Overview

Results

The Group's wholly owned operations have had a good start to the year with profit before tax from continuing operations and continuing Joint Ventures excluding the Metronet Enterprise up by 18%. Revenue has grown by 17% to £605.5m driven by substantial growth in the Middle East following the establishment of a rail business in the region; strong organic growth in Design and Engineering Solutions and the continued recovery in the UK rail market, where we have won a number of significant signalling contracts.

Much of this growth has been driven by a substantial increase in headcount, with staff numbers up by more than 1,000 in the first six months of this financial year. This headcount increase was across the Group, but particularly in the Middle East, as we continue to develop our strong multi-national presence.

The current service cost of defined benefit pension schemes has increased by £2.3m due to a reduction in discount rates compared to 1 April 2005, although the total pension charge including net finance costs remains unchanged at £12.5m. This change reduces the Group's operating margins by 0.4% but has no impact upon the Group's overall profitability. On a comparable basis, operating margins have increased to 5.3% from 5.0%.

The Metronet Enterprise continues to impact the Group's results and has contributed a £1.4m reduction in profit before tax compared to the same period last year.

The conclusion in the Arbiter's November 2006 report, that Metronet was not performing in an economic and efficient manner, was as expected. Whilst some improvements have been made, much still remains to be done to enable Metronet to achieve its goal of being economic and efficient overall at the end of the first review period in September 2010.

Outlook

The markets in which we operate continue to provide good prospects and we are confident that our wholly owned operations will continue to grow. Our work in hand remains strong with 88% of forecast year end revenue secured (2005: 87%).

The recovery in the performance of the Metronet Enterprise remains crucial to its eventual success and the realisation of Atkins' returns. We are working with all of Metronet's stakeholders to review the current arrangements to improve the efficiency and effectiveness of delivery overall.

Board of Directors

On 6 September 2006, Christopher Kemball informed the Board that he will step down as a Director on 31 December 2006. We would like to thank him for his valuable contribution to the Group over the last four years.

Dividend

In view of the Board's continuing confidence in the Group's outlook, and to restore the historic relationship between the level of interim and final dividends, an interim dividend of 6.0p per share will be paid on 26 January 2007 to all shareholders on the register on 15 December 2006 (2005 interim dividend: 4.5p per share).