overall work in hand is 58%, representing seven months of 2007/08 revenue that is already contractually committed.

Health, safety and environment

The Group's business is concerned with the built environment and this entails significant health, safety and environmental risks. Should the Group's policy or practice in this area prove inadequate, there is a consequent risk to employees, clients, contractors and third parties. The Group takes health, safety and environment issues seriously and ensures that all staff are appropriately trained and that procedures are continuously reviewed and improved. We look to take a leadership role on health and safety matters in our sector and we have representation on a number of committees. Many of our clients insist on the Group attaining appropriate standards in health and safety and environment. We are regularly independently audited by external consultants against these industry standards.

Changes to the contracting environment resulting from market developments

The ways in which business is conducted inevitably change over time. The nature of the contracting environment is especially important for companies like Atkins. The trend remains one where clients increasingly seek to transfer risk to consultants; contractors will also seek to share risks. There is a possibility that, in securing new work, the Group accepts risks that are insufficiently understood or evaluated, with ensuing financial loss. We actively mitigate this risk via a range of internal review procedures that enable contract terms to be subjected to appropriate scrutiny and manageable risks to be reduced.

Financial risks associated with the Metronet Enterprise

Atkins is a 20% shareholder in the Metronet PPP companies and has committed to invest equity and loan capital of £70m. Although the Group's liability to Metronet is contractually limited to the committed equity and loan capital, there is a reputational risk should Atkins fail to give additional support to Metronet if required.

Reputation risk

Our reputation for delivering complex projects relies on the perception of our clients and how this is portrayed in the public arena. There is a risk that a major failure from poor design, poor project management or delivery could impact our ability to win future work. We mitigate this risk by ensuring we have robust cost and project management systems linked to our internal quality processes. These are regularly independently audited by external consultants against industry standards.

Corporate responsibility

Atkins is committed to being a good neighbour and acting responsibly to all our stakeholders. Every year the Group publishes a Corporate Responsibility (CR) Report simultaneously with the Annual Report. The CR report provides details of our CR strategy and performance. A summary of the key issues and developments during the year are presented here.

CR MANAGEMENT

The Board sets Group policies on CR. Our chief executive is the Board member responsible for CR and for the Group's performance, supported by Group-wide frameworks. A common management structure governs quality, health and safety and environment (QSE). A director of QSE, reporting to the chief executive, is responsible for Group QSE at a corporate level. Each Atkins business also has dedicated QSE representatives to manage issues at a local level, reporting quarterly.

For the first time this year a joint QSE plan has been produced by the businesses with guidance from Group QSE; and our QSE policies and minimum requirements have been defined and communicated in a single, integrated policy manual, which sets the framework for QSE management and supports strategy across the Group.

CR-related Group policies include quality, health and safety, the environment, business conduct, data protection, dignity and equality at work, employee disclosure (whistle-blowing) and the appropriate use of information technology. These are published on the corporate intranet and are provided externally on request. They are regularly reviewed and updated to reflect changes to legislation, emerging good practice and business needs.

HEALTH AND SAFETY

We have a duty to provide safety leadership across our range of global services, in addition to complying with local legislation, safety standards or other specific client requirements.

We work to ensure that the principle of safety leadership is firmly embedded in our business

We work to ensure that the principle of safety leadership is firmly embedded in our business, promoting continual improvement in operational health and safety risk reduction as well as safety in design. Our Group QSE policy manual describes how our safety values and principles are to be applied across all Atkins' businesses. This year we achieved:

- Additional OHSAS 18001 certifications with China receiving its full certification; with only Portugal and Faithful+Gould in the US yet to receive certification
- Release of the Group QSE policy manual

- Development and implementation of a Construction Skills Certification Scheme (CSCS) card test in the UK for Professionally Qualified Persons (PQP)
- Development and implementation of a Middle East and India PQP card test
- Improvements to our accident/near miss reporting system
- Development and pilot of an expanded Director Safety Tour course within our e-learning portfolio.

An important indicator of the Group's performance on safety is the Accident Incident Rate (AIR), which measures the annual number of reportable accidents per 100,000 employees. AIR statistics are measured both for employees and contractors and are divided into office, engineering and construction activities in order to prioritise improvement programmes for those most at risk. AIR performance in 2006/07 compared to the previous year and benchmarks is shown in the table below:

AIR	OFFICE	ENGINEERING	CONSTRUCTION
BENCHMARK	162	417	1,890
STAFF			
06/07	12	65	995
05/06	104	151	556
04/05	59	235	2,763
CONTRACTORS			
06/07	382	441	1,221
05/06	0	124	293
04/05	0	124	317

(AIR = no. of accidents per 100,000 staff or contractors)

During the year the Health and Safety Executive (HSE) in the UK made 16 site visits and issued no improvement or prohibition notices. We have not been prosecuted for any health and safety breaches during the year, other than in connection with ongoing proceedings against two employees in Doha, Qatar on charges which we believe have been wrongly brought and of which we expect them ultimately to be found innocent.

ENVIRONMENT

The Group promotes sustainability and the reduction of environmental impact in our designs and we explore opportunities for improvement in all our operations and services. Our most significant environmental impacts are those that we control and influence through our range of multinational design and engineering projects. In addition to our overall commitment to continually improve our performance and comply with relevant legislation, we aim to:

- Ensure environmental impact is assessed throughout our projects to prevent pollution, minimise impact and consider opportunities for improvement
- Incorporate sustainability measures into our operations and services focusing on the specification and use of materials, energy use, travel impact, waste and recycling.

As an international leader in our field, we believe our contribution to tackling these issues is an important one.

Our successes for the year included:

- Continuing the programme of ISO 14001 certification for non-UK businesses with only Portugal and Faithful+Gould in the US yet to receive certification
- Development of a globally available e-learning module on sustainability in our services
- Various local initiatives such as a waste minimisation and recycling scheme covering over 2,000 employees
- Development of a managers' guide for Safety, Health and Environmental (SHE) issues in the workplace – the House Managers' Toolkit.

The BiE Index, now known as the Environment Index, benchmarks companies against their peers, and against all companies that participate in the Index, on the basis of their environmental performance in key impact areas. Atkins' score improved to 86% in 2006 from 80% in 2005.

We promote sustainability and the reduction of environmental impact in our designs

The Group seeks to mitigate the direct environmental impact of its operations through measurement of certain performance indicators. The most significant of these are our CO₂ emissions arising from office accommodation, business travel and non-hazardous waste. The data in the table below is derived only from our UK operations.

Our UK activities received no improvement or prohibition notices from the Environment Agency or any local authority during their visits to our offices and sites. We have not been involved in any prosecutions for breach of environmental legislation globally.

CUSTOMERS

Understanding our clients' needs and delivering the highest standards of technical expertise, competence and excellence are essential to our success. We take a partnership approach to achieving shared aims and forging strong and long-lasting relationships. Feedback, review and continual improvement are central to the process.

All our certified UK and overseas businesses have continued to demonstrate their compliance with the requirements of ISO 9001. 95% of our businesses are now certified including all of our operations in Europe, the Middle East and China. It is only our Faithful+Gould offices in the US that still need to gain approval.

Over the year Atkins as a whole, our businesses and disciplines, project teams and individuals have won numerous awards from customers and independent commentators, endorsing the quality of our work and our level of customer service.

COMMUNITY

During the year the Group made charitable donations of £205,813 (2006: £97,534). The principal beneficiaries of such donations were the charities RedR, WaterAid and the PSP Association. A number of groups and individuals throughout the Group also organised and took part in sponsored events for charitable causes.

	TOTALS		CO ₂ EQUIVALENT (TONNES)		EMISSION EQUIVALENT PER EMPLOYEE (KG CO ₂)		VERIFIABLE DATA	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
ENERGY CONSUMPTION								
ELECTRICITY	18.8M kWh	17.2M kWh	8,115	7,410	649	701	54%	59%
GAS	10.7M kWh	11.8M kWh	2,020	2,247	161	213	44%	43%
SUBTOTAL	29.5M kWh	29.0M kWh	10,135	9,657	810	914		
BUSINESS TRAVEL								
ROAD	90.4M km	84.1M km	15,731	14,650	1,258	1,387	92%	90%
AIR	41.7M km	30.1M km	4,915	3,565	393	337	92%	90%
RAIL	23.9M km	18.3M km	962	733	76	69	92%	90%
SUBTOTAL	156M km	132.5M km	21,608	18,948	1,727	1,794		
TOTAL GHG (CO₂) EMISSIONS			31,743	28,605	2,537	2,708		
WATER CONSUMPTION	115,712M³	111,221M³	N/A	N/A	9.2M³	10.53M³	35%	32%
WASTE MANAGEMENT								
SOLID WASTE			N/A	N/A	74.6kg	82kg	46%	41%
RECYCLED PAPER			N/A	N/A	48kg	29kg	60%	65%

Data per employee is based on the full-time equivalent average number of own staff (including agency). Headcount is 12,500.

Board of directors

1 Ed Wallis, chairman

Ed Wallis (67) was appointed a director in September 2004, taking up the post of chairman in January 2005. He is a chartered engineer. He was the founding chief executive of Powergen where he also held the position of chairman before retiring in 2003. Prior to this he gained more than 30 years of experience working for the Central Electricity Generating Board. He has a wide range of other board-level experience including the chairmanship of Lucas Varity and London Transport. He was invited to become a companion of the British Institute of Management in 1994 and in 1997 became a fellow of the Royal Academy of Engineering. In 1996 he was awarded honorary doctorates by both Brunel University and Aston University. He became chairman of the Natural Environment Research Council in 2006. He is chairman of the Nomination Committee and a member of the Remuneration Committee.

2 Keith Clarke, chief executive

Keith Clarke (55) was appointed a director in October 2003. He is a chartered architect. He joined the Group from Skanska AB where he was executive vice president responsible for its activities in the UK, Poland, Czech Republic, India and China. He has over 30 years' experience in construction and engineering, having previously worked for the City of New York, Olympia and York, Trafalgar House and Kvaerner. He is chairman of the Construction Industry Council's Health

and Safety Committee and chair of the National Platform High Level Steering Group for Construction Excellence. He is also an advisory board member of the Built Environment Innovation Centre at Imperial College, London, a member of the Supporters at Large Group for Open House, a member of the National Employment Panel and patron of the Environmental Industries Commission. He is a member of the Nomination Committee.

3 Alun Griffiths, executive director

Alun Griffiths (52) was appointed a director in March 2007. He has a background in management consultancy and has led a wide range of projects in the areas of restructuring, organisational development and privatisation in the UK and internationally. He is an economics graduate and a fellow of the Chartered Institute of Personnel and Development. He was appointed Group HR director in February 2003. Alun was appointed to the UK Government-backed Industry Board of the UK Resource Centre for Women in Science, Engineering and Technology (UKRC).

4 Robert MacLeod, group finance director

Robert MacLeod (43) was appointed group finance director in June 2004. He is a chartered accountant. He joined the Group as group financial controller in March 2003 having previously worked in a variety of senior financial roles at Enterprise Oil plc. A graduate of Cambridge University, he trained at KPMG.

1	2
3	4

5 Admiral the Lord Boyce, non-executive director

Lord Boyce (64) was appointed a non-executive director in May 2004. He had a distinguished career in the Royal Navy and the Ministry of Defence (MoD) that culminated in his becoming First Sea Lord, professional head of the Royal Navy in 1998; and then Chief of Defence Staff, professional head of the Armed Forces from 2001 to 2003. He was elevated to the peerage in 2003 and was appointed Lord Warden and Admiral of the Cinque Ports and Constable of Dover Castle in 2004. He is a non-executive director of VT Group plc. He is a member of the Remuneration and Nomination Committees.

6 James Morley, non-executive director

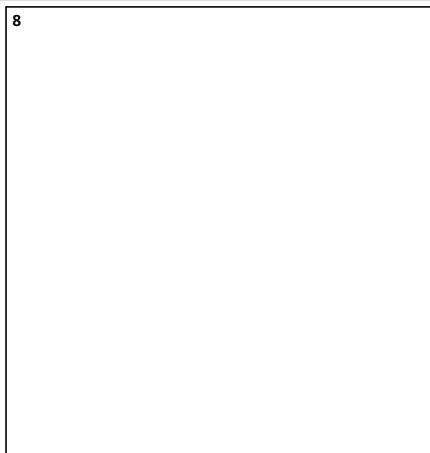
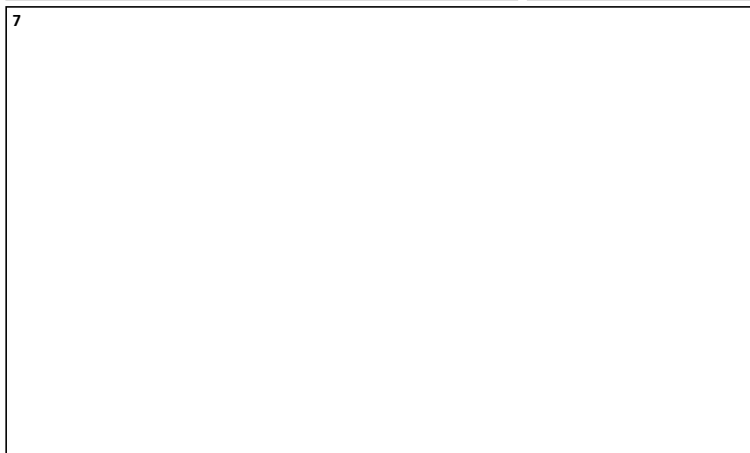
James Morley (58), a chartered accountant, was appointed a non-executive director in 2001. He is chief operating officer of Primary Group Limited and is also a non-executive director of The Bankers Investment Trust plc and The Innovation Group plc. He was previously finance director at Cox Insurance Holdings plc, Arjo Wiggins Appleton plc, Guardian Royal Exchange plc and Avis Europe plc. He is senior independent director, chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

7 Fiona Clutterbuck, non-executive director

Fiona Clutterbuck (49) was appointed a non-executive director in March 2007. She is a managing director and head of financial institutions advisory at ABN AMRO. Fiona has substantial experience in all areas of corporate finance, including a particular focus on the financial institutions sector, gained during 15 years at Hill Samuel and HSBC and latterly six years at ABN AMRO. Fiona has advised on a wide range of transactions in many countries, including mergers and take-overs, public company acquisitions and fundraisings and public and private company sales and flotations. Fiona has an LLB (Hons) from the University of London and qualified as a barrister in 1980. She is a member of the Audit and Nomination Committees.

8 Sir Peter Williams, non-executive director

Sir Peter Williams (62) was appointed a non-executive director in May 2004. He graduated from Cambridge University with an MA and PhD in physics and initially pursued an academic career at Cambridge and subsequently at Imperial College, London. After a period with VG Instruments Limited he joined Oxford Instruments plc in 1982. He became its chief executive in 1985 and was chairman from 1991 until his retirement in 1999. He is chairman of the National Physical Laboratory and a non-executive director of GKN plc. Sir Peter was elected as fifth chancellor of the University of Leicester on 21 October 2005. He is chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.



Directors' report

The directors present their annual report on the affairs of the Company and the Group, together with the financial statements and the independent auditors' report, for the year ended 31 March 2007. These will be laid before shareholders at the Annual General Meeting (AGM) to be held at 4.30pm on Wednesday 5 September 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Chairman's statement (page 7), Our strategy (pages 8 to 9), the Human resources review (pages 10 to 11), the Operating and financial review (pages 16 to 33) and Corporate responsibility (pages 34 to 35) report on our principal activities and performance during the past year and our prospects for the future. The statement, reviews and report are incorporated into this report by reference, together with the list of the principal subsidiary undertakings and the countries in which they operate (note 40 to the financial statements).

RESULTS AND DIVIDENDS

The Group loss after tax for the year of £57.3m (2006: profit £56.9m) is shown in the Consolidated Income Statement on page 51.

The directors recommend a final dividend of 14.0p (2006: 11.5p) per ordinary share in respect of the year ended 31 March 2007, to be paid on 28 September 2007 to ordinary shareholders on the register on 17 August 2007 if approved, which, together with the interim dividend of 6.0p paid on 26 January 2007, makes a total dividend of 20.0p for the year (2006: 16.0p).

ACQUISITIONS AND DISPOSALS

Acquisitions and disposals made by the Group are described in notes 5, 16 and 39 to the financial statements on pages 68, 78 and 99.

DIRECTORS

The composition of the Board and full biographical details of the Company's directors at the date of this report are given on pages 36 to 37.

The Company's Articles of Association require that all directors appointed during the year retire at the AGM and may offer themselves for re-appointment. In addition, one-third of directors must retire at each AGM and may be re-elected.

Christopher Kemball retired from the Board on 31 December 2006.

Fiona Clutterbuck and Alun Griffiths, who were appointed by the Board as directors on 13 March 2007, will retire at the AGM and, being eligible, offer themselves for re-appointment.

Robert Macleod and Sir Peter Williams will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

The Board considers that the performance of those directors proposed for re-appointment and re-election continues to be effective and that they demonstrate a strong commitment to their role.

DIRECTORS' INTERESTS AND INDEMNITIES

Directors' interests in the Company and the Group are described in the Remuneration report in Table 5 on page 48.

Directors and officers of the Company and its subsidiaries have the benefit of a directors' and officers' liability insurance policy, which provides appropriate cover in respect of legal actions brought against its directors. The Company's practice has always been to indemnify its directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law. Disclosure of such indemnities is required by the Companies Act 1985 ("the Act"). All directors have deeds of indemnity that are in force as at the date of this report. These indemnities are available for inspection by shareholders at the Company's registered office during normal business hours and will be available for inspection at the AGM.

Neither the insurance nor the indemnities provide cover where the director has acted fraudulently or dishonestly.

CORPORATE GOVERNANCE AND REMUNERATION

A report on Corporate governance is on pages 41 to 44 and the Board's report on directors' remuneration is on pages 45 to 49.

CORPORATE RESPONSIBILITY

A summary of the Group's corporate responsibility activities is contained on pages 34 to 35. In addition, the Group produces a separate annual report on corporate responsibility, which includes detailed information in respect of health and safety, the environment, the community, people and suppliers. A copy of that report is sent to all shareholders and is also available on the Company's website www.atkinsglobal.com.

EMPLOYEES

The Group communicates financial results and significant business issues to all employees via the use of email, the Company's intranet and in-house publications. Feedback from employees is obtained annually via a confidential survey. Where appropriate, consultation with employee and union representatives takes place.

Employee share ownership has been encouraged over a long period. UK employees have the opportunity to become shareholders via the Company's Share Incentive Plan.

The Group is committed to the fair and equitable treatment of all its employees irrespective of gender, race, age, religion, disability or sexual orientation. Policies have been implemented across the Group to ensure that this

commitment is acted on in practice. The Group's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled people on the basis of their aptitude and abilities, and the retention and re-training of employees who become disabled.

BUSINESS CONDUCT POLICY

The Board is responsible for the Group's business conduct policy. The Group believes that integrity is a fundamental prerequisite for successful business relationships, both internally and externally. Reputation, trust and confidence are essential elements which we seek to protect and enhance to the benefit of all with whom we have a relationship. The Group seeks to understand and meet its customers' needs, whilst seeking continuous improvement. Across the Group there are procedures in place which seek to underpin this approach. By so doing the Group aims to meet the needs of all stakeholders.

SUPPLIER PAYMENT POLICY

It is Group policy to agree terms and conditions for its business transactions with suppliers and endeavour to make payment to these terms, subject to the terms and conditions being met by suppliers. WS Atkins plc, as a holding company, did not have any amounts owing to trade creditors as at 31 March 2007.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made charitable donations of £205,813 (2006: £97,534). The principal beneficiaries of such donations were the charities RedR, WaterAid and the PSP Association. For 2007, the Group has chosen to focus its efforts on local charities serving the communities in which the Group operates or charities relevant to the Group's activities. It is the Group's policy not to make political donations, either in the UK or overseas.

The Group has no intention of making any political donations or incurring such expenditure in the future. However, the Act defines "EU political organisation" widely. There is some uncertainty over which organisations are covered by the definition and what types of expenditure will be classified as a "donation". The Board will therefore seek authority at the forthcoming AGM for the Company and its main trading subsidiary Atkins Limited to make such political expenditure up to £100,000 in order to prevent inadvertent breach of the Act.

SHARE CAPITAL

Full details of the Company's authorised and issued share capital, including changes during the year, can be found in note 29 to the financial statements.

PURCHASE OF OWN SHARES

The Company is authorised to purchase its own shares in the market pursuant to an authorisation given by shareholders at its AGM held in 2006. Although no such purchases have been made, the Company will seek to renew this authority from shareholders at its forthcoming AGM. Any shares purchased pursuant to that authority may be held as treasury shares in accordance with the Act.

SUBSTANTIAL SHAREHOLDINGS

Until 19 January 2007 the Company maintained a register of substantial shareholdings in accordance with the provisions of section 211 of the Act. As at 19 January 2007, the Company had been notified of the following interests in the ordinary share capital of the Company:

NAME OF HOLDER	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ISSUED CAPITAL
SCHRODERS PLC	12,592,518	12.06%
STANDARD LIFE INVESTMENTS	4,249,130	4.07%
RESOLUTION ASSET MANAGEMENT	4,206,885	4.03%
LEGAL & GENERAL GROUP PLC	3,830,384	3.37%

On 20 January 2007 the provisions of the Act in respect of substantial shareholdings were repealed and the Disclosure and Transparency Rules of the Financial Services Authority came into force. As at 26 June 2007, the Company had been notified of the following holdings exceeding the 3% notification threshold in the total voting rights attaching to the issued ordinary share capital of the Company:

NAME OF HOLDER	NUMBER OF VOTING RIGHTS	PERCENTAGE OF TOTAL VOTING RIGHTS
STANDARD LIFE INVESTMENTS	4,962,936	4.75%
LEGAL & GENERAL GROUP PLC	3,646,794	3.49%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have

Directors' report Continued

prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State that the financial statements comply with IFRS as adopted by the European Union
- State whether applicable accounting standards have been followed, and disclose and explain any material departures from those standards
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and that enable them to ensure that the financial statements and the remuneration report comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company and the Group are properly safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the website and legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION

The directors confirm that, as at the date this report was approved, so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

GOING CONCERN

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

AUDITORS

The Company's auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and resolutions for their re-appointment and to authorise the directors to determine their remuneration will be proposed at the forthcoming AGM.

Approved by the Board and signed on its behalf by

Philip Davis, company secretary
26 June 2007

Cautionary statement

Under the Companies Act 1985 (as amended), a company's directors' report is required, among other matters, to contain a fair review by the directors of the Group's business through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year-end, consistent with the size and complexity of the business.

The Directors' report set out above, including the Chairman's statement, Our strategy, the Human resources review, the Operating and financial review and Corporate responsibility incorporated into it by reference (together, the "Directors' report"), has been prepared only for the shareholders of the Company, as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' report has not been audited or otherwise independently verified. The Company and its directors and employees are not responsible for any other purpose or use or to any other person in relation to the Directors' report.

The Directors' report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under 'Risks and uncertainties' on page 33 in this document. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate governance report

This report sets out our commitment to corporate governance, how we have applied the principles contained in the new Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2003 ("the Code") and the extent of our compliance with the Code.

A. DIRECTORS

A.1 The Board

The Board of directors is the body responsible for corporate governance, for establishing policies and objectives and for the stewardship of our resources. Whilst the Board has delegated the normal operational management of the Group to Keith Clarke as chief executive it has agreed a formal schedule of matters reserved specifically for its decision. This schedule includes strategy, the approval of financial statements and shareholder circulars, treasury policy, major capital investments, risk management strategy and acquisitions and disposals.

Currently the Board is made up of the chairman, three executive directors and four non-executive directors. James Morley is the senior independent director. The biographies of the directors as at the date of this report are given on pages 36 and 37.

The Board has a regular schedule of meetings and holds further meetings when required. In addition, directors meet as members of relevant committees. The attendance of directors at meetings of the Board and of Board committees of which they were members during the year ended 31 March 2007 is shown in Table 1 (below).

The chairman and the non-executive directors also meet without the executive directors present at least annually.

The Board's committees meet regularly to enable them to discharge their responsibilities. Each committee has terms of reference which are reviewed annually by the Board. Copies are available on request from the company secretary or on the Group's website www.atkinsglobal.com. Following formal decision-making the Board may, on occasion, delegate authority to a standing committee consisting of any two directors to facilitate final sign-off for an agreed course of action within defined parameters.

The Group Executive is the chief executive's executive team through which the operational management of the business is discharged. Its members currently comprise the group finance director, the managing directors of our principal business segments, the group HR director, the group communications director and the general counsel and company secretary. It meets regularly during the year. Those members of the Group Executive who are not directors of the Company are invited to attend four Board meetings each year and also meet periodically with the non-executive directors without the executive directors present.

The respective roles of the Board and Group Executive are discussed further under internal control on page 42.

A.2 Chairman and Chief Executive

It is the Group's policy that the roles of chairman and chief executive are separate, with their roles and responsibilities clearly divided and recorded.

Ed Wallis, our chairman, normally spends two days per week on the business of the Group. His other significant commitments are disclosed in his biography on page 36. The Board considers that these commitments do not hinder his ability to discharge his responsibilities to the Company effectively.

Keith Clarke, our chief executive, is responsible for the executive management of the business. This includes responsibility for formulating and recommending the Group's strategy for the creation of long-term shareholder value.

A.3 Board balance and independence

It is the opinion of the Board that the non-executive directors are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement.

Table 1

DIRECTOR	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
LORD BOYCE	9/9	–	4/4	2/2
KEITH CLARKE	9/9	–	–	2/2
FIONA CLUTTERBUCK	1/1	–	–	–
ALUN GRIFFITHS	1/1	–	–	–
CHRISTOPHER KEMBALL	7/7	2/3 ¹	–	1/1
ROBERT MACLEOD	9/9	–	–	–
JAMES MORLEY	9/9	4/4	4/4	2/2
ED WALLIS	9/9	–	1/1	2/2
SIR PETER WILLIAMS	9/9	4/4	4/4	2/2

1. One meeting coincided with an engagement made prior to Christopher Kemball's appointment on 6 October 2005.

Corporate governance report

Continued

A.4 Appointments to the Board

The Nomination Committee is responsible for nominating candidates for appointment to the Board. The committee makes appraisals of the processes in place for succession planning in respect of both Board and senior appointments.

The committee currently comprises Ed Wallis, Lord Boyce, Keith Clarke, Fiona Clutterbuck, James Morley and Sir Peter Williams. The Committee is chaired by Ed Wallis. Christopher Kembal was a member of the committee until his retirement on 31 December 2006. Fiona Clutterbuck was appointed as a member of the committee on 25 June 2007.

During the year the committee recommended the appointment of two new directors. Fiona Clutterbuck as a non-executive director and Alun Griffiths as an executive director. Both were appointed on 13 March 2007.

Fiona brings a proven track record in advising Boards on strategic issues which, coupled with her significant corporate finance experience, will be a considerable asset to the Group as we continue to drive development and grow the business. The committee used an external search consultancy to assist in making the recommendation for her appointment.

Alun's appointment to the Board follows many years experience in Atkins, latterly as Group HR director. He has an exceptional understanding of our business and his counsel has already been valued by the Board on many occasions.

All non-executive directors are advised of the time commitment considered necessary to enable them to fulfil their responsibilities prior to appointment.

A.5 Information and professional development

A rolling schedule of matters for Board consideration is maintained to ensure timely provision of information. During the year the Board's discussions have included:

- The Group's strategic plan
- The approval of the Group budget, including financial and non-financial targets
- Our health, safety and corporate responsibility performance
- The development of our business segments including acquisitions
- The Group's financial results and dividend
- Our people
- The Group's pension plan arrangements
- Metronet
- Our corporate governance arrangements.

We have a continuing professional development framework to assist the chairman, executive directors and non-executive directors in discharging their responsibilities effectively. Non-executive directors meet regularly with members of the Group Executive and receive regular business updates via scheduled presentations. This, coupled with site visits and the attendance

by key employees at Board dinners, ensures non-executive directors gain first hand experience of developments within the Group. External training is provided when appropriate. This includes briefings from the Company's advisers at Board meetings and presentations on relevant subjects from guest speakers at Board dinners.

All our directors have access to the advice and services of the company secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for directors to obtain independent professional advice, paid for by the Group.

A.6 Performance evaluation

The Board, as part of its commitment to ensure its effectiveness and evaluate its ongoing performance, completed an evaluation of its performance during the year. This evaluation consisted of private discussions between the chairman and each director with the recommendations arising from these discussions distilled into a report considered by the Board. In addition, the Audit Committee completed a detailed formal assessment of its performance and processes; and the Remuneration Committee has scheduled a similar exercise for the current financial year.

The non-executive directors have met alone to appraise the chairman's performance.

A.7 Re-election

In accordance with the Company's Articles of Association, one-third of the Board is required to retire by rotation each year. In addition, any director appointed during the year will stand for election at the next general meeting, ensuring that each Board member faces re-election at regular intervals.

B. REMUNERATION

Details of the directors' remuneration and the work of the remuneration committee, as required by the Code and the Directors' Remuneration Report Regulations 2002, are set out in the Remuneration report on pages 45 to 49.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

All shareholder communications are designed to present a balanced and understandable view of the Group's activities and prospects. Details of directors' responsibilities and the going concern statement are given in the directors' report on page 39 and 40.

C.2 Internal control

The Board has accountability for reviewing and approving the adequacy and effectiveness of our internal controls, including financial, operational and compliance controls and risk management. It is the role of management to implement the agreed policies on risk and control.

Our system of internal financial and operational controls is

designed to meet the Group's particular needs and aims to facilitate effective and efficient operations, to safeguard the Group's assets, ensure proper accounting records are maintained and ensure that the financial information used within the business and for publication is reliable. Our risk management process identifies the key risks facing each business and reports to the Board on how those risks are being managed.

Such a system of internal control can only be designed to manage rather than eliminate risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement and loss.

The Board has a continuing process for identifying, evaluating and managing the risks we face and that process has been in place for the year under review and remains current. This process covers subsidiaries in which the Group has an interest of 50% or more. Joint Ventures in which we do not have overall control are not treated, for these purposes, as part of the Group. For these Joint Ventures, systems of internal control are applied as agreed between the parties to the venture. For the Metronet Joint Venture the Board has reviewed the risks faced by the Group separately.

The Audit Committee has reviewed the operation and effectiveness of the Group's internal controls, which operated during the period covered by the Directors' report and financial statements, up to and including the date of approval by the Board.

Key features of our system of internal control are as follows:

Group organisation and culture

By its statements and actions the Board emphasises a culture of integrity, competence, fairness and responsibility.

The Board focuses mainly on strategic issues, senior management performance and financial performance. Our chief executive and the Group Executive, as his senior executive team, concentrate on operational performance, operational decision-making and the formulation of strategic proposals to the Board. The Group's managing directors manage their businesses with the support of senior managers. The Board determines how the chief executive operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after high-level review.

Control environment

Our operational structure has clearly documented and communicated principles of delegation of authority and segregation of duties. The Group's management systems include financial policies and procedures, corporate and business quality assurance manuals, health and safety procedures and environmental management procedures. These procedures are subject to review to ensure that improvements to enhance controls can be made.

Financial reporting

The Board approves a strategic plan and annual budgets for the Group. The financial performance of individual business segments is reported regularly and compared to annual budgets. We report to our shareholders on a half-yearly basis. Forecasts for the Group are updated and reviewed by the Board regularly.

Project and contract control

Procedures seek to ensure that risks are identified through the project lifecycle from bidding to completion. Regular review procedures are in place to ensure that issues are appropriately reported to the Board. A commercial risk and audit framework is in place which requires peer review to be carried out for all significant bids and opportunities or where significant investment decisions have to be taken.

Individual business controls

Individual businesses and central corporate functions complete an annual self-certification statement. Responsible managers personally confirm the review of their systems of internal control and their compliance with Group policies. The statement also requires the reporting of any significant control issues that have emerged so that areas of Group concern may be identified, addressed and experience shared. The results of the process are reviewed by the Audit Committee and reported to the Board.

Functional speciality reporting

The Board assesses the risks facing the business on an ongoing basis and has identified a number of other key areas which are subject to regular reporting to the Board such as human resources, health and safety, environment, tax and treasury.

Risk management review

The Board assesses risk management throughout the Group, aided by the Group Risk Committee and detailed reviews of internal controls and risk management. The Group risk management framework requires businesses to record formally all significant risks facing their business and detail the steps being taken to avoid or mitigate those risks. A summary of the key risks facing the Group is placed on risk registers which are reviewed regularly by the Audit Committee and the Board.

The Group maintains insurance policies to provide protection from losses arising through claims from clients. The adequacy of the Group's insurance cover, including arrangements within the captive insurance company, is reviewed by the Board annually.

Internal audit

The internal audit function undertakes a programme to address internal control and risk management processes with particular reference to the Turnbull report. Its conclusions are communicated to the relevant level of management and the function has a direct reporting responsibility to the Audit Committee.

Corporate governance report

Continued

Metronet

Metronet is the Group's most significant Joint Venture. Given its importance to the Group, an experienced senior manager is responsible for representing the Group's interest as a non-executive director on the Board of Metronet and is responsible for monitoring the progress of Metronet on behalf of the Group. Metronet has regular meetings of its Board of directors. It also has its own Audit and Remuneration Committees, at which a Group representative is also present.

C.3 Audit Committee and auditors

The Audit Committee comprises James Morley, Fiona Clutterbuck and Sir Peter Williams, all independent non-executive directors. James Morley, a chartered accountant, is chairman of the committee. Fiona Clutterbuck was appointed as a member of the committee on 1 April 2007. Christopher Kemball served as a member of the committee until his retirement on 31 December 2006. The Board considers all members to have recent and relevant financial experience.

The independent auditors and head of internal audit have unrestricted access to the Audit Committee and, in accordance with usual practice, meet privately with the committee at each scheduled meeting.

The Audit Committee's terms of reference address the provisions in the Code in relation to audit committees and auditors. The Board and the Audit Committee monitor the cost-effectiveness of audit and non-audit work performed by the independent auditors and also consider the potential impact, if any, on the corporate relationship with the auditors before awarding any non-audit work. For details regarding fees paid to the independent auditors, see note 4 to the financial statements.

The independent auditors continue to operate procedures to safeguard against the possibility that their objectivity and independence could be compromised. These include the use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff. The independent auditors report to the Audit Committee on matters including independence and non-audit fees on an annual basis. In addition, the role of the audit partner is rotated on a periodic basis.

During the year the committee's activities have included:

- A formal review of the draft annual report, interim statement and associated announcements focusing on key judgemental areas and accounting policies
- A review of the independent auditors' strategy and their findings in respect of the annual report and interim statement
- Regular examination of the reports in respect of work undertaken by the internal audit function
- An assessment of the effectiveness of the system of internal control, risk management process and the Company's employee disclosure policy

- A detailed review of the internal audit plan
- Analysis of audit and non-audit fees and of the auditors' independence, including the rotation of the audit partner during the year
- An appraisal of its own effectiveness and that of the independent auditors and the internal auditors.

D. RELATIONS WITH SHAREHOLDERS

D.1 Dialogue with institutional shareholders

The Board gives communication with all shareholders a high priority. The Group's website contains information on current activities including our annual and interim results presentations to City analysts and institutional investors.

Our chairman maintains contact with institutional shareholders writing to them annually to set out our commitment to open, ongoing dialogue. Both he and the senior independent director make themselves available for the regular investor meetings held by the chief executive and Group finance director if they are requested to do so. A wide range of relevant issues are discussed at investor meetings including strategy, performance, management and corporate governance. Non-executive directors are kept informed of the views of shareholders and the executive directors provide reports to them on investor meetings. The Group's brokers provide briefings to the Board on shareholder opinion and compile independent feedback from investor meetings.

D.2 Constructive use of the AGM

All our shareholders are invited to attend the Company's AGM, at which all directors are present. We seek to encourage shareholder participation by enabling proxy votes to be lodged online via our shareholder services portal at www.myatkinsshares.com.

STATEMENT OF COMPLIANCE WITH THE COMBINED CODE

We complied with the provisions set out in Section 1 of the Code throughout the year ended 31 March 2007 except for the short period following the retirement of Christopher Kemball on 31 December 2006 and the appointment of Fiona Clutterbuck as a member of the Audit Committee on 1 April 2007. During this period the Committee temporarily comprised of two non-executive directors. Due to our early adoption of the June 2006 Combined Code on Corporate Governance, as encouraged by the Financial Reporting Council, there was a technical non-compliance from 1 January 2007 to the year-end following the appointment of Ed Wallis as a member of the Remuneration Committee.

Approved by the Board and signed on its behalf by

Philip Davis, company secretary
26 June 2007

Remuneration report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ("the Regulations"). As required by the Regulations, a resolution to approve the report will be proposed at the Company's AGM at which the financial statements will be presented for approval.

This report has been divided into separate sections for unaudited and audited information. The Regulations require the independent auditors to report to our shareholders on the "audited information" section of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations).

UNAUDITED INFORMATION

Remuneration Committee

Our Remuneration Committee comprises Sir Peter Williams, Lord Boyce, James Morley and Ed Wallis. Sir Peter Williams, Lord Boyce and James Morley are independent non-executive directors.

Ed Wallis, our chairman, who was considered independent on his appointment in 2006, was appointed as a member of the committee on 1 January 2007. His appointment followed changes to the Combined Code. The committee is chaired by Sir Peter Williams. Details of attendance at committee meetings can be found on page 41.

The committee reviews the remuneration policy for the chairman and executive directors and, more generally, the remuneration policy of the Group. The committee determines the level of remuneration, incentives and other benefits, compensation payments and terms of employment of the chairman and each executive director. The committee seeks to provide appropriate incentives to enhance performance and align the interests of the executive directors with those of shareholders. The committee also reviews the salaries and benefits of members of the Group Executive, the company secretary and other senior managers reporting directly to the chief executive.

In determining remuneration, the committee consulted the chief executive, the Group HR director and, where required, the company secretary about its proposals. No director or senior manager participates in meetings at which his own remuneration is under consideration.

The committee appointed, and continued to use, New Bridge Street Consultants LLP (NBSC) to provide advice on structuring executive remuneration packages. NBSC do not provide any other services to the Group.

Remuneration policy

The objectives of the Group's remuneration policy are to attract, retain and incentivise management with the appropriate professional, managerial and technological expertise to realise our business objectives and to align their interests with those of our shareholders. We continue to strive to link payment to performance and thereby create a performance culture. A significant proportion of the executive directors' total remuneration is linked to performance through participation in the performance bonus plan and long-term share incentives.

To ensure that we offer the best available incentive to enhance shareholder value, the committee continued to assess the following constituent elements of the remuneration of the executive directors and review the same for members of the Group Executive and senior managers:

- (i) basic salary and other benefits
- (ii) performance bonus payments
- (iii) long-term share incentives
- (iv) all employee share plan
- (v) retirement benefits.

(i) Basic salary and other benefits

The committee reviews the basic salary of the executive directors, members of the Group Executive and senior managers each year to ensure they remain appropriate and competitive. A wide range of data is utilised, together with assistance from NBSC as appropriate.

In accordance with the Group's remuneration policy, Keith Clarke's salary was increased to £403,000 per annum and Robert MacLeod's was increased to £273,000 per annum with effect from 1 April 2007. The committee considered that the basic salary paid to Robert MacLeod should be significantly increased to bring it more closely into line with that paid to finance directors in comparable companies. The increase was based on data obtained from NBSC as part of its review conducted in 2006. Alun Griffiths' salary was increased to £183,000 with effect from 1 April 2007 following his appointment as an executive director.

For the year ended 31 March 2007 the executive directors and members of the Group Executive participated in the Performance Salary Incentive (PSI), which pays a cash bonus subject to exceeding budgeted Group targets. Under PSI, payments range from 0-12% of basic salary and are contractual and non-pensionable. No PSI payments have been made in respect of the year. With effect from 1 April 2007, however, the committee determined that PSI should be incorporated into the performance bonus plan for executive directors and Group Executive members outlined in paragraph (ii) below.

Other benefits for executive directors include a car allowance or a car and payment of its operating expenses, life assurance and entitlement to a non-contributory private healthcare scheme.

Keith Clarke received no remuneration for his services as non-executive chairman of Metronet in the year ended 31 March 2007.

The Company's bonus and long-term incentive plans seek to provide executive directors and members of the Group Executive with the opportunity to increase overall remuneration levels to the upper quartile for comparable businesses but only following demanding performance targets being achieved.

Remuneration report

Continued

(ii) Performance bonus payments

Following the amalgamation of PSI with the performance bonus plan, executive directors are now eligible to receive a bonus of up to 80% of their basic salary for achieving Group financial and individual performance targets.

The targets against which bonuses are paid, which include non-financial targets relating to management of issues such as health and safety and staff retention, have also been reviewed by the committee. In exceptional circumstances, the committee may increase the bonus to pay out up to 100% of basic salary. Members of the Group Executive also participate in the bonus plan.

Executive directors are required to take approximately one-third of any bonus in the form of an award over shares, under the terms of the Atkins Deferred Bonus Plan (DBP). The DBP is designed to aid retention, with the award being subject to forfeiture on resignation within three years from grant. There are no further performance conditions once the award has been made. Dividends declared on DBP awards since 2006 are rolled up and delivered to participants in cash on release of the award to further align their interests with those of shareholders. Members of the Group Executive have until the present time also participated in the DBP. However, with effect from the current year, the committee intends to make awards to them under the Retention Bonus Plan (RBP), a newly adopted plan which is similar to the DBP but which allows for a shorter vesting period. It is intended that awards made to members of the Group Executive this year will vest two years following award.

Bonus awards are non-pensionable and non-contractual.

(iii) Long-term share incentives

Shareholders approved amendments to the Atkins Long-Term Incentive Plan (LTIP) in 2006. In particular, the performance targets for LTIP awards were changed to enable them to better motivate and retain the executive directors, members of the Group Executive and other senior executives. Under the amended LTIP, awards to executive directors and members of the Group Executive are made on the following basis:

- 50% of the award is subject to the Company's total shareholder return (TSR) performance relative to the constituents of the FTSE 250 Index (excluding investment trusts) on the date of award. Full vesting is achieved if the Company ranks in the upper quartile, 30% for a median ranking, and pro rata vesting for intermediate performance. No vesting occurs for a ranking below median
- 50% of the award is subject to the Company's real growth in normalised earnings per share (EPS) over the performance period. An increase in EPS of more than 10% per annum above the UK retail price index (RPI) over the three-year performance period enables the shares to vest in full; an increase of less than 4% per annum above the UK RPI means that none of the shares vest. A sliding scale to determine vesting operates for growth in EPS between 4% and 10% above the UK RPI.

Dividends declared on shares subject to LTIP awards are rolled up and delivered to executives in cash on release of the underlying award.

This year the committee intends to make LTIP awards at around the 100% of salary level to the executive directors. As in 2006, the number of shares subject to the awards will be based on a share price determined at the beginning of the financial year prior to the award date, a practice which the committee intends to continue to follow in future years. The upper limit in the LTIP is 150% of salary.

A full summary of the performance conditions attaching to existing share plan awards can be found in note 30 to the financial statements.

The Group encourages share ownership by its executives, and executive directors are encouraged to hold shares in the Company (either directly or through the DBP) equivalent to the level of their annual basic salary, based on the value of such shares at the time of their acquisition (or award), or their current market value from time to time, whichever is the higher.

(iv) All-employee share plan

The Company's Share Incentive Plan, as approved by HM Revenue and Customs, continues to be offered to all eligible UK employees, including the executive directors.

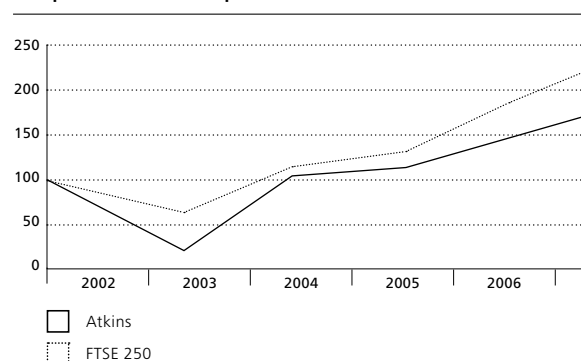
(v) Retirement benefits

Pension and retirement benefits provided to the executive directors are comparable to those provided by other companies.

Performance graph

The Company's performance, measured by TSR, is compared with the performance of the FTSE 250 Index (excluding investment trusts) over the past five years. This is considered the most appropriate index against which to measure performance as the Company has been a member of the FTSE 250 for the majority of the five year period.

TSR performance over period 31/03/02-31/03/07



TSR is defined as the return shareholders would receive if they held a notional number of shares and received dividends on those shares over a period of time. Assuming dividends are re-invested into the Company's shares, it measures the percentage growth in the Company's share price together with the value of any dividends paid.

DIRECTORS' CONTRACTS

Chairman and non-executive directors

The chairman and non-executive directors have letters of appointment stating their annual fee and that their appointment is initially for a term of three years subject to satisfactory performance and their re-election at forthcoming AGMs. Their appointment may be terminated with six months' written notice at any time. Table 1 summarises the dates of appointment and most recent re-election dates for the chairman and each of the non-executive directors:

Table 1

NAME OF DIRECTOR	DATE OF APPOINTMENT AS A NON-EXECUTIVE DIRECTOR	DATE OF LAST RE-ELECTION AT AGM
LORD BOYCE	05/05/04	06/09/06
FIONA CLUTTERBUCK ¹	13/03/07	N/A
CHRISTOPHER KEMBALL ²	14/05/02	07/09/05
JAMES MORLEY	01/01/01	07/09/05
ED WALLIS	07/09/04	07/09/05
SIR PETER WILLIAMS ¹	05/05/04	07/09/04

1. Fiona Clutterbuck will stand for election and Sir Peter Williams will stand for re-election at the AGM to be held on 5 September 2007.

2. Christopher Kemball retired as a director on 31 December 2006.

Copies of the letters of appointment will be available for inspection prior to and during the AGM and are also available for inspection at the Company's registered office during normal business hours. The remuneration of the chairman is determined by the committee. The remuneration of the non-executive directors is determined by the Board on the recommendation of the executive directors within the limits set out in the Articles of Association and on the basis of independent advice and the level of fees paid to non-executive directors of comparator companies. The annual fees are specific to each director reflecting their individual commitments to the Board and various Board committees. The current fee structure is shown in Table 2.

Table 2

	£
CHAIRMAN FEE	165,000
BASIC ANNUAL FEE	33,000
COMMITTEE CHAIR ANNUAL FEE	6,000
COMMITTEE ANNUAL FEE ¹	3,000

1. No fee is paid in respect of membership of the Nomination Committee.

The chairman and the non-executive directors are not eligible for pensions, share incentives, annual bonus or any similar payments other than out-of-pocket expenses in connection with the performance of their duties. The chairman and the non-executive directors do not participate in any meeting at which discussions in respect of matters relating to their own position take place.

Executive directors

The service agreements of the executive directors are summarised in Table 3.

Table 3

	NOTICE PERIOD MONTHS	CONTRACT DATE	UNEXPIRED TERM OF CONTRACT
KEITH CLARKE	12	12/09/03	ROLLING CONTRACT
ALUN GRIFFITHS ¹	12	18/04/07	ROLLING CONTRACT
ROBERT MACLEOD	12	14/07/04	ROLLING CONTRACT

1. Alun Griffiths' contract became effective on 13 March 2007.

In the event of unsatisfactory performance, the notice period for the executive directors is reduced to three months. Their service agreements include a duty to mitigate loss where the agreement is terminated and any payment in lieu of notice may be reduced to take account of such mitigation. No service agreement provides for predetermined amounts of compensation in the event of early termination of service contracts.

The service agreements will terminate when the director reaches the retirement age as determined by the Board which in normal circumstances is 60 and are otherwise terminable on giving 12 months notice. Copies of each director's service agreement will be available for inspection prior to and during the AGM and are also available for inspection at the Company's registered office during normal business hours.

AUDITED INFORMATION

Directors' emoluments

The remuneration of each director, excluding long-term incentive awards and pensions, during the year ended 31 March 2007 is laid out in Table 4 (page 48).

Remuneration report

Continued

Table 4

	PERFORMANCE					NON-CASH EMOLUMENTS £000	TOTAL 2007	TOTAL 2006
	SALARY/FEES £000	SALARY INCENTIVE £000	BONUS £000	OTHER BENEFITS ¹ £000	OTHER PAYMENTS £000			
EXECUTIVE DIRECTORS								
KEITH CLARKE	380	–	–	15	95 ⁵	–	490	625
ALUN GRIFFITHS ¹	8	–	–	1	–	–	9	–
ROBERT MACLEOD	230	–	–	14	–	–	244	323
TOTAL EXECUTIVE DIRECTORS	618	–	–	30	95	–	743	948
CHAIRMAN AND NON-EXECUTIVE DIRECTORS								
LORD BOYCE	36	–	–	–	–	–	36	33
FIONA CLUTTERBUCK ²	–	–	–	–	–	–	–	–
CHRISTOPHER KEMBALL ³	27	–	–	–	–	–	27	31
JAMES MORLEY	42	–	–	–	–	–	42	38
ED WALLIS	158	–	–	–	–	–	158	150
SIR PETER WILLIAMS	42	–	–	–	–	–	42	35
TOTAL CHAIRMAN AND NON-EXECUTIVE DIRECTORS	305	–	–	–	–	–	305	287

1. Alun Griffiths was appointed as a director on 13 March 2007.

2. Fiona Clutterbuck was appointed as a director on 13 March 2007. She has elected to waive her fee in favour of a charity of her choice.

3. Christopher Kemball retired as a director on 31 December 2006.

4. Other benefits include such items as company cars or allowances, fuel and medical insurance.

5. Keith Clarke is entitled to a pension payment equivalent to 25% of his salary. He elected to receive this entitlement as a taxable payment.

RETIREMENT BENEFITS

Keith Clarke and Robert MacLeod receive retirement benefits on a defined contributions basis. Alun Griffiths accrues retirement benefits on a final salary basis. All executive directors receive life assurance cover equal to four times their basic salary.

Keith Clarke has a contractual entitlement to receive an amount equivalent to 25% of his basic salary as a pension payment. He elected to receive this entitlement as an additional emolument and this is reported in the directors' emoluments table above.

Robert MacLeod also has a contractual entitlement to receive an annual amount equivalent to 25% of his basic salary towards his pension benefits. During the year the Company has made payments of £57,500 (2006: £45,875) into the defined contribution section of the Atkins Pension Plan.

Alun Griffiths is 52 and had completed 21 years' service as at 31 March 2007. He is a member of a final salary arrangement under which he accrued benefits on a 60ths basis with a normal retirement age of 60. The value of his accrued benefit at the start of the financial year was £41,912 with a transfer value of the total accrued benefit of £425,575. His accrued pension increased by £12,559 during the year. The transfer value of the increase in accrued benefit was £139,294. As at 31 March 2007, the value of his accrued benefit was £54,471, with a transfer value of the total accrued benefit of £564,869. The difference between the transfer values of the total accrued benefit at the beginning and end of the financial year, less his contributions, was £126,065.

DIRECTORS' INTERESTS

The beneficial interests of the directors and their families in the ordinary shares of 0.5p each in the Company as at 31 March 2007 are shown in Table 5.

Table 5

	AT 26/06/07	AT 31/03/07	AT 31/03/06
		OR DATE OF TERMINATION	OR DATE OF APPOINTMENT
CHAIRMAN AND NON-EXECUTIVE DIRECTORS			
LORD BOYCE	846	846	846
FIONA CLUTTERBUCK ¹	1,000	–	–
CHRISTOPHER KEMBALL ²	–	10,000	10,000
JAMES MORLEY	1,250	1,250	1,250
ED WALLIS	1,000	1,000	1,000
SIR PETER WILLIAMS	2,500	2,500	2,500
	6,596	15,596	15,596
EXECUTIVE DIRECTORS			
KEITH CLARKE	41,990	36,956	31,781
ALUN GRIFFITHS ¹	16,599	16,547	16,547
ROBERT MACLEOD	15,490	15,456	10,281
	74,079	68,959	58,609
TOTAL	80,675	84,555	74,205

1. Fiona Clutterbuck and Alun Griffiths were appointed as directors on 13 March 2007.

2. Christopher Kemball retired as a director on 31 December 2006.

Changes in the interests of Alun Griffiths and Robert MacLeod between 31 March and 26 June 2007 relate to shares acquired via the WS Atkins Share Incentive Plan. Changes in the interests of Keith Clarke are in respect of shares acquired via the WS Atkins Share Incentive Plan and the purchase of 5,000 shares on 25 April 2007. In respect of Fiona Clutterbuck, the change in her interests relates to the purchase of 1,000 shares on 26 June 2007.

As at 31 March 2007, each of the executive directors was deemed to be interested as a potential beneficiary under the Employee Benefit Trusts (EBT) in 3,247,622 ordinary shares of 0.5p each (2006: 4,364,253). Details of the directors' personal interests in the EBTs are given in Table 6 below.

DIRECTORS' SHARE OPTIONS AND LONG-TERM INCENTIVES

Directors' emoluments disclosed in Table 4 do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors, which are set out in Table 6.

Table 6

	PLAN NAME ¹	AWARD DATE	NUMBER OF SHARES UNDER OPTION AT 01/04/06 OR DATE OF APPOINTMENT	GRANTED	NUMBER OF SHARES UNDER OPTION AT 31/03/07 OR AT DATE OF TERMINATION	MID-MARKET PRICE AT DATE OF GRANT (PENCE)	FIRST DATE OF EXERCISE/ END OF PERFORMANCE CONDITION	DATE OF LAPSE OF OPTION
KEITH CLARKE	LTIP ²	01/10/03	95,000	–	95,000	401.5	01/04/07	01/10/13
	DBP	25/06/04	6,849	–	6,849	586.5	25/06/07	25/06/14
	LTIP ²	25/06/04	20,000	–	20,000	586.5	01/04/08	25/06/14
	DBP	24/06/05	8,574	–	8,574	670.0	24/06/08	24/06/15
	LTIP ²	24/06/05	25,000	–	25,000	670.0	01/04/09	24/06/15
	DBP	29/06/06	–	6,401	6,401	826.0	29/06/09	29/06/16
	LTIP ²	11/09/06	–	47,500	47,500	837.0	11/09/09	11/09/16
TOTAL			155,423	53,901	209,324			
ALUN GRIFFITHS ³	DBP	26/08/02	1,663	–	1,663	289.0	26/08/05	26/08/12
	LTIP ²	17/09/03	15,000	–	15,000	401.5	01/04/07	17/09/13
	DBP	25/06/04	3,424	–	3,424	586.5	25/06/07	25/06/14
	LTIP ²	25/06/04	10,000	–	10,000	586.5	01/04/08	25/06/14
	DBP	24/06/05	3,037	–	3,037	670.0	24/06/08	24/06/15
	LTIP ²	24/06/05	10,000	–	10,000	670.0	01/04/09	24/06/15
	DBP	29/06/06	3,099	–	3,099	826.0	29/06/09	29/06/16
LTIP ²	11/09/06	14,000	–	14,000	837.0	11/09/09	11/09/16	
TOTAL			60,223	–	60,223			
ROBERT MACLEOD	LTIP ²	17/09/03	15,000	–	15,000	401.5	01/04/07	17/09/13
	DBP	25/06/04	2,625	–	2,625	586.5	25/06/07	25/06/14
	LTIP ²	25/06/04	30,000	–	30,000	586.5	01/04/08	25/06/14
	DBP	24/06/05	4,287	–	4,287	670.0	24/06/08	24/06/15
	LTIP ²	24/06/05	10,000	–	10,000	670.0	01/04/09	24/06/15
	DBP	29/06/06	–	4,388	4,388	826.0	29/06/09	29/06/16
	LTIP ²	11/09/06	–	28,750	28,750	837.0	11/09/09	11/09/16
TOTAL			61,912	33,138	95,050			

There were no plans exercised or lapsed during this period.

1. Plan names: LTIP – Atkins Long Term Incentive Plan
DBP – Atkins Deferred Bonus Plan.

2. Subject to performance criteria described in note 30 to the financial statements.

3. Alun Griffiths was appointed as a director on 13 March 2007.

Additional Notes: No options were exercised or lapsed during the year. The aggregate gain on share options for the year ended 31 March 2007 was nil (2006: nil).

Mike Jeffries, who retired as a director on 1 January 2005, remained a director of a subsidiary company and, accordingly, retained his award over a total of 191,816 shares made under the terms of the LTIP. On 20 July 2006, Mr Jeffries exercised this award in full.

For each share under option that had not expired at the end of the financial year, the mid-market price on Friday 30 March 2007 was 970.5p and the highest and lowest market prices during the financial year were 970.5p and 746.0p respectively.

APPROVAL

Approved by the Board and signed on its behalf by

Sir Peter Williams,

Chairman of the Remuneration Committee

26 June 2007

Independent auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WS ATKINS PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of WS Atkins plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Operating and financial review and Chairman's statement that is cross-referred from the Business review section of the Directors' report.

In addition, we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code 2003 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial highlights, the Chairman's statement, the Chief executive – Our strategy, the Human resources review, the Operating and financial review, Corporate responsibility, the Board of directors, the Directors' report, the Corporate governance report and the unaudited part of the Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its loss and cash flows for the year then ended
- The Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2007 and cash flows for the year then ended
- The financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985, as regards the Group financial statements, and Article 4 of the IAS Regulation; and
- The information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

26 June 2007

Financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	NOTES	BEFORE EXCEPTIONAL ITEMS £M	EXCEPTIONAL ITEMS £M (NOTE 9)	GROUP 2007 TOTAL £M	GROUP 2006 TOTAL £M
CONTINUING OPERATIONS					
REVENUE (GROUP AND SHARE OF JOINT VENTURES)		1,639.9	–	1,639.9	1,411.0
REVENUE	2	1,263.6	–	1,263.6	1,052.5
COST OF SALES		(782.9)	(4.0)	(786.9)	(637.3)
GROSS PROFIT		480.7	(4.0)	476.7	415.2
ADMINISTRATIVE EXPENSES		(404.1)	–	(404.1)	(352.3)
OPERATING PROFIT	4	76.6	(4.0)	72.6	62.9
PROFIT ON DISPOSAL OF JOINT VENTURES	5	–	–	–	6.4
IMPAIRMENT OF INVESTMENT IN JOINT VENTURES	9	–	(70.0)	(70.0)	–
SHARE OF POST-TAX (LOSS)/PROFIT FROM JOINT VENTURES	3	1.9	(47.3)	(45.4)	8.8
(LOSS)/PROFIT FROM OPERATIONS		78.5	(121.3)	(42.8)	78.1
FINANCE INCOME	7	9.9	–	9.9	7.9
FINANCE COST	7	(6.7)	–	(6.7)	(11.2)
NET FINANCE INCOME/(COST)	7	3.2	–	3.2	(3.3)
(LOSS)/PROFIT BEFORE TAXATION		81.7	(121.3)	(39.6)	74.8
INCOME TAX EXPENSE	8	(18.9)	1.2	(17.7)	(17.9)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		62.8	(120.1)	(57.3)	56.9
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	31	62.8	(120.1)	(57.3)	56.9
BASIC (LOSS)/EARNINGS PER SHARE – CONTINUING OPERATIONS	11			(56.8) P	57.0 P
DILUTED (LOSS)/EARNINGS PER SHARE – CONTINUING OPERATIONS	11			(56.8) P	55.9 P
DIVIDENDS RECOGNISED IN THE YEAR – PAID	10			17.5 P	12.5 P
DIVIDENDS RELATING TO THE YEAR – PAID AND PROPOSED	10			20.0 P	16.0 P

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 March 2007

	NOTES	2007 £M	GROUP 2006 £M	2007 £M	COMPANY 2006 £M
ACTUARIAL GAIN/(LOSS) ON RETIREMENT					
BENEFIT LIABILITIES	27	31.3	(37.7)	–	–
SHARE OF JOINT VENTURE FINANCIAL DERIVATIVES	31	7.5	(0.5)	–	–
TAX ON ITEMS CHARGED TO EQUITY	8C	(8.5)	11.4	–	–
NET DIFFERENCES ON EXCHANGE	31	(0.2)	1.5	–	–
NET INCOME (EXPENSE) RECOGNISED DIRECTLY TO EQUITY		30.1	(25.3)	–	–
(LOSS)/PROFIT FOR THE YEAR		(57.3)	56.9	4.9	7.3
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		(27.2)	31.6	4.9	7.3

The notes on pages 54 to 103 are an integral part of these financial statements.

Financial statements

Continued

CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

As at 31 March 2007

	NOTES	2007 £M	GROUP 2006 £M	2007 £M	COMPANY 2006 £M
ASSETS					
NON-CURRENT ASSETS					
GOODWILL	13	64.8	35.6	–	–
OTHER INTANGIBLE ASSETS	14	9.4	10.0	–	–
PROPERTY, PLANT AND EQUIPMENT	15	46.2	47.2	–	–
INVESTMENTS IN SUBSIDIARIES	16	–	–	88.1	88.1
INVESTMENTS IN JOINT VENTURES	3	(26.0)	46.2	–	–
FINANCIAL ASSETS	17	–	20.1	–	–
DEFERRED INCOME TAX ASSETS	18	89.8	103.8	–	–
TRADE AND OTHER RECEIVABLES	19	0.1	1.5	–	–
		184.3	264.4	88.1	88.1
CURRENT ASSETS					
INVENTORIES	20	0.4	0.2	–	–
TRADE AND OTHER RECEIVABLES	19	284.0	272.9	8.5	21.9
FINANCIAL ASSETS	21	49.6	20.7	–	–
CASH AND CASH EQUIVALENTS	22	187.7	177.4	–	–
		521.7	471.2	8.5	21.9
LIABILITIES					
CURRENT LIABILITIES					
BORROWINGS	23	(3.7)	(6.5)	–	–
TRADE AND OTHER PAYABLES	25	(418.7)	(379.5)	–	–
CURRENT INCOME TAX LIABILITIES		(28.3)	(12.3)	–	(0.6)
PROVISIONS FOR LIABILITIES AND CHARGES	26	(8.7)	(2.8)	–	–
		(459.4)	(401.1)	–	(0.6)
NET CURRENT ASSETS		62.3	70.1	8.5	21.3
NON-CURRENT LIABILITIES					
BORROWINGS	23	(34.5)	(35.1)	–	–
PROVISIONS FOR LIABILITIES AND CHARGES	26	(14.3)	(11.7)	–	–
RETIREMENT BENEFIT LIABILITIES	27	(250.1)	(299.9)	–	–
OTHER NON-CURRENT LIABILITIES	28	(23.8)	(23.9)	–	–
		(322.7)	(370.6)	–	–
NET (LIABILITIES)/ASSETS		(76.1)	(36.1)	96.6	109.4
CAPITAL AND RESERVES					
ORDINARY SHARES	29	0.5	0.5	0.5	0.5
SHARE PREMIUM ACCOUNT	31	62.4	62.4	62.4	62.4
MERGER RESERVE	31	8.9	8.9	8.9	8.9
RETAINED (LOSS)/EARNINGS	31	(147.9)	(107.9)	24.8	37.6
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS		(76.1)	(36.1)	96.6	109.4

KEITH CLARKE
DIRECTOR

ROBERT MACLEOD
DIRECTOR

APPROVED BY THE BOARD ON 26 JUNE 2007.

The notes on pages 54 to 103 are an integral part of these financial statements.

CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS

For the year ended 31 March 2007

	NOTES	2007 £M	GROUP 2006 £M	2007 £M	COMPANY 2006 £M
CASH FLOWS FROM OPERATING ACTIVITIES					
CASH GENERATED FROM OPERATIONS	32	106.1	111.7	17.7	12.4
INTEREST RECEIVED		9.8	7.6	–	–
INTEREST PAID		(2.4)	(2.4)	–	–
INCOME TAX RECEIVED/(PAID)		2.9	(10.9)	–	–
NET CASH GENERATED FROM OPERATING ACTIVITIES		116.4	106.0	17.7	12.4
CASH FLOWS FROM INVESTING ACTIVITIES					
DISTRIBUTIONS RECEIVED FROM JOINT VENTURES		1.7	3.7	–	–
INVESTMENT IN METRONET		(18.0)	(11.2)	–	–
ACQUISITION OF SUBSIDIARIES					
– CONSIDERATION	39	(31.5)	(4.9)	–	–
– CASH ACQUIRED	39	3.7	(0.2)	–	–
PURCHASES OF PROPERTY, PLANT AND EQUIPMENT		(16.7)	(20.4)	–	–
PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT		0.6	0.5	–	–
PROCEEDS FROM DISPOSALS OF JOINT VENTURES	5	–	9.2	–	–
FINANCIAL ASSETS		(8.8)	(9.6)	–	–
PURCHASES OF INTANGIBLE ASSETS		(9.0)	(8.3)	–	–
NET CASH USED IN INVESTING ACTIVITIES		(78.0)	(41.2)	–	–
CASH FLOWS FROM FINANCING ACTIVITIES					
REPAYMENT OF SHORT-TERM LOANS		(2.7)	–	–	–
LONG-TERM LOANS		–	12.5	–	–
REPAYMENT OF LONG-TERM LOANS		(1.6)	(1.1)	–	–
FINANCE LEASE PRINCIPAL PAYMENTS		(4.0)	(3.2)	–	–
SALES OF OWN SHARES BY EMPLOYEE BENEFIT TRUSTS		0.1	1.3	–	–
EQUITY DIVIDENDS PAID TO SHAREHOLDERS	10	(17.7)	(12.4)	(17.7)	(12.4)
NET CASH USED IN FINANCING ACTIVITIES		(25.9)	(2.9)	(17.7)	(12.4)
NET INCREASE IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS					
		12.5	61.9	–	–
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS					
AT BEGINNING OF YEAR		177.4	114.6	–	–
EXCHANGE (LOSSES)/GAINS ON CASH AND BANK OVERDRAFTS		(2.2)	0.9	–	–
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT END OF YEAR	22	187.7	177.4	–	–

The notes on pages 54 to 103 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2007

1. ACCOUNTING POLICIES

WS Atkins plc is a public limited company registered and domiciled in the UK. Its registered office is Woodcote Grove, Ashley Road, Epsom, Surrey, KT18 5BW, England.

Basis of preparation

The consolidated financial statements of WS Atkins plc have been prepared in accordance with EU-Endorsed International Financial Reporting Standards (IFRSs), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, pensions, share-based payments and financial assets and financial liabilities (including derivative instruments) at fair value through the income statement.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Material estimates applied across the Group's businesses and Joint Ventures are reviewed to a common standard and adjusted where appropriate to ensure that consistent treatment of similar and related issues that require judgement is achieved upon consolidation. Any revisions to estimates are recognised prospectively.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed on page 32 of the Operating and Financial Review.

Basis of consolidation

The accounting policies have been consistently applied to all the periods presented.

The consolidated income statement and balance sheet include the accounts of the Company, its subsidiary undertakings and its share of Joint Ventures. The results of the subsidiary undertakings acquired during the year are included in the income statement from the date of acquisition. The results of subsidiary undertakings disposed of during the year are included in the income statement up to the date of disposal.

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date

of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Where subsidiaries adopt accounting policies that are different from the Group, their reported results are restated to comply with the Group's accounting policies. All intra-group transactions and balances are eliminated on consolidation. Where subsidiaries do not adopt accounting periods that are co-terminous with the Group's, results and net assets are based upon accounts drawn up to the Group's accounting reference date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

The accounts of the Employee Benefit Trusts (EBTs) are incorporated into the results of the Group as, although they are administered by independent Trustees and their assets are held separately from those of the Group, in practice the Group's advice on how the assets are used for the benefit of employees is normally accepted. The Group bears the major risks and rewards of the assets held by the EBTs until the shares vest unconditionally in the employees. Shares in WS Atkins plc held by the EBTs are shown as a reduction in retained loss/earnings. Other assets and liabilities held by the EBTs are consolidated with the assets of the Group.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Details of the interest rate risk, liquidity risk and foreign currency risk have been set out in the Operating and financial review.

Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in pounds sterling ("£"), which is the Company's and Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Trading results of overseas subsidiaries are translated at average rates of exchange. Differences resulting from the retranslation of opening net assets and results for the period at closing rates are taken to the statement of recognised income and expense.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group is organised into seven operating segments for management purposes, reflecting its key markets and service offerings. The segments are Design and Engineering Solutions, Highways and Transportation, Rail, Middle East and China, Management and Project Services, Asset Management and Equity Investments. These segments form the basis for reporting the Group's primary segment information as it is the main determinant of the Group's risks and returns. The basis for reporting the secondary segment information is the geographical sectors of the United Kingdom, other European countries, Middle East, North America and Asia Pacific. These represent the Group's most significant geographical sectors. The majority of central costs are allocated to segments based on revenue or utilisation of resource. All revenue relates to revenue from services.

Inter-segment transfers and transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

Revenue

Revenue from long-term contracts comprises the value of work performed during the period calculated in accordance with the Group's policy for contract accounting set out below. Revenue

from other contract activities represents fee income receivable in respect of services provided during the period.

Under certain services contracts, the Group manages customer expenditure and is obliged to purchase goods and services from third-party contractors and recharge them on to the customer at cost. The amounts charged by contractors and recharged to customers are excluded from revenue and cost of sales. Receivables, payables and cash relating to these transactions are included in the Group balance sheet.

Revenue recognition and contract accounting

The value of contract work in progress comprises the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit. Fees invoiced on account are deducted from the value of work in progress and the balance is separately disclosed in trade and other receivables as amounts recoverable on contracts, unless such fees exceed the value of the work in progress on any contract when the excess is separately disclosed in trade and other payables as fees invoiced in advance.

Profit is recognised on a percentage completion basis when the outcome of a contract or project can be reasonably foreseen. Provision is made in full for estimated losses. Where the outcome of a contract cannot be reasonably foreseen, profit is taken on completion. Where contracts span two or more accounting periods profit is not generally recognised until the contract is 50% complete.

Revenue recognition on outsourcing contracts is determined by reference to the proportion of the annual service delivered to date. Where the costs of obligations in relation to the non-renewal or termination of a contract are higher in the final period of the contract a proportion of revenue is deferred each period to meet these anticipated costs. Full provision is made for losses on outsourcing contracts if the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. In assessing the amount of the loss to provide on an outsourcing contract, account is taken of the Group's share of the forecast results from any Joint Ventures which the contract is servicing.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income is recognised when the right to receive payment is established.

Pre-contract costs

The Group accounts for all pre-contract costs in accordance with IAS 11, Construction contracts. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point are recognised

Notes to the financial statements

Continued

in the balance sheet and charged to the income statement over the duration of the contract or, in the case of PPP/PFI concessions, over the same period as the Group's interest in any Special Purpose Company (SPC) charges the equivalent capitalised amounts to the income statement.

Bid recovery fees are deferred and credited to the income statement over the duration of the contract or, in the case of PPP/PFI concessions, over the same period as the Group's interest in any SPC charges the equivalent capitalised amounts to the income statement. Where the Group's interest in any SPC reduces, the deferred bid recovery fees are credited to the income statement in proportion to the reduction of the Group's interest.

Exceptional items

Where certain expense or revenue items recorded in a period are material by their size or incidence, the Group reflects such items as exceptional items and these are shown separately in the income statement.

Exceptional items are also summarised by class in the segmental analyses, excluding those that relate to interest and tax.

Retirement benefit schemes

The Group operates defined contribution and defined benefit pension schemes which require payments to be made into separately administered funds. For defined benefit schemes, regular valuations are prepared by independent professionally qualified actuaries to determine the level of contributions required to fund the benefits set out in the scheme rules.

The Group accounts for pensions in accordance with IAS 19, Employee benefits. The cost of the defined contribution schemes is charged to operating profit as incurred. The cost of the defined benefit schemes is charged as follows:

- The current service cost incurred during the period to provide retirement benefits to employees is charged to operating profit
- Gains or losses arising from settlements or curtailments not covered by actuarial assumptions are included in operating profit
- A charge representing the expected increase in scheme liabilities is included in net finance costs. This is based on the present value of scheme liabilities at the beginning of the period; and
- A credit representing the expected return on scheme assets is included within net finance costs. This is based on the market value of the assets of the schemes at the start of the period allowing for expected cash flows during the period.

For defined benefit schemes, differences between actual and expected returns on assets during the period are recognised immediately in the statement of recognised income and expense, together with differences arising from changes in assumptions. The difference between the market value of scheme assets and the present value of scheme liabilities is recognised as a retirement benefit asset or liability on the consolidated balance sheet. To the extent that it is recoverable, any related deferred tax asset or liability is included in the relevant category of receivable/payable.

The Group has elected to recognise actuarial gains and losses in full as they arise through retained loss/earnings.

Share-based payments

In accordance with IFRS 2, Share-based payments, the cost of share-based payments awarded after 7 November 2002 is charged to the income statement over the performance and vesting periods of the instruments. The cost is based on the fair value of the awards made at the date of grant adjusted for the number of awards expected to vest. In accordance with the transitional provisions within IFRS 2, no charge is made in respect of instruments awarded before 7 November 2002. The credits associated with the amounts charged to the income statement are included in retained earnings/loss until the awards are exercised. Where awards are settled by new issue shares any proceeds received in respect of share options are credited to share capital and share premium. Where awards are settled in shares held by the EBTs any proceeds are credited to retained earnings/loss.

Joint Ventures

In accordance with IAS 31, Interests in Joint Ventures, the Group accounts for Joint Ventures under the equity method of accounting. The Group's share of a Joint Venture's profit after tax is included from the date on which the Group acquires joint control. Within the consolidated balance sheet the investment is recorded at cost (classified as a non-current asset) and subsequently adjusted to reflect the Group's share of the movements in the Joint Venture's net assets post acquisition.

The results, assets and liabilities of Joint Ventures are stated in accordance with Group accounting policies. Where Joint Ventures adopt accounting policies that are different from the Group, their reported results are restated to comply with the Group's accounting policies.

Where Joint Ventures do not adopt accounting periods that are co-terminous with the Group's, results and net assets are based upon accounts drawn up to the Group's accounting reference date.

PPP/PFI concessions

Assets constructed by PPP/PFI concession companies are classified in the accounts of the Joint Ventures as financial assets or intangible assets, depending on whether the grantor or user has the primary responsibility to pay the operator for the concession services. To date all of the Group's PPP/PFI concession assets have been classed as financial assets.

The financial asset represents an interest-bearing, long-term receivable. The cost of the financial asset at any one time is equal to the accumulated value of service delivery plus accumulated interest charged to the financial asset less amounts received to date.

The financial asset is measured at fair value. Where it is classed as a loan receivable any movement in fair value is taken to the income statement. Where it is classed as available for sale any movement in fair value is taken to reserves.

Revenue is recognised at the fair value of the consideration received for goods and services provided in the normal course of business net of value added tax rebates and discounts. Revenue from contracting activities represents the value of work carried out during the year including amounts not invoiced. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value amount.

Where the outcome of a construction contract can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date as measured by the contract costs incurred. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recovered.

When it is probable that the total contract costs will exceed total contract revenue, the expected resultant loss is recognised as an expense immediately.

Income tax

Current and deferred income tax are recognised in the income statement for the period except where the taxation arises as a result of a transaction or event that is recognised directly in equity. Income tax arising on transactions or events recognised directly in equity is charged or credited directly to equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and Joint Ventures.

Intangible assets

Goodwill

Goodwill is stated at cost less impairment. Prior to 1 April 2004, goodwill was amortised over its estimated useful economic life. Amortisation ceased on 1 April 2004 and the carrying value of existing goodwill was frozen at that date and subject to annual impairment review.

On acquisition of a business, fair values are attributed to the assets, liabilities and contingent liabilities of the acquired business

at the date of acquisition. Goodwill arises when the fair value of the consideration given for a business exceeds the fair value of the net assets. In accordance with IFRS 3, Business combinations, goodwill arising on acquisitions is capitalised and is subject to impairment review both annually and when there are indications that the carrying value may not be recoverable.

Goodwill that arose prior to 1 April 1997 was written off to retained earnings/loss. Profit or loss on disposal of the underlying businesses to which this goodwill related will not include goodwill previously recorded as a deduction from equity.

Acquired intangibles

The Group accounts for acquired intangible assets in accordance with IAS 38, Intangible assets. Intangible assets are stated at amortised cost less impairment. Such intangible assets are recognised separately if they meet the criteria for recognition, and amortised over their estimated useful economic lives unless these are indefinite, in which case they are reviewed regularly for impairment.

Corporate information systems

In accordance with IAS 38, Intangible assets, the Group's corporate information systems are treated as an intangible asset. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements and internally generated costs) from the point of inception to the point of satisfactory completion where the probable future economic benefits arising from the investment could be assessed with reasonable certainty at the time the costs were incurred. Maintenance and minor modifications are expensed in the income statement as incurred. The corporate information systems are amortised on a straight-line basis over their estimated useful economic life of six years.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost comprises purchase price after discounts and rebates plus all directly attributable costs of bringing the asset to working condition for its intended use.

Property, plant and equipment is depreciated on a straight-line basis calculated at annual rates to write-off the cost less residual value of each asset over the term of its estimated useful economic life as follows:

- Freehold buildings – 10 to 50 years
- Short leasehold – over the life of the lease
- Plant and machinery – 3 to 10 years
- Special purpose industrial motor vehicles – 3 to 12 years
- Other motor vehicles – 3 to 4 years
- Information technology – 2½ to 5 years
- No depreciation is provided in respect of freehold land.

The directors annually review the estimated useful economic lives and residual values of property, plant and equipment.

Notes to the financial statements

Continued

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are reviewed for impairment annually and when there are indications that the carrying value may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairments.

Financial assets

Financial assets include restricted cash deposits, which are shown at market value, and floating rate notes and certificates of deposits which are valued at the mid-market price quoted on a recognised stock exchange. Debt securities issued at a significant discount to the maturity value are valued at cost plus amortised discount over the life of the security. Restricted cash deposits relate to accounts where withdrawals are restricted under contractual agreements.

Derivative financial instruments and hedging activities

The fair value of financial assets is measured at each balance sheet date by computing the discounted future value of the cash flow allocated to the financial asset. The movement in the fair value of available-for-sale financial assets since the previous balance sheet date is taken to equity.

With effect from 1 April 2005 financial instruments are accounted for in accordance with IAS 39, Financial instruments: recognition and measurement. Derivatives are initially accounted for and measured at fair value on the date a contract is entered into and subsequently measured at fair value. Where a derivative is a designated hedging instrument and is assessed as being effective in accordance with IAS 39, the gain or loss on re-measurement is recognised in equity. In all other cases the gain or loss is taken to the income statement.

Inventories

Inventories are stated at cost less impairment. Cost is calculated on a first-in, first-out basis.

Trade receivables

Trade receivables are recognised at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Lease obligations

Finance leases

Lease arrangements that transfer substantially all the risks and rewards of ownership to the lessee are treated as finance leases. Assets held under finance leases are capitalised within property, plant and equipment and depreciated over the shorter of the lease term and the useful life of the asset. A liability is recognised for the present value of the minimum lease payments within current and/or non-current liabilities as appropriate. Rental payments are apportioned between capital and interest expense to achieve a constant rate of interest charge on the outstanding obligation.

Where the Group acts as a lessor in a finance lease, receivables under finance leases represent outstanding amounts due under these agreements less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment.

Operating leases

Where the Group acts as lessee in an operating lease arrangement, the costs of operating leases are charged to the income statement as incurred. Lease incentives received are recognised over the lease term on a straight-line basis.

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

Trade payables

Trade payables are recognised at fair value.

Provisions

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. In assessing the amount of the loss to provide on any contract, account is taken of the Group's share of the forecast results from any Joint Ventures which the contract is servicing. The provision is calculated based on discounted cash flows to the end of the contract.

Vacant property provisions are recognised when the Group has committed to a course of action that will result in the property becoming vacant. The provision is calculated based on discounted cash flows to the end of the lease.

New IFRS standards and interpretations not applied**(a) Standards, amendments and interpretations effective in the current financial year but not relevant**

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's activities:

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IAS 39 (Amendment), The Fair Value Option
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts
- IFRS 6, Exploration for and Evaluation of Mineral Resources
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

(b) Standards that are not yet effective and have not been early-adopted by the Group

- IFRS 7, Financial instruments: disclosures (effective for accounting periods beginning on or after 1 January 2007) replaces IAS 30 and the disclosure requirements in IAS 32 and locates in one place all disclosures relating to financial instruments. The new requirements incorporate many of IAS 32's disclosures as well as additional qualitative and quantitative disclosures on the risks arising from financial instruments. The Group will apply IFRS 7 from 1 April 2007 and will increase the level of disclosure in the Group's accounts.
- IFRS 8, Operating segments, (effective for accounting periods beginning on or after 1 January 2009) replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. The new standard uses a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 April 2009 but it is not expected to have a significant impact on the Group's accounts.

(c) Interpretations to existing standards that are not yet effective and have not been early-adopted by the Group

The following interpretations to existing standards have been published that are mandatory for later accounting periods but the Group has not early-adopted:

- IFRIC 9, Reassessment of embedded derivatives, (effective for accounting periods beginning on or after 1 June 2006) clarifies that an entity should assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the

contract. Subsequent reassessment is prohibited, unless there is a change in the contract's terms, in which case it is required. The Group will apply IFRIC 9 from 1 April 2007 but it is not expected to have any impact on the Group's accounts

- IFRIC 10, Interim financial reporting and impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 April 2007, but it is not expected to have any impact on the Group's accounts
- IFRIC 11 – IFRS 2 – Group and treasury share transactions – which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. This interpretation becomes effective for annual periods beginning on or after 1 March 2007.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for later accounting periods but are not relevant for the Group's operations:

- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities have a currency of a hyperinflationary economy as their functional currency, IFRIC 7 is not relevant to the Group's operations
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2.

(e) Interpretations to existing standards that are not yet effective but have been adopted early by the Group

The following interpretations to existing standards have been published that are mandatory for later accounting periods but which the Group has early-adopted:

- IFRIC 12 – Service concession arrangements which outlines an approach to account for contractual arrangements arising from entities providing public services.

Notes to the financial statements

Continued

2. SEGMENTAL REPORTING

(a) Group business segments

Revenue and results

	TOTAL REVENUE £M	INTER- SEGMENT REVENUE £M	REVENUE £M	OPERATING PROFIT £M	OPERATING MARGIN %	SHARE OF POST-TAX PROFIT FROM JOINT VENTURES £M
2007 – BEFORE EXCEPTIONAL ITEMS						
DESIGN AND ENGINEERING SOLUTIONS	353.8	(14.6)	339.2	28.1	8.3	–
HIGHWAYS AND TRANSPORTATION	265.9	(15.4)	250.5	13.2	5.3	0.6
RAIL	262.0	(24.6)	237.4	4.4	1.9	–
MIDDLE EAST AND CHINA	117.8	(9.6)	108.2	7.2	6.7	–
MANAGEMENT AND PROJECT SERVICES	201.9	(8.3)	193.6	12.8	6.6	–
ASSET MANAGEMENT	53.1	(2.6)	50.5	1.6	3.2	0.1
EQUITY INVESTMENTS	84.2	–	84.2	9.3	11.0	1.2
TOTAL CONTINUING SEGMENTS	1,338.7	(75.1)	1,263.6	76.6	6.1	1.9

	OPERATING LOSS £M	IMPAIRMENT OF INVESTMENT IN JOINT VENTURES £M	SHARE OF POST-TAX LOSS FROM JOINT VENTURES £M
2007 – EXCEPTIONAL ITEMS			
DESIGN AND ENGINEERING SOLUTIONS	(1.1)	–	–
RAIL	(2.6)	–	–
MANAGEMENT AND PROJECT SERVICES	(0.3)	–	–
EQUITY INVESTMENTS	–	(70.0)	(47.3)
TOTAL CONTINUING SEGMENTS	(4.0)	(70.0)	(47.3)

	TOTAL REVENUE £M	INTER- SEGMENT REVENUE £M	REVENUE £M	OPERATING PROFIT £M	OPERATING MARGIN %	IMPAIRMENT OF INVESTMENT IN JOINT VENTURES £M	SHARE OF POST-TAX PROFIT/(LOSS) FROM JOINT VENTURES £M
2007 – POST-EXCEPTIONAL ITEMS							
DESIGN AND ENGINEERING SOLUTIONS	353.8	(14.6)	339.2	27.0	8.0	–	–
HIGHWAYS AND TRANSPORTATION	265.9	(15.4)	250.5	13.2	5.3	–	0.6
RAIL	262.0	(24.6)	237.4	1.8	0.8	–	–
MIDDLE EAST AND CHINA	117.8	(9.6)	108.2	7.2	6.7	–	–
MANAGEMENT AND PROJECT SERVICES	201.9	(8.3)	193.6	12.5	6.5	–	–
ASSET MANAGEMENT	53.1	(2.6)	50.5	1.6	3.2	–	0.1
EQUITY INVESTMENTS	84.2	–	84.2	9.3	11.0	(70.0)	(46.1)
TOTAL CONTINUING SEGMENTS	1,338.7	(75.1)	1,263.6	72.6	5.7	(70.0)	(45.4)

2006	TOTAL REVENUE £M	INTER- SEGMENT REVENUE £M	REVENUE £M	OPERATING PROFIT £M	OPERATING MARGIN %	SHARE OF POST-TAX PROFIT FROM JOINT VENTURES £M
DESIGN AND ENGINEERING SOLUTIONS	303.7	(17.4)	286.3	23.4	8.2	–
HIGHWAYS AND TRANSPORTATION	231.5	(16.1)	215.4	11.0	5.1	0.7
RAIL	190.6	(14.1)	176.5	2.6	1.5	–
MIDDLE EAST AND CHINA	72.8	(5.7)	67.1	3.0	4.5	–
MANAGEMENT AND PROJECT SERVICES	179.5	(7.6)	171.9	13.9	8.1	–
ASSET MANAGEMENT	63.0	(1.5)	61.5	4.0	6.5	–
EQUITY INVESTMENTS	74.1	(0.3)	73.8	5.0	6.8	8.1
TOTAL CONTINUING SEGMENTS	1,115.2	(62.7)	1,052.5	62.9	6.0	8.8

Reconciliation of segmental analysis to profit for the year attributable to equity shareholders (pre-exceptional items):

	2007 £M	2006 £M
OPERATING PROFIT	76.6	62.9
PROFIT ON DISPOSAL OF JOINT VENTURES	–	6.4
SHARE OF POST-TAX PROFIT FROM JOINT VENTURES	1.9	8.8
PROFIT FROM OPERATIONS	78.5	78.1
FINANCE INCOME	9.9	7.9
FINANCE COST	(6.7)	(11.2)
NET FINANCE INCOME/(COST)	3.2	(3.3)
PROFIT BEFORE TAXATION	81.7	74.8
INCOME TAX EXPENSE	(18.9)	(17.9)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	62.8	56.9
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	62.8	56.9

Notes to the financial statements

Continued

Balance sheet

	GOODWILL	INVESTMENTS IN JOINT VENTURES	OTHER SEGMENT ASSETS	TOTAL SEGMENT ASSETS	TOTAL SEGMENT LIABILITIES	NET ASSETS/ (LIABILITIES)
2007	£M	£M	£M	£M	£M	£M
DESIGN AND ENGINEERING SOLUTIONS	25.9	–	153.0	178.9	(202.9)	(24.0)
HIGHWAYS AND TRANSPORTATION	–	0.3	72.8	73.1	(135.6)	(62.5)
RAIL	4.9	–	94.7	99.6	(185.6)	(86.0)
MIDDLE EAST AND CHINA	–	–	87.4	87.4	(59.0)	28.4
MANAGEMENT AND PROJECT SERVICES	16.5	–	65.9	82.4	(60.6)	21.8
ASSET MANAGEMENT	–	–	15.8	15.8	(39.7)	(23.9)
EQUITY INVESTMENTS	17.5	(26.3)	41.5	32.7	(46.4)	(13.7)
TOTAL CONTINUING SEGMENTS	64.8	(26.0)	531.1	569.9	(729.8)	(159.9)
UNALLOCATED ASSETS/(LIABILITIES)	–	–	136.1	136.1	(52.3)	83.8
TOTAL FOR GROUP	64.8	(26.0)	667.2	706.0	(782.1)	(76.1)
2006	£M	£M	£M	£M	£M	£M
DESIGN AND ENGINEERING SOLUTIONS	6.0	–	131.6	137.6	(214.9)	(77.3)
HIGHWAYS AND TRANSPORTATION	–	0.7	74.7	75.4	(155.7)	(80.3)
RAIL	4.9	–	103.4	108.3	(186.5)	(78.2)
MIDDLE EAST AND CHINA	–	–	53.6	53.6	(33.4)	20.2
MANAGEMENT AND PROJECT SERVICES	9.7	0.6	56.7	67.0	(57.2)	9.8
ASSET MANAGEMENT	–	–	24.0	24.0	(49.7)	(25.7)
EQUITY INVESTMENTS	15.0	44.9	31.6	91.5	(22.1)	69.4
TOTAL CONTINUING SEGMENTS	35.6	46.2	475.6	557.4	(719.5)	(162.1)
UNALLOCATED ASSETS/(LIABILITIES)	–	–	178.2	178.2	(52.2)	126.0
TOTAL FOR GROUP	35.6	46.2	653.8	735.6	(771.7)	(36.1)

Unallocated assets/(liabilities) primarily consist of UK financial assets, UK cash and cash equivalents, bank loans and tax balances that cannot be readily allocated to segments.

Other segmental information

	SHARE-BASED PAYMENTS	CAPITAL EXPENDITURE	DEPRECIATION AND AMORTISATION
2007	£M	£M	£M
DESIGN AND ENGINEERING SOLUTIONS	1.7	16.9	9.1
HIGHWAYS AND TRANSPORTATION	1.1	11.2	6.7
RAIL	1.0	9.9	5.0
MIDDLE EAST AND CHINA	0.1	4.0	1.9
MANAGEMENT AND PROJECT SERVICES	1.0	11.1	6.6
ASSET MANAGEMENT	0.2	2.0	1.0
EQUITY INVESTMENTS	–	4.1	1.8
TOTAL CONTINUING SEGMENTS	5.1	59.2	32.1

	SHARE-BASED PAYMENTS	CAPITAL EXPENDITURE	DEPRECIATION AND AMORTISATION
2006	£M	£M	£M
DESIGN AND ENGINEERING SOLUTIONS	1.0	14.7	6.9
HIGHWAYS AND TRANSPORTATION	0.6	6.8	4.8
RAIL	0.6	5.0	4.3
MIDDLE EAST AND CHINA	–	2.9	1.0
MANAGEMENT AND PROJECT SERVICES	0.6	9.0	4.5
ASSET MANAGEMENT	0.2	1.5	1.3
EQUITY INVESTMENTS	–	2.9	1.5
TOTAL CONTINUING SEGMENTS	3.0	42.8	24.3

Capital expenditure includes additions to goodwill, other intangible assets and property, plant and equipment.

Notes to the financial statements Continued

(b) Group geographical segments

The Group's operations are based in five main geographical areas. The United Kingdom is the home country of the parent company.

External revenue is measured by location of operation. There was no material difference between geographic revenue by location of operation and by location of customer.

	REVENUE		TOTAL SEGMENT ASSETS		CAPITAL EXPENDITURE	
	2007 £M	2006 £M	2007 £M	2006 £M	2007 £M	2006 £M
UNITED KINGDOM	1,038.7	895.3	541.8	606.2	53.1	39.2
OTHER EUROPEAN COUNTRIES	56.7	42.0	40.6	29.5	1.2	0.4
MIDDLE EAST	85.0	42.0	79.6	43.5	3.2	2.5
NORTH AMERICA	49.2	41.6	31.1	41.4	0.8	0.3
ASIA PACIFIC	34.0	31.6	12.9	15.0	0.9	0.4
TOTAL FOR GROUP	1,263.6	1,052.5	706.0	735.6	59.2	42.8

Capital expenditure includes additions to goodwill, other intangible assets and property, plant and equipment.

(c) Company

The Company's business is to invest in its subsidiaries and hence it operates in a single segment.

3. JOINT VENTURES

(a) Share of post-tax profit/(loss) from Joint Ventures

2007	BEFORE EXCEPTIONAL ITEMS		EXCEPTIONAL ITEMS (NOTE 9)	TOTAL
	METRONET £M	OTHER £M	£M	£M
REVENUE	251.6	124.7	–	376.3
OPERATING EXPENDITURE	(250.7)	(124.4)	(60.9)	(436.0)
OPERATING PROFIT/(LOSS)	0.9	0.3	(60.9)	(59.7)
FINANCE COST	(19.5)	(4.3)	–	(23.8)
FINANCE INCOME	18.6	5.3	–	23.9
PROFIT/(LOSS) BEFORE TAXATION	–	1.3	(60.9)	(59.6)
TAXATION	–	0.6	13.6	14.2
SHARE OF POST-TAX PROFIT/(LOSS) FROM JOINT VENTURES	–	1.9	(47.3)	(45.4)

2006	METRONET £M	OTHER £M	DISPOSED £M	TOTAL £M
REVENUE	246.9	108.9	2.7	358.5
OPERATING EXPENDITURE	(235.1)	(108.5)	(1.5)	(345.1)
OPERATING PROFIT	11.8	0.4	1.2	13.4
FINANCE COST	(19.7)	(4.3)	(1.2)	(25.2)
FINANCE INCOME	18.7	4.6	1.3	24.6
PROFIT BEFORE TAXATION	10.8	0.7	1.3	12.8
TAXATION	(3.3)	(0.3)	(0.4)	(4.0)
SHARE OF POST-TAX PROFIT FROM JOINT VENTURES	7.5	0.4	0.9	8.8

(b) Investments in Joint Ventures	METRONET	OTHER	TOTAL
2007	£M	£M	£M
NON-CURRENT ASSETS			
OTHER NON-CURRENT ASSETS	322.9	65.9	388.8
	322.9	65.9	388.8
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	59.7	46.6	106.3
OTHER CURRENT ASSETS	71.1	68.9	140.0
	130.8	115.5	246.3
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	(82.7)	(125.5)	(208.2)
	(82.7)	(125.5)	(208.2)
NON-CURRENT LIABILITIES			
BORROWINGS	(349.9)	(82.5)	(432.4)
OTHER NON-CURRENT LIABILITIES	(21.1)	0.6	(20.5)
	(371.0)	(81.9)	(452.9)
SHARE OF NET LIABILITIES	-	(26.0)	(26.0)
LOANS TO JOINT VENTURES	-	-	-
INVESTMENTS IN JOINT VENTURES	-	(26.0)	(26.0)

The impairment charge in the year has been allocated to loans to Joint Ventures, goodwill and other non-current assets.

Notes to the financial statements Continued

(b) Investments in Joint Ventures continued

2006	METRONET £M	OTHER £M	TOTAL £M
NON-CURRENT ASSETS			
GOODWILL	7.8	–	7.8
OTHER NON-CURRENT ASSETS	314.4	53.8	368.2
	322.2	53.8	376.0
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	79.1	21.2	100.3
OTHER CURRENT ASSETS	29.4	70.8	100.2
	108.5	92.0	200.5
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	(47.9)	(44.9)	(92.8)
	(47.9)	(44.9)	(92.8)
NON-CURRENT LIABILITIES			
BORROWINGS	(251.5)	(76.9)	(328.4)
OTHER NON-CURRENT LIABILITIES	(87.1)	(24.7)	(111.8)
	(338.6)	(101.6)	(440.2)
SHARE OF NET ASSETS/(LIABILITIES)	44.2	(0.7)	43.5
LOANS TO JOINT VENTURES	2.7	–	2.7
INVESTMENTS IN JOINT VENTURES	46.9	(0.7)	46.2

(c) Metronet

On 4 April 2003, financial close was reached on the 30-year Metronet London Underground PPP in which the Group is a 20% equal partner.

At financial close, Atkins received £20.1m in respect of bid cost recoveries and project development fees from Metronet. In line with the Group's accounting policy in relation to pre-contract costs incurred on PPP/PFI investments, this sum was recognised on the balance sheet and will be released to the income statement over 30 years.

Atkins is required to invest £70m in Metronet by way of equity and shareholder subordinated debt over the first six years of the concession. During the year ended 31 March 2007, the Group invested £18.0m (2006: £11.2m). The outstanding investment required is £19.3m (2006: £37.3m) of which £15.6m was paid post year-end.

The contract

Metronet has two separate 30-year performance-based contracts which together cover over two-thirds of the London Underground network. The contracts, which are split into four 7½-year periods, cover inter alia the repair, refurbishment and modernisation of the infrastructure. The contracts are subject to periodic review at the end of each 7½-year period. The periodic reviews allow for restating the scope of the work, the level of payment, the contractual terms and the performance requirements.

Metronet has contracted with Trans4m Ltd, a Joint Venture company in which Atkins has a 25% shareholding, to undertake the civil engineering work and the refurbishment programme. Trans4m Ltd has signed a 7½-year contract with Atkins for premises and civil design, inspection and assessment work and the design and build of new communication systems.

Metronet's revenue consists of a fixed element (Underlying Infrastructure Service Charge) which is adjusted for performance. Performance is measured under three categories: capability, availability and ambience. Shareholder returns are sensitive to these performance-based measures.

Consolidation of Metronet's results

In line with the Group's accounting policies on Joint Ventures, the results of Metronet have been accounted for under the equity method of accounting.

As part of its consolidation of Metronet's balance sheet, Atkins initially recognised £8.7m of goodwill associated with liabilities inherited when the PPP companies were acquired from London Underground Limited. Under the transition rules for the implementation of IFRS this balance was frozen at the carrying amount on 1 April 2004 of £7.8m and will be subject to an annual impairment review. The carrying value of the Group's investment in Metronet has been fully impaired in the current year (see note 9).

4. OPERATING PROFIT

	GROUP		COMPANY	
	2007	2006	2007	2006
	£M	£M	£M	£M
OPERATING PROFIT IS ARRIVED AT AFTER CHARGING/(CREDITING)				
EMPLOYEE BENEFIT COSTS (SEE NOTE 6)	629.2	547.8	–	–
NET FOREIGN EXCHANGE LOSSES	1.0	0.5	0.2	0.3
DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT:				
– OWNED ASSETS	17.1	11.9	–	–
– ASSETS HELD UNDER FINANCE LEASES	3.4	2.8	–	–
LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	0.3	0.7	–	–
(REVERSAL OF IMPAIRMENT)/IMPAIRMENT OF TRADE RECEIVABLES:				
– INCLUDED IN COST OF SALES	(0.9)	4.3	–	–
– INCLUDED IN ADMINISTRATIVE EXPENSES	1.6	0.3	–	–
AMORTISATION OF INTANGIBLES (INCLUDED IN ADMINISTRATIVE EXPENSES):				
– ACQUISITION INTANGIBLES	0.6	–	–	–
– OTHER ASSETS	11.0	9.6	–	–
PAYMENTS UNDER OPERATING LEASES:				
– PLANT AND MACHINERY	7.7	6.7	–	–
– PROPERTY	23.8	20.8	–	–

Notes to the financial statements

Continued

Services provided by the Group's auditors

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2007	GROUP 2006	2007	COMPANY 2006
	£M	£M	£M	£M
STATUTORY AUDIT OF PARENT AND CONSOLIDATED COMPANIES' ANNUAL ACCOUNTS	0.2	0.1	0.1	0.1
TOTAL AUDIT SERVICES	0.2	0.1	0.1	0.1
AUDIT OF ACCOUNTS OF COMPANY SUBSIDIARIES PURSUANT TO LEGISLATION	0.7	0.6	–	–
OTHER SERVICES PURSUANT TO SUCH LEGISLATION	0.1	0.1	–	–
OTHER SERVICES RELATING TO TAXATION	0.2	0.2	–	–
ALL OTHER SERVICES	0.1	0.2	–	–
TOTAL NON-AUDIT SERVICES	1.1	1.1	–	–
TOTAL	1.3	1.2	0.1	0.1

The Atkins Pension Fund is audited by Baker Tilly and the audit fee for 2006 was £19,000. This audit fee was borne by the Group.

5. PROFIT ON DISPOSAL OF JOINT VENTURES (2006)

In line with the Group's stated strategy to recycle cash invested in PFI project companies at the appropriate time, the Group disposed of its 25% stake in South Manchester Healthcare (Holdings) Limited and its 42.5% stake in NewSchools (Penweddig) Holdings Limited during the previous financial year.

The disposal of South Manchester Healthcare (Holdings) Limited was completed on 23 November 2005 for a consideration of £7.8m resulting in a profit of £5.7m in the year to 31 March 2006. Atkins' contract for the maintenance and upkeep of the Wythenshawe Hospital NHS Trust estate will remain in place. The Group's share of post-tax profit from Joint Ventures up to the date of disposal in relation to South Manchester Healthcare (Holdings) Limited was £0.3m.

The disposal of NewSchools (Penweddig) Holdings Limited was completed on 22 December 2005 for a consideration of £1.4m resulting in a profit of £0.7m in the year to 31 March 2006. The Group's share of post-tax profit from Joint Ventures up to the date of disposal in relation to NewSchools (Penweddig) Holdings Limited was £0.6m.

The Joint Ventures disposed were both attributed to the Equity Investments segment.

6. EMPLOYEE BENEFIT COSTS

	2007 NUMBER	AVERAGE 2006 NUMBER	2007 NUMBER	YEAR-END 2006 NUMBER
NUMBER OF FULL-TIME EQUIVALENT PEOPLE (INCLUDING EXECUTIVE DIRECTORS) EMPLOYED BY THE GROUP BY CLASS OF BUSINESS:				
DESIGN AND ENGINEERING SOLUTIONS	3,927	3,456	4,373	3,639
HIGHWAYS AND TRANSPORTATION	2,962	2,690	2,954	2,734
RAIL	1,756	1,720	1,843	1,757
MIDDLE EAST AND CHINA	2,043	1,313	2,383	1,482
MANAGEMENT AND PROJECT SERVICES	2,147	1,973	2,201	2,062
ASSET MANAGEMENT	624	800	658	628
EQUITY INVESTMENTS	947	880	956	887
CORPORATE	485	468	502	462
	14,891	13,300	15,870	13,651

Aggregate employee benefit costs of those people amounted to:

	2007 £M	GROUP 2006 £M
WAGES AND SALARIES	510.4	446.4
PROFIT SHARE AND PERFORMANCE-RELATED BONUS	26.9	20.5
SOCIAL SECURITY COSTS	45.9	40.8
RETIREMENT BENEFIT COSTS (SEE NOTE 27)	40.9	37.1
SHARE-BASED PAYMENTS (SEE NOTE 30)	5.1	3.0
	629.2	547.8

2007 cost includes £1.1m of redundancy costs (2006: £1.0m).

Details of remuneration (including retirement benefits) and interests for directors are included in the Remuneration Report, which forms part of these financial statements. Details of remuneration for key management are included in note 37.

The Company has no employees (2006: nil).

Notes to the financial statements Continued

7. NET FINANCE (INCOME)/COST

	2007 £M	GROUP 2006 £M
INTEREST PAYABLE ON BORROWINGS	1.1	0.9
HIRE PURCHASE AND FINANCE LEASES	0.9	0.6
LETTERS OF CREDIT CHARGES	1.3	2.0
UNWINDING OF DISCOUNT	0.5	0.7
NET FINANCE COST ON RETIREMENT BENEFIT LIABILITIES	2.4	6.7
OTHER	0.5	0.3
FINANCE COST	6.7	11.2
FINANCE INCOME	(9.9)	(7.9)
NET FINANCE (INCOME)/COST	(3.2)	3.3

8. INCOME TAX EXPENSE

(a) Analysis of charge in the year

	2007 £M	GROUP 2006 £M
CURRENT INCOME TAX		
– CURRENT YEAR	18.5	13.2
– ADJUSTMENT IN RESPECT OF PRIOR YEAR	(4.5)	(0.4)
DEFERRED INCOME TAX (SEE NOTE 18)	3.7	5.1
INCOME TAX ON PROFIT PER INCOME STATEMENT	17.7	17.9
ADJUST FOR:		
– JOINT VENTURE TAXATION CHARGE	(0.6)	4.0
– INCOME TAX ON PROFIT ON DISPOSAL OF JOINT VENTURES	–	(0.5)
– TAX ON EXCEPTIONAL OPERATIONS	1.2	–
NORMALISED INCOME TAX EXPENSE	18.3	21.4
(LOSS)/PROFIT BEFORE TAX PER INCOME STATEMENT	(39.6)	74.8
ADJUST FOR:		
– JOINT VENTURE TAXATION	(0.6)	4.0
– PROFIT ON DISPOSAL OF JOINT VENTURES	–	(6.4)
– EXCEPTIONAL ITEMS	4.0	–
– EXCEPTIONAL ITEMS – JOINT VENTURES (POST TAX)	117.3	–
NORMALISED PROFIT BEFORE INCOME TAX	81.1	72.4
EFFECTIVE INCOME TAX RATE	(44.7)%	23.9%
NORMALISED EFFECTIVE INCOME TAX RATE	22.6 %	29.6%

(b) Factors affecting income tax expense

The income tax expense for the year is higher (2006: lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2007 %	GROUP 2006 %
UK STATUTORY INCOME TAX RATE:	30.0	30.0
INCREASE/(DECREASE) RESULTING FROM:		
EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	(3.4)	1.1
ADJUSTMENT IN RESPECT OF OVERSEAS TAX RATES	5.6	(0.7)
DISPOSAL OF JOINT VENTURES	–	(1.8)
EFFECT OF SHARE-BASED PAYMENTS	(1.3)	0.1
TAX ON JOINT VENTURES	1.3	(3.8)
JOINT VENTURES – EXCEPTIONAL	(35.8)	–
IMPAIRMENT OF INVESTMENT IN JOINT VENTURES	(53.1)	–
R&D TAX CREDIT	10.3	–
OTHER	1.7	(1.0)
EFFECTIVE INCOME TAX RATE	(44.7)	23.9

The normalised income tax expense for the year is lower (2006: lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2007 %	GROUP 2006 %
UK STATUTORY INCOME TAX RATE:	30.0	30.0
INCREASE/(DECREASE) RESULTING FROM:		
EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	1.6	1.1
ADJUSTMENT IN RESPECT OF OVERSEAS TAX RATES	(2.7)	(0.7)
EFFECT OF SHARE-BASED PAYMENTS	0.6	0.1
TAX ON JOINT VENTURES	(1.1)	0.1
R&D TAX CREDIT	(5.0)	–
OTHER	(0.8)	(1.0)
EFFECTIVE INCOME TAX RATE	22.6	29.6

(c) Income tax credit on items charged to equity

	RETIREMENT BENEFIT LIABILITY £M	SHARE-BASED PAYMENTS £M	2007 TOTAL £M	RETIREMENT BENEFIT LIABILITY £M	SHARE-BASED PAYMENTS £M	GROUP 2006 TOTAL £M
2007						
AT 1 APRIL	18.1	2.2	20.3	6.8	2.1	8.9
DEFERRED INCOME TAX	(9.6)	(0.5)	(10.1)	11.3	0.1	11.4
CURRENT INCOME TAX	–	1.6	1.6	–	–	–
AT 31 MARCH	8.5	3.3	11.8	18.1	2.2	20.3

Notes to the financial statements

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9. EXCEPTIONAL ITEMS

Metronet Joint Venture

During the year Metronet's operating performance was mixed and the stations and certain other capital programmes remain behind schedule. The costs of the programme are substantially higher than anticipated and as a result on 21 June 2007 Metronet gave notice to London Underground of its intention to invite the Arbitrator to conduct an Extraordinary Review for Metronet BCV in July and for Metronet SSL later in the year. The Arbitrator's review will determine the extent to which the additional costs in excess of the first £50m per infraco qualify for reimbursement by London Underground and is likely to take at least six to nine months to conduct. There is a risk that some of the additional costs will be borne by Metronet.

Metronet is currently unable to access its lending facilities. Metronet, its banks and shareholders are in discussion about how to ensure that Metronet is able to continue until the completion of the Extraordinary Review. Metronet's financial structure demands that a resolution of this issue is achieved if it is to continue to be able to deliver its PPP programme.

Given the current uncertainties associated with Metronet's funding position and the outcome of the Extraordinary Review process, the results for the Group for the year include an exceptional loss of £91.3m (after Joint Venture tax). This exceptional loss has no cash impact but reduces the carrying value of the Group's investment in Metronet to £nil.

Trans4m Joint Venture

Trans4m is primarily responsible for the delivery of improvements to stations, which as indicated above remain behind plan, and its costs have risen significantly. Trans4m has recently started awarding station contracts to outside contractors rather than using companies within its tied supply chain. To further address the stations programme, Metronet and its shareholders have recently reached agreement on heads of terms for the future early termination of Trans4m's contract. This agreement is subject to approval from Metronet's banks.

Trans4m bears a contractual share of the cost over-run together with penalties for late delivery of stations into service. Although Trans4m's liabilities for the cost over-runs are capped, the Group's results include an exceptional loss from Trans4m of £26.0m (after Joint Venture tax) to take account of the expected outturn for Trans4m's remaining contract.

The cash impact of this is expected to be around £30m, the majority of which will be paid by Atkins to Trans4m during the financial year ended 31 March 2008.

Atkins' supply chain

The work that Atkins carries out for Trans4m is primarily related to stations design. Given the changes to Trans4m's supply chain noted above, some of the work that Atkins was originally in line to undertake may now be carried out by other companies. As a result an exceptional loss of £4.0m is included in the results for the year to take account of expected future losses.

Our supply chain performance is expected to result in a cash outflow of around £35m during the year ending 31 March 2008, primarily in settlement of previously accounted for liabilities.

	2007	GROUP 2006
	£M	£M
OPERATING ENTITIES' EXCEPTIONAL ITEMS:		
ATKINS SUPPLY CHAIN EXCEPTIONAL LOSS INCLUDED IN OPERATING PROFIT	(4.0)	–
TAX CREDIT ON EXCEPTIONAL LOSS	1.2	–
OPERATING ENTITIES' POST-TAX EXCEPTIONAL LOSS	(2.8)	–
JOINT VENTURE ENTITIES' EXCEPTIONAL ITEMS		
IMPAIRMENT OF INVESTMENT IN METRONET	(70.0)	–
METRONET PPP PRE-TAX EXCEPTIONAL LOSS	(31.6)	–
TRANS4M LIMITED PRE-TAX EXCEPTIONAL LOSS	(29.3)	–
PRE-TAX EXCEPTIONAL LOSS FROM JOINT VENTURE ENTITIES	(130.9)	–
TAX CREDIT ON EXCEPTIONAL LOSS FOR JOINT VENTURE ENTITIES	13.6	–
JOINT VENTURE ENTITIES' POST-TAX EXCEPTIONAL LOSS	(117.3)	–
TOTAL POST-TAX EXCEPTIONAL LOSS	(120.1)	–

10. DIVIDENDS

	COMPANY AND GROUP			
	2007 PENCE	2006 PENCE	2007 £M	2006 £M
FINAL DIVIDEND PAID FOR THE YEAR ENDED 31 MARCH 2006 (2005)	11.5	8.0	11.6	7.9
INTERIM DIVIDEND PAID FOR THE PERIOD ENDED 30 SEPTEMBER 2006 (2005)	6.0	4.5	6.1	4.5
DIVIDENDS RECOGNISED IN THE YEAR	17.5	12.5	17.7	12.4
INTERIM DIVIDEND PAID FOR THE PERIOD ENDED 30 SEPTEMBER 2006 (2005)	6.0	4.5	6.1	4.5
FINAL DIVIDEND PROPOSED FOR THE YEAR ENDED 31 MARCH 2007 (2006)	14.0	11.5	14.2	11.5
DIVIDENDS RELATING TO THE YEAR	20.0	16.0	20.3	16.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The Employee Benefits Trusts, which held 3,251,358 ordinary shares (2006: 4,367,898), have agreed to waive a proportion of their dividends relating to the year. As at 31 March 2007 dividends in excess of 0.01 pence per share had been waived on 3,247,622 of the shares held in return for an equivalent gift. These arrangements reduced the dividend paid in year by £0.6m (2006: £0.5m) and the proposed final dividend by £0.5m (2006: £0.5m).

11. EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue during the year excluding shares held by the Employee Benefit Trusts (EBTs) which have not unconditionally vested in the employees.

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the number of options outstanding during the year. The options relate to the SAYE schemes, Equity Participation Plans and Long Term Incentive Plans.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	GROUP	
	2007 NUMBER ('000)	2006 NUMBER ('000)
NUMBER OF SHARES		
WEIGHTED AVERAGE NUMBER OF SHARES USED IN BASIC EPS (POST EXCEPTIONAL)	100,901	99,790
EFFECT OF DILUTIVE SECURITIES		
– SHARE OPTIONS	–	2,028
WEIGHTED AVERAGE NUMBER OF SHARES USED IN DILUTED EPS (POST EXCEPTIONAL)	100,901	101,818
	NUMBER ('000)	NUMBER ('000)
NUMBER OF SHARES		
WEIGHTED AVERAGE NUMBER OF SHARES USED IN NORMALISED BASIC EPS (PRE EXCEPTIONAL)	100,901	99,790
EFFECT OF DILUTED SECURITIES		
– SHARE OPTIONS	1,204	2,028
WEIGHTED AVERAGE NUMBER OF SHARES USED IN NORMALISED DILUTED EPS (PRE EXCEPTIONAL)	102,105	101,818

Notes to the financial statements

Continued

	£M	£M
EARNINGS		
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	(57.3)	56.9
PROFIT ON DISPOSAL OF JOINT VENTURES (NET OF TAXATION)	–	(5.9)
EXCEPTIONAL ITEMS	120.1	–
NORMALISED EARNINGS	62.8	51.0
	PENCE	PENCE
BASIC (LOSS)/EARNINGS PER SHARE (POST EXCEPTIONAL)	(56.8)	57.0
DILUTED (LOSS)/EARNINGS PER SHARE (POST EXCEPTIONAL)	(56.8)	55.9
NORMALISED BASIC EARNINGS PER SHARE (PRE EXCEPTIONAL)	62.2	51.1
NORMALISED DILUTED EARNINGS PER SHARE (PRE EXCEPTIONAL)	61.5	50.1

All of the above relate to continuing operations.

Normalised diluted EPS (before exceptional items) is considered to be a more representative measure of underlying trading.

12. PARENT COMPANY INCOME STATEMENT

The Company has not presented its own income statement as permitted by section 230 of the Companies Act 1985. The profit for the year attributable to equity shareholders was £4.9m (2006: £7.3m).

13. GOODWILL

	2007 £M	GROUP 2006 £M
COST AT 1 APRIL	43.1	36.5
ADDITIONS (NOTE 39)	30.0	5.6
DIFFERENCE ON EXCHANGE	(2.1)	1.0
COST AT 31 MARCH	71.0	43.1
AGGREGATE IMPAIRMENT AT 1 APRIL	7.5	7.2
DIFFERENCE ON EXCHANGE	(1.3)	0.3
AGGREGATE IMPAIRMENT AT 31 MARCH	6.2	7.5
NET BOOK VALUE AT 31 MARCH	64.8	35.6

Goodwill is tested for impairment in accordance with IAS 36, Impairment of assets at least annually. The recoverable amount of goodwill has been based on value in use as represented by the net present value of future cash flows. Cash flows are projected forward for five years based on approved budgets and plans, beyond which they are inflated by a GDP-based growth factor. They are then discounted using a discount rate based on the Group's post-tax nominal weighted average cost of capital.

Following the impairment test during the year and the prior year, no charge has been recognised through the income statement in respect of goodwill impairment.

The allocation of goodwill to cash-generating units has been completed during the year.

14. OTHER INTANGIBLE ASSETS

	ACQUISITION INTANGIBLES £M	CORPORATE INFORMATION SYSTEMS £M	SOFTWARE LICENCES £M	GROUP TOTAL £M
COST AT 1 APRIL 2005	–	15.3	4.0	19.3
ADDITIONS	–	–	8.3	8.3
ACQUISITIONS	0.5	–	–	0.5
DISPOSALS	–	–	(4.1)	(4.1)
COST AT 31 MARCH 2006	0.5	15.3	8.2	24.0
ADDITIONS	–	0.4	8.6	9.0
ACQUISITIONS	2.0	–	–	2.0
DISPOSALS	–	–	(8.0)	(8.0)
COST AT 31 MARCH 2007	2.5	15.7	8.8	27.0
AMORTISATION AT 1 APRIL 2005	–	6.6	1.9	8.5
AMORTISATION CHARGE FOR THE YEAR	–	2.9	6.7	9.6
DISPOSALS	–	–	(4.1)	(4.1)
AMORTISATION AT 31 MARCH 2006	–	9.5	4.5	14.0
AMORTISATION CHARGE FOR THE YEAR	0.6	3.0	8.0	11.6
DISPOSALS	–	–	(8.0)	(8.0)
AMORTISATION AT 31 MARCH 2007	0.6	12.5	4.5	17.6
NET BOOK VALUE AT 31 MARCH 2007	1.9	3.2	4.3	9.4
NET BOOK VALUE AT 31 MARCH 2006	0.5	5.8	3.7	10.0

Included within corporate information systems is £0.2m (2006: £0.4m) of internally generated intangible assets.

Notes to the financial statements

Continued

15. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND & PROPERTY £M	SHORT-TERM LEASEHOLD PROPERTY £M	PLANT, MACHINERY & VEHICLES £M	GROUP TOTAL £M
COST AT 1 APRIL 2005	10.1	8.2	72.3	90.6
ADDITIONS	–	3.2	25.7	28.9
DISPOSALS	–	–	(13.0)	(13.0)
DIFFERENCE ON EXCHANGE	–	0.1	0.5	0.6
COST AT 31 MARCH 2006	10.1	11.5	85.5	107.1
ADDITIONS	–	1.8	18.4	20.2
ACQUISITION OF SUBSIDIARY UNDERTAKING	–	0.1	0.4	0.5
DISPOSALS	–	–	(19.1)	(19.1)
DIFFERENCE ON EXCHANGE	–	(0.2)	(0.9)	(1.1)
COST AT 31 MARCH 2007	10.1	13.2	84.3	107.6
DEPRECIATION AT 1 APRIL 2005	7.0	3.0	46.4	56.4
DEPRECIATION CHARGE FOR THE YEAR	0.1	1.5	13.1	14.7
DISPOSALS	–	–	(11.8)	(11.8)
DIFFERENCE ON EXCHANGE	–	0.1	0.5	0.6
DEPRECIATION AT 31 MARCH 2006	7.1	4.6	48.2	59.9
DEPRECIATION CHARGE FOR THE YEAR	0.1	1.7	18.7	20.5
DISPOSALS	–	–	(18.2)	(18.2)
DIFFERENCE ON EXCHANGE	–	(0.2)	(0.6)	(0.8)
DEPRECIATION AT 31 MARCH 2007	7.2	6.1	48.1	61.4
NET BOOK VALUE AT 31 MARCH 2007	2.9	7.1	36.2	46.2
NET BOOK VALUE AT 31 MARCH 2006	3.0	6.9	37.3	47.2

The market value of freehold land and property is estimated at £11.2m (2006: £10.8m).

Included in plant, machinery and vehicles above are equipment and vehicles held under finance leases and hire purchase contracts as follows:

	2007 £M	2006 £M
COST	23.8	20.7
DEPRECIATION	(9.8)	(8.1)
NET BOOK VALUE	14.0	12.6

Additions to property, plant and equipment funded by finance leases were £5.8m (2006: £7.9m)

Included in the above are equipment and vehicles leased to customers under operating leases as follows:

	2007 £M	2006 £M
COST	3.4	3.2
DEPRECIATION	(2.1)	(1.7)
NET BOOK VALUE	1.3	1.5

Rents receivable from operating leases of £0.6m (2006: £0.6m) are included in revenue.

Notes to the financial statements Continued

16. INVESTMENTS IN SUBSIDIARIES

	SUBSIDIARIES £M	JOINT VENTURES £M	COMPANY TOTAL £M
COST AT 1 APRIL 2005	109.0	1.7	110.7
ADDITIONS	16.6	–	16.6
DISPOSALS	–	(1.7)	(1.7)
TRANSFERS TO OTHER GROUP COMPANIES	(14.8)	–	(14.8)
COST AT 31 MARCH 2006	110.8	–	110.8
ADDITIONS	–	–	–
DISPOSALS	–	–	–
COST AT 31 MARCH 2007	110.8	–	110.8
IMPAIRMENT AT 1 APRIL 2005	22.3	–	22.3
IMPAIRMENT CHARGE FOR THE YEAR	0.4	–	0.4
IMPAIRMENT AT 31 MARCH 2006	22.7	–	22.7
IMPAIRMENT CHARGE FOR THE YEAR	–	–	–
IMPAIRMENT AT 31 MARCH 2007	22.7	–	22.7
NET BOOK VALUE AT 31 MARCH 2007	88.1	–	88.1
NET BOOK VALUE AT 31 MARCH 2006	88.1	–	88.1

WS Atkins plc disposed of its investment in South Manchester Healthcare (Holdings) Limited on 23 November 2005 for a consideration of £7.8m resulting in a profit of £6.1m in the year to 31 March 2006.

During the previous year, WS Atkins plc transferred 100% of its interest in Atkins (US) Limited to WS Atkins International Limited in return for an increased investment in WS Atkins International Limited. This resulted in a profit on disposal of £1.8m.

The Group's principal subsidiaries are disclosed in note 40.

17. FINANCIAL ASSETS – NON-CURRENT

	2007 £M	GROUP 2006 £M
RESTRICTED CASH DEPOSITS	–	20.1

Restricted cash deposits relate to accounts where withdrawals are restricted under contractual agreements. The effective interest rate on restricted deposits in 2006 was 4.55%.

The directors consider that the carrying amount of restricted cash deposits approximates their fair value.

18. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2007	GROUP 2006
	£M	£M
DEFERRED TAX ASSETS:		
- DEFERRED TAX ASSET TO BE RECOVERED AFTER MORE THAN 12 MONTHS	85.1	99.1
- DEFERRED TAX ASSET TO BE RECOVERED WITHIN 12 MONTHS	4.9	4.7
	90.0	103.8
DEFERRED TAX LIABILITIES:		
- DEFERRED TAX LIABILITIES TO BE RECOVERED AFTER MORE THAN 12 MONTHS	-	-
- DEFERRED TAX LIABILITIES TO BE RECOVERED WITHIN 12 MONTHS	(0.2)	-
	(0.2)	-
DEFERRED TAX ASSET (NET)	89.8	103.8

(a) Deferred tax assets

	2007	GROUP 2006
	£M	£M
ACCELERATED DEPRECIATION	6.4	6.3
SHARE-BASED PAYMENTS	4.2	4.2
OVERSEAS	(0.2)	0.2
DEFERRED TAX ASSET ON RETIREMENT BENEFIT LIABILITIES	75.0	89.9
DEFERRED INCOME	4.3	3.2
AMORTISATION OF INTANGIBLES ON ACQUISITIONS	0.1	-
TOTAL DEFERRED INCOME TAX	89.8	103.8

(b) Analysis of movements during the year

	2007	GROUP 2006
	£M	£M
DEFERRED TAX ASSET AT 1 APRIL	103.8	97.5
DEFERRED TAX CHARGED TO THE INCOME STATEMENT (NOTE 8)	(3.7)	(5.1)
DEFERRED TAX (CHARGED)/CREDITED TO EQUITY (NOTE 8)	(10.1)	11.4
ACQUISITION THROUGH BUSINESS COMBINATION	(0.2)	-
DEFERRED TAX ASSET AT 31 MARCH	89.8	103.8

Notes to the financial statements Continued

19. TRADE AND OTHER RECEIVABLES

	2007 £M	GROUP 2006 £M	2007 £M	COMPANY 2006 £M
CURRENT ASSETS:				
TRADE RECEIVABLES	209.9	190.1	–	–
LESS: PROVISION FOR IMPAIRMENT OF RECEIVABLES	(11.8)	(12.2)	–	–
TRADE RECEIVABLES – NET	198.1	177.9	–	–
AMOUNTS RECOVERABLE ON CONTRACTS	43.6	50.5	–	–
AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS (NOTE 37)	–	–	8.5	21.9
AMOUNTS DUE FROM JOINT VENTURES (NOTE 37)	15.8	17.3	–	–
OTHER RECEIVABLES	20.8	19.7	–	–
PREPAYMENTS AND ACCRUED INCOME	5.7	7.5	–	–
	284.0	272.9	8.5	21.9
NON-CURRENT ASSETS:				
OTHER RECEIVABLES	0.1	1.5	–	–
	0.1	1.5	–	–

All non-current receivables are due within five years from the balance sheet date.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

20. INVENTORIES

	2007 £M	GROUP 2006 £M
RAW MATERIALS AND CONSUMABLES	0.4	0.2

The directors consider that the carrying amount of inventories approximates their fair value.

There were no amounts of inventories written off during the year (2006: £nil).

21. FINANCIAL ASSETS – CURRENT

	2007 £M	GROUP 2006 £M
MARKETABLE SECURITIES	30.3	20.7
RESTRICTED CASH DEPOSITS	19.3	–
	49.6	20.7

Restricted cash deposits relate to accounts where withdrawals are restricted under contractual agreements. The effective interest rates on restricted deposits was 4.81%.

22. CASH AND CASH EQUIVALENTS

	2007 £M	GROUP 2006 £M
CASH AT BANK AND IN HAND	53.9	62.0
SHORT-TERM BANK DEPOSITS	133.8	115.4
	187.7	177.4

Included in cash and cash equivalents above are amounts held by the Employee Benefit Trusts of £5.6m (2006: £5.6m).

23. BORROWINGS

	2007 £M	GROUP 2006 £M
CURRENT		
BANK LOANS	–	2.7
HIRE PURCHASE AND FINANCE LEASES	3.3	3.8
LOAN NOTES	0.4	–
	3.7	6.5
NON-CURRENT		
BANK LOANS	17.3	20.6
HIRE PURCHASE AND FINANCE LEASES	11.4	14.5
LOAN NOTES	5.8	–
	34.5	35.1

Loan notes relate to Group acquisitions (see note 39).

The maturity profile of the carrying amount of the non-current borrowings was as follows:

	HIRE PURCHASE AND FINANCE LEASES			2007 TOTAL £M	HIRE PURCHASE AND FINANCE LEASES			GROUP 2006 TOTAL £M
	BANK LOANS £M	FINANCE LEASES £M	LOAN NOTES £M	£M	BANK LOANS £M	FINANCE LEASES £M	LOAN NOTES £M	£M
REPAYABLE BETWEEN ONE AND TWO YEARS	–	3.7	2.7	6.4	–	3.6	–	3.6
REPAYABLE BETWEEN TWO AND FIVE YEARS	17.3	6.3	3.1	26.7	20.6	7.0	–	27.6
REPAYABLE AFTER MORE THAN FIVE YEARS	–	1.4	–	1.4	–	3.9	–	3.9
	17.3	11.4	5.8	34.5	20.6	14.5	–	35.1

Notes to the financial statements Continued

The carrying amount of the borrowings is denominated in the following currencies:

	HIRE PURCHASE AND FINANCE LEASES			2007 TOTAL £M	HIRE PURCHASE AND FINANCE LEASES			GROUP 2006 TOTAL £M
	BANK LOANS	FINANCE LEASES	LOAN NOTES		BANK LOANS	FINANCE LEASES	LOAN NOTES	
	£M	£M	£M		£M	£M	£M	
STERLING	–	14.7	6.2	20.9	–	18.3	–	18.3
US DOLLAR	6.5	–	–	6.5	10.2	–	–	10.2
EURO	4.4	–	–	4.4	5.6	–	–	5.6
SINGAPORE DOLLAR	1.2	–	–	1.2	1.2	–	–	1.2
HONG KONG DOLLAR	5.2	–	–	5.2	6.3	–	–	6.3
TOTAL	17.3	14.7	6.2	38.2	23.3	18.3	–	41.6

The minimum lease payments under finance leases fall due as follows:

	2007 £M	GROUP 2006 £M
NOT LATER THAN ONE YEAR	3.9	4.7
LATER THAN ONE YEAR BUT NOT MORE THAN FIVE YEARS	12.7	11.9
MORE THAN FIVE YEARS	0.4	3.9
	17.0	20.5
FUTURE FINANCE CHARGES ON FINANCE LEASES	(2.3)	(2.2)
PRESENT VALUE OF FINANCE LEASE PAYABLES	14.7	18.3

Bank borrowings bear interest rates fixed in advance for periods ranging from three to six months by reference to the relevant currency's inter-bank rate.

Finance leases are on a fixed repayment basis, with interest rates fixed at the contract date. The average effective borrowing rate was 7.2% (2006: 7.2%) over a weighted average remaining period of 33 months (2006: 34 months).

The carrying value of the Group's borrowings approximates their fair value.

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 March expiring as follows:

	2007 £M	GROUP 2006 £M
BETWEEN TWO AND FIVE YEARS	31.0	36.7

All of the Group's undrawn committed borrowing facilities will be subject to floating rates of interest.

The Group's principal borrowing facilities of £100.0m signed on 21 June 2006 are unsecured and include borrowings and letter of credit facilities. The total letters of credit in issue at 31 March 2007 was £51.7m. Our previous facility was a £60.0m borrowing facility.

At 31 March 2006 letters of credit of £44.7m were issued under a separate facility.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of forward currency contracts at the year-end, based on their market value, is detailed below.

GROUP	2007	2007	2006	2006
	BOOK VALUE £M	FAIR VALUE £M	BOOK VALUE £M	FAIR VALUE £M
FORWARD CURRENCY HEDGES	–	0.1	–	0.2

The Group did not use any derivative instrument during the year other than forward currency contracts and foreign exchange swaps to hedge foreign currency receipts and payments on current contracts. These will be transferred to the income statement when the related revenues and purchases are realised.

At 31 March 2007 the net future sterling receipts from these instruments was £12.3m (2006: £6.8m). The Group has reviewed all contracts for embedded derivatives and does not have any such instruments that are not closely related to the host contract.

25. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2007 £M	2006 £M	2007 £M	2006 £M
TRADE PAYABLES	39.1	39.1	–	–
FEES INVOICED IN ADVANCE	162.6	155.8	–	–
AMOUNTS DUE TO JOINT VENTURES	19.6	1.7	–	–
SOCIAL SECURITY AND OTHER TAXATION	40.7	34.3	–	–
DEFERRED CONSIDERATION ON ACQUISITIONS	0.2	1.2	–	–
DEFERRED PFI/PPP BID COSTS RECOVERED AND DEVELOPMENT FEES	0.9	0.8	–	–
ACCRUALS AND DEFERRED INCOME	119.1	118.9	–	–
OTHER PAYABLES	36.5	27.7	–	–
	418.7	379.5	–	–

Of the trade payables and accruals above, £0.3m relates to the purchase of property, plant and equipment (2006: £0.6m).

Amounts due to Joint Ventures includes the outstanding investment required in Metronet of which £15.6m was paid post year-end.

The prior year balance for deferred consideration represents the balance outstanding in respect of the purchase of MSL Engineering Limited on 31 March 2006. During the year this was re-classified to other non-current liabilities (£0.8m) and non-current borrowings – loan notes (£0.4m) as a result of finalising the accounting for the business combination. The current year balance represents the balance outstanding in respect of the purchase of Poolman Harlow Limited on 24 April 2006.

The directors consider that the carrying value of the Group's trade and other payables approximates their fair value.

Notes to the financial statements

Continued

26. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Falling due as follows:

	ONEROUS CONTRACTS £M	VACANT PROPERTY £M	2007 GROUP TOTAL £M	ONEROUS CONTRACTS £M	VACANT PROPERTY £M	2006 GROUP TOTAL £M
CURRENT	4.9	3.8	8.7	1.3	1.5	2.8
BETWEEN ONE AND TWO YEARS	0.8	1.4	2.2	1.0	1.3	2.3
BETWEEN TWO AND FIVE YEARS	1.9	2.8	4.7	2.4	2.3	4.7
OVER FIVE YEARS	6.4	1.0	7.4	2.4	2.3	4.7
NON-CURRENT	9.1	5.2	14.3	5.8	5.9	11.7
TOTAL	14.0	9.0	23.0	7.1	7.4	14.5
				ONEROUS CONTRACTS £M	VACANT PROPERTY £M	GROUP TOTAL £M
BALANCE AT 1 APRIL 2006				7.1	7.4	14.5
CHARGE TO INCOME STATEMENT				7.6	3.4	11.0
PROVISIONS UTILISED				(1.1)	(1.9)	(3.0)
UNWINDING OF DISCOUNT				0.4	0.1	0.5
BALANCE AT 31 MARCH 2007				14.0	9.0	23.0

The onerous contracts and vacant property provisions are discounted. No provision has been released or utilised for any purpose other than that for which it was established.

The onerous contracts provision relates to PFI school and hospital facilities management contracts in the Asset Management segment and Metronet Supply Chain. The provisions held are expected to be utilised over the next 23 years and 4 years respectively.

The vacant property provision is expected to be utilised over the next 13 years.

27. RETIREMENT BENEFIT LIABILITIES

The Group operates both defined benefit and defined contribution pension schemes. The two main defined benefit schemes are the Atkins Pension Plan and the Railways Pension Scheme, both of which are funded final salary schemes. The assets of both schemes are held in separate trustee-administered funds. Other pension schemes include the Atkins McCarthy Pension Plan in the Republic of Ireland, which is a final salary funded defined benefit scheme, and a range of defined contribution schemes or equivalent.

During the year the Group undertook discussions with the Trustees of the Atkins Pension Plan to explore ways of limiting any further increases in the Group's defined benefit liabilities. Subsequently a proposal involving the closure of the scheme to future accrual of benefit was put before the members of the scheme during a two-month consultation period that ended on 18 May 2007. The outcome of the consultation is currently being evaluated and a final decision regarding changes to the plan is expected shortly.

The defined benefit sections of all pension schemes are closed to new entrants, who are now offered membership of the defined contribution section.

Membership of the Group's principal pension schemes is as follows:

	DEFINED BENEFIT SCHEMES				DEFINED CONTRIBUTION SCHEMES			
	ATKINS PENSION PLAN		RAILWAYS PENSION SCHEME		ATKINS PENSION PLAN		F&G	
	2007 NUMBER	2006 NUMBER	2007 NUMBER	2006 NUMBER	2007 NUMBER	2006 NUMBER	2007 NUMBER	2006 NUMBER
MEMBERS	2,507	2,729	463	493	5,458	4,479	844	813
DEFERRED PENSIONERS	6,378	6,251	311	307	2,858	2,205	959	661
PENSIONERS	2,263	2,105	169	144	–	–	–	–
	11,148	11,085	943	944	8,316	6,684	1,803	1,474

The main assumptions used for the IAS 19 valuation of the retirement benefit liabilities for the Atkins Pension Plan and the Railways Pension Scheme are listed in the table below:

	2007	2006
PRICE INFLATION	3.10%	2.85%
RATE OF INCREASE OF PENSIONS IN PAYMENT		
– LIMITED PRICE INDEXATION	3.10%	2.85%
– LIMITED PRICE INDEXATION TO 2.5%	2.50%	2.50%
– FIXED	5.00%	5.00%
RATE OF INCREASE IN SALARIES	4.60%	4.35%
RATE OF INCREASE FOR DEFERRED PENSIONERS	3.10%	2.85%
DISCOUNT RATE	5.35%	5.00%
EXPECTED RATE OF RETURN ON PLAN ASSETS	6.70%	6.90%
EXPECTED RATE OF SOCIAL SECURITY INCREASES	3.10%	2.85%
LONGEVITY AT AGE 65 FOR CURRENT PENSIONERS		
– MEN	18.8 YEARS	18.7 YEARS
– WOMEN	21.8 YEARS	21.7 YEARS
LONGEVITY AT AGE 65 FOR FUTURE PENSIONERS (CURRENT AGE 45)		
– MEN	21.0 YEARS	20.9 YEARS
– WOMEN	24.0 YEARS	23.9 YEARS

The actuarial tables used to calculate the retirement benefit liabilities for the Atkins Pension Plan and the Railways Pension Scheme were PMA92 for males and PFA92 for females with adjustment to reflect experience and an age-rating allowance for future improvements made via a discount rate reduction of 0.25%.

Notes to the financial statements

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The components of the pension cost are as follows:

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2007				
COST OF SALES				
CURRENT SERVICE COST	18.1	4.1	0.3	22.5
TOTAL SERVICE COST	18.1	4.1	0.3	22.5
FINANCE COST/(INCOME)				
FINANCE COST	42.5	9.0	0.2	51.7
EXPECTED RETURN ON PLAN ASSETS	(38.2)	(10.8)	(0.3)	(49.3)
NET FINANCE COST/(INCOME)	4.3	(1.8)	(0.1)	2.4
TOTAL CHARGE TO INCOME STATEMENT FOR DEFINED BENEFIT SCHEMES	22.4	2.3	0.2	24.9
CHARGE FOR DEFINED CONTRIBUTION SCHEMES	–	–	16.0	16.0
TOTAL CHARGE TO INCOME STATEMENT	22.4	2.3	16.2	40.9
STATEMENT OF RECOGNISED INCOME AND EXPENSE				
(LOSS)/GAIN ON PENSION SCHEME ASSETS	(3.1)	6.4	0.1	3.4
CHANGES IN ASSUMPTIONS	28.3	0.2	(0.6)	27.9
ACTUARIAL GAIN/(LOSS)	25.2	6.6	(0.5)	31.3
DEFERRED TAX CHARGED TO EQUITY	(7.6)	(2.0)	–	(9.6)
ACTUARIAL GAIN/(LOSS) (NET OF DEFERRED TAX)	17.6	4.6	(0.5)	21.7
2006				
COST OF SALES				
CURRENT SERVICE COST	14.4	3.7	0.5	18.6
CURTAILMENT GAIN	(0.5)	–	–	(0.5)
TOTAL SERVICE COST	13.9	3.7	0.5	18.1
FINANCE COST/(INCOME)				
FINANCE COST	38.1	4.7	0.1	42.9
EXPECTED RETURN ON PLAN ASSETS	(30.5)	(5.4)	(0.3)	(36.2)
NET FINANCE COST/(INCOME)	7.6	(0.7)	(0.2)	6.7
TOTAL CHARGE TO INCOME STATEMENT FOR DEFINED BENEFIT SCHEMES	21.5	3.0	0.3	24.8
CHARGE FOR DEFINED CONTRIBUTION SCHEMES	–	–	12.3	12.3
TOTAL CHARGE TO INCOME STATEMENT	21.5	3.0	12.6	37.1
STATEMENT OF RECOGNISED INCOME AND EXPENSE				
GAIN ON PENSION SCHEME ASSETS	60.5	27.8	0.1	88.4
CHANGES IN ASSUMPTIONS	(108.7)	(17.3)	(0.1)	(126.1)
ACTUARIAL (LOSS)/GAIN	(48.2)	10.5	–	(37.7)
DEFERRED TAX CHARGED TO EQUITY	14.5	(3.2)	–	11.3
ACTUARIAL (LOSS)/GAIN (NET OF DEFERRED TAX)	(33.7)	7.3	–	(26.4)

The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2007				
DEFINED BENEFIT OBLIGATION	(867.3)	(185.3)	(5.6)	(1,058.2)
FAIR VALUE OF PLAN ASSETS	632.3	170.8	5.0	808.1
RETIREMENT BENEFIT LIABILITIES	(235.0)	(14.5)	(0.6)	(250.1)
	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2006				
DEFINED BENEFIT OBLIGATION	(843.6)	(173.8)	(4.5)	(1,021.9)
FAIR VALUE OF PLAN ASSETS	566.2	151.8	4.0	722.0
RETIREMENT BENEFIT LIABILITIES	(277.4)	(22.0)	(0.5)	(299.9)

Other includes the Atkins McCarthy defined benefit pension scheme and an unfunded pension obligation in relation to a former director, for £0.5m (2006: £0.5m).

The major categories of plan assets as a percentage of total plan assets are as follows:

	EXPECTED ASSET RETURN %	ATKINS PENSION PLAN %	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME %	RAILWAYS PENSION SCHEME £M
2007					
EQUITIES	7.50	61.3	387.8	80.2	137.0
BONDS	5.00	38.3	241.9	9.8	16.8
PROPERTY	6.40	–	–	9.7	16.5
OTHER/CASH	4.10	0.4	2.6	0.3	0.5
		100.0	632.3	100.0	170.8
	EXPECTED ASSET RETURN %	ATKINS PENSION PLAN %	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME %	RAILWAYS PENSION SCHEME £M
2006					
EQUITIES	7.50	67.3	381.0	83.1	126.2
BONDS	4.60	31.4	178.0	8.8	13.4
PROPERTY	5.95	–	–	8.9	13.5
OTHER/CASH	4.50	1.3	7.2	(0.8)	(1.3)
		100.0	566.2	100.0	151.8

The plan assets do not include any of the Group's own financial instruments or property occupied by the Group.

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Movements in the present value of the defined benefit obligation are as follows:

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2007				
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF YEAR	843.6	173.8	4.5	1,021.9
SERVICE COST	18.1	4.1	0.3	22.5
INTEREST COST	42.5	9.0	0.2	51.7
CHANGE OF ASSUMPTIONS	(28.3)	(0.2)	0.6	(27.9)
EMPLOYEE CONTRIBUTIONS	6.9	1.8	0.1	8.8
BENEFIT PAYMENTS	(15.5)	(3.2)	–	(18.7)
DIFFERENCE ON EXCHANGE	–	–	(0.1)	(0.1)
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	867.3	185.3	5.6	1,058.2

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2006				
DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF YEAR	687.6	152.1	4.2	843.9
SERVICE COST	14.4	3.7	0.5	18.6
INTEREST COST	38.1	4.7	0.1	42.9
CURTAILMENT GAIN	(0.5)	–	–	(0.5)
CHANGE OF ASSUMPTIONS	108.7	17.3	0.1	126.1
EMPLOYEE CONTRIBUTIONS	7.3	0.8	0.1	8.2
BENEFIT PAYMENTS	(12.0)	(4.8)	(0.7)	(17.5)
DIFFERENCE ON EXCHANGE	–	–	0.2	0.2
DEFINED BENEFIT OBLIGATIONS AT END OF YEAR	843.6	173.8	4.5	1,021.9

Movements in the fair value of the plan assets are as follows:

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2007				
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF YEAR	566.2	151.8	4.0	722.0
EXPECTED RETURN ON PLAN ASSETS	38.2	10.8	0.3	49.3
EMPLOYER CONTRIBUTIONS	39.6	3.2	0.6	43.4
EMPLOYEE CONTRIBUTIONS	6.9	1.8	0.1	8.8
BENEFITS PAID	(15.5)	(3.2)	–	(18.7)
ACTUARIAL (LOSS)/GAIN	(3.1)	6.4	0.1	3.4
DIFFERENCE ON EXCHANGE	–	–	(0.1)	(0.1)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	632.3	170.8	5.0	808.1

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2006				
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF YEAR	444.8	121.3	3.6	569.7
EXPECTED RETURN ON PLAN ASSETS	30.5	5.4	0.3	36.2
EMPLOYER CONTRIBUTIONS	35.1	1.3	0.7	37.1
EMPLOYEE CONTRIBUTIONS	7.3	0.8	0.1	8.2
BENEFITS PAID	(12.0)	(4.8)	(0.7)	(17.5)
ACTUARIAL GAIN	60.5	27.8	0.1	88.4
DIFFERENCE ON EXCHANGE	–	–	(0.1)	(0.1)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	566.2	151.8	4.0	722.0

Movements in the retirement benefit liabilities are as follows:

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2007				
RETIREMENT BENEFIT LIABILITIES AT BEGINNING OF YEAR	(277.4)	(22.0)	(0.5)	(299.9)
SERVICE COST	(18.1)	(4.1)	(0.3)	(22.5)
NET FINANCE (COST)/INCOME	(4.3)	1.8	0.1	(2.4)
CONTRIBUTIONS	39.6	3.2	0.6	43.4
ACTUARIAL GAIN/(LOSS)	25.2	6.6	(0.5)	31.3
DIFFERENCE ON EXCHANGE	–	–	–	–
RETIREMENT BENEFIT LIABILITIES AT END OF YEAR	(235.0)	(14.5)	(0.6)	(250.1)

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2006				
RETIREMENT BENEFIT LIABILITIES AT BEGINNING OF YEAR	(242.8)	(30.8)	(0.6)	(274.2)
SERVICE COST	(14.4)	(3.7)	(0.5)	(18.6)
NET FINANCE (COST)/INCOME	(7.6)	0.7	0.2	(6.7)
CURTAILMENT GAIN	0.5	–	–	0.5
CONTRIBUTIONS	35.1	1.3	0.7	37.1
ACTUARIAL (LOSS)/GAIN	(48.2)	10.5	–	(37.7)
DIFFERENCE ON EXCHANGE	–	–	(0.3)	(0.3)
RETIREMENT BENEFIT LIABILITIES AT END OF YEAR	(277.4)	(22.0)	(0.5)	(299.9)

Notes to the financial statements Continued

Cumulative net actuarial (losses)/gains recognised in equity are as follows:

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2007				
AT BEGINNING OF YEAR	(69.0)	8.6	–	(60.4)
NET ACTUARIAL GAIN/(LOSS) RECOGNISED IN THE YEAR	25.2	6.6	(0.5)	31.3
AT END OF YEAR	(43.8)	15.2	(0.5)	(29.1)

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2006				
AT BEGINNING OF YEAR	(20.8)	(1.9)	–	(22.7)
NET ACTUARIAL (LOSS)/GAIN RECOGNISED IN THE YEAR	(48.2)	10.5	–	(37.7)
AT END OF YEAR	(69.0)	8.6	–	(60.4)

The return on plan assets is as follows:

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2007				
EXPECTED RETURN ON PLAN ASSETS	38.2	10.8	0.3	49.3
ACTUARIAL (LOSS)/GAIN ON PLAN ASSETS	(3.1)	6.4	0.1	3.4
EXPERIENCE GAIN ON PLAN ASSETS	35.1	17.2	0.4	52.7

	ATKINS PENSION PLAN £M	RAILWAYS PENSION SCHEME £M	OTHER £M	TOTAL £M
2006				
EXPECTED RETURN ON PLAN ASSETS	30.5	5.4	0.3	36.2
ACTUARIAL GAIN ON PLAN ASSETS	60.5	27.8	0.1	88.4
EXPERIENCE GAIN ON PLAN ASSETS	91.0	33.2	0.4	124.6

History of experience gains and losses:

	2007 TOTAL	2006 TOTAL	2005 TOTAL
EXPERIENCE ADJUSTMENTS ON SCHEME ASSETS	£3.4M	£88.4M	£16.1M
PERCENTAGE OF SCHEME ASSETS	0.4%	12.2%	2.8%
EXPERIENCE ADJUSTMENTS ON SCHEME LIABILITIES	£27.9M	£(126.1)M	£(38.8)M
PERCENTAGE OF DEFINED BENEFIT OBLIGATION	(2.6)%	12.3%	4.6%
DEFINED BENEFIT OBLIGATION	£(1,058.2)M	£(1,021.9)M	£(843.9)M
FAIR VALUE OF PLAN ASSETS	£808.1M	£722.0M	£569.7M
RETIREMENT BENEFIT LIABILITY	£(250.1)M	£(299.9)M	£(274.2)M

The Group expects employer contributions to be paid during the financial year to 31 March 2008 will be c. £60.0m, of which £50.0m is in relation to the funding of the actuarial deficit, and employee contributions to be paid will be c. £4.0m. Expected benefit payments made directly by the Group to pensioners in the financial year to 31 March 2008 are £0.1m.

The approximate effect on the liabilities from changes in the main assumptions used to value the liabilities are as follows:

	CHANGE IN ASSUMPTION	EFFECT ON PLAN LIABILITIES	
		ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME
DISCOUNT RATE	INCREASE/DECREASE 0.5%	DECREASE/INCREASE 10.0%	DECREASE/INCREASE 9.0%
INFLATION	INCREASE/DECREASE 0.5%	INCREASE/DECREASE 6.5%	INCREASE/DECREASE 9.0%
REAL RATE OF INCREASE IN SALARIES	INCREASE/DECREASE 0.5%	INCREASE/DECREASE 2.0%	INCREASE/DECREASE 3.0%
LONGEVITY	INCREASE 1 YEAR	INCREASE 4.0%	INCREASE 3.0%

The effect of the change in inflation on liabilities assumes a corresponding increase in salary increases and inflation-related pension increases.

An alternative method of valuation to the projected unit method is a solvency basis, which is a discontinuance measure, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurer assuming all active members became deferred pensioners at that date. This amount represents the notional amount that would have been required at the balance sheet date to settle the retirement benefit liabilities if a defined benefit-type plan were to be wound up. The Group estimates the amounts required to settle its retirement benefit liabilities on a solvency basis at the balance sheet date are approximately £520.0m (Atkins Pension Plan) and £30.0m (Railways Pension Scheme).

28. OTHER NON-CURRENT LIABILITIES

	2007 £M	GROUP 2006 £M
DEFERRED PFI/PPP BID COSTS RECOVERED, DEFERRED CONSIDERATION AND DEVELOPMENT FEES:		
MATURING BETWEEN ONE AND TWO YEARS	2.6	1.8
MATURING BETWEEN TWO AND FIVE YEARS	2.7	3.6
MATURING AFTER MORE THAN FIVE YEARS	18.5	18.5
	23.8	23.9

The amount maturing between one and two years includes £0.8m deferred consideration outstanding in respect of the purchase of MSL Engineering Limited on 31 March 2006.

29. ORDINARY SHARES

	2007		COMPANY AND GROUP 2006	
	NUMBER OF SHARES	£M	NUMBER OF SHARES	£M
AUTHORISED				
AUTHORISED AT 1 APRIL AND 31 MARCH				
ORDINARY SHARES OF 0.5P EACH	150,000,000	0.8	150,000,000	0.8
ISSUED AND FULLY PAID ORDINARY SHARES OF 0.5P EACH				
AT 1 APRIL				
	104,451,799	0.5	104,450,418	0.5
ISSUED IN RESPECT OF:				
INTERNATIONAL SHARES/SAVE	-	-	1,381	-
AT 31 MARCH	104,451,799	0.5	104,451,799	0.5

Consideration for shares allotted in the year was nil (2006: £0.0m).

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30. SHARE-BASED PAYMENTS

Long-Term Incentive Plan

Atkins Long-Term Incentive Plan (LTIP) September 2006 onwards

A share plan for senior executives and key employees used to make awards to employees which are settled in equity, or, in limited circumstances, in cash. There are different performance targets for different categories of management. Awards made to executive directors and senior employees have 50% of the award subject to the Company's total shareholder return (TSR) performance relative to the constituents of the FTSE 250 Index (excluding investment trusts) on the date of the award. Full vesting of this portion of the award will take place if the Company is ranked in the upper quartile, 30% vesting will be achieved with a median ranking with pro rata vesting for intermediate performance. No vesting will occur for a ranking below median. 50% of the award is to be subject to the Company's real growth in normalised earnings per share (EPS) over the performance period.

For the 2006 awards the growth target required the increase to be more than 10% per annum above the UK Retail Price Index (RPI) in the three-year performance period to allow full vesting; if the increase is less than 4% per annum above the UK RPI then there will be no vesting. A sliding scale operates between 4% and 10% above the UK RPI. Awards made to other participants are subject solely to the EPS condition. As a general rule awards made to participants who leave employment prior to vesting will lapse. In the event that a participant leaves as a result of a qualifying reason they receive a pro-rated entitlement.

Atkins Long-Term Incentive Plan (LTIP) September 2003 to August 2006

A share plan for senior executives and key employees to make awards to employees which are settled in equity or, in limited circumstances, in cash. The performance condition is TSR with an EPS growth underpin measured over three financial years starting with the financial year beginning immediately after the award is granted. Full vesting of any award will take place for a top 20% ranking against a group of up to 16 comparator companies, 30% vesting for a median ranking and no award if TSR falls below the median. The EPS growth underpin is the UK RPI plus 2% per annum. As a general rule awards made to participants who leave employment prior to vesting will lapse. In the event that a participant leaves as a result of a qualifying reason they receive a pro-rated entitlement.

Atkins Long-Term Incentive Plan (LTIP) pre September 2003

A share plan for senior executives and key employees used to make awards to employees which are settled in equity. Awards have an EPS performance condition. EPS growth is required to be more than 12% per annum above the UK RPI in the relevant three-year performance period to enable all of the ordinary shares to be acquired, but if the EPS growth is less than 5% per annum above the UK RPI then none of the ordinary shares can be acquired. A sliding scale in relation to the number of ordinary shares that can be acquired operates for growth in EPS between 5% and 12% above the UK RPI. Participants are entitled to receive the benefit of dividends declared, without interest, on the shares subject to the award between vesting and exercise. As a general rule awards made to participants who leave employment prior to vesting will lapse. In the event that a participant leaves as a result of a qualifying reason they receive a pro-rated entitlement.

Atkins Pre-Tax Equity Participation Plan (Pre-Tax EPP)

A share plan for senior executives and key employees which was designed to encourage investment in the Group by taking all or part of their bonus in the form of a right to acquire ordinary shares (the Bonus Award) which, if retained for a three-year period, gave them a right to obtain a matching number of ordinary shares (the Matching Award). The right to the matching ordinary shares is subject to a performance condition identical to those in the WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan prior to amendment on 16 September 2003. Participants are entitled to receive the benefit of dividends declared following award, without interest, on the shares subject to the Bonus Award after exercise and the benefit of dividends declared, without interest, on the shares subject to the Matching Award between vesting and exercise. As a general rule Matching Awards made to participants who leave employment prior to vesting will lapse. In the event that a participant leaves as a result of a qualifying reason they receive a pro-rated entitlement.

Atkins Post-Tax Equity Participation Plan (Post-Tax EPP)

A share plan for senior executives and key employees which was designed to encourage investment in the Group by taking all or part of their bonus in the form of ordinary shares (the Deposited Shares) which, if retained for a three-year period, gave them a right to obtain a matching number of ordinary shares (the Matching Award). The right to the matching ordinary shares is subject to a performance condition identical to those in the WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan prior to amendment on 16 September 2003. Participants are entitled to receive the benefit of dividends declared, without interest, on the shares subject to the Matching Award between vesting and exercise. All awards have now vested.

WS Atkins Employees' Stock Option Plan (ESOP)

A share plan used to make awards to key employees in the US which is settled in equity or in cash and which permits options to be granted at an exercise price no lower than the market price of a share at the time of grant. Options vest after three years and must be exercised within ten years of the date of grant. All awards have now vested.

Atkins Restricted Stock Unit Plan (RSU)

A share plan used to make awards to key employees following the acquisition of Hanscomb. There is no performance condition but awards are restricted for three years from the date of award. As a general rule awards made to participants who leave employment prior to vesting will lapse. In the event that a participant leaves as a result of a qualifying reason they will receive their award in full.

Deferred Bonus Plan**Atkins Deferred Bonus Plan (DBP)**

A share plan for senior executives and key employees which is settled in equity or, in limited circumstances, in cash. There is no performance condition but awards are restricted for at least three years from the date of award. As a general rule awards made to participants who leave employment prior to vesting will lapse. In the event that a participant leaves as a result of a qualifying reason they will receive their award in full. In the case of awards to executive directors and senior executives, the value of the shares over which an award may be granted under the plan shall be taken to form part of the annual bonus payable to that participant. Awards may also be granted under the plan to employees below the level of senior executives which do not form part of their annual bonus (for instance, on recruitment of the employee).

Sharesave Schemes**Atkins Sharesave Scheme (Sharesave)**

A savings-related share option plan, under which employees save on a monthly basis, over a three-year period, towards the purchase of shares at a fixed price determined when the option is granted. The option price was set at a 20% discount to the market price at the time of grant. The option must be exercised within six months of maturity of the savings contract; otherwise it lapses. Participants leaving for a qualifying reason have six months in which to use their savings to exercise their options on a pro-rated basis. This plan has now closed.

The Group's share-based payments charge for the year of £5.1m (2006: £3.0m) has been included in administrative expenses in the income statement. There is no charge in the Company (2006: £nil).

The effect of the share-based payment transactions on the Group's result and financial position is as follows:

	2007 £M	GROUP 2006 £M
TOTAL EXPENSE RECOGNISED FOR EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS	4.9	3.0
TOTAL EXPENSE RECOGNISED FOR CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS	0.2	–
	5.1	3.0
CLOSING BALANCE OF LIABILITY FOR CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS	0.2	–

As at 31 March 2007 the following awards were outstanding:

	LTIPS ¹		DBP		SHARESAVE	
	NUMBER	WEIGHTED AVERAGE EXERCISE/ TRANSFER PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE/ TRANSFER PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE/ TRANSFER PRICE
AWARDS OUTSTANDING AT 1 APRIL 2005	3,086,871	0.98P	792,299	–	534,548	267.10P
GRANTED	469,100	–	323,028	–	–	–
EXERCISED/TRANSFERRED	(350,781)	3.69P	(259,629)	–	(476,875)	264.30P
LAPSED	(128,728)	–	(53,673)	–	(40,339)	305.20P
AWARDS OUTSTANDING AT 1 APRIL 2006	3,076,462	0.56P	802,025	–	17,334	259.00P
GRANTED	604,119	–	371,249	–	–	–
EXERCISED/TRANSFERRED	(875,806)	–	(220,107)	–	(8,980)	259.00P
LAPSED	(103,477)	–	(26,417)	–	(8,354)	–
AWARDS OUTSTANDING AT 31 MARCH 2007	2,701,298	0.61P	926,750	–	–	–

1. Including LTIP, Pre-tax EPP, Post-tax EPP, ESOP and RSU awards.

The weighted average share price at the date of exercise was 846.44p (2006: 687.50p).

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A summary of awards outstanding as at 31 March 2007 is as follows:

SCHEME	AWARD DATE	EXERCISE PRICE PENCE	SCHEME MATURITY YEARS	MAXIMUM TERM YEARS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE YEARS	AWARDS	AWARDS
						OUTSTANDING AT 31 MARCH 2007 NUMBER	EXERCISABLE AT 31 MARCH 2007 NUMBER
LTIPS							
LTIP (SEPT. 06 TSR/EPS ONWARDS)	11/09/06	0.0	3	3 to 10	9.16	186,719	–
LTIP (SEPT. 06 EPS ONWARDS)	11/09/06	0.0	3	3 to 10	8.77	385,900	–
LTIP (SEPT. 03 TO AUG. 06)	17/09/03 to 24/06/05	0.0	3 to 4	3 to 10	6.17	2,075,118	–
LTIP (PRE-SEPT. 03)	30/11/01 to 30/06/03	0.0	3	7 to 10	4.67	2,297	2,297
PRE-TAX EPP	18/11/01 to 30/06/03	0.0	3	7 to 10	0.90	6,282	6,282
POST-TAX EPP	18/07/01	0.0	3	7	1.30	82	82
ESOP	01/06/00 to 29/07/02	324.0 to 832.5	3	10	4.30	2,900	2,900
RSU	22/07/03 to 29/06/06	0.0	3	3	2.04	42,000	–
DEFERRED BONUS PLAN							
DBP	04/12/00 to 29/06/06	0.0	3 to 4	3 to 10	7.83	926,750	71,011
SHARESAVE SCHEMES							
SHARESAVE	22/08/02	259.2	3.25	3.75	0.00	–	–

On 29 June 2006 the Group issued awards over 325,414 shares to employees under the Atkins Deferred Bonus Plan (DBP) and 27,000 awards to employees under the Atkins Restricted Stock Unit Plan (RSU). On 28 July 2006 the Group issued a further 1,168 awards to employees under the DBP.

On 11 September 2006 the Group issued awards over 577,119 shares to employees under the Atkins Long Term Incentive Plan (LTIP). On 28 November 2006 the Group issued awards over 41,100 shares to employees under the DBP. On 7 December 2006 the Group issued awards over 3,567 shares to employees under the DBP.

At 31 March 2007 the Group's Employee Benefit Trusts held 3,251,358 shares (2006: 4,367,898 shares) at a nominal value of £0.0m (2006: £0.0m) and market value of £31.6m (2006: £35.6m).

For the purposes of valuing LTIP awards with market performance conditions, the Monte-Carlo model has been used to arrive at the share-based payments charge. The assumptions used in the model are as follows:

	LTIP 2007	LTIP 2006
RISK-FREE INTEREST RATE	N/A	5%
DIVIDEND YIELD	0%	2%
VOLATILITY	22.3%	26%
SHARE PRICE AT GRANT DATE		
– 24/06/2005	–	670.0p
– 01/12/2005	–	742.5p
– 11/09/2006	837.0p	–
OPTION LIFE	3 to 10 YEARS	3 to 10 YEARS
EXPECTED EXERCISE BEHAVIOUR		
– OPTIONS	100% in YEAR 4	70% YEAR 4 15% YEAR 5 10% YEAR 6 5% YEARS 7 to 10
– ALLOCATIONS	100% YEAR 4	100% YEAR 4

Volatility was determined based on the movement in the share price over a period prior to the grant date equal in length to the period over which the TSR condition applies, which equates to a three-year share price history (2006: a two-year share price history). The fair value of share plans involving market performance conditions takes into account market information.

In accordance with the rules of the plan, the Monte-Carlo model simulates TSR for the Company and a comparator group. In 2007 the comparator group consisted of the FTSE 250 excluding investment trusts (2006: a group of 15 competitor companies). The model takes into account historic dividends and share price volatilities for the Company and the comparator group to produce a predicted distribution of relative share performance. Awards that do not contain market performance conditions are valued at market value at date of award and discounted in the event that the award does not benefit from dividends during the vesting period.

The weighted average fair value of awards granted during the year was 797.50p (2006: 477.81p).

31. STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £M	SHARE PREMIUM ACCOUNT £M	MERGER RESERVE £M	RETAINED LOSS/ EARNINGS £M	EQUITY SHAREHOLDERS' (DEFICIT)/ FUNDS £M
GROUP					
BALANCE AT 1 APRIL 2005	0.5	62.4	8.9	(131.4)	(59.6)
PROFIT FOR THE YEAR	–	–	–	56.9	56.9
DIVIDENDS	–	–	–	(12.4)	(12.4)
ACTUARIAL LOSS ON RETIREMENT BENEFIT LIABILITIES	–	–	–	(26.4)	(26.4)
SHARE-BASED MOVEMENTS	–	–	–	3.2	3.2
EMPLOYEE BENEFIT TRUSTS	–	–	–	1.2	1.2
SHARE OF JOINT VENTURE FINANCIAL DERIVATIVES	–	–	–	(0.5)	(0.5)
NET DIFFERENCES ON EXCHANGE	–	–	–	1.5	1.5
BALANCE AT 31 MARCH 2006	0.5	62.4	8.9	(107.9)	(36.1)
LOSS FOR THE YEAR	–	–	–	(57.3)	(57.3)
DIVIDENDS	–	–	–	(17.7)	(17.7)
ACTUARIAL GAIN ON RETIREMENT BENEFIT LIABILITIES	–	–	–	21.7	21.7
SHARE-BASED MOVEMENTS	–	–	–	5.9	5.9
EMPLOYEE BENEFIT TRUSTS	–	–	–	0.1	0.1
SHARE OF JOINT VENTURE FINANCIAL DERIVATIVES	–	–	–	7.5	7.5
NET DIFFERENCES ON EXCHANGE	–	–	–	(0.2)	(0.2)
BALANCE AT 31 MARCH 2007	0.5	62.4	8.9	(147.9)	(76.1)
COMPANY					
BALANCE AT 1 APRIL 2005	0.5	62.4	8.9	42.7	114.5
PROFIT FOR THE YEAR	–	–	–	7.3	7.3
DIVIDENDS	–	–	–	(12.4)	(12.4)
BALANCE AT 31 MARCH 2006	0.5	62.4	8.9	37.6	109.4
PROFIT FOR THE YEAR	–	–	–	4.9	4.9
DIVIDENDS	–	–	–	(17.7)	(17.7)
BALANCE AT 31 MARCH 2007	0.5	62.4	8.9	24.8	96.6

Share capital

The balance of the share capital account represents the aggregate nominal value of all ordinary shares in issue.

Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares in issue.

Merger reserve

The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by shares where the Group took relief under section 131 of the Companies Act 1985 from the requirement to establish a share premium account.

Retained loss/earnings

The balance held in retained loss/earnings is the accumulated profits and losses of the Group. WS Atkins plc shares held by the EBTs are deducted from retained loss/earnings.

Goodwill that arose prior to 1 April 1997 amounting to £15.9m, of which positive and negative goodwill totalled £26.3m and £10.4m respectively, has been written off to retained loss/earnings.

Notes to the financial statements

Continued

32. CASH GENERATED FROM OPERATIONS

	2007 £M	GROUP 2006 £M	2007 £M	COMPANY 2006 £M
(LOSS)/PROFIT FOR THE YEAR	(57.3)	56.9	4.9	7.3
ADJUSTMENTS FOR:				
INCOME TAX (NOTE 8)	17.7	17.9	–	–
FINANCE INCOME (NOTE 7)	(9.9)	(7.9)	–	–
FINANCE COST (NOTE 7)	6.7	11.2	–	–
IMPAIRMENT OF INVESTMENTS IN JOINT VENTURES (NOTE 9)	70.0	–	–	–
SHARE OF POST-TAX LOSS/(PROFIT) FROM JOINT VENTURES (NOTE 3)	45.4	(8.8)	–	–
PROFIT ON DISPOSAL OF JOINT VENTURES (NOTE 5)	–	(6.4)	–	(6.1)
(PROFIT)/LOSS ON DISPOSAL OF SUBSIDIARIES (NOTE 16)	–	–	–	(1.8)
DEPRECIATION CHARGES (NOTE 15)	20.5	14.7	–	–
AMORTISATION CHARGES (NOTE 14)	11.0	9.6	–	–
AMORTISATION OF ACQUISITION INTANGIBLES	0.6	–	–	–
RELEASE OF DEFERRED INCOME (NOTE 25)	(0.1)	(0.8)	–	–
IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES (NOTE 16)	–	–	–	0.4
SHARE-BASED PAYMENT CHARGE (NOTE 30)	5.1	3.0	–	–
RESULT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT (NOTE 15)	0.3	0.7	–	–
MOVEMENT IN PROVISIONS (NOTE 26)	8.0	(0.1)	–	–
MOVEMENT IN INVENTORIES (NOTE 20)	(0.2)	–	–	–
MOVEMENT IN TRADE AND OTHER RECEIVABLES (NOTE 19)	(5.1)	(2.3)	13.4	26.5
MOVEMENT IN PAYABLES (NOTE 25)	14.3	42.4	(0.6)	(13.9)
MOVEMENT IN PENSIONS (NOTE 27)	(20.9)	(18.4)	–	–
CASH GENERATED FROM CONTINUING OPERATIONS	106.1	111.7	17.7	12.4

33. ANALYSIS OF NET FUNDS

	AT 31 MARCH 2006 £M	CASH FLOW £M	OTHER NON-CASH CHARGES £M	EXCHANGE MOVEMENT £M	AT 31 MARCH 2007 £M
CASH AND CASH EQUIVALENTS	177.4	12.5	–	(2.2)	187.7
FINANCIAL ASSETS	40.8	8.8	–	–	49.6
BORROWINGS DUE WITHIN ONE YEAR	(2.7)	2.7	(0.4)	–	(0.4)
BORROWINGS DUE AFTER ONE YEAR	(20.6)	1.6	(5.8)	1.7	(23.1)
FINANCE LEASES	(18.3)	4.0	(0.4)	–	(14.7)
NET FUNDS	176.6	29.6	(6.6)	(0.5)	199.1

34. CONTINGENT LIABILITIES

The Group has given indemnities in respect of overseas office overdrafts, performance bonds, advance payment bonds, Letters of Credit and import duty guarantees issued on its behalf. The amount outstanding at 31 March 2007 was £80.6m (2006: £66.7m) including £44.3m in respect of Metronet (2006: £37.3m). During the year £25.0m of additional Letters of Credit were issued to Metronet whilst £18.0m of the original Letters of Credit under the Shareholder Agreement were released. This resulted in a net movement of £7.0m. The indemnities, which arose in the ordinary course of business, are not expected to result in any material financial loss.

35. OPERATING LEASE ARRANGEMENTS

GROUP	2007		2006	
	PROPERTY £M	VEHICLES, PLANT AND EQUIPMENT £M	PROPERTY £M	VEHICLES, PLANT AND EQUIPMENT £M
FUTURE AGGREGATE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES EXPIRING:				
- WITHIN ONE YEAR	23.4	5.3	21.3	1.3
- LATER THAN ONE YEAR BUT LESS THAN FIVE YEARS	73.4	7.9	76.7	11.2
- AFTER FIVE YEARS	64.6	0.1	65.5	0.1
	161.4	13.3	163.5	12.6

The Company had no operating lease commitments as at 31 March 2007 (2006: nil).

GROUP	2007		2006	
	PROPERTY £M	VEHICLES, PLANT AND EQUIPMENT £M	PROPERTY £M	VEHICLES, PLANT AND EQUIPMENT £M
AMOUNTS RECEIVABLE UNDER NON-CANCELLABLE OPERATING LEASES EXPIRING:				
- WITHIN ONE YEAR	2.6	0.5	1.8	0.6
- LATER THAN ONE YEAR BUT LESS THAN FIVE YEARS	3.5	1.2	2.0	1.1
- AFTER FIVE YEARS	0.9	0.3	1.6	0.1
	7.0	2.0	5.4	1.8

The Company had no operating lease receivables as at 31 March 2007 (2006: nil).

36. CAPITAL AND OTHER FINANCIAL COMMITMENTS

	GROUP	
	2007 £M	2006 £M
CAPITAL EXPENDITURE CONTRACTED FOR BUT NOT INCURRED – PROPERTY, PLANT AND EQUIPMENT	1.8	1.6
GROUP SHARE OF CAPITAL COMMITMENTS OF JOINT VENTURES	408.5	984.9

The Group share of capital commitments of Joint Ventures includes £385.0m (2006: £950.9m) for Metronet. These capital commitments represent long-term contractual commitments under the 30-year Public Private Partnership (PPP) contract signed with London Underground Limited on 4 April 2003. The 30-year contract is broken down into four 7½-year periods.

In addition to the above, the Group is committed to make payments for equity and debt into Special Purpose Companies under Public Private Partnership (PPP) and Private Finance Initiative (PFI) contracts of £27.4m (2006: £44.9m).

37. RELATED PARTY TRANSACTIONS

Details of the directors' shareholdings, share options and remuneration are given in the Remuneration Report, which forms part of these financial statements.

Transactions with the retirement benefit schemes are shown in note 27.

Details of the Company's principal subsidiaries are shown in note 40 and principal Joint Ventures in note 41.

Notes to the financial statements Continued

(a) Group sales and purchases of goods and services to/from Joint Ventures

	2007 £M	GROUP 2006 £M
SALES OF GOODS AND SERVICES TO JOINT VENTURES		
– METRONET	10.1	6.8
– OTHER	113.3	96.5
	123.4	103.3
PURCHASES OF GOODS AND SERVICES FROM JOINT VENTURES		
– METRONET	0.2	0.2

(b) Group year-end balances arising from sales/purchases of goods and services to/from Joint Ventures and loans provided to Joint Ventures

	2007 £M	GROUP 2006 £M
RECEIVABLES FROM JOINT VENTURES		
– METRONET	1.0	1.7
– OTHER	14.8	15.6
	15.8	17.3
PAYABLES TO JOINT VENTURES		
– METRONET	19.3	1.7
– OTHER	0.3	–
	19.6	1.7
LOANS TO JOINT VENTURES		
– METRONET	–	2.7
	–	2.7

(c) Company sales/purchases of goods and services to/from subsidiaries

The Company did not sell any goods or services to subsidiaries during the year (2006: £nil). The Company did not purchase any goods or services from its subsidiaries during the year (2006: £nil).

(d) Company year-end balances with subsidiaries

	2007 £M	GROUP 2006 £M
RECEIVABLES FROM SUBSIDIARIES	8.5	21.9

Provision of goods and services to and purchases of goods and services from related parties were made at the rates charged to external customers. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of amounts owed by related parties and £nil has been charged to income and expense (2006: £nil).

(e) Key management compensation

Key management comprises the executive and non-executive directors, and certain senior managers who are members of the Group Executive.

	2007 £M	GROUP 2006 £M
SALARIES AND OTHER SHORT-TERM EMPLOYMENT BENEFITS	4.0	3.0
POST-EMPLOYMENT BENEFITS	0.3	0.3
TERMINATION BENEFITS	0.2	–
SHARE-BASED PAYMENTS	1.0	0.9
	5.5	4.2

38. EVENTS AFTER THE BALANCE SHEET DATE

In 2007, the UK government announced its intention to reduce the UK corporate income tax rate from 30 percent to 28 percent with effect from April 2008. As of 31 March 2007, the tax rate change was not substantively enacted. The deferred tax expense for 2007 would have decreased by approximately £0.2m and the effective tax rate by approximately 0.3 percent, had the change of nominal tax rate been substantively enacted as of the said date.

On 25 June 2007 contracts were exchanged for the disposal of LSH for an estimated consideration of £46.5m together with earn-out potential for a further £10m depending on LSH's performance in the year ending 31 March 2008. The profit on disposal is estimated to be approximately £20m assuming that no additional payments are made in relation to the performance in the year ending 31 March 2008.

39. BUSINESS COMBINATIONS

On 24 April 2006 the Group acquired 100% of the share capital of Poolman Harlow Limited, a UK registered entity, for a consideration of £0.6m, consisting of £0.4m cash consideration and £0.2m deferred consideration.

On 22 June 2006 the Group acquired 100% of the share capital of Mantix Limited, a UK registered entity, for cash consideration of £11.2m.

On 8 August 2006 the Group acquired 100% of the share capital of MSL Trinidad, a US registered entity, for a cash consideration of £0.1m.

On 30 November 2006 the Group acquired 100% of the share capital of Young & Butt Limited, a UK registered entity, for a consideration of £2.4m, consisting of £1.6m cash consideration and £0.8m deferred consideration relating to loan notes.

On 14 December 2006 the Group acquired 100% of the share capital of Boreas Consultants Limited, a UK registered entity, for a consideration of £3.9m, consisting of £2.9m cash consideration and £1.0m deferred consideration relating to loan notes.

On 19 March 2007 the Group acquired 100% of the share capital of the Advantage Business Group, a UK registered group, for a consideration of £19.5m, consisting of £15.3m cash consideration and £4.2m deferred consideration relating to loan notes.

GROUP	TOTAL PROVISIONAL CARRYING VALUE	PROVISIONAL FAIR VALUE ADJUSTMENTS	TOTAL PROVISIONAL FAIR VALUE
	£M	£M	£M
OTHER INTANGIBLE ASSETS	–	2.0	2.0
OTHER TANGIBLE ASSETS	0.5	–	0.5
ACCOUNTS RECEIVABLE	11.1	–	11.1
CASH BALANCES	3.9	–	3.9
CASH OVERDRAFT	(0.2)	–	(0.2)
SHORT-TERM TRADE AND OTHER PAYABLES	(8.6)	–	(8.6)
DEFERRED INCOME TAX LIABILITIES	(0.2)	–	(0.2)
CURRENT INCOME TAX LIABILITIES	(0.8)	–	(0.8)
	5.7	2.0	7.7
GOODWILL ON ACQUISITION			30.0
CONSIDERATION			37.7
CONSIDERATION:			
CASH PAID			31.5
DEFERRED CONSIDERATION			6.2
			37.7

Included in the goodwill recognised above are items that cannot be individually separated and reliably measured due to their nature. These include new customers and synergy benefits.

The initial accounting for these acquisitions has been determined provisionally. Any adjustments to the accounting required following finalisation of the fair values to be assigned to the acquired assets and liabilities will be recorded from the acquisition date within 12 months of the acquisition date. Additional goodwill of £0.7m was recognised for MSL Engineering Limited as a result of finalising the accounting for the business combination acquired on 31 March 2006.

Included in the Group's results for the year is £0.6m profit before taxation and £0.4m profit after taxation in relation to the acquisitions above. If the acquisitions had been made at the beginning of the year then the Group's results would have included £35.6m revenue, £2.3m profit before taxation and £1.6m profit after taxation for the year in relation to the acquisitions.

Notes to the financial statements

Continued

40. SUBSIDIARY UNDERTAKINGS

The following companies were the principal subsidiary undertakings as at 31 March:

	COUNTRY OF REGISTRATION/ INCORPORATION	CLASS AND PERCENTAGE OF SHARES HELD	NATURE OF BUSINESS
ATKINS CHINA LIMITED	CHINA	100% ORDINARY	CONSULTING ENGINEERS
ATKINS FACILITIES MANAGEMENT LIMITED	ENGLAND AND WALES	100% ORDINARY	PROPERTY SERVICES
ATKINS INVESTMENTS LIMITED ¹	ENGLAND AND WALES	100% ORDINARY	INVESTMENT COMPANY
ATKINS LIMITED ¹	ENGLAND AND WALES	100% ORDINARY	CONSULTING ENGINEERS
ATKINS METRO LIMITED	ENGLAND AND WALES	100% ORDINARY	HOLDING COMPANY
FAITHFUL+GOULD INC ¹	USA	100% ORDINARY	PROJECT AND PROGRAMME MANAGEMENT CONSULTANTS
FAITHFUL+GOULD LIMITED ¹	ENGLAND AND WALES	100% ORDINARY	QUANTITY SURVEYORS AND COST ESTIMATORS
LAMBERT SMITH HAMPTON GROUP LIMITED ¹	ENGLAND AND WALES	100% ORDINARY	PROPERTY CONSULTANTS
WS ATKINS & PARTNERS OVERSEAS ¹	GIBRALTAR	100% ORDINARY	CONSULTING ENGINEERS
WS ATKINS INSURANCE (GUERNSEY) LIMITED	GUERNSEY	100% ORDINARY	INSURANCE
WS ATKINS INTERNATIONAL LIMITED	ENGLAND AND WALES	100% ORDINARY	CONSULTING ENGINEERS

1. Owned by a subsidiary undertaking other than WS Atkins plc.

The percentage of the issued share capital held by the Group is equivalent to the percentage of voting rights held. The Group holds the whole of all classes of issued share capital.

All the above operate in the country of registration, except for WS Atkins & Partners Overseas which operates in the Middle East.

A full list of subsidiary companies will be filed at Companies House.

41. JOINT VENTURES

The following represents the principal Joint Ventures in which the Group participated during the year:

NAME	NATURE OF BUSINESS	PROPORTION OF SHARES HELD ²	DATE OF LAST AUDITED FINANCIAL STATEMENTS	EXTERNAL AUDITORS
METRONET BCV HOLDINGS LIMITED ¹	HOLDING COMPANY FOR THE INFRACO WHICH HAS CONTRACTED WITH LUL FOR THE REPAIRS, REFURBISHMENT AND MODERNISATION OF PART OF THE LONDON UNDERGROUND.	20.0%	31 MARCH 2006	DELOITTE & TOUCHE LLP
METRONET SSL HOLDINGS LIMITED ¹	HOLDING COMPANY FOR THE INFRACO WHICH HAS CONTRACTED WITH LUL FOR THE REPAIRS, REFURBISHMENT AND MODERNISATION OF PART OF THE LONDON UNDERGROUND.	20.0%	31 MARCH 2006	DELOITTE & TOUCHE LLP
MODERN HOUSING SOLUTIONS (PRIME) LIMITED ¹	RESPONSIBLE FOR THE MAINTENANCE AND UPGRADE OF MoD FAMILY ACCOMMODATION IN ENGLAND AND WALES.	25.0%	31 DECEMBER 2005	DELOITTE & TOUCHE LLP
RMPA HOLDINGS LIMITED ¹	HOLDING COMPANY FOR COMPANIES INVOLVED IN THE DESIGN, FINANCING AND CONSTRUCTION OF THE MoD GARRISON FACILITY AT COLCHESTER.	14.0%	31 MARCH 2006	KPMG AUDIT PLC
TRANS4M LIMITED ¹	MANAGING CONTRACTOR FOR THE PROVISION OF REFURBISHMENT AND MODERNISATION OF STATION ASSETS AND THE MAINTENANCE AND REMEDIATION OF CIVIL ASSETS AS PART OF THE LUL PPP.	25.0%	31 MARCH 2006	DELOITTE & TOUCHE LLP

All Joint Ventures operate in the United Kingdom unless otherwise stated.

1. Owned by a subsidiary undertaking other than WS Atkins plc.

2. Proportion of shares held is in respect of ordinary share capital. There are no special rights or constraints on the shares. There are no restrictions on distributions from any of these Joint Ventures.

Five year summary

Consolidated income statements for years ended 31 March

	IFRS 2007 £M	IFRS 2006 £M	IFRS 2005 £M	RESTATED ^{1,2} UK GAAP 2004 £M	RESTATED ^{1,2} UK GAAP 2003 £M
REVENUE (GROUP AND SHARE OF JOINT VENTURES)	1,639.9	1,411.0	1,157.3	1,241.8	1,012.2
REVENUE	1,263.6	1,052.5	955.0	991.8	935.3
COST OF SALES	(786.9)	(637.3)	(579.3)	(619.2)	(576.1)
GROSS PROFIT	476.7	415.2	375.7	372.6	359.2
ADMINISTRATIVE EXPENSES	(404.1)	(352.3)	(332.7)	(338.1)	(409.2)
OPERATING PROFIT	72.6	62.9	43.0	34.5	(50.0)
PROFIT ON DISPOSAL OF JOINT VENTURES	–	6.4	3.7	–	–
IMPAIRMENT OF INVESTMENT IN JOINT VENTURES	(70.0)	–	–	–	–
SHARE OF POST-TAX (LOSS)/PROFIT FROM JOINT VENTURES	(45.4)	8.8	10.2	14.5	4.9
(LOSS)/PROFIT FROM OPERATIONS	(42.8)	78.1	56.9	49.0	(45.1)
FINANCE INCOME	9.9	7.9	6.8	3.4	3.8
FINANCE COST	(6.7)	(11.2)	(10.7)	(10.0)	(5.8)
NET FINANCE INCOME/(COST)	3.2	(3.3)	(3.9)	(6.6)	(2.0)
(LOSS)/PROFIT BEFORE TAXATION	(39.6)	74.8	53.0	42.4	(47.1)
INCOME TAX EXPENSE	(17.7)	(17.9)	(14.1)	(18.5)	9.1
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	(57.3)	56.9	38.9	23.9	(38.0)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	–	–	–	13.5	–
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS	(57.3)	56.9	38.9	37.4	(38.0)
BASIC (LOSS)/EARNINGS PER SHARE					
– CONTINUING OPERATIONS	(56.8)P	57.0P	39.3P	24.8P	(41.1)P
– DISCONTINUED OPERATIONS	–	–	–	14.0P	–
	(56.8)P	57.0P	39.3P	38.8P	(41.1)P
DILUTED (LOSS)/EARNINGS PER SHARE					
– CONTINUING OPERATIONS	(56.8)P	55.9P	38.7P	24.5P	(41.1)P
– DISCONTINUED OPERATIONS	–	–	–	14.5P	–
	(56.8)P	55.9P	38.7P	39.0P	(41.1)P

1. Comparatives have been reformatted to present results in IFRS format. No adjustments have been made to reflect the differences in accounting treatment under IFRS compared to UK GAAP.

2. Comparatives have been restated following the adoption of FRS 19, UITF 34, UITF 38 and UITF 17, as amended.

Five year summary

Continued

Consolidated balance sheets at 31 March

	IFRS 2007 £M	IFRS 2006 £M	IFRS 2005 £M	IFRS 2004 £M	RESTATED ^{1,2} UK GAAP 2003 £M
ASSETS					
NON-CURRENT ASSETS					
GOODWILL	64.8	35.6	29.3	36.8	49.5
OTHER INTANGIBLE ASSETS	9.4	10.0	10.8	14.0	–
PROPERTY, PLANT AND EQUIPMENT	46.2	47.2	34.2	36.4	65.4
INVESTMENTS IN JOINT VENTURES	(26.0)	46.2	41.6	25.9	19.5
FINANCIAL ASSETS	–	20.1	20.1	20.1	–
DEFERRED INCOME TAX ASSETS	89.8	103.8	97.5	85.4	0.3
TRADE AND OTHER RECEIVABLES	0.1	1.5	2.7	4.6	8.3
	184.3	264.4	236.2	223.2	143.0
CURRENT ASSETS					
INVENTORIES	0.4	0.2	0.2	0.5	0.4
TRADE AND OTHER RECEIVABLES	284.0	272.9	266.7	255.5	235.6
FINANCIAL ASSETS	49.6	20.7	11.1	9.9	7.5
CASH AND CASH EQUIVALENTS	187.7	177.4	114.6	86.2	44.8
	521.7	471.2	392.6	352.1	288.3
LIABILITIES					
CURRENT LIABILITIES					
BORROWINGS	(3.7)	(6.5)	(2.6)	(4.0)	(53.1)
TRADE AND OTHER PAYABLES	(418.7)	(379.5)	(332.7)	(306.0)	(247.4)
CURRENT INCOME TAX LIABILITIES	(28.3)	(12.3)	(10.8)	(13.9)	(2.0)
PROVISIONS FOR LIABILITIES AND CHARGES	(8.7)	(2.8)	(2.8)	(2.3)	(2.1)
	(459.4)	(401.1)	(348.9)	(326.2)	(304.6)
NET CURRENT ASSETS/(LIABILITIES)	62.3	70.1	43.7	25.9	(16.3)
NON-CURRENT LIABILITIES					
BORROWINGS	(34.5)	(35.1)	(21.5)	(32.7)	(44.4)
PROVISIONS FOR LIABILITIES AND CHARGES	(14.3)	(11.7)	(11.1)	(8.3)	(2.7)
RETIREMENT BENEFIT LIABILITIES	(250.1)	(299.9)	(274.2)	(240.9)	(17.9)
OTHER NON-CURRENT LIABILITIES	(23.8)	(23.9)	(26.5)	(28.2)	(6.7)
	(322.7)	(370.6)	(333.3)	(310.1)	(71.7)
NET (LIABILITIES)/ASSETS	(76.1)	(36.1)	(53.4)	(61.0)	55.0
CAPITAL AND RESERVES					
ORDINARY SHARES	0.5	0.5	0.5	0.5	0.5
SHARE PREMIUM ACCOUNT	62.4	62.4	62.4	62.3	55.4
MERGER RESERVE	8.9	8.9	8.9	8.9	8.9
RETAINED LOSS	(147.9)	(107.9)	(125.2)	(132.7)	(9.8)
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS	(76.1)	(36.1)	(53.4)	(61.0)	55.0

1. Comparatives have been reformatted to present results in IFRS format. No adjustments have been made to reflect the differences in accounting treatment under IFRS compared to UK GAAP.

2. Comparatives have been restated following the adoption of FRS 19, UITF 34, UITF 38 and UITF 17, as amended.

Consolidated cash flow statements for the years ended 31 March

	IFRS 2007 £M	IFRS 2006 £M	IFRS 2005 £M	RESTATED ^{1,2} UK GAAP 2004 £M	RESTATED ^{1,2} UK GAAP 2003 £M
CONTINUING OPERATIONS					
(LOSS)/PROFIT FOR THE YEAR	(57.3)	56.9	38.9	23.9	(38.0)
ADJUSTMENTS FOR:					
INCOME TAX	17.7	17.9	14.1	18.5	(9.1)
FINANCE INCOME	(9.9)	(7.9)	(6.8)	(3.4)	(3.8)
FINANCE COST	6.7	11.2	10.7	10.0	5.8
IMPAIRMENT OF INVESTMENT IN JOINT VENTURES	70.0	-	-	-	-
SHARE OF POST-TAX LOSS/(PROFIT) FROM JOINT VENTURES	45.4	(8.8)	(10.2)	(14.5)	(4.9)
PROFIT ON DISPOSAL OF JOINT VENTURES	-	(6.4)	(3.7)	-	-
DEPRECIATION CHARGES	20.5	14.7	19.1	19.0	22.2
AMORTISATION CHARGES	11.6	9.6	8.7	7.8	11.1
RELEASE OF DEFERRED INCOME	(0.1)	(0.8)	(0.8)	(5.6)	-
IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	-	-	-	-	1.8
IMPAIRMENT OF GOODWILL	-	-	7.2	-	30.7
SHARE-BASED PAYMENT CHARGE	5.1	3.0	2.2	1.3	-
RESULT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	0.3	0.7	(0.4)	(0.1)	0.3
MOVEMENT IN PROVISIONS	8.0	(0.1)	2.8	6.0	4.6
WORKING CAPITAL MOVEMENTS	(11.9)	21.7	6.3	31.5	5.9
CASH GENERATED FROM CONTINUING OPERATIONS	106.1	111.7	88.1	94.4	26.6
DISCONTINUED OPERATIONS					
PROFIT FOR THE YEAR	-	-	-	13.5	-
MOVEMENT IN WORKING CAPITAL	-	-	-	20.8	-
CASH GENERATED FROM DISCONTINUED OPERATIONS	-	-	-	34.3	-
CASH GENERATED FROM OPERATIONS	106.1	111.7	88.1	128.7	26.6
INTEREST RECEIVED	9.8	7.6	7.0	3.5	3.3
INTEREST PAID	(2.4)	(2.4)	(2.4)	(8.0)	(5.5)
INCOME TAX RECEIVED/(PAID)	2.9	(10.9)	(18.3)	(3.1)	(1.8)
NET CASH FROM OPERATING ACTIVITIES	116.4	106.0	74.4	121.1	22.6
CASH FLOWS FROM INVESTING ACTIVITIES	(78.0)	(41.2)	(20.9)	(4.0)	(17.5)
CASH FLOWS FROM FINANCING ACTIVITIES	(25.9)	(2.9)	(25.6)	(69.4)	25.2
NET INCREASE IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS	12.5	61.9	27.9	47.7	30.3
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT BEGINNING OF YEAR	177.4	114.6	86.2	42.6	11.2
EFFECT OF EXCHANGE RATE CHANGES	(2.2)	0.9	0.5	(4.1)	1.1
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT END OF YEAR	187.7	177.4	114.6	86.2	42.6
FINANCIAL ASSETS	49.6	40.8	31.2	30.0	6.9
BORROWINGS DUE WITHIN ONE YEAR	(0.4)	(2.7)	-	(0.7)	(48.8)
BORROWINGS DUE AFTER ONE YEAR	(23.1)	(20.6)	(10.5)	(23.2)	(39.6)
FINANCE LEASES	(14.7)	(18.3)	(13.6)	(8.7)	(6.9)
NET FUNDS	199.1	176.6	121.7	83.6	(45.8)

1. Comparatives have been reformatted to present results in IFRS format. No adjustments have been made to reflect the differences in accounting treatment under IFRS compared to UK GAAP.

2. Comparatives have been restated following the adoption of FRS 19, UITF 34, UITF 38 and UITF 17, as amended.

Investor information

WS ATKINS PLC

Registered in England. Company No. 1885586

COMPANY SECRETARY AND REGISTERED OFFICE

Philip Davis
WS Atkins plc
Woodcote Grove
Ashley Road
Epsom
Surrey KT18 5BW

FINANCIAL CALENDAR

Ex-dividend date	15 August 2007
Record date	17 August 2007
Annual General Meeting	5 September 2007
Final dividend payment date	28 September 2007

SHAREHOLDER SERVICES

Registrar

Enquiries and notifications concerning dividends, share certificates, transfers and address changes should be sent to the Registrar, whose address is:

The Registrar

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0870 162 3100 from the UK or +44 20 8639 3399 from outside the UK.

Other shareholder enquiries should be addressed to the Company Secretary at the registered office.

Investor relations website

The Company's investor relations website can be visited at <http://ir.atkinsglobal.com>. Many commonly asked investor questions are addressed under the shareholder services section.

E-communications

Shareholders can choose to receive company communications electronically. To register please visit our shareholder services portal at www.myatkinsshare.com.

Dividend reinvestment plan (DRIP)

The Company offers a dividend reinvestment plan to shareholders as a cost-efficient way of increasing their shareholding in the Company. Should you wish to participate in the DRIP please contact the Registrar on 0870 162 3100 to request a mandate form and an explanatory booklet. Your completed mandate form must be received by the Registrar no later than 29 August 2007 if you wish your final dividend for the year to be reinvested to buy additional shares.

Amalgamation of accounts

Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name should write to the Registrar to have their accounts amalgamated.

Unsolicited mail

The Company is obliged by law to make its share register available to other organisations who may then use it for a mailing list. If you wish to limit the receipt of unsolicited mail you may do so by registering with the Mailing Preference Service (MPS). Registration can be made in writing to: The Mailing Preference Service (MPS), Freepost 29 LON20771, London W1E 0ZT or online at www.mpsonline.org.uk.

Gifting your shares to charity

If you only have a small number of shares whose value makes it uneconomic to sell them, you may wish to consider donating them to charity through ShareGift, an independent share donation scheme. The relevant share transfer form can be obtained from the Registrar. ShareGift is administered by the Orr Mackintosh Foundation, registered charity number 1052686. Further information may be obtained on +44 (0)20 7828 1151 or from www.ShareGift.org.

Identity theft

Identity theft is on the increase. Criminals may steal your personal information, putting your Atkins shareholding at risk.

Tips for protecting your Atkins shares:

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee.
- Keep all correspondence from the Registrar which shows your shareholder reference number in a safe place, or destroy correspondence by shredding.
- If you change address inform the Registrar in writing or via our shareholder services portal.
- Know when dividends are paid and consider having your dividend paid directly into your bank account. This will reduce the risk of the cheque being intercepted or lost in the post. If you change your bank account, inform the Registrar of the details of your new account. You can do this via post or online using our shareholder services portal. Respond to any letters the Registrar sends you about this.
- **If you receive a letter from the Registrar regarding a change of address or a dividend instruction but have not recently moved or requested a change to how you receive your dividends please contact them immediately as you may have been a victim of identity theft.**
- If you are buying or selling shares only deal with brokers registered in your country of residence or the UK.

Environmental statement

This annual report is printed on paper, which boasts the following environmental credentials:

100% recycled fibre

TCF (Totally Chlorine Free) fibre

Totally recyclable bio-degradable

NAPM recycled certification

