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.

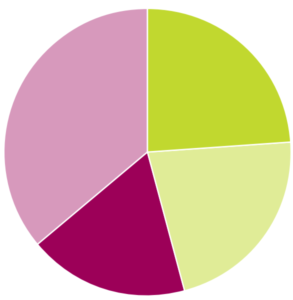
Staff numbers were reduced by 2,416 (13.4%) to 15,601 at the year-end. Of this reduction, approximately 600 people were already under notice at the start of the year, giving an in-year reduction of 1,816 staff from an adjusted opening headcount of approximately 17,400.

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

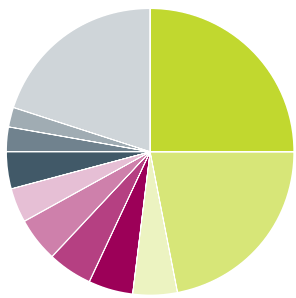
Key performance indicators

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

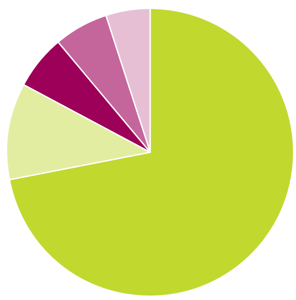
Notes:
1. Revenue excludes the Group's share of revenue from Joint Ventures.
2. Normalised diluted EPS is based on normalised profit after tax (less exceptional items and any profit or losses from disposals) and allows for the dilutive effect of share options.
3. Work in hand is the value of contracted and committed work as at 31 March that is scheduled for the following year, expressed as a percentage of budgeted revenue for the year.
4. Staff numbers are shown on a full-time equivalent basis, including agency staff.
5. Staff numbers at 31 March 2009 included approximately 600 staff under notice of redundancy.
6. 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%



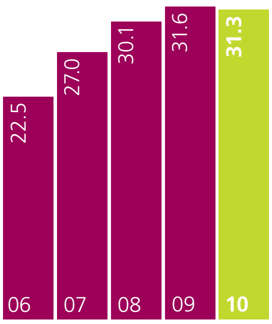
Revenue by geography
- UK 72%
- Middle East 11%
- Europe 6%
- Asia Pacific 6%
- North America 5%

Business Review
Segmental performance

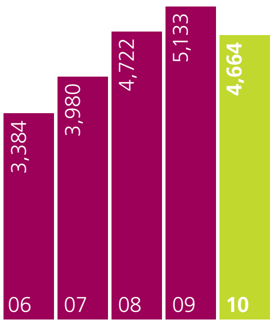
Design and Engineering Solutions

Key performance indicators	2010	2009	change
Financial metrics			
Revenue	**£390.3m**	£435.0m	-10.3%
Operating profit	**£31.3m**	£31.6m	-0.9%
Operating margin	**8.0%**	7.3%	+0.7pp
Work in hand	**45%**	43%	+2pp
People			
Staff numbers at 31 March	**4,400**	5,167	-14.8%
Average staff numbers	**4,664**	5,133	-9.1%

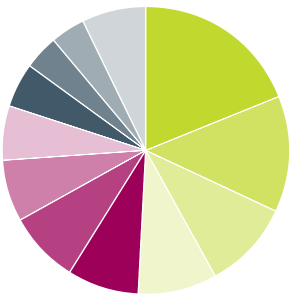
Revenue £m



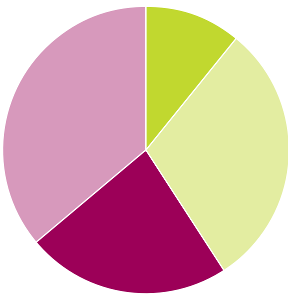
Operating profit £m



Average staff numbers



Revenue by market
- Defence 19%
- Water 13%
- Environment 10%
- Oil and gas 9%
- Aerospace 8%
- Urban development 8%
- Nuclear 7%
- Education 6%
- Energy 5%
- Telecommunications 4%
- Rail 4%
- Other 7%



Revenue by client type
- Public sector: local government 11%
- Public sector: national government 30%
- Regulated 23%
- Private sector 36%

Official engineering design services provider for the London 2012 Olympic Games

For more information visit
www.atkinsglobal.com/london2012

Overall, the Design and Engineering Solutions segment performed well despite difficult market conditions for some of our businesses.

We improved margins to 8.0% (2009: 7.3%) on reduced revenue of £390.3m (2009: £435.0m), with operating profit broadly flat at £31.3m (2009: £31.6m).

This segment contains a mix of businesses that are at different stages of the economic cycle.

Our water business was restructured in the early part of the year in anticipation of reduced activity levels. The regulatory Asset Management Programme (AMP) cycle in the water sector delayed the release of work to the market and the usual hiatus experienced with this cycle was longer and deeper than in previous transitions. Our work on flood mitigation for the Environment Agency continued, with wins on the South West Coastal Strategy Packages delivering three large flood risk management and habitat creation strategies covering Poole Harbour, the Exe Estuary and the Taw and Torridge Estuaries. Our land remediation business remains busy with the Olympic Park and an equal-sized site in South Wales for St Modwen Properties plc.

Our UK building design business was also restructured in the early part of the year in anticipation of reduced activity levels, but then stabilised with wins in the education and healthcare sectors, most notably the New Campus Glasgow and NHS Tayside Murray Royal Hospital. We have limited exposure to the private developer market, which remains difficult.

We continued our successful relationship with the Olympic Delivery Authority and the London Organising Committee of the Olympic Games as the official engineering design services provider for the London 2012 Games.

Our businesses focusing on high-technology industries such as defence, aerospace and communications have delivered solid performances. We continue to support UK Government departments and industry on key strategic programmes, which we expect to continue in the future. In our aerospace business we remain a key supplier to Airbus and have expanded our footprint in Europe with key wins in Germany on the A350 and A380 programmes. Further success has also been achieved in the UK with key roles on the A320 Sharklet programme and expansion into landing gear systems. Communications and security continue to be strong market segments in which our skills and capabilities remain in high demand.

Our energy business has performed well, assisted by the imperative to decarbonise the UK's generation capacity via nuclear and offshore wind. Our work on existing nuclear generation and decommissioning has been augmented by a number of commissions in the nuclear new-build arena for utilities and for the Department of Energy and Climate Change. Additionally, we have recently announced success in winning a major contract on the International Thermonuclear Experimental Reactor (ITER) programme being built in the south of France. ITER is the next step in a global research and development programme to harness nuclear fusion to generate electricity. The €150m contract was won by a multidisciplinary Atkins team, working in a Joint Venture alongside three other companies. As architect engineer the Joint Venture is providing full multidisciplinary design services for the €3bn project.

Our experience in the offshore oil and gas industry has allowed us to take a significant position in the marine renewables sector, which is a key component of the UK Government's low-carbon strategy. We have won major design assignments on the Gabbard and Lincolnshire offshore wind farm developments. We have built significant capability in this sector and our multidisciplinary approach combining our experience in offshore structures, power transmission and distribution makes us well placed for this expanding market. Our oil and gas activity expanded during a year that has seen significant oil price fluctuation. Our core skills in high technology are well suited to meet the industry's requirements to extend the life of ageing assets and to move increasingly into areas of deepwater operation.

We continue to win projects internationally, with masterplanning studies in countries such as Saudi Arabia and Azerbaijan and internationally funded water resource projects in Europe and Africa.

Outlook

The overall outlook for Design and Engineering Solutions is good and with work in hand of 45% of budgeted revenue for 2010/11 (2009: 43%) we are in a slightly stronger position than at the same time last year.

Following restructuring, our water and UK building design businesses are now well placed with a good order book. In our water business, we have successfully secured a stronger position on frameworks for the next regulatory period, which commenced on 1 April 2010. Our infrastructure design business has a healthy workload and is focusing on successful delivery of the London 2012 Games programme.

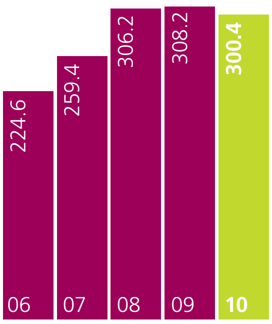
Our defence and security business is well positioned for enabling cost-effective change and procurement programmes, in an increasingly cost-conscious market. In aerospace, we are expanding our breadth of service and geographical footprint, which will provide a good platform for future growth.

We continue to invest in resources to meet increasing demand for our services in the energy sector, especially in nuclear but also in oil and gas and renewables.

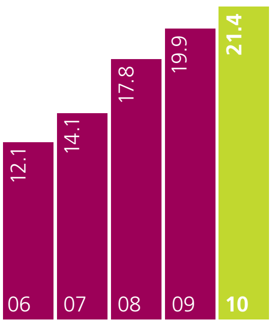
Business Review
Segmental performance
continued

Highways and Transportation

Key performance indicators	**2010**	2009	change
Financial metrics			
Revenue	**£300.4m**	£308.2m	-2.5%
Operating profit	**£21.4m**	£19.9m	+7.5%
Operating margin	**7.1%**	6.5%	0.6pp
Work in hand	**69%**	62%	7pp
People			
Staff numbers at 31 March	**2,931**	3,075	-4.7%
Average staff numbers	**2,975**	3,016	-1.4%

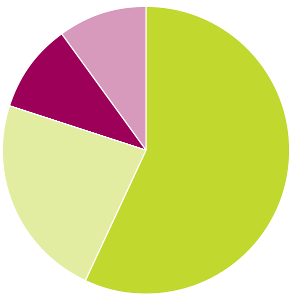


Revenue £m

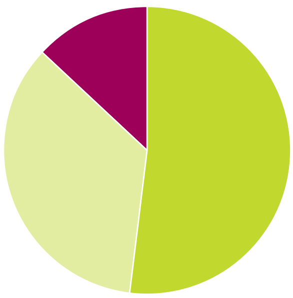


Operating profit £m

Average staff numbers



Revenue by market
- Highway services 57%
- Design 23%
- Intelligent transport systems 10%
- Planning 10%



Revenue by client type
- Public sector: local government 52%
- Public sector: national government 35%
- Private sector 13%

Awarded £350m Oxfordshire County Council contract

For more information visit www.atkinsglobal.com/win_oxfordshire_cc

Our Highways and Transportation segment performed well in the year, benefiting from the UK Government's financial stimulus and our M25 contract.

Operating profit increased 7.5% to £21.4m (2009: £19.9m) and margins increased to 7.1% (2009: 6.5%), principally due to the strong demand for our higher-margin consultancy activities and the benefits of our continued drive for greater efficiencies. In an increasingly competitive market and with average staff numbers marginally lower than last year, revenue was down 2.5% year on year.

We won over £1bn of work in the year to 31 March 2010, including a five-year contract with Somerset County Council (from 1 April 2010), a three-year extension by Gloucestershire County Council (from 1 April 2011) and our share of the turnover from the M25 widening DBFO contract that reached financial close in May 2009.

Our highway services business, which represents around 57% of this segment's revenue, is engaged in maintaining and improving highway networks on behalf of the UK Highways Agency and local authorities. We have significant work in hand for the next few years with none of our existing major contracts due to expire before mid 2013.

In April 2010 we commenced delivery as the highways' maintenance, design and construction provider for Oxfordshire County Council. This ten-year contract, worth around £350m, with potential extensions of up to ten years, involves policy and strategy advice and support, design services, network management, construction of improvement schemes and cyclic, reactive and planned maintenance.

Mobilisation during the second half of the year for the new five-year Somerset network management contract went well. This contract builds on nearly 14 years of continuous service to the county. Our contract with Gloucestershire County Council has been extended by three years to 2014 and we continue our work with Cambridgeshire County Council and for the Highways Agency in the Area 6 Managing Agent Contractor (MAC) contract.

Our transport solutions design business, which delivers technical consultancy and R&D services as well as all aspects of highway infrastructure design, performed very well on a broad portfolio of projects for a range of clients.

Design work on the M74 project in Scotland is now nearly complete. On the M25 contract, we are providing the design expertise for the 40-mile widening programme and work will be completed in time for the London 2012 Games. The related 30-year operation and maintenance Joint Venture contract with Balfour Beatty (52.5%) and Egis (15%), commenced successfully in September 2009. Atkins (32.5%) will provide services in network management, asset inspection, traffic management, tunnel operations, incident management, and routine and winter maintenance for the entire M25 covering a distance of 250 miles.

Our intelligent transport systems (ITS) business has had another good year, growing to a business of 350 people as the market for technology-based solutions develops in response to traffic management, capacity and sustainability challenges. There was very strong demand from the Highways Agency for our services, on projects such as managed motorway schemes to improve journey time reliability through hard shoulder running and managing the technology delivery and upgrade programme on the A14 corridor traffic management scheme. We continue to develop and implement technology infrastructure for the network management and traveller information systems which we operate in the national traffic control rooms in Scotland and Wales. Our contract with Essex County Council, through which we develop and operate its ITS assets, is now in its tenth year.

Our transport planning business provides a wide range of consultancy services, including advice on strategy, policy, management and forecasting, as well as business case and investment appraisals for infrastructure investment. Although there was a marked decrease in work from the private sector, work in the development planning and other markets remained solid with wins on public sector projects such as the Elephant and Castle Surface Interchange Feasibility Study, the Oxford Circus interchange and work on the UK Government's housing growth agenda. A further key success in the year was winning more than 20% of the studies in the Government's 'Delivering a Sustainable Transport System' programme, which will identify and provide evidence to support long-term strategic transport investment priorities.

Outlook

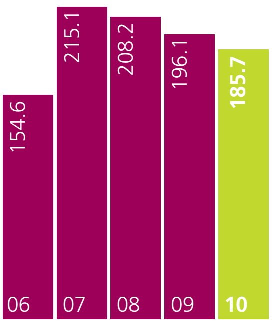
We continue to win work at acceptable rates in an increasingly competitive market. We are prepared for UK Government and local authority spending cuts, having addressed our cost base and secured significant future work. Additionally, some local authority clients are actively discussing extensions to our consultancy commissions and Birmingham City Council has recently agreed to continue working with us until May 2012.

The uncertain market outlook is partially offset by our recent contract wins, and work in hand at 31 March 2010 was 69% of budgeted revenue for 2010/11 (2009: 62%).

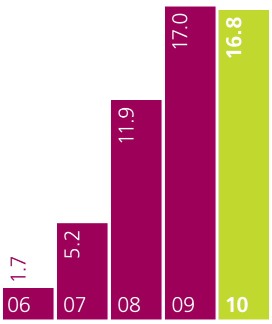
Business Review
Segmental performance
continued

Rail

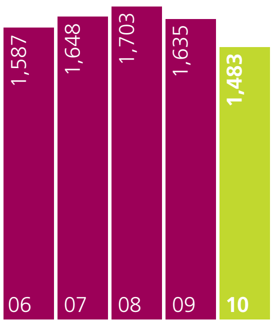
Key performance indicators	2010	2009	change
Financial metrics			
Revenue	**£185.7m**	£196.1m	-5.3%
Operating profit	**£16.8m**	£17.0m	-1.2%
Operating margin	**9.0%**	8.7%	+0.3pp
Work in hand	**53%**	61%	-8pp
People			
Staff numbers at 31 March	**1,420**	1,624	-12.6%
Average staff numbers	**1,483**	1,635	-9.3%



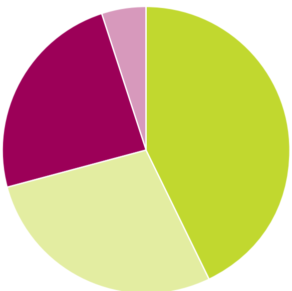
Revenue £m



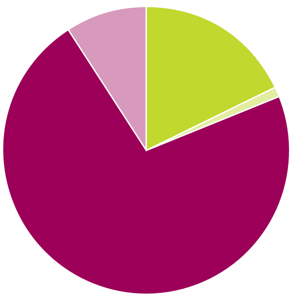
Operating profit £m



Average staff numbers



Revenue by activity
- Signalling 43%
- Design 28%
- Consultancy and other 24%
- Communications 5%



Revenue by client type
- Public sector: local government 18%
- Public sector: national government 1%
- Regulated 72%
- Private sector 9%

Design of Crossrail's Custom House and Tottenham Court Road stations

For more information visit www.atkinsglobal.com/win_crossrail

The Rail segment had a good performance this year.

This segment recorded an improved margin of 9.0%, benefiting from the phasing on a number of major projects, and an operating profit of £16.8m (2009: £17.0m). Revenue was down 5.3% on last year, reflecting delays in projects coming to market in the early part of the year and the demobilisation of our structures examination contract for bridge inspection.

Our signalling business remains busy and good progress was made in year with our major re-signalling projects for Network Rail, which account for more than 40% of our revenue.

We successfully completed the first phase of the Newport re-signalling programme at the end of the calendar year and we have made significant progress on the installation for the next commissioning phase. Work on the North London Line project, which forms part of the Olympic 2012 transport plan, is progressing well. These two projects have combined contract revenue of over £100m.

The other part of this business, which focuses on rail-related design and consultancy services, has also performed well. Our multidisciplinary design work for Chiltern Railways' enhancement project continues and we are now working on the signalling and detailed design for the main contractor. The design for the complex Farringdon Station for Thameslink is nearly complete and we are well positioned for further Thameslink opportunities. We also have ongoing work for Transport for London and London Underground.

Work is progressing well with our partner Arup on the design for 22 kilometres of twin-bored tunnel for Crossrail, one of the largest and most important elements of this significant project. We are also undertaking design work for Tottenham Court Road and Custom House stations.

In Scotland we continue to work closely with Network Rail on the Edinburgh to Glasgow electrification and follow-on work packages.

Outlook

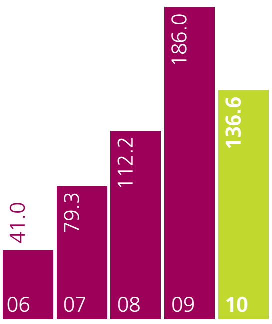
Our signalling business has a leading market position and there is a large programme of improvements needed to the rail network to meet medium-term passenger demand. These are currently planned under the Office of the Rail Regulator's rail budget for Control Period 4 (2009 to 2014), though this is likely to come under some further scrutiny by the current Government.

With reduced work in hand of 53% at 31 March 2010 (2009: 61%) the outlook for this segment is challenging.

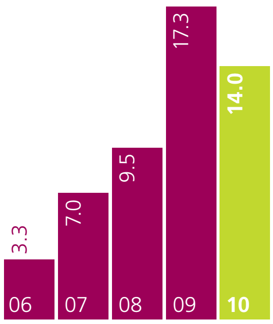
Business Review
Segmental performance
continued

Middle East

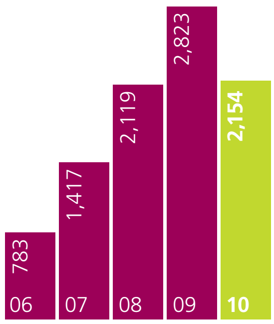
Key performance indicators	2010	2009	change
Financial metrics			
Revenue	**£136.6m**	£186.0m	-26.6%
Operating profit	**£14.0m**	£17.3m	-19.1%
Operating margin	**10.2%**	9.3%	+0.9pp
Work in hand	**57%**	53%	+4pp
People			
Staff numbers at 31 March	**1,867**	2,824	-33.9%
Average staff numbers	**2,154**	2,823	-23.7%



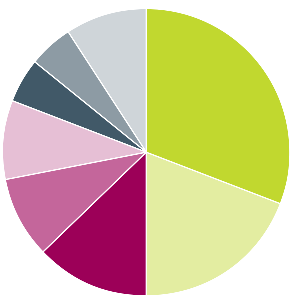
Revenue £m



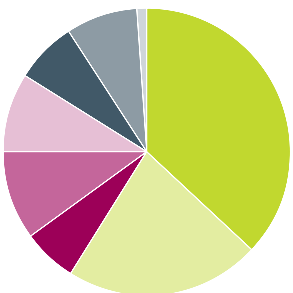
Operating profit £m



Average staff numbers



Revenue by market
- Commercial buildings 31%
- Rail 19%
- Urban development 13%
- Residential buildings 9%
- Roads 9%
- Oil and gas 5%
- Hospitality 5%
- Other 9%



Revenue by geography
- Dubai 37%
- Abu Dhabi 22%
- Other UAE 6%
- Bahrain 10%
- Oman 9%
- Qatar 7%
- Other Middle East 8%
- India 1%

Dubai Metro Red Line successfully opened as scheduled

For more information visit www.atkins-me.com

Our Middle East business continues to successfully navigate a difficult economic climate. Confidence and liquidity is beginning to return to the region with the strongest opportunities relating to public sector infrastructure.

Compared to last year we have extended our order book, which stood at 57% of budgeted revenue for 2010/11 at 31 March 2010 (2009: 53%). During the year, we reduced our headcount in the region in anticipation of lower activity and we ended the year with 1,867 staff (2009: 2,824). Our continued focus on margins is reflected in the improvement in the year to 10.2% (2009: 9.3%).

The profile of our debt in the Middle East, in common with the market as a whole, has continued to deteriorate. We have maintained the Group policy of providing for all debt greater than 180 days, or sooner if there is a risk of non-recovery.

We have a well-established presence in six primary locations in the region, centred on Abu Dhabi and Dubai, and we continue to expand our footprint in the region both in terms of geographical location and the breadth of sectors we serve.

We are investing in and securing work in defence, energy, planning and management consultancy, while at the same time adding to our existing infrastructure, building design, planning and oil and gas businesses.

Our work on the Red Line of the Dubai Metro was fundamental to its high-profile and successful opening on 9 September 2009. The Dubai Metro is the world's longest automated driverless metro system, with more than 25 overground stations, four underground stations and over 47 kilometres of viaducts. Our work on the Dubai Metro Green Line continues, along with other rail-related work such as the Makkah Metro project in Saudi Arabia, which is progressing well.

Outlook

Market sentiment is improving and the action taken to reduce headcount to match forward workload and increase efficiency positions us well for future growth, although the timing of work starting on projects secured remains a little unpredictable. Our planning and consultancy business is seeing increasing opportunities with clients seeking greater clarity and certainty about their business cases before investment.

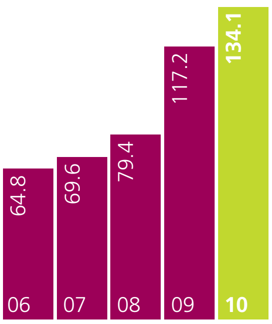
Business Review
Segmental performance
continued

China and Europe

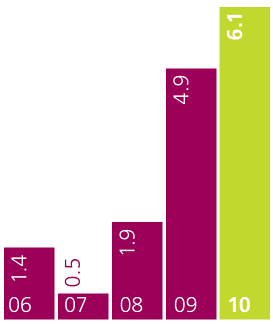
Key performance indicators	2010	2009	change
Financial metrics			
Revenue	**£134.1m**	£117.2m	+14.4%
Operating profit	**£6.1m**	£4.9m	+24.5%
Operating margin	**4.5%**	4.2%	+0.3pp
Work in hand	**57%**	54%	+3pp
People			
Staff numbers at 31 March	**1,774**	1,741	+1.9%
Average staff numbers	**1,780**	1,675	+6.3%

This segment consists of our design and engineering consultancy businesses in Hong Kong and mainland China and five countries across Europe: Denmark, Ireland, Poland, Portugal and Sweden.

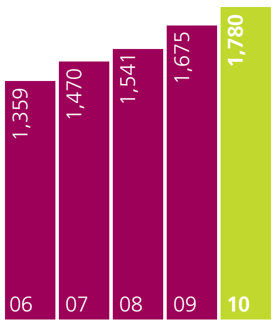
The portfolio of businesses in China and Europe has increased revenue by 14.4% and improved margins year on year, with average staff numbers up 6.3%.



Revenue £m

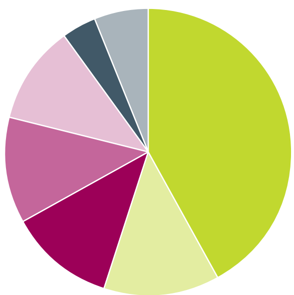


Operating profit £m

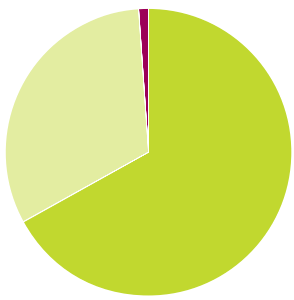


Average staff numbers

China

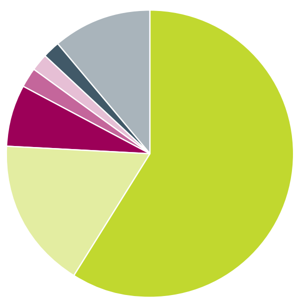


Revenue by market
- Rail 42%
- Urban development 13%
- Roads 12%
- Commercial buildings 12%
- Water 11%
- Residential buildings 4%
- Other 6%

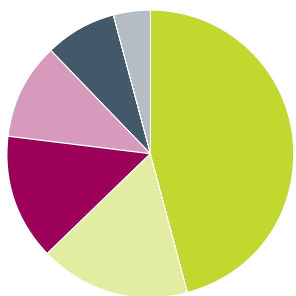


Revenue by geography
- Hong Kong 67%
- Mainland China 32%
- Other Asia Pacific 1%

Europe



Revenue by market
- Rail 59%
- Roads 17%
- Environment 7%
- Water 2%
- Energy 2%
- Oil and gas 2%
- Other 11%



Revenue by geography
- Denmark 46%
- Sweden 17%
- Ireland 14%
- Portugal 11%
- Poland 8%
- Other 4%

Awarded the detailed design of Hung Hom Station for Hong Kong's Mass Transit Rail Corporation's Shatin to Central Link

For more information visit
www.atkinsglobal.com/win_hung_hom

Awarded 15-year Danish European Rail Traffic Management System design contract

For more information visit
www.atkinsglobal.com/win_ertms

China

Key performance indicators	**2010**	2009	change
Financial metrics			
Revenue	**£64.0m**	£46.1m	+38.8%
Operating profit	**£3.7m**	£2.7m	+37.0%
Operating margin	**5.8%**	5.9%	-0.1pp
Work in hand	**64%**	71%	-7pp
People			
Staff numbers at 31 March	**997**	933	+6.9%
Average staff numbers	**995**	890	+11.8%

Our China business continues to expand as a consequence of success in the buoyant Hong Kong rail infrastructure market.

We employed nearly 1,000 staff in the region at the year-end (2009: 933). Revenue increased almost 40% to £64.0m with an increase in operating profit to £3.7m (2009: £2.7m) and a slight decline in operating margin year on year.

In Hong Kong we continue to support the expansion of the rail network through the delivery of a wide range of multidisciplinary services to the Mass Transit Rail Corporation on the preliminary and detailed design of various sections of the West Island Line, Express Rail Link, South Island Line and Shatin to Central Link. These design contracts include stations, tunnels and viaducts. The most recent assignment secured is for the detailed design of the Shatin to Central Link's Hung Hom Station and associated tunnels.

Our urban planning and architectural business operates out of three primary locations in mainland China, in Beijing, Shanghai and Shenzhen. This business is performing in line with our expectations in a very competitive but buoyant property market, and we have focused our effort over this last year on improving the quality of our offering in this market.

Outlook

The prospects for our business in China remain good with the Hong Kong Government committed to annual capital works expenditure in the next few years at double the rate of recent years. We expect our Hong Kong business to remain busy, serving clients in the highways, geotechnical, water and rail sectors, and we will continue to expand our technical offering in other areas. The property market in mainland China remains strong.

Work in hand for the Chinese business is 64% of budgeted 2010/11 revenue (2009: 71%).

Europe

Key performance indicators	**2010**	2009	change
Financial metrics			
Revenue	**£70.1m**	£71.1m	-1.4%
Operating profit	**£2.4m**	£2.2m	+9.1%
Operating margin	**3.4%**	3.1%	+0.3pp
Work in hand	**51%**	42%	+9pp
People			
Staff numbers at 31 March	**777**	808	-3.8%
Average staff numbers	**785**	785	0%

Our European portfolio performed in line with expectations, maintaining revenue and improving margins by 0.3pp to 3.4% in difficult economic conditions.

As in prior years, performance has been mixed. Our Scandinavian, Polish and Portuguese businesses performed well, while Ireland, which represents less than 15% of the portfolio, has yet to see signs of an upturn.

Our Danish business, which employs 359 staff (2009: 335), continues to expand and secured a significant re-signalling design contract extending over 15 years for the Danish European Rail Traffic Management System (ERTMS). This is the first time an advanced system like this has been fitted to an entire country's strategic rail network and it will set the standard for Europe. We also continue to provide consultancy on the transportation package for the Copenhagen Metro Circle Line.

Our Swedish business is growing and had increased to 142 staff by the year-end (2009: 130 staff).

Our Polish business has extended its workload in the roads sector with its appointment as independent checking engineer and site supervisor for the A2 toll motorway, which extends over 100 kilometres with some 80 bridges.

Difficult economic conditions in Ireland have resulted in projects being delayed and in increasingly competitive pricing. We have continued to reduce the size of our business to match demand, and had 101 staff members (2009: 155 staff members) at the end of the year.

Outlook

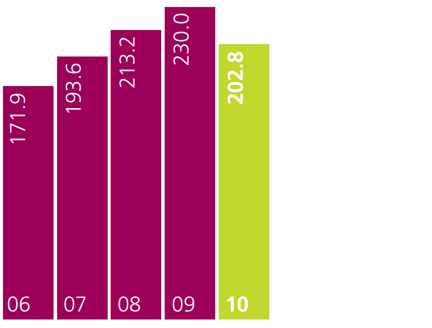
Europe has secured 51% of budgeted 2010/11 revenue (2009: 42%) and the outlook overall remains good, although we expect parts of our European business to continue to face challenging market conditions.

Our involvement on ERTMS positions us well for further ERTMS work across the UK and Europe over the coming years.

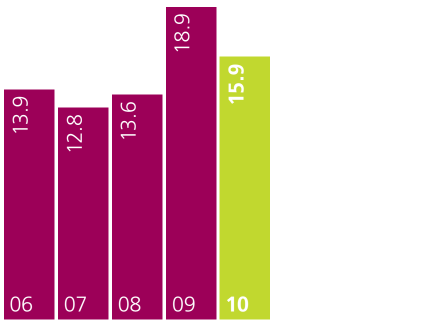
Business Review
Segmental performance
continued

Management and Project Services

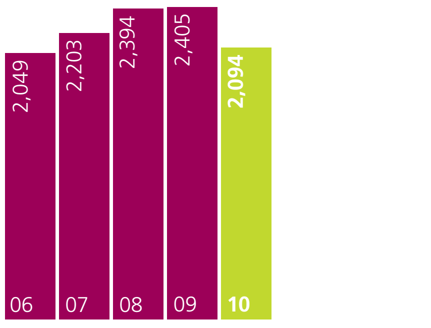
Key performance indicators	2010	2009	change
Financial metrics			
Revenue	**£202.8m**	£230.0m	-11.8%
Operating profit	**£15.9m**	£18.9m	-15.9%
Operating margin	**7.8%**	8.2%	-0.4pp
Work in hand	**44%**	44%	–
People			
Staff numbers at 31 March	**1,991**	2,294	-13.2%
Average staff numbers	**2,094**	2,405	-12.9%



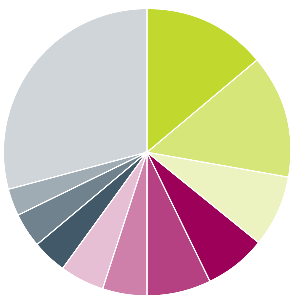
Revenue £m



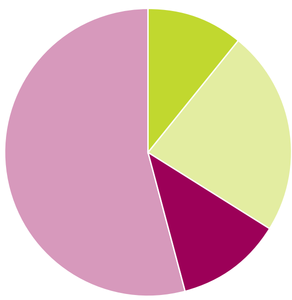
Operating profit £m



Average staff numbers



Revenue by market
- Education 14%
- Oil and gas 14%
- Industry 8%
- Financial services 7%
- Pharmaceutical 7%
- Commercial buildings 5%
- Government buildings 5%
- Water 4%
- Energy 4%
- Health 3%
- Other 29%



Revenue by client type
- Public sector: local government 11%
- Public sector: national government 23%
- Regulated 12%
- Private sector 54%

Appointed by Lloyds Banking Group to provide project management and quantity surveying services

For more information visit www.fgould.com

Management and Project Services had a good year, despite revenue being down by over 11% on the prior year as we adjusted staff numbers in our Faithful+Gould business to take account of prospective activity levels.

Despite the reduction in revenue our continuing focus on maintaining margins meant that these were close to last year at 7.8% (2009: 8.2%) for the segment as a whole.

Our Faithful+Gould business, which accounts for the majority of the segment's revenue, provides project management and cost consultancy services in a broad range of market sectors. Our diverse client base and geographic spread has provided resilience in a difficult and highly competitive market over the last year. This has adversely affected volumes in parts of our business and we took early action to reduce headcount by approximately 300 staff across the world.

Faithful+Gould has secured a number of significant projects in the last year, including public sector frameworks such as our appointment in the UK to the Government's Buying Solutions Project Management and Design Services framework, and in the USA where we secured a position on a five-year General Services Administration national project management framework with the US Government.

We continue to address the financial services market with a recently secured framework for Lloyds Banking Group providing project management and quantity surveying services, building on existing contracts with RBS and Barclays. We also continue to work in education on the Building Schools for the Future programme and in the utilities market for a number of water companies.

Elsewhere, our Asia Pacific business continues to develop, underpinned by work for global pharmaceutical companies investing in both new and existing facilities in the region.

Our Management Consultants business, which had a very good year, continues to plan, design and deliver programmes that create value through efficiency gains from the implementation of ICT-enabled business change.

Our markets in the UK and internationally cover a diverse base of local government and public sector clients for whom we deliver efficiency improvements through business change. In the capital-intensive private sector we deliver business change, feasibility studies, due diligence and project development plans and methodologies.

Outlook

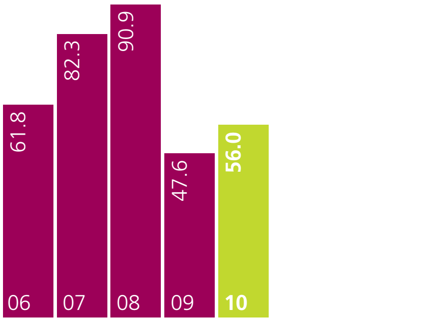
We are pleased to have maintained our work in hand for the coming year at 44% of budgeted revenue and to have extended our total future work with a number of longer term contracts.

Overall, the outlook for this segment is stable.

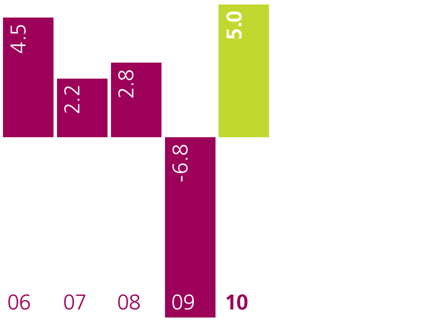
Business Review
Segmental performance
continued

Asset Management

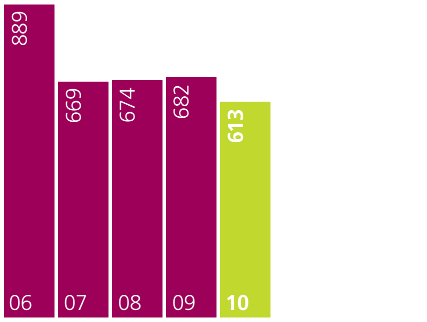
Key performance indicators	2010	2009	change
Financial metrics			
Revenue	**£56.0m**	£47.6m	+17.6%
Operating profit/(loss)	**£5.0m**	£(6.8)m	+173.5%
Operating margin	**8.9%**	(14.3)%	23.2pp
Profit on disposal of Joint Venture	**–**	£2.5m	–
Work in hand	**73%**	99%	-26pp
People			
Staff numbers at 31 March	**562**	671	-16.2%
Average staff numbers	**613**	682	-10.1%



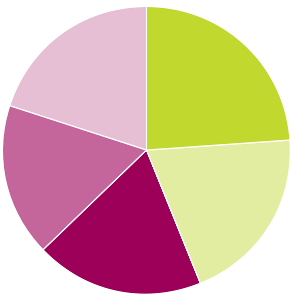
Revenue £m



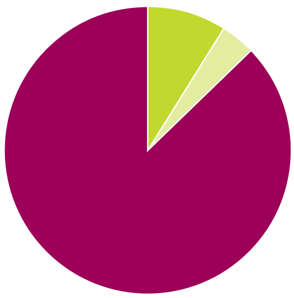
Operating profit/(loss) £m



Average staff numbers



Revenue by market
- Financial services 24%
- Health 20%
- Other buildings 19%
- Residential buildings 17%
- Other 20%



Revenue by client type
- Public sector: local government 9%
- Public sector: national government 4%
- Private sector 87%

Results for the Asset Management segment for 2009/10 were favourably impacted by the exit from one of our long-term legacy PFI maintenance contracts.

The segment's operating margin increased to 8.9% (2009: -14.3%) principally as a result of the release of residual provisions held on the previously reported poor performing PFI maintenance contract and there was a consequential reduction in headcount following the termination of this contract.

The remainder of the contracts in our managing contractor business are performing in line with expectations.

In our managing agent business we concluded our contract for Barclays Bank during the year, although we continue to win work in the financial services sector. In particular we have secured a five-year contract to deliver helpdesk and managing agent services to Lloyds Banking Group.

Outlook

We remain well placed in both the public and private sectors to continue to help clients lower their cost base. Our work in hand at 31 March 2010 represented 73% of budgeted revenue for 2010/11 (2009: 99%). The reduction reflects the aforementioned contract termination.

For more information about our Asset Management business visit www.atkinsglobal.com/am

Business Review
Financial performance

Net finance cost
Net finance cost was £14.6m (2009: net cost of £3.1m). The year on year increase was attributable to a £9.6m increase in the net finance cost on post-employment benefit liabilities and a significant interest-rate driven reduction in the interest receivable on short-term deposits. The net finance cost is expected to stabilise in 2010/11 and remain similar to that reported in 2009/10.

Taxation
The Group's income tax expense for the year is £19.3m (2009: £18.5m) giving an effective tax rate of 20.0% (2009: 18.0%). The Group's normalised effective tax rate is 19.8% (2009: 18.5%). The rate is lower than the UK rate (28%) due to continued benefits from research and development tax credits and the proportion of overseas profits earned in jurisdictions with a lower tax rate. The Group expects the effective tax rate to continue to benefit from similar tax credits and territorial profile of profits going forward.

Earnings per share (EPS)
Basic EPS for continuing operations was 79.5p (2009: 86.1p). Normalised diluted EPS, which we consider to be a more representative measure of underlying trading and relates to continuing operations, was 77.8p (2009: 82.3p), a decrease of 5.5%.

Pensions
Funding
The latest actuarial valuation of the defined benefit Atkins Pension Plan (the Plan) carried out as at 1 April 2007 indicated that the Plan had an actuarial deficit of approximately £215m. Accelerated contributions of £32m were made during the year and the Group has agreed to contribute a further £32m per year for the next four years. The next actuarial valuation will take place as at 1 April 2010 and is likely to be completed in late 2010 or early 2011.

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 reduced to £13.9m (2009: £14.8m), comprising total service cost of £5.5m (2009: £8.9m); net finance cost of £15.1m (2009: £5.9m) and curtailment and settlement gains of £2.6m and £2.3m (net) respectively. The charge relating to defined contribution schemes increased to £33.5m (2009: £28.2m).

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 much-increased retirement benefit liability of £440.0m at 31 March 2010 (2009: £298.4m) despite a strong performance of the scheme assets. The actuarial loss recognised through the Group's statement of comprehensive income amounted to £119.7m (2009: £88.5m).

The assumptions used in the IAS 19 valuation are detailed in note 29 to the Financial Statements.

Cash
Net funds at 31 March 2010 were £302.5m (2009: £234.2m) made up as follows:

	2010 £m	2009 £m
Cash and cash equivalents	**260.3**	209.7
Loan notes receivable	**21.2**	12.9
Financial assets at fair value through profit or loss	**32.4**	28.7
Borrowings due within one year	**(0.7)**	(2.8)
Borrowings due after one year	**–**	(0.6)
Finance leases	**(10.7)**	(13.7)
Net funds	**302.5**	234.2

Cash generated from continuing operations was £126.5m (2009: £125.5m), representing 112% of operating profit, and can be summarised as follows:

	2010 £m	2009 £m
EBITDA	**134.0**	136.5
Outflow relating to pensions	**(36.3)**	(40.6)
Movement in working capital	**29.6**	10.9
Movement in long-term payables	**1.9**	–
Movement in provisions	**(5.9)**	9.2
Other non-cash items	**3.2**	9.5
	126.5	125.5

Operating cash flow remained strong as we continued to optimise the cash position on our contracts. Proactive working capital management resulted in a net working capital inflow of £29.6m which was achieved despite a lengthening of debtor days in the Middle East.

The movement in provisions is mainly due to the one-off release of residual provisions within our Asset Management business.

Net tax paid amounted to £18.0m (2009: £12.8m) which includes payments of £3.5m (2009: £0.4m) to Metronet for consortium relief.

Net capital expenditure in the year, including the purchase of computer software licences, amounted to £10.8m (2009: £27.6m). The reduction was due to less spending and better utilisation of assets already in use.

No shares were bought back during the year in respect of the share buyback programme (2009: £12.3m).

Capital structure
As at 31 March 2010, the Group had a shareholders' deficit of £84.9m (2009: £43.5m) and the Company had shareholders' funds of £136.7m (2009: £108.8m).

The Company had 104.5m fully paid ordinary shares in issue at 31 March 2010 (2009: 104.5m). For further details refer to note 31 to the Financial Statements.

Treasury policies and objectives
The Group's treasury function manages and monitors external funding and investment requirements and financial risks in support of the Group's corporate objectives. The Board reviews and agrees policies and authority levels for treasury activities.

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables, which arise directly from its operations. The main purpose of these financial instruments is to finance the Group's activities. The Group also enters into derivative transactions, principally forward foreign currency contracts, in order to manage foreign exchange risk on material commercial transactions undertaken in currencies other than the local functional currency. The Group does not trade in financial instruments.

The main risks arising from the Group's financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk, along with the risks arising from the financing of the Group's activities in the Public Private Partnership (PPP) and Private Finance Initiative (PFI) sectors. The Group's exposures to and management of each of these risks, together with sensitivities and risk concentrations, are described in detail in note 2 to the Financial Statements.

The Group funds its ongoing activities through cash generated from its operations and, where necessary, bank borrowings and finance leases. The Group's banking facilities are described in note 26 to the Financial Statements; utilisation of the facilities mainly relates to letters of credit issued in respect of individual projects undertaken by the Group's operating businesses. As at 31 March 2010 the Group had £87.0m undrawn committed borrowing facility available (2009: £75.0m).

There have been no significant changes to the Group's treasury policies during the year.

Critical accounting policies
The Group's principal accounting policies are described in note 1 to the Financial Statements. The Financial Statements for the year ended 31 March 2010 have been prepared under International Financial Reporting Standards (IFRS) as adopted by the EU.

The preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Material estimates applied across the Group's businesses and Joint Ventures are reviewed to a common standard and adjusted where appropriate to ensure that consistent treatment of similar and related issues that require judgement is achieved upon consolidation. Any revisions to estimates are recognised prospectively.

The accounting policies and areas that require the most significant estimates and judgements to be used in the preparation of the Financial Statements are in relation to contract accounting and defined benefit pension schemes.

Contract accounting
Profit is recognised on contracts on a percentage completion basis, provided the outcome of the project can be reasonably foreseen. Full provision is made for estimated losses. Where contracts span more than two accounting periods profit is not generally recognised until the project is 50% complete.

The projected outcome of any given contract is necessarily based on estimates of revenues and costs to completion. Whilst the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove inaccurate, with a consequent effect on the reporting of results.

Defined benefit pension schemes
Accounting for pensions involves judgement about uncertain events in the future such as inflation, salary levels at retirement, longevity rates, rates of return on plan assets and discount rates. Assumptions in respect of pensions and post-retirement benefits are set after consultation with independent qualified actuaries. Management believes the assumptions are appropriate. However, a change in the assumptions used would impact the Group's results and net assets. Any differences between the assumptions and the actual outcome will affect results in future years. An estimate of the sensitivity is disclosed in note 29 to the Financial Statements.

Business Review
Principal risks and uncertainties

We have a number of potential risks and uncertainties which could have a material impact on our long-term performance. To enable us to deliver value to all stakeholders we endeavour to mitigate these risks where possible.

Effective risk management is embedded into our governance framework, which is explained in the Corporate Governance Report.

Risk	Mitigation
Competition The Group faces competition in all of its markets. Some of the markets in which we operate serve a limited number of clients and barriers to entry are high. In other markets, such as architectural design and environment, there are numerous competitors and barriers to entry are lower.	To ensure that the Group continues to win work, we work hard to develop long-term relationships with our clients. We have also taken measures to reduce our cost base to ensure that we remain competitive. In addition, our robust processes for monitoring bidding activity seek to ensure that Atkins bids reflect the competitive environment in which we are working and that the contracts deliver appropriate returns. A measure of this success is our work in hand; this measures our secured workload over the coming year. Our overall work in hand is 54%, representing over six months of 2010/11 revenue that is already contractually committed. **See pages 18 to 31 for our segmental performance**
Changes to the contracting environment The contracting environment in which we operate continues to evolve. Clients increasingly seek to transfer risk to consultants; contractors will also seek to share risks. There is a possibility that, in securing new work, the Group accepts risks that are insufficiently understood or evaluated, with ensuing financial loss.	We actively mitigate this risk via a range of internal review procedures that enable contract terms to be subject to appropriate scrutiny and manageable risks to be reduced. Our service delivery process, which forms an important internal control within our governance framework, is continually enhanced to address these issues. **See page 60 for more information about our governance framework**

Risk	Mitigation
Matching staffing levels to workload The Group balances staff resources against workload to control the level of non-productive time. In an economic downturn there is a risk that there is insufficient work to match current resources.	This risk is managed by working in a diverse portfolio of sectors and markets, and by the redeployment of staff from those parts of the business where the workload is reducing to other parts of the business where the workload is strong. Productivity is a key internal measure and is constantly monitored across the Group, with selective restructuring and headcount reduction undertaken as necessary. This approach has been successfully implemented during the last year to maintain levels of productivity. **See pages 36 to 41 for our Human Resources Review**
Project management Managing clients' and our own projects is core to our business. Inadequate project management skills could lead to financial loss and reputational damage.	The Group mitigates these risks via the internal controls within our governance framework, ongoing training, knowledge-sharing and selective recruitment.
Pensions The Group's defined benefit pension funds have a material deficit. The Group has previously agreed measures to reduce this deficit; however the deficit is exposed to the risk of changes in interest rates and asset values, as well as inflation and the life expectancy of the members.	The Group's defined benefit pension funds are closed to new members. Future accruals ceased in October 2007. The Group actively monitors the funds position, taking professional actuarial advice, assessing liabilities, and is implementing inflation swaps to reduce future volatility. The next actuarial valuation is under way, following which the Group will agree appropriate contributions into the fund to reduce the deficit over an agreed period of time. **See pages 107 to 114 for note 29 to the Financial Statements**
Market position and reputation Our reputation for delivering complex projects relies on the perception of our clients and how the Group is portrayed publicly. There is a risk that a major failure from poor design, poor project management or delivery could impact our ability to win future work.	We mitigate this risk by ensuring our governance framework includes robust cost, project management and other internal controls. These are subject to regular independent audit against industry standards. **See page 60 for more information about our governance framework**
Health, safety and the environment The Group's business is concerned with the built environment and this entails significant health, safety and environmental risks. Should the Group's policy or practice in this area prove inadequate, there is a consequent risk to employees, clients, contractors and third parties and also a risk of reputational damage to the Group.	The Group takes these issues very seriously, and ensures all staff are adequately trained in health, safety and environmental issues; indeed we lead our sector on health and safety matters. Procedures in this area are central to our governance framework and are continually reviewed and improved. We also undertake regular independent audits against industry standards. **See pages 42 to 50 for our Corporate Responsibility Review**
Data security There is a risk that Atkins might mishandle client, commercial or staff data. Such an event could expose the Group financially and have a significant impact on our reputation.	Data security is taken very seriously, and we have in place procedures on how to handle clients' and staff data, including the use of secure networks and encryption. Appropriate building security is in place to protect confidential data, and offsite storage of client data and use of cyber protection of both hardware and software applications have been implemented. In addition, training our staff so that they understand their responsibilities is an important mitigating measure.
Recruitment and retention of sufficient high-calibre staff The recruitment and retention of the best people is crucial to our future success. Failure to do so would constrain the growth of the business and prevent us from delivering our strategy.	The Group expends a great deal of management effort and resource in this area, and further details of our staff controls are given in the Human Resources Review and Corporate Governance Report. **See pages 36 to 41 for our Human Resources Review**
Crisis event A crisis event at an Atkins site or one affecting staff could lead to loss of staff or interruption to service delivery.	The Group's business continuity strategy requires business continuity plans (BCPs) for all major global offices. Staff awareness and testing of BCPs is a key mitigating measure, and the resilience of our back-up systems for IT infrastructure is regularly tested.
Global political, economic, legal and regulatory risks Atkins works in selected countries around the world, potentially exposing the Group to political, economic, legal and regulatory risks. Political instability could threaten our operations, an economic slowdown could have an adverse impact on workload for both our private and public sector clients, and the Group could fail to adequately address legal and regulatory risks in unfamiliar jurisdictions.	The Group mitigates these risks by monitoring economic indicators and sentiments in the markets in which we operate, as well as maintaining a strong balance sheet, working in a diverse portfolio of business sectors and markets and by building flexibility into future plans. We look to remain cash-positive on projects and negotiate commercially favourable payment terms on contracts. Our service delivery process seeks to identify legal and regulatory risks during bidding and through the lifecycle of projects.