

Business Review

Overview of the business and performance in the year

We plan, design and enable our clients' capital programmes.



Our business

Our core business is helping our clients to plan, design and enable capital programmes that resolve complex challenges in the built and natural environment. We are able to plan all aspects of our clients' projects, conducting feasibility studies and impact analyses covering technical, logistical, legal, environmental and financial considerations. We design systems, infrastructures, processes, buildings and civil structures. We enable our clients' complex programmes by optimising procurement methods and managing supply chains on their behalf to reduce timescales, cost and risk.

We report our activities in seven business segments as this reflects how we manage the business via different markets and geographies. Details of activities and results by business segment are shown in the segmental performance section which follows.

Key performance indicators

The Group uses a range of performance measures to monitor and manage the business. Those that are particularly important in monitoring our progress in generating shareholder value are considered key performance indicators (KPIs). Our KPIs measure past performance and also provide information and context to anticipate the future and, in conjunction with our detailed knowledge and experience of the segments in which we operate, allow us to act early and manage the business into the future. Revenue, operating profit and margin, earnings per share (EPS) and operating

cash flow indicate the volume of work we have done, its profitability and the efficiency with which we have turned operating profits into cash; work in hand measures our secured workload as a percentage of the budgeted revenue for the next year; staff numbers and staff turnover are measures of capacity and show us how effective we have been in recruiting and retaining our key resource. KPIs for 2010 are shown on page 17, along with prior year comparatives.

Review of the year

We are pleased to report that Atkins has had another good year. Group operating profit from continuing operations increased by 9.6% to £113.0m and the Group's operating margins grew to 8.1% from 6.9%. In the year ended 31 March 2010 the Group's revenue from continuing operations reduced by 6.7% to £1,387.9m, on average staff numbers down some 8.7%. Translated at constant exchange rates, revenue reduced by 8.8% and operating profit grew by 5.7%.

Despite a strong operating profit performance, the Group's significantly increased pension costs and lower returns on its cash and other financial assets resulted in a reduction in profit before tax.

Profit before tax was £96.6m and included £0.1m of profit on disposal of a Joint Venture. This gives a normalised profit before tax of £96.5m (2009: £100.2m). There was also a pension curtailment gain of £2.6m reported in the first half which, if excluded, gives a more comparable profit before tax of £93.9m.

In addition, there was a profit from discontinued operations of £25m relating to the release of a provision following the expiry of a letter of credit in respect of the Metronet enterprise.

Normalised diluted EPS reduced by 4.5p per share to 77.8p, a decrease of 5.5%, reflecting the decrease in normalised profit before taxation.

Operating cash flow in the year was £126.5m, representing 112% of operating profit. The Group's liquidity remains strong, driven by good cash performance in the second half of the year, and we ended the year with net funds of £302.5m.

At 31 March 2010 we had secured 54% of budgeted revenue for 2010/11, in line with this time last year.

Staff numbers were reduced by 2,416 (13.4%) to 15,601 at the year-end. Of this reduction, approximately 600 people were already under notice at the start of the year, giving an in-year reduction of 1,816 staff from an adjusted opening headcount of approximately 17,400.

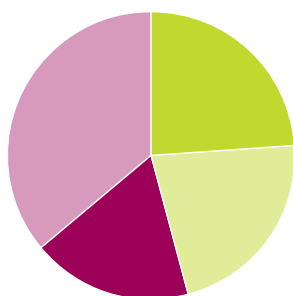
Segmental analysis of revenue, operating profit, work in hand and staff numbers follows, while staff turnover is discussed further in the Human Resources Review.

Key performance indicators

Continuing operations	Note	2010	2009	change
Financial metrics				
Revenue	1	£1,387.9m	£1,487.2m	-6.7%
Operating profit		£113.0m	£103.1m	+9.6%
Operating margin		8.1%	6.9%	+1.2pp
Normalised profit before tax	2	£96.5m	£100.2m	-3.7%
Operating cash flow		£126.5m	£125.5m	+0.8%
Normalised diluted EPS	2	77.8p	82.3p	-5.5%
Work in hand				
	3	54%	54%	-0pp
People				
Staff numbers at 31 March	4, 5	15,601	18,017	-13.4%
Average staff numbers for the year	4	16,421	17,988	-8.7%
Staff turnover	6	8.6%	11.4%	-2.8pp

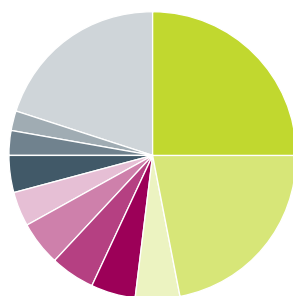
Notes:

- Revenue excludes the Group's share of revenue from Joint Ventures.
- Normalised diluted EPS is based on normalised profit after tax (less exceptional items and any profit or losses from disposals) and allows for the dilutive effect of share options.
- Work in hand is the value of contracted and committed work as at 31 March that is scheduled for the following year, expressed as a percentage of budgeted revenue for the year.
- Staff numbers are shown on a full-time equivalent basis, including agency staff.
- Staff numbers at 31 March 2009 included approximately 600 staff under notice of redundancy.
- Staff turnover is the number of voluntary staff resignations in the year, expressed as a percentage of average staff numbers.



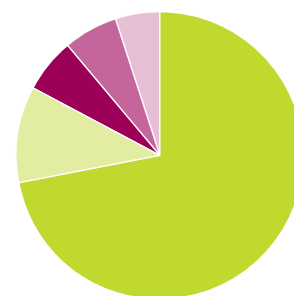
Revenue by client type

- Public sector: local government 25%
- Public sector: national government 22%
- Regulated 17%
- Private sector 36%



Revenue by market

- Roads 25%
- Rail 22%
- Commercial buildings 5%
- Defence 5%
- Oil and gas 5%
- Water 5%
- Urban development 4%
- Education 4%
- Environment 3%
- Aerospace 2%
- Other 20%



Revenue by geography

- UK 72%
- Middle East 11%
- Europe 6%
- Asia Pacific 6%
- North America 5%