

Business Review

Overview of the business and performance in the year

Atkins provides professional design and engineering consultancy services. We are the largest engineering consultancy in the UK.



Our business

Our core business is helping our clients to plan, design and enable capital programmes that resolve 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 six business segments as this reflects how we manage the business via different markets and geographies.

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 2009 are shown in the table opposite, along with prior year comparatives.

Review of the year

In the year ended 31 March 2009 the Group's revenue from continuing operations grew by 13% to £1,487.2m. Operating profit from continuing

operations increased by 19% to £103.1m while the Group's underlying operating margins grew to 6.9%. Translated at constant exchange rates, revenue grew by 9% and operating profit by 16%.

Operating cash flow in the year was £125.5m, representing 122% of operating profit, and net funds at 31 March 2009 were £234.2m.

Normalised diluted EPS grew by 15.6p per share to 82.3p, an increase of 23%, reflecting the benefit of a reduced tax charge, following the acquisition of tax losses from Metronet, in addition to a 9% improvement in normalised profit before taxation. Excluding the benefit of acquired tax losses, normalised diluted earnings per share would have been 75.3p, an increase of 12.9%.

At 31 March 2009 we had secured 54% of budgeted revenue for 2009/10, compared with 55% last year.

Staff numbers increased by 739 (4%) during the year but will reduce in the first quarter of 2009/10 as approximately 600 people under notice at the year-end leave the business.

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	2009	2008	change
Financial metrics				
Revenue	1	£1,487.2m	£1,313.6m	+13%
Operating profit		£103.1m	£86.7m	+19%
Operating margin		6.9%	6.6%	+0.3pp
Operating cash flow		£125.5m	£80.9m	+55%
Normalised diluted EPS	2	82.3p	66.7p	+23%
Work in hand	3	54%	55%	-1.0pp
People				
Staff numbers at 31 March	4/5	18,017	17,278	+4%
Average staff numbers for the year	4	17,988	16,981	+6%
Staff turnover	6	11.4%	15.4%	-4.0pp

Notes

1. Revenue excludes the Group's share of revenue from Joint Ventures.
2. Normalised diluted EPS is based on normalised profit after tax 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.