

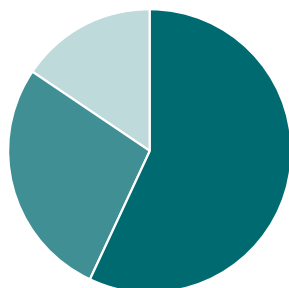
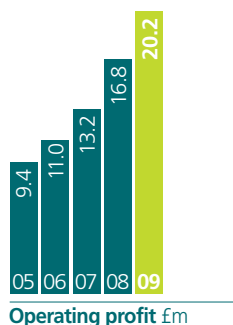
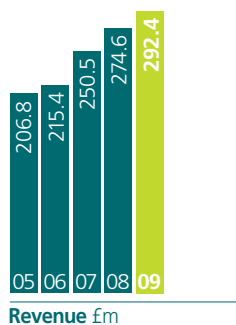
# Business Review

## Segmental performance

Continued

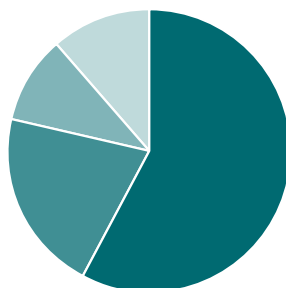
# Highways and Transportation

Key performance indicators	2009	2008	change
<b>Financial metrics</b>			
Revenue	<b>£292.4m</b>	£274.6m	+6.5%
Operating profit	<b>£20.2m</b>	£16.8m	+20.2%
Operating margin	<b>6.9%</b>	6.1%	+0.8pp
Share of post-tax JV (loss)/profit	<b>£(0.4)m</b>	£0.7m	-157.1%
<b>Work in hand</b>			
	<b>62%</b>	78%	-16pp
<b>People</b>			
Staff numbers at 31 March	<b>3,075</b>	2,813	+9.3%
Average staff numbers	<b>3,016</b>	3,054	-1.2%



Revenue by client type

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



Revenue by market

- Highway Services
- Design
- Intelligent Transport Systems
- Planning

Our Highways and Transportation segment had a good year, continuing the trend of growth and improving margins. Operating profit increased by £3.4m (20.2%) as margins increased to 6.9% (2008: 6.1%) principally due to the strong demand for our higher-margin consultancy activities and the benefits of our continued drive for greater efficiencies. The reduction in average staff numbers is the result of the transfer out, under TUPE, of staff associated with the Northamptonshire County Council contract on 31 March 2008 and the transfer in, two months later, of staff on the Highways Agency Area 6 contract.

Our transport planning business, which provides a wide range of consultancy services, including advice on strategic, policy, management, forecasting, business case and investment appraisals for infrastructure investment, had a good year. We have established a leading position in transport governance reviews for city regions in response to the Local Transport Act. Demand for our technical advice on strategic transport planning policy, due diligence and the transport aspects of masterplanning remained strong throughout the year. Public realm enhancements combined with traffic management and improvements for pedestrians continue to be a good source of work in major cities. This is exemplified by our proposals for the re-design of Oxford Circus pedestrian crossings and surrounding area, on behalf of The Crown Estate and others. Our study on the business case for high-speed rail continued to receive significant media attention throughout the year and we have secured further work in this area.

Our intelligent transport systems business continues to grow as the market for technology-based solutions develops in response to traffic management and sustainability challenges. For the Highways Agency, we are supporting the implementation of three managed motorway schemes to improve journey time reliability through hard shoulder running and we are managing the technology delivery programme. We continue to support the A14 Corridor traffic management scheme as construction starts, having designed it to offer end-to-end reliability and resilience benefits by targeting location-specific accident and congestion problems. The demand for our services in this market continues to be strong with a significant bidding pipeline.

Our design business, which delivers technical consultancy and R&D services as well as all aspects of design of highway infrastructure and transport technology, performed well. Design work on the M74 project in Scotland, secured last year, is progressing well and the project is now over two-thirds complete. During the year work commenced on the design for the M25 widening project under an Advance Activities Agreement pending financial close on the M25 DBFO contract. By 31 March, the design for the first section of the M25 to be widened had been completed, representing over one-third of the overall design commission for Connect Plus. Construction has now commenced following financial close on 20 May 2009.

Our highway services business, which represents around 60% of this segment's revenue, is engaged in maintaining and improving highway networks on behalf of the Highways Agency and local authorities. The business performed ahead of expectations in the second half-year

benefiting from increased spending by clients, in part through the UK government's financial stimulus package. Preparation is underway for the commencement, in September 2009, of the 30-year M25 operating and maintenance contract which will be carried out by the Connect Plus Services operations and maintenance Joint Venture, in which we have a 32.5% interest. This contract will offset the loss in workload from the Area 11 MAC contract, performed through our 50% stake in the Optima Joint Venture, which terminates at the end of June 2009. Work is also underway on bidding a number of local authority and Highways Agency MAC contracts scheduled to be awarded later this year for commencement in 2010.

#### Outlook

We start the new financial year in a strong position. Work in hand at 31 March 2009, which excludes work for Connect Plus on the M25 as financial close had not yet been reached by the year-end, represented 62% of budgeted revenue for 2009/10 (2008: 78%). Including the work associated with the M25, our work in hand is very good at 70%. This gives us confidence in the outlook for 2009/10.

In the longer term, the majority of the work undertaken by this segment is on projects for local and national government or where they are the end client. The outlook remains sound as we anticipate that spending on projects and services that increase capacity, manage congestion or maintain the safe operation of the road network – all areas in which we have a strong technical offering – will remain stable.