

Tuesday 26 June 2007 for Immediate Release

## Results for the year ended 31 March 2007

Professional services group WS Atkins plc ([Atkins](#)) today announced preliminary unaudited results for the year ended 31 March 2007.

### RESULTS SUMMARY

	2007	2006
Revenue (Group and share of Joint Ventures)	£1,639.9m	£1,411.0m
Revenue	£1,263.6m	£1,052.5m
Operating profit <sup>1</sup>	£76.6m	£62.9m
Operating margin <sup>1</sup>	6.1%	6.0%
Exceptional items before taxation	£(121.3)m	-
Normalised profit before taxation <sup>2</sup>	£81.7m	£68.4m
(Loss)/profit before taxation	£(39.6)m	£74.8m
Normalised diluted EPS <sup>3</sup>	61.5p	50.1p
Diluted (loss)/earnings per share	(56.8)p	55.9p
Dividend relating to the year	20.0p	16.0p
Cash flow from operating activities	£106.1m	£111.7m
Net funds	£199.1m	£176.6m
Year end headcount (including agency staff)	16,824	14,907

### SUMMARY

- Good results from underlying businesses with revenue growth of 20% and operating profit<sup>1</sup> up 22%.
- Significant revenue growth in Design and Engineering Solutions (18%), Highways and Transportation (16%), Rail (35%), and Middle East and China (61%).
- Headcount (including agency staff) increased by over 1,900 during the year to more than 16,800.
- Strong work in hand representing 58% of budgeted revenue for 2007/08 (2006: 62%).
- Results adversely impacted by an exceptional loss of £121.3m (£120.1m after tax) on the Metronet Enterprise<sup>4</sup>, including an impairment write-down to reduce the carrying value of the Group's investment in the Metronet PPP companies to £nil, and provisions for supply chain losses.
- Metronet announced its intention to invite the Arbitrator to conduct an Extraordinary Review on Metronet BCV in July and Metronet SSL (later in the year). Ongoing negotiations with Metronet banks are required to ensure adequate funding until conclusion of Extraordinary Review.
- Continuing strong cash flow from operating activities of £106.1m (2006: £111.7m) with closing net funds of £199.1m (2006: £176.6m).
- Disposal of LSH to its management team for £46.5m (together with earn-out potential for a further £10m) announced today.
- The Board is recommending a final dividend of 14.0p, making the total dividend for the year 20.0p (2006: 16.0p), an increase of 25%.

#### Notes:

1. Operating profit/margin before exceptional items.
2. Normalised profit before taxation is defined as profit before taxation and exceptional items and any profits or losses from disposals. This is considered to be a more representative measure of underlying trading.
3. Normalised diluted EPS is defined as diluted EPS before exceptional items and any profits or losses from disposals.
4. The Metronet Enterprise comprises the Group's interest in the Metronet and Trans4m Joint Ventures and the related Atkins supply chain.

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"The Group performed well last year, with revenue up 20% and normalised profit before taxation up by 19%. This result was driven by substantial growth in the Middle East; good performance from our Design and Engineering Solutions and Highways and Transportation segments; and the recovery in the workload from our Rail segment.

The Group's results, however, were adversely impacted by an exceptional loss of £121.3m (£120.1m after tax) in relation to the Metronet Enterprise. This loss includes an impairment write-down which reduces the carrying value of the Group's investment in Metronet to £nil.

On 21 June 2007, Metronet announced its intention to invite the Arbiter to conduct an Extraordinary Review on Metronet BCV in July and for Metronet SSL later in the year. Negotiations are ongoing with Metronet's banks to ensure that it has adequate funding until the completion of the Extraordinary Review.

Atkins is committed to working with Metronet, its banks and other stakeholders to ensure that it can continue through to the outcome of the Extraordinary Review.

We start the new year in a very good position with work in hand representing 58% of our budgeted revenue (2006: 62%). The demand for our services in our key markets is strong and we are confident that the Group will continue to achieve further progress in the year ahead."

**Ed Wallis**  
**Chairman**

**Keith Clarke**  
**Chief Executive**

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#### **Notes to editors**

##### **1. Atkins**

Atkins ([www.atkinsglobal.com](http://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).

##### **2. Attachments**

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

##### **3. Analyst Presentation**

A presentation for analysts will be held today at JP Morgan Cazenove, 20 Moorgate, London EC2R 6DA at 8.30am hours. The presentation will also be available live via conference call. Dial-in details are available from Brunswick on +44 (0)20 7396 3577. A webcast of the presentation will be available via the Company's website from mid-afternoon [www.atkinsglobal.com](http://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 performed well last year, with revenue up 20% and normalised profit before taxation up by 19%. This result was driven by substantial growth in the Middle East; good performance from our Design and Engineering Solutions, and Highways and Transportation segments; and the recovery in the workload from our Rail segment.

The Group's results, however, were adversely impacted by an exceptional loss of £121.3m (£120.1m after tax) in relation to the Metronet Enterprise. This loss reduces the carrying value of the Group's investment in Metronet to nil.

On 21 June 2007, Metronet announced its intention to invite the Arbiter to conduct an Extraordinary Review on Metronet BCV in July and for Metronet SSL later in the year. Negotiations with Metronet's banks to ensure that it has adequate funding until the completion of the Extraordinary Review are ongoing. Atkins is committed to working with Metronet, its banks and other stakeholders to ensure that it can continue through to the successful outcome of the Extraordinary Review.

### Outlook

We start the new year in a very good position with work in hand representing 58% of our budgeted revenue (2006: 62%). The demand for our services in our key markets is strong and we are confident that the Group will continue to achieve further progress in the year ahead.

### Dividend

The Board is recommending a final dividend of 14.0p, making the total dividend for the year 20.0p (2006: 16.0p), an increase of 25%. If approved, the dividend will be paid on 28 September 2007 to ordinary shareholders on the register on 17 August 2007.

## OPERATING REVIEW

### Design and Engineering Solutions

<b>Key Performance indicators</b>	<b>2007</b>	<b>2006</b>	<b>% change In year</b>
<b>Financial metrics</b>			
Revenue	<b>£339.2m</b>	<b>£286.3m</b>	+18%
Operating profit <sup>1</sup>	<b>£28.1m</b>	<b>£23.4m</b>	+20%
Operating margin <sup>1</sup>	<b>8.3%</b>	<b>8.2%</b>	+0.1% pts
<b>Work in hand</b>	<b>42%</b>	<b>44%</b>	-2% pts
<b>People</b>			
Headcount at 31 March <sup>2</sup>	<b>4,721</b>	<b>4,026</b>	+17%
Average headcount <sup>2</sup>	<b>4,306</b>	<b>3,679</b>	+17%

1. Before exceptional items.

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

### Performance in 2007

Design and Engineering Solutions had a good year with growth in revenue of £52.9m (18%) and an increase in operating profit of £4.7m (20%). Our core markets remain strong and the focus on strengthening relationships with key clients has enabled us to increase operating margins. We have successfully added 695 staff during the year; 70% of this growth was organic, with the remaining staff joining the Group as a result of the two acquisitions made in the year.

During the year our nuclear business grew strongly and we now have over 440 staff working in this market, up from 320 last year. We provide a range of engineering services in the design of new facilities and infrastructure, extending the operational life of existing nuclear facilities and in decommissioning. Our clients include AWE where we continue to grow our design house services under a three year contract to 2008, and British Energy with whom we have been working under a three year contract to 2008. This year we have also set up a 'Nuclear Training Academy' supported by the University of Surrey, focused on training suitably qualified engineers to satisfy the industry requirements for working in the nuclear sector. Forty staff have graduated from the academy to date.

Our aerospace business performed well this year with significant growth from Airbus where we are supporting three of their major aircraft development programmes. We provide independent structural stress analysis and certification on the A380 wings, design and analysis services for the wings of the military A400M and we are incorporating the use of composite materials in the design of the developmental A350 extra wide body aircraft.

Our architecture and design business in the UK works on significant public and private sector projects in the UK as well as non-UK locations: examples include the design of a new 400 unit residential tower in Swansea; the Regatta Jakarta, a major new design project in Indonesia; and concept proposals for a mixed-use development in central Islamabad, which will boast Pakistan's tallest building.

The Ministry of Defence (MoD) continues to change the way that it procures large capital projects by using independent systems houses such as Atkins to manage their capital programmes. Our success on the Future Rapid Effect System (FRES) programme has continued and will provide further work for our defence business. The acquisition of Advantage in March 2007 brought through-life capability management expertise to the Group, complementing our existing skills in defence systems engineering and enabling increased access to the defence market.

Our oil and gas business has seen significant growth to more than 260 staff; an increase of more than 100 compared with last year. The integration of both MSL and Boreas, which were acquired in March 2006 and December 2006 respectively, has gone well and contributed to a 60% growth in revenue. These acquisitions brought complementary safety and reliability skills to the Group that help our clients extend the life of oil and gas fields by managing the integrity of their infrastructure.

Our work for UK water companies continues to grow significantly. During the year, our contract with United Utilities grew substantially, working with them in integrated work streams covering design and commissioning work as part of their five year investment programme. We were also the only consultancy to be appointed to each one of the six four-year framework contracts awarded by Scottish Water and have won outsourcing contracts issued under Southern Water's five year master framework agreement.

Revenue from environment and planning services accounted for nearly 20% of the segment's revenue this year. Our involvement in the London Olympic Park regeneration project continues to grow and complements our wider regeneration activities in the Thames Gateway. We are assisting with the creation of sustainable communities of mixed-use developments within the region, which faces the challenge of accommodating population growth without building on the green belt or other open spaces.

#### Outlook

The outlook for Design and Engineering Solutions is positive with good medium term prospects in each of our targeted sectors. We have secured 42% of our budgeted revenue for 2007/08, slightly down from 44% last year. Prospects for the year ahead are good and our diverse range of complementary technical skills that are applied in several markets enables us to be confident in the future.

We are increasingly hiring front-office engineering professionals in our offices in Bangalore (India) and Sharjah (UAE) to service our clients. The number of people working in Bangalore and Sharjah for Design and Engineering Solutions is now over 200 and we expect this to increase significantly next year and beyond.

#### Highways and Transportation

<i>Key performance indicators</i>	<b>2007</b>	<b>2006</b>	<b>% change in year</b>
<b>Financial metrics</b>			
Revenue	<b>£250.5m</b>	<b>£215.4m</b>	+16%
Operating profit	<b>£13.2m</b>	<b>£11.0m</b>	+20%
Operating margin	<b>5.3%</b>	<b>5.1%</b>	+0.2% pts
Share of post-tax JV profits	<b>£0.6m</b>	<b>£0.7m</b>	-£0.1m
<b>Work in hand</b>	<b>77%</b>	<b>75%</b>	+2% pts
<b>People</b>			
Headcount at 31 March <sup>1</sup>	<b>3,095</b>	<b>2,891</b>	+7%
Average headcount <sup>1</sup>	<b>3,067</b>	<b>2,834</b>	+8%

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

#### Performance in 2007

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

The highway services business, which represents around 65% of this segment, is engaged in operating, maintaining and improving highways and motorways on behalf of the Highways Agency and local authorities. This year's results included the first year of our five year Gloucestershire County Council contact, which commenced in April 2006, and the first seven months of our up to ten-year £250m integrated contract to provide transport consultancy and highways management services for Cambridgeshire County Council. We were granted a seven month extension to our Northamptonshire contract to March 2008.

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

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

Transportation and represents an excellent example of collaborative working across segments and geographical regions.

During the year we were awarded a new contract by the Highways Agency to provide design and maintenance management services for the Highways Agency technology systems in the northwest of England in partnership with Telent. This £30m five-year contract commenced in December 2006. We were granted a two-year extension on a similar contract in the West Midlands.

Our transport planning business performed well with improved margins. A highlight of the year was the completion of a research and evaluation study for the Department for Transport on the Local Transport Plan that considers options for future local transport planning policy beyond 2011. There were also significant new contract awards from the Department for Transport, East London and Greenwich Council, Slough Borough Council and Transport for London.

Safety is a vitally important operational aspect of our Highways and Transportation segment. We have improved our investigations into root causes of incidents and accidents and have commenced a regime of audits that focus on behaviours and attitudes towards safety. For the second year running we have achieved a gold award from the Royal Society for the Prevention of Accidents (RoSPA) for our safety management systems.

#### Outlook

The outlook for the Highways and Transportation segment remains strong with good medium term prospects from local authorities and the Highways Agency. Our order book increased to 77% of work for 2007/08 (2006: 75%) as full year revenue from Cambridgeshire County Council more than compensated for the loss of the Highways Agency Area 10 contract that concludes in the second half of 2007/08.

During the next twelve months we will be working on a number of important bids and rebids including for Northamptonshire County Council and several Highways Agency contracts.

There are good opportunities to increase the volume of high-level advisory work we undertake, especially in the South-East of England through the period leading up to the London Olympics in 2012. We will also continue to be active in the area of advanced driver information and traffic control systems, which has shown strong growth over the past five years.

#### Rail

<b>Key performance indicators</b>	<b>2007</b>	<b>2006</b>	<b>% change in year</b>
<b>Financial metrics</b>			
Revenue	<b>£237.4m</b>	<b>£176.5m</b>	+35%
Operating profit <sup>1</sup>	<b>£4.4m</b>	<b>£2.6m</b>	+69%
Operating margin <sup>1</sup>	<b>1.9%</b>	<b>1.5%</b>	+0.4% pts
<b>Work in hand</b>	<b>66%</b>	<b>75%</b>	-9% pts
<b>People</b>			
Headcount at 31 March <sup>2</sup>	<b>1,974</b>	<b>2,004</b>	-1%
Average headcount <sup>2</sup>	<b>1,956</b>	<b>1,886</b>	+4%

1. Before exceptional items.

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

#### Performance in 2007

Revenue increased in the Rail segment by £60.9m (35%) although performance in the segment was mixed. While we continued to see the benefit of the recovery of the UK rail market, the impact has yet to be fully reflected in increased operating profit. Our results were also affected by a loss of approximately £3m associated with cost overruns on two EU-funded rail study projects for the Polish Rail Authority, which are now largely resolved. Operating margins also continued to be adversely impacted by our work on the Metronet supply chain.

A substantial share of our revenue is derived from re-signalling contracts which increased significantly to approximately £100m. We have successfully completed the first phase of the major re-signalling contract at Basingstoke, which is due for final completion in September 2008, and the other major re-signalling project at Port Talbot, is substantially complete. We were also selected, on a negotiated basis, to design, commission and test the signalling for the Rugby/Nuneaton section of the West Coast Mainline upgrade. This contract will provide significant revenue over the next two years.

During the year we won a contract to provide design and technical consultancy for the Glasgow Airport Rail Link project, for the new railway line running from Glasgow Central Station to the international airport. Work was also secured on three out of the five Network Rail regional three-year framework contracts for switch and crossing renewals, an increase from the two previously held. We commenced the design of the track layout for the South African Gautrain rail project covering 80km of new track from the international airport to Johannesburg.

The demand from the UK rail industry for innovative solutions to meet the need for a capacity enhanced, reliable, open all hours railway is growing, and we are well placed with over 1,800 rail specialists with a broad range of capability to provide such solutions.

## Outlook

The outlook for our Rail segment is good. Our work in hand at 66% compares to 75% last year. However, if our work for Metronet is excluded, underlying work in hand is 65% compared to 56% last year.

Passenger demand forecasts predict significant growth in UK rail usage over the coming ten years and in anticipation of this Network Rail has planned a substantial programme of renewals and enhancements. Increased regionalisation of rail spending to Scotland, Wales, Transport for London and through other local passenger transport executives will also provide significant opportunities and we are well placed to benefit.

## Middle East and China

<b>Key performance indicators</b>	<b>2007</b>	<b>2006</b>	<b>% change in year</b>
<b>Financial metrics</b>			
Revenue	<b>£108.2m</b>	<b>£67.1m</b>	+61%
Operating profit	<b>£7.2m</b>	<b>£3.0m</b>	+140%
Operating margin	<b>6.7%</b>	<b>4.5%</b>	+2.2% pts
<b>Work in hand</b>	<b>64%</b>	<b>78%</b>	-14% pts
<b>People</b>			
Headcount at 31 March <sup>1</sup>	<b>2,602</b>	<b>1,708</b>	+52%
Average headcount <sup>1</sup>	<b>2,253</b>	<b>1,548</b>	+46%

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

## Performance in 2007

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

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

During the year we secured the civil design services contract for the Red Line of the Dubai Metro light rail scheme. This complex multi-disciplinary project required the mobilisation of up to 400 staff across the Group, and within three months of our appointment by the Japan Turkey Metro Joint Venture, we delivered the necessary designs to enable the client to commence construction. A substantial proportion of our design work on the Red Line is now complete and we are also now engaged on the design of a second line, the Green Line. Together these two contracts require the design of 70kms of railway line and viaducts and 44 stations.

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

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

## Outlook

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

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

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

## Management and Project Services

<i>Key performance indicators</i>	<b>2007</b>	<b>2006</b>	<b>% change in year</b>
<b>Financial metrics</b>			
Revenue	<b>£193.6m</b>	<b>£171.9m</b>	+13%
Operating profit <sup>1</sup>	<b>£12.8m</b>	<b>£13.9m</b>	-8%
Operating margin <sup>1</sup>	<b>6.6%</b>	<b>8.1%</b>	-1.5% pts
<b>Work in hand</b>	<b>42%</b>	<b>39%</b>	+3% pts
<b>People</b>			
Headcount at 31 March <sup>2</sup>	<b>2,260</b>	<b>2,146</b>	+5%
Average headcount <sup>2</sup>	<b>2,203</b>	<b>2,049</b>	+8%

1. Before exceptional items.

2. Headcount are shown on a full time equivalent basis including agency staff.

### *Performance in 2007*

The performance of the Management and Project Services segment this year was disappointing. The Faithful+Gould business, which represents approximately 70% of the segment, had a good year but the Management Consultants business performed behind our expectations. Operating profit and operating margin were primarily impacted by the re-organisation of the Management Consultants business and the integration costs associated with the acquisition of Mantix in June 2006.

Faithful+Gould, which provides project management and cost consultancy across a broad range of markets, maintained its strong performance overall. Approximately two-thirds of its work is in the private sector and includes work in the UK banking sector for clients such as Royal Bank of Scotland and HBOS. Performance in the US continues to improve and there are significant opportunities in this market. The commercial sector is strong and capital spending by the oil majors continues, where we have won contracts with BP and ExxonMobil.

The re-organisation of our Management Consultants business and the integration of Mantix affected our results. Mantix employs 60 staff in project and programme management and is a major provider of management consultancy services to UK central government. The skills acquired from Mantix broadened our capacity to assist clients' manage their major investments in technology and business change. Our revenue from supporting the Government Communications Headquarters (GCHQ) facility grew during the year as we commenced work on a new five-year framework contract to deliver project and programme management support services.

### *Outlook*

Work in hand for the whole segment at 31 March 2007 represented 42% of budgeted revenue for 2007/08, compared to 39% last year.

The outlook for Faithful+Gould is good with a strong UK market and further growth in the US business anticipated.

Whilst demand for our management consultancy services is likely to increase due to UK Government's drive for organisational change and continuing private sector requirements, we are experiencing an increasingly competitive marketplace.

## Asset Management

<i>Key performance indicators</i>	<b>2007</b>	<b>2006</b>	<b>% change In year</b>
<b>Financial metrics</b>			
Revenue	<b>£50.5m</b>	<b>£61.5m</b>	-18%
Operating profit	<b>£1.6m</b>	<b>£4.0m</b>	-60%
Operating margin	<b>3.2%</b>	<b>6.5%</b>	-3.3% pts
Share of post-tax JV profits	<b>£0.1m</b>	-	+£0.1m
<b>Work in hand</b>	<b>99%</b>	<b>96%</b>	+3% pts
<b>People</b>			
Headcount at 31 March <sup>1</sup>	<b>680</b>	<b>730</b>	-7%
Average headcount <sup>1</sup>	<b>669</b>	<b>877</b>	-24%

1. Headcount are shown on a full time equivalent basis including agency staff.

### *Performance in 2007*

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

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

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

## Outlook

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

## Equity Investments

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

<b>Key performance indicators</b>	<b>2007</b>	<b>2006</b>	<b>% change in year</b>
<b>Financial metrics</b>			
Revenue	<b>£84.2m</b>	<b>£73.8m</b>	+14%
Operating profit	<b>£9.3m</b>	<b>£5.0m</b>	+86%
Operating margin	<b>11.0%</b>	<b>6.8%</b>	+4.2% pts
Share of post-tax JV (loss)/profits	<b>(£46.1m)</b>	<b>£8.1m</b>	-£54.2m
Impairment of investment in Metronet JV	<b>(£70.0m)</b>	-	-£70.0m
<b>People</b>			
Headcount at 31 March <sup>1</sup>	<b>956</b>	<b>887</b>	+8%
Average headcount <sup>1</sup>	<b>947</b>	<b>880</b>	+8%

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

## Lambert Smith Hampton

### Performance in 2007

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

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

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

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

## Metronet Enterprise

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

	<b>2007</b>			<b>2006</b>
	<b>Before Exceptional items £m</b>	<b>Exceptional items £m</b>	<b>Total £m</b>	<b>£m</b>
Metronet	-	(91.3)	(91.3)	7.5
Cost of letters of credit	(1.3)	-	(1.3)	(2.0)
	(1.3)	(91.3)	(92.6)	5.5
<i>Supply chain:</i>				
Trans4m	(1.0)	(26.0)	(27.0)	(1.0)
Business segments	1.7	(4.0)	(2.3)	(2.7)
<b>Metronet Enterprise</b>	<b>(0.6)</b>	<b>(121.3)</b>	<b>(121.9)</b>	<b>1.8</b>

## Metronet

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

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

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

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

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

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

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

#### *Trans4m*

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

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

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

#### *Atkins' supply chain*

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

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

#### *Outlook*

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

## **Net finance income**

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

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

## **Taxation**

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

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

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

## **Earnings per share (EPS)**

Normalised basic EPS before exceptional items was 62.2p (2006: 51.1p), reducing to a loss per share of 56.8p after exceptional items. Normalised diluted EPS before exceptional items, which is considered to be a more representative measure of underlying trading was 61.5p (2006: 50.1p), an increase of 23%. Further details are given in note 8 to this preliminary unaudited financial information.

## **Pensions**

### **Funding**

The latest actuarial valuation of the defined benefit Atkins Pension Plan (the "Plan") was carried out as at 1 April 2004 and indicated that the Plan had an actuarial deficit of £69m. A funding programme was agreed with the Trustees at that time but since then, recognising the likely increase in the deficit, the Group has accelerated contributions to the Plan. In the year the Group paid a further accelerated contribution of £25.0m (2006: £20.0m) to the Plan, making total accelerated contributions over the last three years of £53.6m. As at 30 June 2006 our actuaries estimated that the deficit had increased to approximately £187m despite the accelerated cash contributions, due to changes in discount rates, longevity and other assumptions. Our next actuarial valuation, as at 1 April 2007, is currently underway and the results are expected to be available in autumn 2007.

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

### **Charges**

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

### **IAS 19 valuation and accounting treatment**

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

The assumptions used in the IAS 19 valuation are detailed in note 13 to the preliminary unaudited financial information

### **Buy out basis**

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

## **Cash**

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

Cash generated from operations was £106.1m (2006: £111.7m). This increase is partly driven by a decrease in working capital despite significant revenue growth over the same period. Much of the reduction in working capital is

driven by advance cash receipts on large contracts, principally in the Middle East, and timing differences on our work on the Metronet supply chain. We anticipate an increase in working capital in the coming year driven by a cash outflow of up to £50.0m in relation to the Metronet supply chain, as discussed in the Metronet Enterprise section above.

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

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

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

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

### **Acquisitions**

Three acquisitions, adding to the capability and reach of our core business were completed during the year.

<u>Company acquired</u>	<u>Sector</u>	<u>Date</u>	<u>Total consideration</u>
Mantix Group Ltd	Management Consultants	June 2006	£11.2m
Boreas Consultants Ltd	Oil & Gas	December 2006	£3.9m
Advantage Business Group Ltd	Defence	March 2007	£19.5m

Lambert Smith Hampton acquired Poolman Harlow Ltd in April 2006 and Young and Butt Ltd in November 2006.

### **Events after the balance sheet date**

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

Keith Clarke  
Chief Executive

Robert MacLeod  
Group Finance Director

26 June 2007

**Consolidated income statement for the year ended 31 March 2007 (unaudited)**

	Notes	Pre- exceptional	2007 £m Exceptional	Post- exceptional	2006 £m
<b>(Note 6)</b>					
<b>Continuing operations</b>					
Revenue (Group and share of Joint Ventures)		1,639.9	-	1,639.9	1,411.0
<b>Revenue</b>	2	1,263.6	-	1,263.6	1,052.5
Cost of sales		(782.9)	(4.0)	(786.9)	(637.3)
<b>Gross profit</b>		480.7	(4.0)	476.7	415.2
Administrative expenses		(404.1)	-	(404.1)	(352.3)
<b>Operating profit</b>		76.6	(4.0)	72.6	62.9
Profit on disposal of Joint Ventures		-	-	-	6.4
Impairment of investment in Joint Ventures		-	(70.0)	(70.0)	-
Share of post-tax (loss)/profit from Joint Ventures	3	1.9	(47.3)	(45.4)	8.8
<b>(Loss)/profit from operations</b>		78.5	(121.3)	(42.8)	78.1
Finance income	4	9.9	-	9.9	7.9
Finance cost	4	(6.7)	-	(6.7)	(11.2)
Net finance income/(cost)	4	3.2	-	3.2	(3.3)
<b>(Loss)/profit before taxation</b>		81.7	(121.3)	(39.6)	74.8
Income tax expense	5	(18.9)	1.2	(17.7)	(17.9)
<b>(Loss)/profit for the year from continuing operations</b>		62.8	(120.1)	(57.3)	56.9
<b>(Loss)/profit for the year attributable to equity shareholders</b>	9	62.8	(120.1)	(57.3)	56.9
Basic earnings per share – continuing operations	8			(56.8)p	57.0p
Diluted earnings per share – continuing operations	8			(56.8)p	55.9p
Dividends recognised in the year – paid	7			17.5 p	12.5p
Dividends paid and proposed relating to the year	7			20.0 p	16.0p

**Consolidated statement of recognised income and expense for the year ended 31 March 2007 (unaudited)**

	Notes	2007 £m	2006 £m
Actuarial gain/(loss) on retirement benefit liabilities	13	31.3	(37.7)
Share of Joint Venture financial derivatives	9	7.5	(0.5)
Tax on items charged to equity	5	(8.5)	11.4
Net differences on exchange	9	(0.2)	1.5
Net income/(expense) recognised directly to equity		30.1	(25.3)
<b>(Loss)/profit for the year</b>		<b>(57.3)</b>	56.9
<b>Total recognised income and expense for the year attributable to equity shareholders</b>		<b>(27.2)</b>	31.6

The notes on pages 15 to 21 form part of the preliminary unaudited financial information.

**Consolidated balance sheet as at 31 March 2007 (unaudited)**

	Notes	2007 £m	2006 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		64.8	35.6
Other intangible assets		9.4	10.0
Property, plant and equipment		46.2	47.2
Investments in Joint Ventures		(26.0)	46.2
Financial assets		-	20.1
Deferred income tax assets		89.8	103.8
Trade and other receivables		0.1	1.5
		<b>184.3</b>	<b>264.4</b>
<b>Current assets</b>			
Inventories		0.4	0.2
Trade and other receivables		284.0	272.9
Financial assets		49.6	20.7
Cash and cash equivalents		187.7	177.4
		<b>521.7</b>	<b>471.2</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings		(3.7)	(6.5)
Trade and other payables		(418.7)	(379.5)
Current income tax liabilities		(28.3)	(12.3)
Provisions for liabilities and charges		(8.7)	(2.8)
		<b>(459.4)</b>	<b>(401.1)</b>
<b>Net current assets</b>			
		<b>62.3</b>	<b>70.1</b>
<b>Non-current liabilities</b>			
Borrowings		(34.5)	(35.1)
Provisions for liabilities and charges		(14.3)	(11.7)
Retirement benefit liabilities	13	(250.1)	(299.9)
Other non-current liabilities		(23.8)	(23.9)
		<b>(322.7)</b>	<b>(370.6)</b>
<b>Net liabilities</b>			
		<b>(76.1)</b>	<b>(36.1)</b>
<b>Capital and reserves</b>			
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	(147.9)	(107.9)
<b>Equity shareholders' deficit</b>			
		<b>(76.1)</b>	<b>(36.1)</b>

The notes on pages 15 to 21 form part of the preliminary unaudited financial information.

**Consolidated cash flow statement for the year ended 31 March 2007 (unaudited)**

	Notes	2007 £m	2006 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	106.1	111.7
Interest received		9.8	7.6
Interest paid		(2.4)	(2.4)
Income tax received/(paid)		2.9	(10.9)
<b>Net cash from operating activities</b>		<b>116.4</b>	106.0
<b>Cash flows from investing activities</b>			
Distributions received from Joint Ventures		1.7	3.7
Investment in Metronet		(18.0)	(11.2)
Acquisition of subsidiaries			
- Consideration		(31.5)	(4.9)
- Cash acquired		3.7	(0.2)
Purchases of property, plant and equipment		(16.7)	(20.4)
Proceeds from disposal of property, plant and equipment		0.6	0.5
Proceeds from disposal of Joint Ventures		-	9.2
Financial assets		(8.8)	(9.6)
Purchases of intangible assets		(9.0)	(8.3)
<b>Net cash used in investing activities</b>		<b>(78.0)</b>	(41.2)
<b>Cash flows from financing activities</b>			
Repayment of short-term loans		(2.7)	-
Long-term loans		-	12.5
Repayment of long-term loans		(1.6)	(1.1)
Finance lease principal payments		(4.0)	(3.2)
Sales of own shares by Employee Benefit Trusts		0.1	1.3
Equity dividends paid to shareholders		(17.7)	(12.4)
<b>Net cash used in financing activities</b>		<b>(25.9)</b>	(2.9)
Exchange (losses)/gains on cash and bank overdrafts		(2.2)	0.9
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		<b>10.3</b>	62.8
Cash, cash equivalents and bank overdrafts at beginning of year		177.4	114.6
<b>Cash, cash equivalents and bank overdrafts at end of year</b>	11	<b>187.7</b>	177.4

The notes on pages 15 to 21 form part of the preliminary unaudited financial information.

Notes to the preliminary unaudited financial information for the year ended 31 March 2007

1. Preparation of preliminary unaudited financial information

This preliminary unaudited financial information has been extracted from audited financial statements 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 preliminary unaudited financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), International Financial Reporting Interpretations Committee (IFRIC) interpretations, and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

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
<b>2007- Before exceptional items</b>						
Design and Engineering Solutions	353.8	(14.6)	339.2	28.1	8.3%	-
Highways and Transportation	265.9	(15.4)	250.5	13.2	5.3%	0.6
Rail	262.0	(24.6)	237.4	4.4	1.9%	-
Middle East and China	117.8	(9.6)	108.2	7.2	6.7%	-
Management and Project Services	201.9	(8.3)	193.6	12.8	6.6%	-
Asset Management	53.1	(2.6)	50.5	1.6	3.2%	0.1
Equity Investments	84.2	-	84.2	9.3	11.0%	1.2
Total continuing segments	1,338.7	(75.1)	1,263.6	76.6	6.1%	1.9

	Operating loss £m	Impairment of investments in Joint Ventures £m	Share of post-tax loss from Joint Ventures £m
<b>2007- Exceptional items</b>			
Design and Engineering Solutions	(1.1)	-	-
Rail	(2.6)	-	-
Management and Project Services	(0.3)	-	-
Equity Investments	-	(70.0)	(47.3)
Total continuing segments	(4.0)	(70.0)	(47.3)

	Total revenue £m	Inter-Segment revenue £m	Revenue £m	Operating profit £m	Operating margin %	Impairment of investments in Joint Ventures £m	Share of post-tax profit/(loss) from Joint Ventures £m
<b>2007- Total</b>							
Design and Engineering Solutions	353.8	(14.6)	339.2	27.0	8.0%	-	-
Highways and Transportation	265.9	(15.4)	250.5	13.2	5.3%	-	0.6
Rail	262.0	(24.6)	237.4	1.8	0.8%	-	-
Middle East and China	117.8	(9.6)	108.2	7.2	6.7%	-	-
Management and Project Services	201.9	(8.3)	193.6	12.5	6.5%	-	-
Asset Management	53.1	(2.6)	50.5	1.6	3.2%	-	0.1
Equity Investments	84.2	-	84.2	9.3	11.0%	(70.0)	(46.1)
Total continuing segments	1,338.7	(75.1)	1,263.6	72.6	5.7%	(70.0)	(45.4)

	Total revenue £m	Inter-segment revenue £m	Revenue £m	Operating profit £m	Operating margin %	Share of post-tax profit from Joint Ventures £m
<b>2006</b>						
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

### 3. Joint Ventures

#### Share of post-tax profit/(losses) from Joint Ventures

2007	Pre-exceptional		Exceptional	Total £m
	Metronet £m	Other £m	£m	
Revenue	251.6	124.7	-	376.3
Operating expenditure	(250.7)	(124.4)	(60.9)	(436.0)
Operating profit/(loss)	0.9	0.3	(60.9)	(59.7)
Finance cost	(19.5)	(4.3)	-	(23.8)
Finance income	18.6	5.3	-	23.9
Profit/(loss) before taxation	-	1.3	(60.9)	(59.6)
Taxation	-	0.6	13.6	14.2
Share of post-tax profit/(loss) from Joint Ventures	-	1.9	(47.3)	(45.4)

2006	Metronet £m	Other £m	Disposed £m	Total £m
Revenue	246.9	108.9	2.7	358.5
Operating expenditure	(235.1)	(108.5)	(1.5)	(345.1)
Operating profit	11.8	0.4	1.2	13.4
Finance cost	(19.7)	(4.3)	(1.2)	(25.2)
Finance income	18.7	4.6	1.3	24.6
Profit before taxation	10.8	0.7	1.3	12.8
Taxation	(3.3)	(0.3)	(0.4)	(4.0)
Share of post-tax profit from Joint Ventures	7.5	0.4	0.9	8.8

#### 4. Net finance (income)/cost

	2007 £m	2006 £m
Interest payable on borrowings	1.1	0.9
Hire purchase and finance leases	0.9	0.6
Letters of credit charges	1.3	2.0
Unwinding of discount	0.5	0.7
Net finance cost on retirement benefit liabilities	2.4	6.7
Other	0.5	0.3
Finance cost	6.7	11.2
Finance income	(9.9)	(7.9)
<b>Net finance (income)/cost</b>	<b>(3.2)</b>	<b>3.3</b>

#### 5. Income tax expense

##### a) Analysis of charge in the year

	2007 £m	2006 £m
Current income tax		
- Current year	18.5	13.2
- Adjustment in respect of prior year	(4.5)	(0.4)
- Deferred income tax	3.7	5.1
Income tax on profit per income statement	17.7	17.9
Adjust for:		
- Joint Venture taxation	(0.6)	4.0
- Income tax on profit on disposal of Joint Ventures	-	(0.5)
- Tax on exceptional operations	1.2	-
Normalised income tax expense	18.3	21.4
(Loss)/profit before tax per income statement	(39.6)	74.8
Adjust for:		
- Joint Venture taxation	(0.6)	4.0
- Profit on disposal of Joint Ventures	-	(6.4)
- Exceptional items (after Joint Venture tax)	121.3	-
Normalised profit before taxation	81.1	72.4
<b>Effective income tax rate</b>	<b>(44.7)%</b>	<b>23.9%</b>
<b>Normalised effective taxation rate</b>	<b>22.6 %</b>	<b>29.6%</b>

## 5. Income tax expense (continued)

### b) Income tax on items charged to equity

	Retirement benefit liability £m	Share based payments £m	2007 Total £m	Retirement benefit liability £m	Share based payments £m	2006 Total £m
At 1 April	18.1	2.2	20.3	6.8	2.1	8.9
Deferred income tax	(9.6)	(0.5)	(10.1)	11.3	0.1	11.4
Current income tax	-	1.6	1.6	-	-	-
At 31 March	8.5	3.3	11.8	18.1	2.2	20.3

## 6. Exceptional items

### *Metronet Joint Venture*

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

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

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

### *Trans4m Joint Venture*

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

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

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

### *Atkins' supply chain*

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

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

## 6. Exceptional items (continued)

	2007	2006
	£m	£m
<b>Operating entities' exceptional items:</b>		
Atkins supply chain exceptional loss included in operating profit	(4.0)	-
Tax credit on exceptional loss	1.2	-
Operating entities' post-tax exceptional loss	(2.8)	-
<b>Joint venture entities' exceptional items:</b>		
Impairment of investment in Metronet	(70.0)	-
Metronet PPP pre-tax exceptional loss	(31.6)	-
Trans4m Limited pre-tax exceptional loss	(29.3)	-
Pre-tax exceptional loss from Joint Venture entities	(130.9)	-
Tax credit on exceptional loss for Joint Venture entities	13.6	-
Joint Venture entities' post-tax exceptional loss	(117.3)	-
<b>Total post-tax exceptional loss</b>	<b>(120.1)</b>	<b>-</b>

## 7. Dividends

	2007	2006	2007	2006
	pence	pence	£m	£m
Final dividend paid for the year ended 31 March 2006 (2005)	11.5p	8.0p	11.6	7.9
Interim dividend paid for the period ended 30 Sept 2006 (2005)	6.0p	4.5p	6.1	4.5
Dividends recognised in the year	17.5p	12.5p	17.7	12.4
Interim dividend paid for the period ended 30 Sept 2006 (2005)	6.0p	4.5p	6.1	4.5
Final dividend proposed for the year ended 31 March 2007 (2006)	14.0p	11.5p	14.1	11.5
Dividends relating to the year	20.0p	16.0p	20.2	16.0

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

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:

	2007	2006
	number	number
	('000)	('000)
<b>Number of shares</b>		
Weighted average number of shares used in basic EPS (post exceptional)	100,901	99,790
Effect of dilutive securities		
- Share options	-	2,028
Weighted average number of shares used in diluted EPS (post exceptional)	100,901	101,818
Weighted average number of shares used in normalised EPS (pre exceptional)	100,901	99,790
Effect of dilutive securities		
- Share options	1,204	2,028
Weighted average number of shares used in normalised EPS (pre exceptional)	102,105	101,818
<b>Earnings</b>	<b>£m</b>	<b>£m</b>
(Loss)/profit for the year attributable to equity shareholders	(57.3)	56.9
Profit on disposal of Joint Ventures (net of taxation)	-	(5.9)
Exceptional items	120.1	-
Normalised earnings	62.8	51.0
	<b>pence</b>	<b>pence</b>
Basic (loss)/earnings per share (post exceptional)	(56.8)	57.0
Diluted (loss)/earnings per share (post exceptional)	(56.8)	55.9
Normalised basic earnings per share (pre exceptional)	62.2	51.1
Normalised diluted earnings per share (pre exceptional)	61.5	50.1

Normalised diluted EPS (before exceptional items) 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 2006	0.5	62.4	8.9	(107.9)	(36.1)
Loss for the year	-	-	-	(57.3)	(57.3)
Dividends	-	-	-	(17.7)	(17.7)
Actuarial gain on retirement benefit liabilities	-	-	-	21.7	21.7
Share based movements	-	-	-	5.9	5.9
Employee Benefit Trusts	-	-	-	0.1	0.1
Share of Joint Venture financial derivatives	-	-	-	7.5	7.5
Net differences on exchange	-	-	-	(0.2)	(0.2)
Balance at 31 March 2007	0.5	62.4	8.9	(147.9)	(76.1)

The amounts included above are net of tax.

## 10. Cash generated from operations

	2007 £m	2006 £m
(Loss)/profit for the year	(57.3)	56.9
Adjustments for:		
Income tax	17.7	17.9
Finance income	(9.9)	(7.9)
Finance cost	6.7	11.2
Impairment of investment in Joint Ventures	70.0	-
Share of post-tax (profit)/loss from Joint Ventures	45.4	(8.8)
Profit on disposal of Joint Ventures	-	(6.4)
Depreciation charges	20.5	14.7
Amortisation charges	11.0	9.6
Amortisation of acquisition intangibles	0.6	-
Release of deferred income	(0.1)	(0.8)
Share based payment charge	5.1	3.0
Result on disposal of property, plant & equipment	0.3	0.7
Movement in provisions	8.0	(0.1)
Movement in inventories	(0.2)	-
Movement in trade and other receivables	(5.1)	(2.3)
Movement in payables	14.3	42.4
Movement in pensions	(20.9)	(18.4)
Cash generated from continuing operations	106.1	111.7

## 11. Analysis of net funds

	At 31 March 2006 £m	Cash Flow £m	Other non- cash changes £m	Exchange movement £m	At 31 March 2007 £m
Cash and cash equivalents	177.4	12.5	-	(2.2)	187.7
Financial assets	40.8	8.8	-	-	49.6
Borrowings due within one year	(2.7)	2.7	(0.4)	-	(0.4)
Borrowings due after one year	(20.6)	1.6	(5.8)	1.7	(23.1)
Finance leases	(18.3)	4.0	(0.4)	-	(14.7)
<b>Net funds</b>	176.6	29.6	(6.6)	(0.5)	199.1

## 12. Events after the balance sheet date

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

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

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

	2007	2006
Price inflation	3.10%	2.85%
Rate of increase of pensions in payment		
Limited Price Indexation	3.10%	2.85%
Limited Price Indexation to 2.5%	2.50%	2.50%
Fixed	5.00%	5.00%
Rate of increase in salaries	4.60%	4.35%
Rate of increase for deferred pensioners	3.10%	2.85%
Discount rate	5.35%	5.00%
Expected rate of return on plan assets	6.70%	6.90%
Expected rate of social security increases	3.10%	2.85%
Longevity at age 65 for current pensioners		
Men	18.8 years	18.7 years
Women	21.8 years	21.7 years
Longevity at age 65 for future pensioners (current age 45)		
Men	21.0 years	20.9 years
Women	24.0 years	23.9 years

The components of the pension cost are as follows:

	2007	2006
	£m	£m
<b>Cost of sales</b>		
Current service cost	22.5	18.6
Curtailement gain	-	(0.5)
Total service cost	22.5	18.1
<b>Finance (income)/cost</b>		
Finance cost	51.7	42.9
Expected return on plan assets	(49.3)	(36.2)
Net finance cost	2.4	6.7
Total charge to income statement for defined benefit schemes	24.9	24.8
Charge for defined contribution schemes	16.0	12.3
Total charge to income statement	40.9	37.1
<b>Statement of recognised income and expense</b>		
Gain on pension scheme assets	3.4	88.4
Changes in assumptions	27.9	(126.1)
Actuarial gain/(loss)	31.3	(37.7)
Deferred tax charged to equity	(9.6)	11.3
Actuarial gain/(loss) (net of deferred tax)	21.7	(26.4)

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.

	2007	2006
	£m	£m
Defined benefit obligation	(1,058.2)	(1,021.9)
Fair value of plan assets	808.1	722.0
Retirement benefit liabilities	(250.1)	(299.9)

Movements in the retirement benefit liabilities are as follows:

	2007	2006
	£m	£m
At beginning of year	(299.9)	(274.2)
Service cost	(22.5)	(18.6)
Net finance cost	(2.4)	(6.7)
Curtailement gain	-	0.5
Contributions	43.4	37.1
Actuarial gain/(loss)	31.3	(37.7)
Difference on exchange	-	(0.3)
At end of year	(250.1)	(299.9)

### 13. Retirement benefit liabilities (continued)

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

	Change in assumption	Effect on plan liabilities	
		Atkins Pension Plan	Railways Pension Scheme
Discount rate	Increase/decrease 0.5%	Decrease/increase 10.0%	Decrease/increase 9.0%
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 24 April 2006 the Group acquired 100% of the share capital of Poolman Harlow Limited, a UK registered entity for a consideration of £0.6m, consisting of £0.4m cash consideration and £0.2m deferred consideration.

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

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

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

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

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

	Total provisional carrying value £m	Provisional fair value adjustments £m	Total provisional fair value £m
Other intangible assets	-	2.0	2.0
Other tangible assets	0.5	-	0.5
Accounts receivable	11.1	-	11.1
Cash balances	3.9	-	3.9
Cash overdraft	(0.2)	-	(0.2)
Short-term trade and other payables	(8.6)	-	(8.6)
Deferred tax liabilities	(0.2)	-	(0.2)
Tax liabilities	(0.8)	-	(0.8)
	5.7	2.0	7.7
Goodwill on acquisition			30.0
Consideration			37.7
Consideration:			
Cash paid			31.5
Deferred consideration			6.2
			37.7

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

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

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