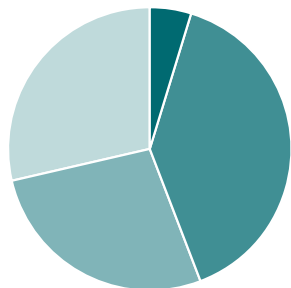
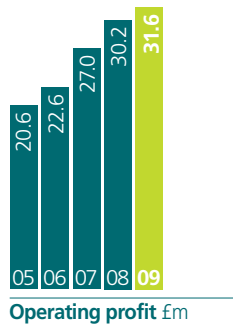
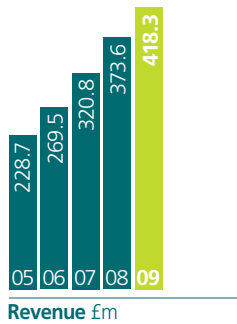


Business Review

Segmental performance

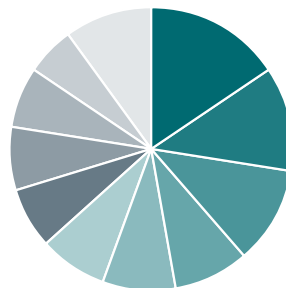
Design and Engineering Solutions

Key performance indicators	2009	2008	change
Financial metrics			
Revenue	£418.3m	£373.6m	+12.0%
Operating profit	£31.6m	£30.2m	+4.6%
Operating margin	7.6%	8.1%	-0.5pp
Share of post-tax JV profit	£0.1m	-	
Work in hand			
	43%	39%	+4pp
People			
Staff numbers at 31 March	5,167	5,024	+2.8%
Average staff numbers	5,133	4,722	+8.7%



Revenue by client type

- Public Sector: Local Government
- Public Sector: National Government
- Private Sector
- Regulated



Revenue by market

- Water
- Nuclear
- Defence
- Environment
- Oil and Gas
- Urban Development
- Buildings
- Communications
- Aerospace
- Education
- Other

Design and Engineering Solutions as a whole had a good year with growth in revenue of £44.7m (12%). Operating profit increased by £1.4m (4.6%) with the reduction in margin primarily attributable to the poor performance of our UK building design business and consequent reorganisation costs of approximately £5m, including property rationalisation costs.

Our water and environment business of 1,850 staff continues to perform well. During the year, we have secured commissions with Northumbrian Water and a position on the AMP5 framework for Severn Trent Water. Bidding for the forthcoming regulatory programme will continue over the coming year and final determinations in the AMP5 price review in England and Wales, which governs future expenditure, are due in November with implementation of price limits expected in April 2010. Environmental concerns keep flood mitigation and coastal protection to the fore, where we are undertaking a number of studies under framework contracts with the water companies and the Environment Agency. Our planning and contaminated land capabilities, including environmental impact assessment and remediation work, continue to be in demand both in the public and private sectors.

Our 1,400-strong multidisciplinary building design and engineering business, which primarily works on a portfolio of public sector projects in the UK, had a mixed year. Successes on a number of major projects, including work for the ODA on the London Olympic Park, were partially offset by a disappointing year in our UK building design business which was adversely impacted by delays in the college modernisation programme for the Learning and Skills Council (LSC). As a result, headcount in this part of the business has been reduced by approximately 200 since 31 March 2008 to 800. During the year we commenced work for LOCOG following our appointment as the official engineering design services provider for the London 2012 Games.

Our aerospace business, which now employs over 300 staff, performed well continuing to support Airbus on a number of certification and design packages for the A330, A350 XWB, A380 and A400M aircraft. Nedtech, acquired

last year, has performed very well and has confirmed our status as a transnational supplier to Airbus, leading to a number of new opportunities.

The demand, from both public and private sector clients, for the services of our defence business remains solid. Our work on the Future Rapid Effect System programme for the UK Ministry of Defence is now focused on the Specialist Vehicle families, where we continue to provide independent consultancy and commercial services. This is opening up further opportunities for us.

We have continued to successfully invest in expanding the services we offer in the nuclear sector through training and selective recruitment to build a cadre of multidiscipline nuclear experience in anticipation of increased decommissioning and new-build activity. We are assisting the UK Department of Energy and Climate Change with studies for the nuclear new-build programme and continue to support British Energy through a technical services agreement providing innovative solutions across their portfolio of nuclear power stations in the UK that runs to 2012, with an option to extend beyond this date. The acquisition in October 2008 of M.G. Bennett, a 30-strong mechanical and structural engineering design consultancy, with nuclear lifting capability further enhances our offering in this expanding sector.

The skills of our energy businesses are increasingly being sought after in the renewables sector. We are conducting structural design work on the Galloper and Thanet offshore wind farm developments and we are also involved in various wave, tide and current projects. The increasing need for alternative power generation methods to be connected to the grid offers opportunities for our electricity transmission and distribution business to develop outside our core technical support and design contracts with Central Networks and National Grid.

The oil and gas business, which employs 300 staff, has performed well and our workload remains strong. In Europe, we are working on new developments such as the Solan field West of Shetland and we continue to help manage the integrity of existing assets for companies such as BP and Talisman.

Our oil and gas business in the USA is also strong and growing on the back of design commissions for BP and Hess. Outside our core markets of Europe and the USA, we continue to offer design services to regions such as West Africa, Egypt and Malaysia. We are also supporting BP and other oil companies with the global deployment of a Fleet Management System which manages the assessment of integrity data for oil and gas assets.

Our communications business, which provides consultancy services in support of current and next generation communications infrastructure alongside a range of technical solutions to a broad range of clients, performed well. However, following Cable & Wireless' (C&W) acquisition of Thus in 2008, C&W decided to in-source the contract to look after its fibre optic network, using the existing Thus expertise. As a consequence approximately 70 staff, out of a total of 230 staff, transferred to C&W in May 2009.

Outlook

Overall, the outlook for the Design and Engineering Solutions segment is stable. Work in hand is ahead of last year, at 43% (2008: 39%), and over 80% of the segment's revenue comes from the publicly funded and regulated sectors. Increased competition in a tougher market environment is putting pressure upon prices but the range of our service offering positions us well for the year ahead.

Our UK building design business has been significantly impacted by reduced workload, and whilst our direct exposure to the commercial property sector is limited, slowdown in that market has increased competition in our other markets. In addition, it is unclear when the current hiatus in the LSC building programme will come to an end. We are carefully monitoring the business to assess whether any further action is required.

The nuclear business is well positioned to take advantage of the opportunities that will be provided by the UK's nuclear new-build programme.

In the longer term, there are substantial opportunities for our business to support the UK government's drive to achieve its reduced carbon emissions as outlined in the 2009 carbon budget.