

Thursday 22 June 2006 for Immediate Release

Results for the year ended 31 March 2006

Professional services group WS Atkins plc ([Atkins](#)) today announced preliminary unaudited results for the year ended 31 March 2006.

RESULTS SUMMARY

	2006	2005
Total revenue	£1,411.0m	£1,157.3m
Revenue excluding Joint Ventures	£1,052.5m	£955.0m
Operating profit ¹	£62.9m	£50.2m
Operating margin ¹	6.0%	5.3%
Normalised profit before taxation ²	£72.4m	£62.2m
Profit before taxation	£74.8m	£53.0m
Normalised fully diluted EPS ²	50.1p	42.5p
Fully diluted EPS	55.9p	38.7p
Dividend	16.0p	12.0p
Cash flow from operating activities	£111.7m	£88.1m
Net funds	£176.6m	£121.7m
Headcount (including agency staff)	14,907	13,892

HIGHLIGHTS

- Good results at the top end of expectations, with revenue growth of 10% and operating profit¹ up 25%.
- Operating margin¹ increased from 5.3% to 6.0%.
- Significant revenue growth in Design and Engineering Solutions (17%), Middle East and China (53%) and Management and Project Services (13%).
- Headcount (including agency staff) increased by over 1,000 during the year to approximately 15,000.
- The Rail business started to recover in the second half of the year, as predicted.
- Profits from the Group's activities relating to the Metronet Enterprise³ decreased from £11.9m⁴ to £4.6m.
- Strong order book, with work in hand representing 62% of budgeted revenue for 2006/07 (2005: 57%).
- Improved cash flow from operating activities of £111.7m (2005: £88.1m), in spite of accelerated deficit funding payments to the pension scheme of £20.0m (2005: £8.6m).
- Net funds increased from £121.7m to £176.6m.
- The Board is recommending a final dividend of 11.5p, making the total dividend for the year 16.0p (2005: 12.0p), an increase of 33%.

Notes:

1. The operating profit and operating margin for 2005 are stated excluding a charge for goodwill impairment in that year amounting to £7.2m.
2. Normalised profit before taxation is defined as profit before taxation excluding JV taxation and any profits or losses from disposals. Normalised fully diluted EPS is defined as fully diluted EPS before any profits or losses from disposals. These are considered to be more representative measures of underlying trading. Comparative figures for the year ended 31 March 2005 exclude a goodwill impairment charge of £7.2m in that year.
3. The Metronet Enterprise comprises the Group's interest in the Metronet and Trans4m Joint Ventures and the related Atkins supply chain.
4. The prior year figure for profit from the Metronet Enterprise excludes the pro forma adjustments in relation to IFRIC D12-D14.

Thursday 22 June 2006 for Immediate Release

"The Group made good progress last year and produced significantly increased profits. Revenue grew by 10%, operating margins increased to 6.0% and headcount grew by over 1,000. In particular, the Design and Engineering Solutions and Management and Project Services segments grew substantially and our business in the Middle East has gone from strength to strength. During the year we made substantial investment in initiatives targeted to improve the development and retention of our staff and this is starting to yield benefits. The Metronet Enterprise, however, continues to present challenges and this has impacted the Group's overall profitability.

"The outlook for the Group remains positive and demand for our services is strong in all our markets. At the end of the year, work in hand was 62% of our budgeted revenue for 2006/07, compared to 57% last year. We are confident that the continued focus on people and our core skills will enable the Group to achieve further profitable growth".

Ed Wallis
Chairman

Keith Clarke
Chief Executive

Enquiries

Atkins

Keith Clarke, Chief Executive

+ 44 (0) 1372 726140

Robert MacLeod, Group Finance Director

+ 44 (0) 1372 726140

Brunswick

Mike Smith, Jonathan Rhodes

+44 (0) 20 7404 5959

Notes to Editors

1. Atkins

Atkins (www.atkinsglobal.com) plans, designs and enables the delivery of complex capital programmes for clients in the public and private sectors across the globe. Atkins is the largest multi-disciplinary consultancy in Europe; the largest engineering consultancy in the UK; and the world's fourth largest design firm (sources: New Civil Engineer Consultants File, 2006; Swedish Federation of Consultant Engineers & Architects, 2005; Engineering News Record, 2005).

2. Attachments

Attached to this press release are the Overview of the year, Operating review, Financial review, the unaudited consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and notes to the unaudited preliminary financial information for the year.

3. Analyst Presentation

A presentation for analysts will be held today at The City Presentation Centre, 4 Chiswell Street, Finsbury Square, London EC1Y 4UP at 9.00am. A webcast of the presentation will subsequently be available via the Company's website, www.atkinsglobal.com.

4. Cautionary Statement

This press release has only been prepared 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, this press release 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 this press release.

This press release 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 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. No obligation is assumed to update any forward looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW OF THE YEAR

Results

The Group made good progress last year and produced significantly increased profits. Revenue grew by 10%, operating margins increased to 6.0% and headcount grew by over 1,000. In particular, the Design and Engineering Solutions and Management and Project Services segments grew substantially and our business in the Middle East has gone from strength to strength. During the year we made substantial investment in initiatives targeted to improve the development and retention of our staff and this is starting to yield benefits. The Metronet Enterprise, however, continues to present challenges and this has impacted the Group's overall profitability.

Outlook

The outlook for the Group remains positive and demand for our services is strong in all our markets. At the end of the year, work in hand was 62% of our budgeted revenue for 2006/07, compared to 57% last year. We are confident that the continued focus on people and our core skills will enable the Group to achieve further profitable growth.

Dividend

The Board is recommending a final dividend of 11.5p, making the total dividend for the year 16.0p (2005: 12.0p), an increase of 33%. This reflects our continuing confidence in the prospects of the Group and represents a progression towards our stated policy of paying a dividend that is approximately 2.5 times covered by cash-backed normalised earnings per share. If approved, the dividend will be paid on 29 September 2006 to ordinary shareholders on the register on 25 August 2006.

OPERATING REVIEW

Design and Engineering Solutions

Activities and key performance indicators

Design and Engineering Solutions delivers high value engineering and innovative design to a wide range of clients in the public, regulated and private sectors. Overall Atkins has the largest market share in the engineering and design consultancy market, being placed at or near the top of the 2006 New Civil Engineer Consultants File rankings in all our main areas of business.

Key Performance indicators	2006	2005	% change In year
Financial metrics			
Revenue	£286.3m	£244.4m	+17%
Operating profit	£23.4m	£21.0m	+11%
Operating margin	8.2%	8.6%	-0.4% pts
Work in hand	44%	43%	+1% pts
People			
Staff at 31 March	3,639	3,339	+9%
Total headcount (inc. agency staff) at 31 March	4,026	3,568	+13%

Highlights in 2006

- A strong year with substantial growth.
- Revenue increased by £41.9m (17%) with operating margins in excess of 8%. Growth has been driven by our continued focus on design and technical excellence, which has led to strong demand for our services in key target markets. Market conditions have been generally favourable and the slight reduction in margins was caused by the impact of Metronet supply chain activities. Staff recruitment has been an important focus over the last year and headcount numbers increased by over 450.
- Our Water and Environment division finished the year strongly with the AMP4 capital programme generating an increasing flow of work, notably for Southern Water, United Utilities and Thames Water. Our four-year framework contract for the Environment Agency is also providing a large workload. The geotechnical and tunnelling division has recently commenced work on the Gautrain Rapid Rail Link, a major infrastructure project in South Africa which is scheduled for completion prior to the 2010 football World Cup.
- The Nuclear and Power division has continued to make progress, following the award of substantial long-term contracts for AWE and the Carbon Trust, while the first year of our contract with British Energy has also boosted growth. We have recently been awarded a significant contract, working alongside British Nuclear Group, to provide technical services for the cooling ponds decommissioning project at Trawsfynydd.
- Our Aerospace and Defence division continues to flourish, our strong relationships with Airbus and the MoD providing increasing visibility of forward workload. Work on the Future Rapid Effect System (FRES) project for the MoD is progressing well. FRES is the largest land systems programme ever undertaken in the UK and will develop a new generation of medium-weight armoured vehicles for the British Army. Our role involves technical

assessment to enable the MoD to select contractors. Our stress engineering project for the Airbus A380 is well advanced and has been important in raising our profile in the aerospace sector.

- Demand for our integrity management services in the Oil and Gas sector is strong. Platform life extensions are lucrative to producers at present and there is a great deal of demand for smart engineering solutions that can support additional years of production and underpin safe operations. Our capability in this area has been strengthened by the recent acquisition of MSL Engineering Limited, which provides additional expertise in offshore engineering and contracts in the North Sea and the Gulf of Mexico.
- Our Design division has seen continued growth with satisfactory margins, despite the impact of Metronet supply chain activities. Successful completion of the latest design phase of the Colchester Garrison project was a key feature of the year, work being completed to schedule. The education sector has generated a solid flow of work, particularly through the Building Schools for the Future programme and our appointment as technical advisor to Partnership for Schools. We also provide programme management services for the government's flagship City Academy scheme. The most significant contract win in the year was our selection by the Olympic Delivery Authority as one of its Tier 1 consultants for the design of the London Olympic Park and the associated infrastructure. This represents a major multi-disciplinary opportunity for the Group. We have also recently been appointed by Essex County Council to provide property services across the county for five years, an endorsement of our capabilities in the local authority property services market. The division has undertaken a wide range of innovative projects, including design and architectural services for lengthening Royal Caribbean's liner, Enchantment of the Seas. We have recently been awarded a design commission for an even larger liner, the 225,000 ton Genesis, set to be the world's largest passenger ship.

Outlook

- The outlook for Design and Engineering Solutions remains good and the short supply of high quality engineering skills means there is scope for further margin growth. Demand is strong in all our divisions and at 31 March 2006 we had secured 44% of our budgeted revenue for 2006/07. This is very satisfactory given that most of the segment's workload relates to medium rather than long-term projects. Further growth is dependent on sufficient staff recruitment and this remains a key focus for management. We aim to supplement increasing staff numbers in the UK with accelerated recruitment into our Bangalore design office.
- Prospects in the longer term are considered positive in the UK defence, nuclear, healthcare and education markets. In the defence sector our FRES systems house role leaves us well placed to win further work and we are currently reviewing market opportunities in the light of the recent White Paper on Defence Industrial Strategy. The nuclear sector presents excellent opportunities over the next few years in relation to the management of licensed sites. Healthcare and education remain major government priorities. Growth areas overseas include mass transit, where there are opportunities to provide design services alongside rail engineering.

Highways and Transportation

Activities and key performance indicators

Atkins is the UK's largest provider of highways and transportation consultancy and related services (New Civil Engineer Consultants File, 2006). Our principal services are transport planning, design of new roads and road improvements, development of intelligent transport systems, management of road maintenance and integrated road network management. Our client base is largely in the public sector, notably local authorities, the Highways Agency (HA), the Department for Transport (DfT) and other government bodies. The New Civil Engineer Consultants File (2006) indicates that our share of the UK market is approximately 15%.

Key performance indicators	2006	2005	% change in year
Financial metrics			
Revenue	£215.4m	£206.8m	+4%
Operating profit	£11.0m	£9.4m	+17%
Operating margin	5.1%	4.5%	+0.6% pts
Work in hand	75%	74%	+1% pts
People			
Staff at 31 March	2,734	2,641	+4%
Total headcount (inc. agency staff) at 31 March	2,891	2,780	+4%

Highlights in 2006

- A year of continued growth with significantly improved margins.
- Operating profit increased by £1.6m to £11.0m (17%) with operating margins up from 4.5% to 5.1%. All areas of the business grew, the improved margin being mainly due to increased volumes and returns from our Transport Solutions division, which has performed particularly strongly.
- The Transport Solutions division delivers design services for highway infrastructure and transport technology. Performance in 2006 was driven by strong demand for intelligent transport systems and design services for local authorities. During the year we secured our place on several important frameworks for the HA and won a

number of term commissions for local authorities, notably Birmingham City Council, and an extension to our key traffic management role with Essex County Council. Our lead role on the HA Regional Control Centre (RCC) technical framework has been important and we have designed five of the HA's seven RCCs. The implementation of the RCCs has enabled the smooth transfer of responsibility for motorway and trunk road management from the police to the HA. Contract wins overseas included our appointment as independent engineer for the A1 motorway DBFO project in Poland, representing the Polish Motorways Agency and lending banks.

- Our Transport Planning division provides a range of services, including strategic advice, traffic engineering, demand forecasting and access planning. The division has continued to grow, driven by a good workload from our framework contracts with the HA and the National Assembly for Wales, along with commissions from other national and local transport authorities. The provision of high level strategic advice has been an increasingly important area of our business, key clients including the DfT, the Commission for Integrated Transport and regional development agencies. PPP/PFI advisory work has also grown and we have recently been appointed as lender's traffic and technical advisor on a number of European projects.
- The Highway Services division undertakes road maintenance term contracts on behalf of the HA and local authorities. The division had a successful year and we secured extensions to three HA contracts. Our integrated services contracts have continued to generate a good flow of work, particularly through our award-winning highways partnerships with Northamptonshire and Somerset County Councils. In December 2005 we were appointed by Gloucestershire County Council under a five year contract to provide integrated highway management and design services to the county. The contract is extendable to ten years and has an annual value of around £30m, representing a major win for the business. In April 2006 Cambridgeshire County Council named us as preferred bidder for its integrated highways services contract. The contract will combine our existing professional services work with design and network management services and will generate annual revenue of approximately £25m over ten years.

Outlook

- Prospects for the Highways and Transportation segment are good. Following the award of our contract with Gloucestershire County Council, visibility of forward workload has slightly improved compared to last year, with work in hand at 31 March 2006 representing 75% of budgeted revenue for 2006/07. Many good work opportunities are presently available with a number of key bids currently outstanding.
- The longer term outlook remains positive, with the UK government's stated commitment to improving highway infrastructure being supported by current spending plans. The segment retains potential for margin growth derived from a shift in the mix of work towards higher value planning and design services. The Transport Innovation Fund (TIF) will be one of the key growth drivers, with funding available from 2008 and increasing to some £2.5 billion per annum by 2014. We are already supporting a number of transport authorities with their TIF bids.

Rail

Activities and key performance indicators

Atkins is the largest rail consultancy operating in the UK. 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. Atkins currently has approximately 20% of the rail consultancy market in the UK, our market share being significantly greater than that of our nearest competitor (New Civil Engineer Consultants File, 2006). We also operate in Scandinavia.

Key performance indicators	2006	2005	% change in year
Financial metrics			
Revenue	£176.5m	£187.6m	-6%
Operating profit	£2.6m	£8.9m	-71%
Operating margin	1.5%	4.7%	-3.2% pts
Work in hand	75%	66%	+9% pts
People			
Staff at 31 March	1,757	1,735	+1%
Total headcount (inc. agency staff) at 31 March	2,004	1,906	+5%

Highlights in 2006

- The results of our Rail segment were significantly impacted by the performance of the Metronet supply chain. The rest of the Rail business is, as predicted last year, now in the process of recovery.
- During the year we won contracts for two major signalling schemes on behalf of Network Rail. The projects are located in Basingstoke and Port Talbot and work commenced on both during the year. The Basingstoke project involves the design, installation and commissioning of a new control centre and 185 new signals covering 60 miles of line. The contract will generate revenue of some £65m over three years. The Port Talbot contract has

a value of approximately £20m and is the largest re-signalling scheme to be undertaken in Wales in the last 30 years. These contracts have provided a solid workload and maintained good utilisation of staff resources.

- Last year a considerable amount of resource was directed towards Metronet's stations delivery programme and this is set to continue. Although the Atkins supply chain has delivered a significant contribution to the project, the overall capital programme continues to lag behind expectations. These delays have triggered certain cost and delay provisions that are primarily reported within the Rail segment's results. Further details are given in the Metronet section below.

Outlook

- Prospects for the Rail business are generally improved compared to the position a year ago. Work in hand at 31 March 2006 includes 75% of budgeted revenue for 2006/07, compared to 66% last year, the increase being mainly due to the Basingstoke and Port Talbot contracts. Additionally, Network Rail is due to award a number of significant projects in 2006/07.
- Recovery of the stations delivery programme for the Metronet project is a key priority. The project remains complex and challenging and we continue to commit significant resources to enable a satisfactory outcome for the client. It is probable that Metronet supply chain activities will continue to impact adversely the Rail segment's operating profits in the short-term.
- The medium-term outlook for our Rail business remains positive and the forward spending plans of Network Rail and others indicate that investment in our target markets is set to grow substantially over the next three years. In order to meet the increasing demand for scarce rail engineering skills, we will continue to invest resources in our design office in Sharjah, where headcount of Rail staff has already grown to 130.

Middle East and China

Activities and key performance indicators

Our Middle East business provides design and engineering services for buildings, transportation and other infrastructure through our seven offices in the Gulf and India. In China we provide planning, urban design, architectural and engineering services to the mainland market and Hong Kong.

Key performance indicators	2006	2005	% change in year
Financial metrics			
Revenue	£67.1m	£44.0m	+53%
Operating profit	£3.0m	£2.1m	+43%
Operating margin	4.5%	4.8%	-0.3% pts
Work in hand	78%	52%	+26% pts
People			
Staff at 31 March	1,482	1,106	+34%
Total headcount (inc. agency staff) at 31 March	1,708	1,347	+27%

Highlights in 2006

- The business generated significant growth and revenue increased by 53%. Operating margins in the Middle East were good, while in China results were broadly break-even as we continued our investment to grow a sustainable, long-term business.
- We have generated profitable growth in the Middle East, where headcount is now approaching 1,000. The high degree of liquidity in the regional economy continues to boost demand, with a particular focus on investment in long-term infrastructure. In China we have invested in additional staff and have expanded our office network on the mainland.
- In the Middle East we have a particularly strong brand in building design, as typified by the Bahrain World Trade Centre, which is currently nearing completion. The building comprises two sail-shaped towers which taper to a height of 240m and support three 29m wind turbines. The turbines will generate a proportion of the towers' electricity consumption, making the building a model of innovative and sustainable design, as well as a landmark structure.
- Hotel design and project management is a major source of work in the Gulf states, due to the region's burgeoning tourist industry. Project wins in the year include design of the Palm Resort Hotel in Dubai, construction supervision for the Burj Dubai Lake Hotel and design of the Four Seasons Hotel in Bahrain. We have also won design commissions for a number of residential complexes and school campuses in Dubai, Abu Dhabi and Qatar.
- The Middle East's transportation sector is increasingly a growth area and we have many promising projects and enquiry developments in the road and rail sectors.
- In China we have continued to re-invest profits from projects in new staff and offices on the mainland, where we now operate from seven locations. We won a good volume of work last year, including the design of a new

landmark tower in Tianjing, four airport masterplan commissions and a tourism project for Hainan Island. Commissions in Hong Kong have included tunnel and wind power projects for China Light and Power and rail safety engineering projects for MTRC and KCRC.

Outlook

- Prospects for the Middle East and China business segment are very good with 78% of budgeted revenue for 2006/07 secured at 31 March 2006, compared to 52% a year ago.
- In the Middle East our strong brand leaves us well placed to benefit from the continuing construction boom, while opportunities in other areas are also emerging. The transport sector offers great potential, especially given the need to provide improved infrastructure to relieve growing traffic levels in major cities. Our strategy in the region remains focused on larger, medium and long-term contracts that provide a means of sustained growth.
- Capital investment in China continues to accelerate, driven strongly by the urbanisation process that has so far affected only one-third of the population. The market offers great potential and our approach is to concentrate on infrastructure projects in specific areas and to pursue opportunities in China's secondary and tertiary cities, which are likely to attract increasing investment.

Management and Project Services

Activities and key performance indicators

The Management and Project Services segment provides management and IT consultancy and programme, project and cost management services. Atkins is one of the largest project managers and cost consultants worldwide (Building Magazine) and one of the largest 20 management consultants operating in the UK (Management Consultancies Association).

Key performance indicators	2006	2005	% change in year
Financial metrics			
Revenue	£171.9m	£152.2m	+13%
Operating profit*	£13.9m	£9.2m	+51%
Operating margin*	8.1%	6.0%	+2.1% pts
Work in hand	39%	50%	-11% pts
People			
Staff at 31 March	2,062	1,957	+5%
Total headcount (inc. agency staff) at 31 March	2,146	2,044	+5%

* Excluding a goodwill impairment charge of £7.2m in 2005.

Highlights in 2006

- A good year with substantially improved margins.
- Revenue grew by £19.7m (13%) and margins increased by 2.1% points to 8.1%*, with growth across the segment's range of services.
- The Management Consultants division performed well last year, generating significant revenue growth while maintaining good margins. Growth has been driven by increased demand for our programme and project management services, along with a number of significant contract wins. The largest of these was the award of the Programme and Project Support Office contract for the Government Communications Headquarters (GCHQ). The contract is for five years, extendable to seven, and confirms the success of our long-term relationship with this important organisation.
- We were awarded a major commission for Shell to provide programme management services for their capital investment programme covering retail outlets in nine European countries. New framework contracts and extensions have generated a substantial workload, notably from IBM, BAA and the Learning and Skills Council. Demand for IT consultancy has been strong and we are working with the Department for Education and Skills on the Information Sharing Index which will support government's work in co-ordinating children's services.
- Our Faithful+Gould project management and cost consultancy division had an excellent year with significant revenue growth at much improved margins. Margin growth has been driven largely by selective bidding and improved utilisation of staff.
- Revenues derived from the public sector have continued to grow, particularly in education, through the Building Schools for the Future initiative, and in health from strategic consultancy for Welsh Health Estates and Primary Care Trusts. Provision of strategic cost and project management services to the PPP/PFI sector has been another growth area.
- In the transportation sector we have provided consultancy services relating to the new West London Tram scheme, while regeneration projects have included work relating to the re-development of the Longbridge plant for St Modwen. We have maintained a strong presence in the banking sector, including project and cost consultancy work for Royal Bank of Scotland. Commissions from the regulated sector have also increased and

we have been appointed by the Environment Agency under a five year cost management framework contract. We have continued to support major projects undertaken by the Group, particularly in the Middle East.

- Performance of our US operation has improved significantly and the business grew strongly in the second half of the year. Growth in the industrial sector has been particularly encouraging and we have won major commissions for BP, Intel and Amgen. We have also won substantial contracts in the leisure and airport sectors, including a five year commercial management contract for the re-development of the John Wayne International airport in California.

Outlook

- Work in hand at 31 March 2006 included 39% of budgeted revenue for 2006/07, compared to 50% last year. This fall is largely explained by the timing of award of work under certain long-term contracts and is not a concern.
- The management consultancy market appears set for a period of further growth and we are well positioned to benefit from this trend. In the public sector the drive for organisational change and efficiencies is continuing, an area where we have niche skills and experience. Private sector demand is also strong and we are increasingly targeting certain growth sectors, including heavy industry.
- The acquisition of Mantix Group Limited on 21 June 2006 has enhanced the capabilities of our Management Consultants division, especially in the area of programme management. In the coming year the business will be integrated into our existing operations.
- Prospects for our Faithful+Gould division remain positive, with strong demand and an expanding UK client base. New opportunities for 2006/07 include re-development projects for main line railway stations, consultancy on the proposed expansion of a number of regional airports and a range of health and education projects. In the US client representative work in the transport, manufacturing and property sectors offers good opportunities.

Asset Management

Activities and key performance indicators

Asset Management provides independent property asset management services. The business focuses on providing top quality facilities management services to the MoD and selected private sector clients. Atkins is well positioned in the market as the largest independent management company for clients seeking property asset management solutions.

Key performance indicators	2006	2005	% change In year
Financial metrics			
Revenue	£61.5m	£58.6m	+5%
Operating profit	£4.0m	£(4.7)m	n/a
Operating margin	6.5%	(8.0)%	+14.5% pts
Work in hand	96%	53%	+43% pts
People			
Staff at 31 March	628	890	-29%
Total headcount (inc. agency staff) at 31 March	730	892	-18%

Highlights in 2006

- A much better result with some significant contract wins.
- Financial performance recovered markedly during the year, though the large swing in operating results is partly due to the onerous contract provisions of £3.9m made last year. Temporary extensions to certain MoD contracts also contributed a non-recurring benefit.
- We won two major five-year managing agent contracts during the year, for the Metropolitan Police Service and HBOS. These successes have been driven by our investment in improved IT systems and skills. The contracts supplement our existing client base of large organisations.
- During the year we were awarded interim extensions to our local MoD Defence Estates contracts. These contracts have now concluded and the associated staff have transferred under TUPE, with a consequent reduction in headcount. Our Defence Housing Prime contract has successfully mobilised and will provide work over seven years, while the Colchester Garrison PFI project is performing as planned. We will be undertaking the work on the Defence Housing Prime contract within a Joint Venture and its results will therefore be excluded from the segment's operating profit.
- The performance of our managing contractor operations has stabilised over the last year.

Outlook

- Our managing agent contract wins mean that 96% of budgeted revenue for 2006/07 was secured at 31 March 2006. This also demonstrates the market's demand for our integrated estates, FM and project management services. In particular, the public sector, financial services, retail and leisure sectors offer further opportunities.

Equity Investments

Activities and key performance indicators

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

Key performance indicators	2006	2005	% change in year
Financial metrics			
Revenue	£73.8m	£61.4m	+20%
Operating profit	£5.0m	£4.3m	+16%
Operating margin	6.8%	7.0%	-0.2% pts
People			
Staff at 31 March	887	874	+1%
Total headcount (inc. agency staff) at 31 March	887	874	+1%

Lambert Smith Hampton

Activities

LSH operates independently under its own brand and provides a broad range of commercial property consultancy and transactional services through its extensive office network in the UK and Ireland. LSH is ranked by the Estates Gazette as the UK's Most Active Agent and as the top national agent in the office agency and industrial agency sectors.

Highlights in 2006

- A good year with significant growth.
- Revenue grew strongly, operating margins being maintained at a similar level despite non-recurring costs relating to the relocation of our London operations to a single office. Market conditions have been favourable and good results have been achieved across the business.
- The Investment division performed particularly strongly, with £2.2 billion of investment transactions concluded in the period. This included the purchase for £145m of 52 properties let to Booker Cash and Carry and the acquisition for £290m of the Alpha Portfolio of 35 properties, both on behalf of the Scarborough Group.
- The Industrial Agency division transacted nearly 20m sq ft of space in the year, including acting for Tesco in two of the largest distribution market transactions as well as the largest letting within the M25 in the year.
- Demand remains good for our consultancy services, including new estates management contracts for AXA UK and Northamptonshire County Council and a strategic property review for Buckinghamshire County Council.

Outlook

- The general outlook for property markets is positive. The investment market is strong, while occupier demand is also expected to increase, led by the office sector. Although the retail sector is vulnerable to consumer spending levels, related demand for warehousing space remains good, particularly large distribution centres.
- LSH's approach is to target growth in our range of services and national network. Our increasing strength in consultancy services will be an important factor in generating long-term growth.

Metronet

In June 2005, Metronet's management team was changed and Keith Clarke was appointed as Non-Executive Chairman of Metronet on behalf of all of the shareholders, to enable a smooth transition and to improve the performance of both the Board and management. In addition to strengthening Metronet and Trans4m's senior management team, the Trans4m management team has been integrated into Metronet to address the initial weaknesses of the supply chain. Atkins continues to support the Metronet management team in their efforts through the secondment of a number of our own senior staff to the project. Atkins currently has over 600 people committed to this project.

The operational performance of the lines for which Metronet is responsible remains inconsistent and behind Metronet's original expectations, but it is improving.

In terms of the capital programme, improvements to trains and track are now being delivered. However, the stations renewal programme remains challenging. Only 13 stations had been completed by 31 March 2006, compared to the 36 contracted. This is being addressed and measures have been put in place to recover the programme by 2008.

Atkins' role in the project primarily relates to the design of renewal and refurbishment of station infrastructure and civil asset design, inspection and assessment. So far we are approximately half way through our stations design programme. There have been issues with obtaining final design approvals which have impacted the overall delivery of the station improvements. The civils programme is progressing to plan.

The table below summarises the Group's financial results relating to its entire involvement in the Metronet project. This comprises the Group's share of the results of the Metronet and Trans4m Joint Ventures plus the operating result of the Atkins supply chain and is collectively referred to as the 'Metronet Enterprise'.

	Income statement component	IFRS	Pro forma	UK GAAP
		2006	2005	2005
		£m	£m	£m
Metronet PPP - share of profit before tax	<i>Share of JV result</i>	10.8	13.1	10.0
Cost of letters of credit	<i>Finance cost</i>	(2.0)	(2.6)	(2.6)
		8.8	10.5	7.4
Supply chain:				
Trans4m - share of profit before tax	<i>Share of JV result</i>	(1.5)	2.0	2.0
Business segments	<i>Operating profit</i>	(2.7)	2.5	2.5
Metronet Enterprise		4.6	15.0	11.9

Note: As permitted by IFRS 1, *First-time adoption of IFRS*, the Group has elected to adopt IAS 32, *Financial instruments: disclosure and presentation* and IAS 39, *Financial instruments: recognition and measurement*, prospectively from 1 April 2005. The pro forma figures provided here show comparatives had the Group adopted IAS 32, IAS 39 and the IFRIC draft interpretations regarding PPP/PFI concessions for the year ended 31 March 2005.

These results show that the inconsistent operational performance, penalties and cost overruns associated with the delays to the capital programme, principally the modernisation of stations, have affected the Group's return from the Metronet project at all levels. The working of the PPP contract acts as an effective incentive to improve performance.

The new Trans4m management team has re-evaluated the programmes and resources needed to deliver the contracted station improvements. This review has led to additional provisions and, due to the pain/gain share mechanism throughout the tied supply chain, to an adverse impact on Atkins' results throughout the Metronet Enterprise.

Outlook

The recovery of the efficiency of the capital programme and the improvement of the operational performance of the Underground remain crucial to the eventual success and realisation of value from the project. Whilst some progress has been made over the last year, it will take time to evidence any significant recovery. It is essential for Metronet and its supply chain to improve their delivery to ensure that the Group's returns from Metronet are not to be further impacted at all levels, including the final value of the investment.

Atkins' involvement in the turnaround of the Metronet Enterprise remains critical and we are committed to ensuring its success.

FINANCIAL REVIEW

International Financial Reporting Standards (IFRS)

The financial statements for the year ended 31 March 2006 are the Group's first prepared in accordance with IFRS. Note 15 to the unaudited preliminary financial information includes reconciliations from UK Generally Accepted Accounting Principles (UK GAAP) to IFRS.

Conversion to IFRS is an accounting change which has no impact on the Group's financial performance, risk profile or ability to generate cash.

Revenue

Total revenue for the year ended 31 March 2006 was £1,411.0m (2005: £1,157.3m). Excluding our interests in Joint Ventures, revenue amounted to £1,052.5m (2005: £955.0m), an increase of 10%. Revenue growth has primarily been driven by greater staff numbers, with total headcount (including agency staff) increasing by 7% over the year.

The majority of revenue growth was derived from higher margin activities, in line with the objectives we stated last year. We will continue to pursue growth opportunities only where satisfactory margins are achievable.

Operating profit

Operating profit for the year was £62.9m, an increase of £12.7m (25%) excluding the goodwill impairment charge of £7.2m in 2005. On a similar basis, operating margins rose from 5.3% to 6.0%.

Excluding Metronet supply chain activities, most of our businesses have generated growth in underlying operating margins and have further scope for margin improvement.

Joint Ventures

The Group's share of pre-tax profits from Joint Ventures, excluding disposals, was £11.5m (2005: £14.8m). The Group's most significant Joint Venture is Metronet, which is discussed in the Operating review above. After tax, profits from Joint Ventures, excluding disposals, amounted to £7.9m (2005: £9.9m).

In November 2005 the Group disposed of its 25% interest in South Manchester Healthcare (Holdings) Limited for a cash consideration of £7.8m, resulting in a profit on disposal of £5.7m. In December 2005 the Group disposed of its 42.5% interest in NewSchools (Penweddig) Holdings Limited for a cash consideration of £1.4m, resulting in a profit on disposal of £0.7m. These disposals were in line with the Group's policy of recycling capital invested in mature PFI investments at the appropriate time.

Net finance cost

Net finance cost reduced by £0.6m to £3.3m. The cost of Metronet Standby Letters of Credit reduced by £0.6m following equity payments to the Joint Venture, while the finance cost on retirement benefit liabilities increased by £1.3m. Finance income increased by £1.1m due the Group's improving cash position and should continue to rise next year.

Taxation

The Group's effective tax rate for the year ended 31 March 2006 was 23.9% (2005: 26.6%). The effective tax rate on normalised profit was 29.6% (2005: 31.4% - adjusted to exclude goodwill impairment of £7.2m in that year). The normalised effective rate has reduced due to a greater contribution from our overseas operations in lower tax regimes. The tax charge on disposal of Joint Ventures was £0.5m (2005: £0.3m).

Earnings per share (EPS)

Basic EPS was 57.0p (2005: 39.3p). Normalised fully diluted EPS was 50.1p (2005: 42.5p - adjusted to exclude goodwill impairment of £7.2m in that year), an increase of 18%. Normalised EPS is considered to be a more representative measure of underlying trading. Further details are given in note 8 to the unaudited preliminary financial information.

Cash flow

Net funds increased by £54.9m to £176.6m. Net cash inflow from operating activities was £111.7m (2005: £88.1m). A summary reconciliation between operating profit and operating cash flow is shown below.

	2006	2005
	£m	£m
Operating profit	62.9	43.0
Depreciation and amortisation	24.3	27.8
Impairment of goodwill	-	7.2
Decrease in working capital	40.1	12.3
Decrease in pension balances	(18.4)	(5.9)
Other items	2.8	3.7
Cash generated from operations	111.7	88.1

Strong operating cash flow was driven by a further working capital reduction of £40.1m in the year. This included the benefit of advance payments from several of our large clients. Last year the Group made additional cash contributions to the principal defined benefit pension scheme of £20.0m (2005: £8.6m). The Group anticipates making accelerated contributions on a continuing basis. Further details are given below.

Tax paid in the year was £10.9m (2005: £18.3m), the reduction being due to the current tax benefit of the higher level of pension contributions noted above. The Group made scheduled equity and loan injections amounting to £11.2m into the Metronet PPP companies during the year (2005: £11.1m). The Group is committed to making loan capital payments to the Metronet PPP companies amounting to £37.3m over the next three years. Cash payments relating to acquisitions in the year, principally MSL, amounted to £4.9m. Further details are given below. Net capital expenditure in the year, including the purchase of computer software licences, amounted to £28.2m (2005: £17.9m), the majority of the increase relating to IT infrastructure. The level of capital expenditure is likely to increase approximately in line with growth in staff numbers over the next few years. The cash position benefited from the sale of the Joint Venture investments described above.

The Group is well placed to maintain robust cash flows and generate sufficient funds to enable the anticipated rate of growth.

Pensions

Funding

The latest actuarial valuation of the Atkins Pension Plan was carried out as at 1 April 2004 and indicated that the scheme had an actuarial deficit of £69m. The next actuarial valuation of the Atkins Pension Plan will take place as at 1 April 2007 and it is likely that the actuarial liability will increase due to changes in longevity and other assumptions.

In 2004 the Group reached agreement with its employees and the trustees of the scheme regarding the funding of the actuarial deficit so that it should be eliminated over a 15-year period. In order to reduce the deficit more rapidly, the Group announced in 2005 that it intended to accelerate the payment of its contributions. Accelerated contributions amounting to £8.6m were made in the year ended 31 March 2005. During the year ended 31 March 2006 the Group increased the level of these additional contributions, making accelerated contributions of £20.0m.

The Group is focused on substantially reducing the pension scheme deficit and anticipates making accelerated deficit funding contributions of at least a further £20.0m in the year ending 31 March 2007.

Charges

The Group accounts for pension costs under IAS 19, *Employee Benefits*. The defined benefit total service cost for the year was £18.1m (2005: £19.8m), the reduction reflecting the increase in employee contributions and the reducing membership of the scheme. The net finance cost for the year was £6.7m (2005: £5.4m). The charge relating to defined contribution schemes amounted to £9.0m (2005: £10.1m).

The overall charge for pensions for the year ending 31 March 2007 will be broadly as last year. However, due to the lower discount rate of 5.0% at 31 March 2006 (31 March 2005: 5.4%), the current service cost will be higher, with a corresponding reduction in the interest charge.

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 £210.0m at 31 March 2006 (2005: £191.9m). The Group has adopted early the proposed amendment to IAS 19 and has recognised through equity a post-tax actuarial loss of £26.4m for the year ended 31 March 2006 (2005: £15.9m). The increased actuarial loss is principally due to changes in the valuation assumptions relating to the longevity of scheme members.

The assumptions used in the IAS 19 valuation are detailed in note 13 to the unaudited preliminary financial information. The sensitivities regarding the key assumptions relating to the Atkins Pension Plan are shown below.

Assumption	Change in assumption	Indicative effect on the scheme's liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10.0%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 6.5%
Real rate of increase in salaries	Increase/decrease by 0.5%	Increase/decrease by 2.0%
Longevity	Increase by 1 year	Increase by 4.0%

Acquisitions

On 31 March 2006 the Group acquired 100% of the share capital of MSL Engineering Limited and MSL Services Corp, for a combined consideration of £5.8m, of which £4.6m was paid in cash with the remainder deferred. During the year the Group also acquired 100% of the share capital of NovaPlan Holding AB for £0.3m in cash. Further details of these transactions are given in note 14 to the unaudited preliminary financial information.

Events after the balance sheet date

On 21 June 2006 the Group acquired 100% of the share capital of Mantix Group Limited, a specialist programme management consultancy, for a net cash consideration of £8.8m.

Keith Clarke
Chief Executive

Robert MacLeod
Group Finance Director

22 June 2006

Consolidated income statement for the year ended 31 March 2006 (unaudited)

	Notes	2006 £m	2005 £m
Continuing operations			
Revenue (Group and share of Joint Ventures)		1,411.0	1,157.3
Revenue	2	1,052.5	955.0
Cost of sales		(637.3)	(579.3)
Gross profit		415.2	375.7
Administrative expenses		(352.3)	(332.7)
Operating profit		62.9	43.0
Profit on disposal of Joint Ventures	4	6.4	3.7
Share of post-tax profit from Joint Ventures	3	8.8	10.2
Profit from operations		78.1	56.9
Finance income	5	7.9	6.8
Finance cost	5	(11.2)	(10.7)
Net finance cost	5	(3.3)	(3.9)
Profit before taxation		74.8	53.0
Taxation	6	(17.9)	(14.1)
Profit for the year from continuing operations		56.9	38.9
Profit for the year attributable to equity shareholders	9	56.9	38.9
Basic earnings per share – continuing operations	8	57.0p	39.3p
Fully diluted earnings per share – continuing operations	8	55.9p	38.7p
Dividends recognised in the year – paid	7	12.5p	11.0p
Dividends paid and proposed relating to the year	7	16.0p	12.0p

Consolidated statement of recognised income and expense for the year ended 31 March 2006 (unaudited)

	Notes	2006 £m	2005 £m
Actuarial loss on retirement benefit liabilities	13	(37.7)	(22.7)
Share of Joint Venture financial derivatives	9	(0.5)	-
Tax on items charged to equity	6	11.3	6.8
Net differences on exchange	9	1.5	(0.2)
Profit for the year		(25.4)	(16.1)
Total recognised income and expense for the year attributable to equity shareholders		56.9	38.9
Restatement for the effects of adopting IAS 32 and IAS 39 including Joint Ventures	15	(6.2)	

The notes on pages 17 to 25 form part of the unaudited preliminary financial information.

Consolidated balance sheet as at 31 March 2006 (unaudited)

	Notes	2006 £m	2005 £m
Assets			
Non-current assets			
Goodwill		35.6	29.3
Other intangible assets		10.0	10.8
Property, plant and equipment		47.2	34.2
Investments in Joint Ventures		46.2	41.6
Financial assets		20.1	20.1
Deferred tax assets		103.8	97.5
Trade and other receivables		1.5	2.7
		264.4	236.2
Current assets			
Inventories		0.2	0.2
Trade and other receivables		272.9	266.7
Financial assets		20.7	11.1
Cash and cash equivalents		177.4	114.6
		471.2	392.6
Liabilities			
Current liabilities			
Borrowings		(6.5)	(2.6)
Trade and other payables		(379.5)	(332.7)
Current tax liabilities		(12.3)	(10.8)
Provisions for liabilities and charges		(2.8)	(2.8)
		(401.1)	(348.9)
Net current assets		70.1	43.7
Non-current liabilities			
Borrowings		(35.1)	(21.5)
Provisions for liabilities and charges		(11.7)	(11.1)
Retirement benefit liabilities	13	(299.9)	(274.2)
Other non-current liabilities		(23.9)	(26.5)
		(370.6)	(333.3)
Net liabilities		(36.1)	(53.4)
Capital and reserves			
Ordinary shares	9	0.5	0.5
Share premium account	9	62.4	62.4
Merger reserve	9	8.9	8.9
Retained loss	9	(107.9)	(125.2)
Equity shareholders' deficit		(36.1)	(53.4)

The notes on pages 17 to 25 form part of the unaudited preliminary financial information.

Consolidated cash flow statement for the year ended 31 March 2006 (unaudited)

	Notes	2006 £m	2005 £m
Cash flows from operating activities			
Cash generated from operations	10	111.7	88.1
Interest received		7.6	7.0
Interest paid		(2.4)	(2.4)
Tax paid		(10.9)	(18.3)
Net cash from operating activities		106.0	74.4
Cash flows from investing activities			
Dividends received from Joint Ventures		3.7	3.6
Investment in Metronet		(11.2)	(11.1)
Acquisition of subsidiaries			
- Consideration		(4.9)	-
- Cash acquired		(0.2)	-
Purchases of property, plant and equipment		(20.4)	(14.5)
Proceeds from disposal of property, plant and equipment		0.5	2.1
Proceeds from disposal of Joint Ventures		9.2	5.6
Financial assets		(9.6)	(1.1)
Purchases of intangible assets		(8.3)	(5.5)
Net cash used in investing activities		(41.2)	(20.9)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	0.1
Redemption of loan stock		-	(0.7)
Long-term loans		12.5	2.6
Repayment of long-term loans		(1.1)	(15.2)
Finance lease principal payments		(3.2)	(2.9)
Sales of own shares by Employee Benefit Trusts		1.3	1.2
Equity dividends paid to shareholders		(12.4)	(10.7)
Net cash used in financing activities		(2.9)	(25.6)
Effects of exchange rate changes		0.9	0.5
Net increase in cash and cash equivalents		62.8	28.4
Cash and cash equivalents at beginning of year		114.6	86.2
Cash and cash equivalents at end of year	11	177.4	114.6

The notes on pages 17 to 25 form part of the unaudited preliminary financial information.

Notes to the unaudited preliminary financial information for the year ended 31 March 2006

1. Preparation of unaudited preliminary financial information

This unaudited preliminary financial information has been extracted from audited accounts which have not yet been filed with the Registrar of Companies and does not constitute summary financial information or statutory financial information as defined in Section 240 and Section 251 of the Companies Act 1985. The unaudited preliminary financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations, and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

As permitted by IFRS 1, *First time adoption of IFRS*, the Group has elected to adopt IAS 32, *Financial instruments: Disclosure and presentation*, IAS 39, *Financial Instruments: Recognition and measurement*, and the IFRIC draft interpretations in respect of PPP/PFI concessions, prospectively from 1 April 2005. Hence the comparative figures have not been restated.

The impact of adoption of IAS 32, IAS 39, and the IFRIC draft interpretations in respect of PPP/PFI concessions on the Group's results had they been implemented in the comparative year is set out in note 15.

2. Segmental reporting

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
2006						
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

	Total revenue £m	Inter-segment revenue £m	Revenue £m	Operating profit £m	Operating margin %	Share of post-tax profit from Joint Ventures £m
2005						
Design and Engineering Solutions	261.8	(17.4)	244.4	21.0	8.6 %	0.1
Highways and Transportation	220.6	(13.8)	206.8	9.4	4.5 %	0.5
Rail	206.7	(19.1)	187.6	8.9	4.7 %	-
Middle East and China	44.0	-	44.0	2.1	4.8 %	-
Management and Project Services	156.8	(4.6)	152.2	9.2	6.0 %	0.4
Asset Management	59.5	(0.9)	58.6	(4.7)	(8.0)%	-
Equity Investments	61.4	-	61.4	4.3	7.0 %	9.2
Total before impairment of goodwill	1,010.8	(55.8)	955.0	50.2	5.3 %	10.2
Impairment of goodwill – Management and Project Services	-	-	-	(7.2)	n/a	-
Total continuing segments	1,010.8	(55.8)	955.0	43.0	4.5 %	10.2

3. Joint Ventures

Share of post-tax profit from Joint Ventures

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

2005	Metronet £m	Other £m	Disposed £m	Total £m
Revenue	135.5	62.0	4.8	202.3
Operating expenditure	(118.1)	(56.7)	(4.3)	(179.1)
Operating profit	17.4	5.3	0.5	23.2
Finance cost	(15.0)	(3.6)	(2.6)	(21.2)
Finance income	7.6	3.1	3.2	13.9
Profit before taxation	10.0	4.8	1.1	15.9
Taxation	(3.4)	(1.5)	(0.8)	(5.7)
Share of post-tax profit from Joint Ventures	6.6	3.3	0.3	10.2

2005 disposed includes the comparative results of current year disposals.

4. Profit on disposal of Joint Ventures

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 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 (2005: £0.2m).

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 New Schools (Penweddig) Holdings Limited £0.6m (2005: £nil).

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

	South Manchester Healthcare (Holdings) Limited £m	NewSchools (Penweddig) Holdings Limited £m	2006 Total £m
Net assets	3.6	0.9	4.5
Deferred income released	(1.5)	(0.2)	(1.7)
Profit on disposal	5.7	0.7	6.4
Disposal proceeds – cash	7.8	1.4	9.2

	Mercia Healthcare (Holdings Ltd) £m	2005 Total £m
Net assets	2.8	2.8
Deferred income released	(0.9)	(0.9)
Profit on disposal	3.7	3.7
Disposal proceeds – cash	5.6	5.6

Taxation on profit on disposal of Joint Ventures was £0.5m (2005: £0.3m).

5. Net Finance cost

	2006 £m	2005 £m
Interest payable on borrowings	0.9	0.6
Hire purchase and finance leases	0.6	0.6
Letters of credit charges	2.0	2.6
Unwinding of discount	0.7	0.5
Net finance cost on retirement benefit liabilities	6.7	5.4
Other	0.3	1.0
Finance cost	11.2	10.7
Finance income	(7.9)	(6.8)
Net finance cost	3.3	3.9

6. Taxation

a) Analysis of charge in the year

	2006 £m	2005 £m
Current tax		
- Current year	13.2	17.1
- Adjustment in respect of prior year	(0.4)	(1.2)
Deferred tax	5.1	(1.8)
Tax on profit on ordinary activities per income statement	17.9	14.1
Adjust for:		
- Joint Venture taxation charge	4.0	5.7
- Tax on profit on disposal of Joint Ventures	(0.5)	(0.3)
Normalised taxation charge	21.4	19.5
Profit before taxation per income statement	74.8	53.0
Adjust for:		
- Joint Venture taxation charge	4.0	5.7
- Profit on disposal of Joint Ventures	(6.4)	(3.7)
- Impairment of goodwill	-	7.2
Normalised profit before taxation (adjusted for impairment of goodwill in 2005)	72.4	62.2
Effective taxation rate	23.9%	26.6%
Normalised effective taxation rate (adjusted for impairment of goodwill in 2005)	29.6%	31.4%

b) Taxation credit on items charged to equity

	Retirement benefit liability £m	Share based payments £m	2006 Total £m	Retirement benefit liability £m	Share based payments £m	2005 Total £m
At 1 April	6.8	2.1	8.9	-	2.0	2.0
Credited to equity during the year	11.3	0.1	11.4	6.8	0.1	6.9
At 31 March	18.1	2.2	20.3	6.8	2.1	8.9

7. Dividends

	2006 pence	2005 pence	2006 £m	2005 £m
Final dividend paid for the year ended 31 March	8.0p	7.0p	7.9	6.8
Interim dividend paid for the period ended 30 September	4.5p	4.0p	4.5	3.9
Dividends recognised in the year	12.5p	11.0p	12.4	10.7
Interim dividend paid for the period ended 30 September	4.5p	4.0p	4.5	3.9
Final dividend proposed for the year ended 31 March	11.5p	8.0p	11.5	7.9
Dividends relating to the year	16.0p	12.0p	16.0	11.8

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

8. 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.

Fully 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:

	2006 number ('000)	2005 number ('000)
Number of shares		
Weighted average number of shares used in basic EPS	99,790	99,064
Effect of dilutive securities		
- share options	2,028	1,486
Weighted average number of shares used in fully diluted EPS	101,818	100,550
	£m	£m
Earnings	56.9	38.9
Impairment of goodwill	-	7.2
Post-tax profit on disposal of Joint Ventures	(5.9)	(3.4)
Normalised earnings (adjusted for impairment of goodwill in 2005)	51.0	42.7
	pence	pence
Basic earnings per share	57.0p	39.3p
Fully diluted earnings per share	55.9p	38.7p
Normalised basic earnings per share (adjusted for impairment of goodwill in 2005)	51.1p	43.1p
Normalised fully diluted earnings per share (adjusted for impairment of goodwill in 2005)	50.1p	42.5p

Normalised EPS is considered to be a more representative measure of underlying trading.

9. Statement of changes in equity

	Share capital £m	Share premium account £m	Merger reserve £m	Retained (loss)/ earnings £m	Equity shareholders (deficit)/ funds £m
Balance at 31 March 2005	0.5	62.4	8.9	(125.2)	(53.4)
Adoption of IAS 39 and IFRIC D12 to D14	-	-	-	(6.2)	(6.2)
Balance at 1 April 2005 restated	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	-	-	-	1.2	1.2
Employee Benefit Trusts	-	-	-	3.2	3.2
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)

The amounts included above are net of tax.

10. Cash generated from operations

	2006 £m	2005 £m
Profit for the year	56.9	38.9
Adjustments for:		
Taxation	17.9	14.1
Finance income	(7.9)	(6.8)
Finance cost	11.2	10.7
Share of post-tax profit from Joint Ventures	(8.8)	(10.2)
Profit on disposal of Joint Ventures	(6.4)	(3.7)
Depreciation charges	14.7	19.1
Amortisation charges	9.6	8.7
Release of deferred income	(0.8)	(0.8)
Impairment of goodwill	-	7.2
Share options charge	3.0	2.2
Result on disposal of property, plant & equipment	0.7	(0.4)
Movement in provisions	(0.1)	2.8
Movement in inventories	-	0.3
Movement in trade and other receivables	(2.3)	(15.8)
Movement in payables	42.4	27.8
Movement in pensions	(18.4)	(5.9)
Exchange rate effect on current assets	-	(0.1)
Cash generated from continuing operations	111.7	88.1

11. Analysis of net funds

	At 31 March 2005 £m	Cash Flow £m	Other non- cash changes £m	Exchange movement £m	At 31 March 2006 £m
Cash and cash equivalents	114.6	61.9	-	0.9	177.4
Financial assets	31.2	9.6	-	-	40.8
Debt due within one year	-	-	(2.5)	(0.2)	(2.7)
Debt due after one year	(10.5)	(11.4)	2.5	(1.2)	(20.6)
Finance leases	(13.6)	3.2	(7.9)	-	(18.3)
Net funds	121.7	63.3	(7.9)	(0.5)	176.6

12. Events after the balance sheet date

On 21 June 2006 the Group acquired 100% of the share capital of Mantix Group Limited, a specialist programme management consultancy, for a net cash consideration of £8.8m.

13. 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.

The defined benefit section of the Atkins Pension Plan is closed to new entrants, who are now offered membership of the defined contribution section.

The Group has adopted early the Amendment to IAS 19, *Employee Benefits - Actuarial Gains and Losses*, in all years presented.

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.

13. Retirement benefit liabilities (continued)

	2006	2005
Price inflation	2.85%	2.80%
Rate of increase of pensions in payment		
Limited Price Indexation	2.85%	2.80%
Limited Price Indexation to 2.5%	2.50%	n/a
Fixed	5.00%	5.00%
Rate of increase in salaries	4.35%	4.30%
Rate of increase for deferred pensioners	2.85%	2.80%
Discount rate	5.00%	5.40%
Expected rate of return on plan assets	6.90%	6.70%
Expected rate of social security increases	2.85%	2.80%
Longevity at age 65 for current pensioners		
Men	18.7 years	18.2 years
Women	21.7 years	21.2 years
Longevity at age 65 for future pensioners (current age 45)		
Men	20.9 years	19.0 years
Women	23.9 years	21.9 years

The components of the pension cost are as follows:

	2006	2005
	£m	£m
Cost of sales		
Current service cost	18.6	19.8
Curtailment gain	(0.5)	-
Total service cost	18.1	19.8
Finance (income)/cost		
Finance cost	42.9	37.8
Expected return on plan assets	(36.2)	(32.4)
Net finance cost	6.7	5.4
Total charge to income statement for defined benefit schemes	24.8	25.2
Charge for defined contribution schemes	9.0	10.1
Total charge to income statement	33.8	35.3
Statement of recognised income and expense		
Gain on pension scheme assets	88.4	16.1
Changes in assumptions	(126.1)	(38.8)
Actuarial loss	(37.7)	(22.7)
Deferred tax charged to equity	11.3	6.8
Actuarial loss (net of deferred tax)	(26.4)	(15.9)

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

	2006	2005
	£m	£m
Defined benefit obligation	(1,021.9)	(843.9)
Fair value of plan assets	722.0	569.7
Retirement benefit liabilities	(299.9)	(274.2)

Movements in the retirement benefit liabilities are as follows:

	2006	2005
	£m	£m
At beginning of year	(274.2)	(252.7)
Service cost	(18.6)	(19.8)
Net finance cost	(6.7)	(5.4)
Curtailment gain	0.5	-
Contributions	37.1	26.2
Actuarial loss	(37.7)	(22.7)
Foreign exchange	(0.3)	0.2
At end of year	(299.9)	(274.2)

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

	Effect on plan liabilities		
	Change in assumption	Atkins Pension Plan	Railways Pension Scheme
Discount rate	Increase/decrease 0.5%	Decrease/increase 10.0%	Decrease/increase 9.0%
Rate of 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 by 1 year	Increase 4.0%	Increase 3.0%

14. Business combinations

On 31 March 2006 the Group acquired 100% of the share capital of MSL Engineering Limited, a UK registered entity, and 100% of MSL Services Corp, a US registered entity, for consideration of £5.8m, consisting of £4.6m cash consideration and £1.2m deferred consideration.

On 31 December 2005 the Group acquired 100% of the share capital of NovaPlan Holding AB and its subsidiary NovaPlan AB, both registered in Sweden, for consideration of £0.3m in cash.

	Total Carrying value £m	Fair value adjustments £m	Total fair value £m
Other intangible assets	-	0.5	0.5
Accounts receivable	2.0	-	2.0
Cash overdraft	(0.2)	-	(0.2)
Short-term trade and other payables	(1.4)	-	(1.4)
Tax liabilities	(0.4)	-	(0.4)
	-	0.5	0.5
Goodwill on acquisition			5.6
Consideration			6.1
Consideration:			
Cash paid			4.9
Deferred consideration			1.2
			6.1

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 the acquisition of MSL Engineering Limited and MSL Services Corp 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 twelve months of the acquisition date.

15. Reconciliation of net assets and profit under UK GAAP to IFRS

The Group reported under UK GAAP in its previously published financial information for the year ended 31 March 2005. As required by IFRS 1, *First-time adoption of IFRS*, the analysis below shows a reconciliation of equity and profit as reported under UK GAAP as at 31 March 2005 to the revised equity and profit under IFRS and a reconciliation of equity under UK GAAP to IFRS as at the transition date of 1 April 2004.

As permitted by IFRS 1, the Group has elected to adopt IAS 32, *Financial instruments: Disclosure and presentation*, IAS 39, *Financial Instruments: Recognition and measurement*, and the draft interpretations in respect of PPP/PFI concessions, prospectively from 1 April 2005. Hence, the comparative figures have not been restated.

The impact of adoption of IAS 32, IAS 39, and the IFRIC draft interpretations in respect of PPP/PFI concessions on the Group's profit after tax and net assets if they had been implemented in the years shown have been included in the table below as pro forma adjustments.

	Notes	2005 £m
Reconciliation of profit		
Profit on ordinary activities after taxation under UK GAAP		38.6
Effect of transition to IFRS:		
Lease incentives	a	(0.9)
Retirement benefit liabilities	b	(5.2)
Intangible assets	c	1.6
Share based payments	d	0.6
Goodwill	e	4.2
Profit for the year attributable to equity shareholders under IFRS		38.9
Pro forma adjustments:		
IAS 32, IAS 39 and IFRIC D12 to D14	g	2.0
Pro forma profit for the year attributable to equity shareholders under IFRS		40.9

15. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

		As at 31 March 2005	As at 1 April 2004
	Notes	£m	£m
Reconciliation of equity			
Total equity presented under UK GAAP		118.2	88.7
Effect of transition to IFRS:			
Lease incentives	a	(3.8)	(2.9)
Retirement benefit liabilities	b	(181.0)	(159.9)
Intangible assets	c	(4.6)	(6.2)
Share based payments	d	5.7	4.7
Goodwill	e	4.2	-
Dividends	f	7.9	6.8
Total equity presented under IFRS		(53.4)	(68.8)
Pro forma adjustments:			
IAS 32, IAS 39 and IFRIC D12 to D14	g	(6.2)	(1.8)
Pro forma total equity presented under IFRS		(59.6)	(70.6)

Notes

a. Lease incentives

Under UK GAAP, lease incentives were amortised over the period from inception of the lease until the first rent review. Under IAS 17, *Leases*, lease incentives are amortised over the whole lease term. As a result net assets as at 31 March 2005 decreased by £3.8m (1 April 2004: £2.9m) and profit before tax decreased for the year ended 31 March 2005 by £1.3m.

b. Retirement benefit liabilities

Under UK GAAP the Group accounted for retirement benefit liabilities under SSAP 24, *Accounting for pension costs*. The cost of providing defined benefit pensions was charged against operating profit. Under IAS 19, *Employee benefits*, the cost of providing pension benefits and the retirement benefit obligation are determined annually by independent actuaries. The interest arising on the projected obligations and the returns on the schemes' assets is recognised in finance income/cost. Actuarial gains and losses are recognised in the statement of recognised income and expense in the year in which they occur. As a result, net assets decreased by £181.0m as at 31 March 2005 (1 April 2004: £159.9m) and profit before tax decreased by £7.4m for the year ended 31 March 2005.

c. Intangible assets

Under UK GAAP, the software for the Group's corporate information systems was treated as part of the associated hardware as a tangible fixed asset. Under IAS 38, *Intangible assets*, software is treated as an intangible asset unless it is an integral part of the related hardware. Hence the remaining value of the Group's corporate information systems was re-classified as an intangible asset on transition to IFRS. On transition, the Group's corporate information systems were written down by £8.9m, reducing the annual amortisation charge by £2.3m due to differing treatment of internally generated development costs under IFRS. In addition, other software licences previously classified as prepayments within accounts receivable will now also be classified as intangible assets. As a result the profit before tax for the year ended 31 March 2005 increased by £2.3m and net assets reduced by £4.6m as at 31 March 2005 (1 April 2004: £6.2m).

d. Share based payments

Under UK GAAP, the cost recognised in respect of share options was based on the share price of the underlying shares at the date of grant. The cost was spread over the vesting period for all schemes except the Deferred Bonus Plan (DBP) which was charged in full in the year the performance was measured. Under IFRS 2, *Share-based payments*, the cost, which is based on the fair value of the options, is spread over the vesting and performance period for all schemes granted after 7 November 2002. As a result the profit before tax for the year ended 31 March 2005 increased by £0.8m and the net assets increased by £5.7m (1 April 2004: £4.7m) to reflect the release of the accumulated accrual in respect of the DBP scheme.

e. Goodwill

Under UK GAAP goodwill was amortised on a straight-line basis over its estimated useful economic life. Under IFRS 3, *Business combinations*, goodwill is no longer amortised but is carried at cost and subject to annual impairment review as at 31 March.

The Group has elected to apply the exemption available under IFRS 1 not to apply IFRS 3 retrospectively to business combinations prior to 1 April 2004.

The result of these changes is to increase Group profit before tax by £4.2m. This represents the write back of the £5.9m of goodwill amortisation for the year ended 31 March 2005 of which £1.7m related to Hanscomb and £4.2m related to other acquisitions. Under IFRS, Hanscomb goodwill is written down by £7.2m to bring the carrying value at the end of the year into line with the UK GAAP carrying value at the end of the year. Under UK GAAP, the charge consisted of £5.5m exceptional impairment charge for the year ended 31 March 2005 and £1.7m annual amortisation charge (included in the £5.9m above). The Group's net assets increased by £4.2m as at 31 March 2005 (1 April 2004: £nil).

15. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

f. Dividends

Under UK GAAP, proposed dividends were accrued in the accounting period to which they related. Under IAS 10, *Events after the balance sheet date*, dividends are recognised in the accounting period in which they are approved.

Under UK GAAP, a liability of £7.9m (1 April 2004 : £6.8m) was included in the results for the year ended 31 March 2005 in respect of the final dividend for the Group and the Company. This dividend had not been declared by the shareholders at 31 March 2005 and as a result the liability has been reversed under IFRS.

g. IAS 32, IAS 39 and IFRIC D12 to D14

Under UK GAAP, the Group treated PPP/PFI assets as tangible fixed assets. Under IFRS and the draft interpretations issued by IFRIC, D12 to D14, on accounting for service concessions, the assets of the Group's PPP/PFI concessions will be treated as financial assets from 1 April 2005.