

Remuneration report

Introduction

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

The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration 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). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information Remuneration Committee

The Company's Remuneration Committee comprises Struan Robertson, James Morley and Lord Boyce, all independent Non-Executive Directors. The Committee is chaired by Struan Robertson. Lord Boyce was appointed as a member of the Committee on 5 May 2004. Frances Heaton was also a member of the Committee until her retirement from the Board on 16 September 2003.

The Remuneration Committee reviews, on behalf of the Board, 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 the Group Company Secretary and key Senior Managers reporting directly to the Chief Executive.

In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive, the Human Resources Director and, where required, the Group Company Secretary about its proposals. No Director or Senior Manager attends meetings at which his own remuneration is under consideration.

The Committee appointed, and continues to use, New Bridge Street Consultants LLP to provide advice on structuring executive remuneration packages. New Bridge Street Consultants LLP do not provide any other services to the Group. Clifford Chance LLP provides legal advice on incentive schemes when required.

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 the Group's business objectives and to align their interests with those of shareholders. The Group strives to link payment to performance and thereby create a performance culture.

The Committee, following a complete review of remuneration during 2003, continues to monitor the following constituent elements to ensure that they offer the best available incentive to Executive Directors and key Senior Managers to enhance shareholder value:

- basic salary and other benefits;
- performance bonus payable for the achievement of in-year targets;
- long term share incentives; and
- retirement benefits.

The Company's bonus and long term incentive plans provide Executive Directors and key Senior Managers with the opportunity to increase overall remuneration levels to the upper quartile for comparable businesses but only following the achievement of demanding performance targets.

Basic salary and other benefits

The Committee monitors the salary levels for the Chairman, Executive Directors and key Senior Managers against those paid in the market annually, taking account of the size and range of responsibilities held.

The Committee has supported the Chief Executive's drive towards performance based pay by resolving to keep salaries for the year ending 31 March 2005 unchanged for the Executive Directors and certain key Senior Managers, replacing pay increases with a Performance Salary Incentive (PSI).

PSI will pay a cash bonus subject to exceeding budgeted Group targets and is therefore self-funding. Potential PSI bonuses will range from 0-12% of basic salary depending on performance against targets. The PSI is non-contractual and non-pensionable.

Other benefits for Executive Directors include a car allowance or a car and payment of its operating expenses and fuel, life assurance and entitlement to a non-contributory private health care scheme.

Performance bonus payments

Executive Directors are eligible to receive a bonus of up to 60% of their basic salary and PSI 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, are reviewed annually by the Remuneration Committee. In exceptional circumstances, the Committee may increase the bonus to pay out up to 80% of basic salary and PSI.

Key Senior Managers are also eligible to receive a bonus for the achievement of Group, business unit and personal targets.

Executive Directors and key Senior Managers are required to take a minimum of one-third of any bonus exceeding £15,000 in the form of an award over shares, under the terms of the WS Atkins Deferred Bonus Plan. The first awards under the Plan to Executive Directors were made on 25 June 2004. The Plan 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.

Bonus awards are non-pensionable and non-contractual.

Long term share incentives

At the AGM held on 16 September 2003 shareholders approved modifications to an existing long term share incentive scheme, which was renamed the WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan (LTIP).

The performance condition of the LTIP is total shareholder return (TSR) with an earnings per share (EPS) 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% for a median ranking and no award if TSR falls below the median. The EPS underpin is the UK Retail Price Index (RPI) plus 2% per annum.

The Remuneration Committee chooses appropriate comparator companies for each year's grant. The comparator companies for the 2004 grant included AEA Technology plc, Amec plc, WS Atkins plc, Balfour Beatty plc, Capita plc, Carillion plc, Interserve plc, Jarvis plc, Kier plc, McAlpine plc, Mouchel Parkman plc, Mowlem plc, RPS Group plc, Serco plc and WSP Group plc (with a discretion for the Remuneration Committee to add or remove companies to take account of change in circumstances). The Remuneration Committee reviews the comparator group of companies annually.

The Committee considers that the combination of TSR and EPS ensures that management is rewarded for delivering both absolute and relative growth performance against similar companies.

Awards made under this plan prior to its amendment on 16 September 2003 have a different performance condition. These awards require the increase in EPS 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 may be acquired operates for growth in EPS between 5% and 12% above the UK RPI.

All-employee share plans

Shareholders gave approval for a Share Incentive Plan (SIP) on 8 August 2000. The Plan, which is approved by the Inland Revenue, was not operated in the year ending 31 March 2004. The Company plans to implement the SIP for all UK employees in November 2004 in place of the UK Sharesave Scheme. All UK employees and the Executive Directors will be eligible to participate in the SIP.

The Company will seek shareholder approval at the forthcoming AGM to update the rules of the SIP in line with current market practice. A full explanation of the amendment can be found in the Notice of Meeting.

An International Sharesave scheme for non-UK resident employees is operated in some countries. An Employees' Stock Purchase Plan has been operated in previous years in the USA. It is not intended to grant options under these schemes during the year ending 31 March 2005.

Summary of closed share plans

Executive Directors continue to participate in the Equity Participation Plan (EPP), which has now been closed to new grants. The EPP was designed to encourage participants to invest in the Group by taking all or part of their bonus in the form of ordinary shares or a right to acquire ordinary shares, which if retained for a three year period, gave participants a right to obtain a matching number of ordinary shares. The right to the matching ordinary shares is subject to performance conditions similar to those in the LTIP prior to amendment on 16 September 2003.

Retirement benefits

Pension and retirement benefits provided to the Chairman and Executive Directors are comparable to those provided by other companies.

The pension arrangement provided for Stephen Billingham is within the WS Atkins Staff Retirement Benefits Plan (the Plan) which is approved by the Inland Revenue. The Plan is administered by a board of Trustees. He is a member of a defined benefit section of the Plan, which provides a 40ths accrual rate of pensionable pay and has a normal retirement age of 60. His pension is subject to the Inland Revenue earnings cap.

As from 1 April 2003, the pension benefits in respect of Michael Jeffries are being provided under an Executive Pension Plan on a defined contribution basis.

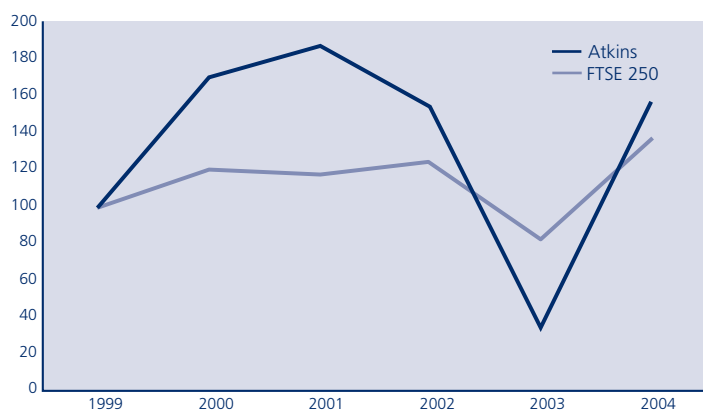
Keith Clarke's pension benefits are made on a defined contribution basis and are being provided under an individual Stakeholder arrangement.

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Performance graph

The following graph shows the Company's performance, measured by total shareholder return (TSR), 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. The Company has outperformed the FTSE 250 for most of the past five years.



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 Group's shares, it measures the percentage growth in the Group's share price together with the value of any dividends paid.

Directors' contracts

The Service Agreements of the Chairman and Executive Directors are summarised in the table below:

Name of Director	Date of contract	Notice period
Stephen Billingham	2 October 2002	12 months
Keith Clarke	12 September 2003	12 months
Michael Jeffries	9 July 1996	12 months
Robert MacLeod	14 July 2004	12 months

The notice period for Keith Clarke and Robert MacLeod is 12 months. Notice may not be served by the Company for any reason other than unsatisfactory performance by Mr Clarke during the first 12 months of his employment. In the event of unsatisfactory performance, the notice period for Mr Clarke and Mr MacLeod is reduced to 3 months. Both 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.

The Service Agreements of Stephen Billingham, Keith Clarke, Michael Jeffries and Robert MacLeod do not provide for predetermined amounts of compensation in the event of early termination of their service contracts.

The Service Agreements of the Chairman and the Executive Directors will terminate when the Director reaches the age of 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.

Non-Executive Directors

The 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. The table below summarises the dates of appointment and most recent re-election dates for each of the Non-Executive Directors:

Name of Director	Date of appointment as a Non-Executive Director	Date of last re-election at Annual General Meeting
Lord Boyce	5 May 2004	n/a ⁽³⁾
Frances Heaton ⁽¹⁾	1 April 1990	1 October 2002
Christopher Kemball	14 May 2002	1 October 2002
Paul Marsh ⁽²⁾	14 May 2002	1 October 2002
James Morley	1 January 2001	16 September 2003
Struan Robertson	1 August 2000	7 August 2001
Sir Peter Williams	5 May 2004	n/a ⁽³⁾

(1) Frances Heaton retired as a Director on 16 September 2003.

(2) Paul Marsh resigned as a Director on 10 April 2003.

(3) Lord Boyce and Sir Peter Williams will stand for re-election at the AGM to be held on 7 September 2004.

The remuneration of the Non-Executive Directors is determined by the Board 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. Shareholders will be asked to approve an increase in this limit (fixed since 1996) at the forthcoming AGM. The annual fees are specific to each Director reflecting their individual commitments to the Board and various Board committees. 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. Each Non-Executive Director withdraws from the meeting at which discussions in respect of matters relating to their own position take place.

Audited information

Directors' emoluments

The aggregate emoluments in respect of their roles as Directors, excluding pensions, of the Directors of the Company who served during the year:

	Salary/fees £000		Bonus and profit share ⁽⁵⁾ £000		Other benefits ⁽⁶⁾ £000		Other payments £000		Non-cash emoluments £000		Total ⁽¹²⁾ £000	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Executive Directors												
Stephen Billingham	242	113	152	2	12	6	50 ⁽⁸⁾	–	–	140 ⁽¹¹⁾	456	261
Keith Clarke ⁽¹⁾	208 ⁽⁴⁾	–	60	–	2	–	150 ⁽⁹⁾	–	40 ⁽¹⁰⁾	–	460	–
Michael Jeffries	318	238	154	251	3	18	–	–	–	–	475	507
Total Executive Directors	768	351	366	253	17	24	200	–	40	140	1,391	768
Non-Executive Directors												
Frances Heaton ⁽²⁾	24	36	–	–	1 ⁽⁷⁾	2	–	–	–	–	25	38
Christopher Kemball	34	25	–	–	–	–	–	–	–	–	34	25
Paul Marsh ⁽³⁾	–	20	–	–	–	–	–	–	–	–	–	20
James Morley	34	28	–	–	–	–	–	–	–	–	34	28
Struan Robertson	38	31	–	–	–	–	–	–	–	–	38	31
Total Non-Executive Directors	130	140	–	–	1	2	–	–	–	–	131	142

(1) Keith Clarke was appointed a Director on 1 October 2003.

(2) Frances Heaton retired as a Director on 16 September 2003.

(3) Paul Marsh resigned as a Director on 10 April 2003.

(4) Mr Clarke has a contractual entitlement to receive 25% of salary as a pension payment. £20,276 of the total 'salary/fees' payment is in respect of the entitlement which could not be paid into his individual Stakeholder arrangement as a result of the Inland Revenue's earnings cap.

(5) Bonus and profit share refers to amount payable in cash.

(6) Other benefits include such items as company cars, fuel and medical insurance.

(7) Other benefits relate to the re-imbusement of business expenses to Francis Heaton.

(8) Other payments relate to the payment of a separate bonus of £50,000 to Stephen Billingham in respect of his secondment to Metronet.

(9) Other payments of £150,000 relate to a payment agreed in Keith Clarke's Terms and Conditions of employment upon joining the Company.

(10) Keith Clarke was required to take a minimum of one-third of his bonus in the form of a right to acquire shares under the WS Atkins Deferred Bonus Plan (DBP). Prior to 31 March 2004 he elected to receive 40% of his bonus as a right to acquire shares. An award of shares to an aggregate value of £40,000 was granted on 25 June 2004 based on the closing mid-market price on 24 June 2004. This translates into an option over 6,849 shares subject to the terms of the DBP.

(11) Stephen Billingham elected to take his bonus in the form of a right to acquire shares under the WS Atkins Pre-Tax Equity Participation Plan (Pre-Tax EPP).

(12) Total excludes pension contributions which are detailed under the heading Directors' retirement benefits below.

Additional notes

Ric Piper, who resigned as a Director on 1 October 2002, received a payment of £5,992.49 during the year. This amount, which is equivalent to the amount of dividends paid per share in the financial years up to the exercise date, became payable to him following the exercise of his Bonus Award granted under the terms of the Pre-Tax EPP.

Robin Southwell, who resigned as a Director on 30 September 2002, received a payment of £406.39 during the year. This amount, which is equivalent to the amount of dividends paid per share in the financial years up to the exercise date, became payable to him following the exercise of his Bonus Award granted under the terms of the Pre-Tax EPP. As disclosed in last year's remuneration report, prior to the termination of his employment on 30 September 2002, Robin Southwell had made a personal investment of 48,321 ordinary shares in the acquisition of deposited shares under the Geared Option Scheme. The rules were adjusted so that these deposited shares were not automatically forfeited on termination of his employment. The deposited shares remain subject to risk of forfeiture but will be released in full if the Company's share price recovers to the amount originally paid by Robin Southwell, namely 675 pence. The note in last year's remuneration report is amended accordingly.

Robert MacLeod, who was appointed a Director on 23 June 2004, will receive an annual salary of £180,000 and be subject to the Group's existing remuneration policy.

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Directors' retirement benefits

All Executive Directors receive life assurance cover equal to four times basic salary.

In the event of death whilst in employment, Stephen Billingham's spouse, in addition to the above life assurance cover, would receive a pension equal to half of his pension entitlement based on his completed pensionable service to date of death, plus a service uplift of the lesser of future service to age 60 and 10 years. Children's allowances would be paid in addition where they were in full time education. In the event of his early retirement through ill health, a pension may become payable at the discretion of the Trustees of the Plan. Any retirement, spouse's pensions or children's allowances would be increased in line with RPI subject to a maximum of 5% per annum.

The amounts below show the pension entitlement that would be paid annually on retirement based on service to the end of the year.

Name	Age at 31.03.04	Years of service at 31.03.04	Accrued entitlement at year end 31.03.04 £000 p.a.	Accrued entitlement at year end 31.03.03 £000 p.a.	Increase in accrued benefit during the year ended 31.03.04 £000	Accrued transfer value at year end 31.03.04 £000	Member contributions during year £000	Increase in transfer value net of member contributions £000	Accrued transfer value at year end 31.03.03 £000
Stephen Billingham ⁽¹⁾	45	3	8	6	2	50	4	24	22
Keith Clarke ⁽²⁾	51	0 ⁽³⁾	—	—	—	—	—	—	—
Michael Jeffries ⁽⁴⁾	59	28	—	196	—	—	—	—	3,851

- (1) Stephen Billingham paid contributions of 5% of his pensionable salary. Following a review of the pension arrangements this was increased to 6% as from 1 April 2004. The benefits shown above exclude any arising from additional voluntary contributions. The increase in benefits excludes inflation in the year. The transfer values have been calculated on the basis of actuarial advice in accordance with the Actuarial Guidance Note GN11. The transfer values represent the value of assets the pension Plan would need to transfer to another pension arrangement in order to eliminate the Plan's liability in respect of his pension liability. They do not represent sums payable to the Director and therefore cannot be added meaningfully to annual remuneration.
- (2) Keith Clarke participates in a personal Stakeholder arrangement to which the Company's contribution was £24,724 (2003: Nil). Mr Clarke has a contractual entitlement to receive an amount equivalent to 25% of salary as a pension payment. £20,276 of his entitlement could not be paid to his personal Stakeholder Plan as a result of the Inland Revenue's earnings cap. This sum was therefore paid to him as an additional emolument and is reported in the Directors' emoluments table on page 39.
- (3) Keith Clarke had completed six months' service as at 31 March 2004.
- (4) The pension benefits in respect of Michael Jeffries are now provided via an Executive Pension Plan on a defined contribution basis with the Group agreeing to make payments of £100,000 per annum.

In addition to the above the Company has an unfunded pension commitment in respect of Ric Piper who left service on 1 October 2002. On an actuarial market value basis this had an accumulated value of £363,000 (2003: £244,220).

Robert MacLeod has a contractual entitlement to receive an annual amount equivalent to 25% of basic salary towards his own personal pension with effect from 23 June 2004.

Directors' interests

The beneficial interest of the Directors and their families in the ordinary shares of 0.5p each in the Company as at 31 March 2004 were as follows:

	At 31.03.04 or at date of termination	At 31.03.03 or at date of appointment
Executive Directors		
Stephen Billingham	—	—
Keith Clarke	19,500	14,500
Michael Jeffries	623,657	623,604
	643,157	638,104
Non-Executive Directors		
Frances Heaton	45,300	45,300
Christopher Kemball	10,000	—
Paul Marsh	1,557	1,557
James Morley	1,250	1,250
Struan Robertson	3,396	984
	61,503	49,091
Total	704,660	687,195

On appointment Lord Boyce had a beneficial interest in 846 ordinary shares of 0.5 pence each, and Robert MacLeod had a beneficial interest in 10,000 ordinary shares of 0.5p each. Sir Peter Williams does not have any interest in shares.

There were no changes in Directors' interests between 31 March 2004 and 19 July 2004.

As at 31 March 2004, each of the Directors was deemed to be interested as a potential beneficiary under the Employee Benefit Trusts in 5,490,957 ordinary shares of 0.5 p each (2003: 6,381,385). Details of the Directors' personal interests in the EBTs are given on page 41.

Directors' share options and long term incentives

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors.

Name	Scheme Name ⁽²⁾	Award date	No. of shares under option at 01.04.03 or date of appointment	Granted	Exercised	Lapsed	No of shares under option at 31.03.04 or at date of termination	Option price	Market price on exercise	Mid market price at date of grant	Gain on exercise	First date of exercise	Date of lapse of option
Stephen Billingham													
	EPP – Bonus	18/07/01	788	–	–	–	788	0.0p	–	782.5p	–	18/07/04	18/07/08
	EPP – Matching ⁽¹⁾	18/07/01	788	–	–	552 ⁽⁴⁾	236	0.0p	–	782.5p	–	18/07/04	18/07/08
	LTIP ⁽¹⁾	18/07/01	12,012	–	–	8,409 ⁽⁵⁾	3,603	0.0p	–	782.5p	–	18/07/04	18/07/08
	SAYE	06/07/01	186	–	–	–	186	666.0p	–	807.5p	–	01/09/04	01/03/05
	SAYE	22/08/02	161	–	–	–	161	259.2p	–	287.5p	–	01/11/05	01/05/06
	EPP – Bonus	30/06/03	–	49,382	–	–	49,382	0.0p	–	293.5p	–	30/06/06	30/06/13
	EPP – Matching ⁽¹⁾	30/06/03	–	49,382	–	–	49,382	0.0p	–	293.5p	–	30/06/06	30/06/13
	LTIP ⁽¹⁾	30/06/03	–	81,236	–	–	81,236	0.0p	–	293.5p	–	30/06/06	30/06/13
	LTIP ⁽¹⁾	17/09/03	–	30,000	–	–	30,000	0.0p	–	401.5p	–	01/04/07	17/09/13
Total			13,935	210,000	–	8,961	214,974				–		
Keith Clarke⁽³⁾													
	LTIP ⁽¹⁾	01/10/03	–	95,000	–	–	95,000	0.0p	–	401.5p	–	01/04/07	01/10/13
Total			–	95,000	–	–	95,000				–		
Michael Jeffries													
	EPP – Bonus	18/07/01	8,258	–	–	–	8,258	0.0p	–	782.5p	–	18/07/04	18/07/08
	EPP – Matching ⁽¹⁾	18/07/01	8,258	–	–	5,781 ⁽⁴⁾	2,477	0.0p	–	782.5p	–	18/07/04	18/07/08
	LTIP ⁽¹⁾	21/09/01	53,932	–	–	37,753 ⁽⁵⁾	16,179	0.0p	–	667.5p	–	21/09/04	21/09/08
	LTIP ⁽¹⁾	30/06/03	–	191,816	–	–	191,816	0.0p	–	293.5p	–	30/06/06	30/06/13
Total			70,448	191,816	–	43,534	218,730				–		
Aggregate gains on share options 2004											–		
Aggregate gains on share options 2003											35,828		

(1) Subject to performance criteria described on page 37.

(2) Scheme names: EPP – WS Atkins Pre-Tax Equity Participation Plan.

SAYE – Savings related share option scheme (Sharesave).

LTIP – WS Atkins 2003 Senior Executive and Key Employee Long Term Incentive Plan (formerly the WS Atkins 1997 Senior Executive Long Term Incentive Plan).

(3) Awards were granted to Keith Clarke on 25 June 2004 based on the closing mid-market price on 24 June 2004 of 20,000 shares under the terms of the LTIP and 6,849 shares under the terms of the WS Atkins Deferred Bonus Plan (DBP).

(4) In accordance with the rules of the EPP, 70% of the matching award has lapsed due to the performance condition not being met in full.

(5) In accordance with the rules of the LTIP, 70% of the award has lapsed due to the performance condition not being met in full.

Additional note

Awards were granted to Robert MacLeod on 25 June 2004 based on the closing mid-market price on 24 June 2004 of 30,000 shares under the terms of the LTIP, and 2,625 shares under the terms of the DBP. This increased his total interest in shares over which he holds options to 47,625.

For each share under option that had not expired at the end of the financial year, the market price at the 31 March 2004 was 587.0 pence and the highest and lowest market prices during the financial year were 605.0 pence and 136.5 pence respectively.

Approval

Approved by the Board of Directors and signed on its behalf



Struan Robertson

Chairman of the Remuneration Committee
19 July 2004