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1 Michael Jeffries
Chairman.

2 Somerset County Council
renewed its highways
engineering services
partnership with Atkins
Highways & Transportation
with the award of two new
five year contracts.



Chairman's statement

Although the past year has been a difficult one for Atkins, I am pleased with the considerable progress we have made in the second half of the year. Our core operating businesses are sound and with our focus on cost reduction, improving margins and cash collection we are well on the way towards re-establishing the Group's performance. During the second half of the year we have lowered our net debt level, exceeded our adjusted profit target and concluded in April 2003 the Metronet consortium's 30-year contracts with London Underground.

As indicated in previous statements, our difficulties this year arose principally from the implementation of our new finance and HR systems, which disrupted our business. I am able to report that the key issues have been addressed and our systems are now providing us with the management information we need to run our operations properly.

We have caught up with our billing and credit control and in this respect we are now in a better position than we achieved in previous years.

Action to reduce overheads is continuing, and to date has produced annualised cost savings in excess of £15m to offset the significant increase in our cost base resulting from our new systems. Our programme of corrective action also delivered significant improvement in net debt during the second half of the year, reducing it to £71.9m at the year end from £105.4m at 30 September 2002.

Atkins' strength is in the skill and professionalism of its staff. Their dedication has ensured that the enduring impact of the last year's problems on our clients has been minimal. Our order book remains strong and we continue to win new and repeat business from a diverse range of clients.

We have made substantial progress during the second half of the financial year and our focus for the immediate future will remain cash collection and margin improvement through cost reduction. We have set new margin targets for the Group's businesses and are undertaking regular reviews to monitor delivery.

As a result, I believe the Group is firmly back on track to deliver improved performance in the new financial year and on a sustained basis thereafter. It is the Group's objective to work towards a return to historic operating margins in the medium-term.

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3 Atkins has participated in the development of a new technology which uses microwaves and UV light to disinfect water without the need for chemicals.

4 Atkins led a study for the Strategic Rail Authority into the potential for a new High Speed Rail line between the North and South of the UK.



Results

Trading in our principal operations remained robust during the period, although our overall results are disappointing, having been impacted by the introduction of our new systems and exceptional restructuring and impairment charges. Turnover and contribution increased in our core Rail, Highways & Transportation and Design businesses, however difficult conditions in the US market continued.

Following a long period of consistent growth, adjusted profit before tax for the year of £18.7m is down from £38.1m in 2002. Taking account of Metronet bid costs and one-off, non-operational charges, losses before tax of £61.6m represent a fall of £82.5m compared to 2002.

Dividend

The Board is confident in the future of the business and a final dividend of 3.0p per share is recommended to be paid on 1 October 2003 to shareholders on the register on 8 August 2003.

Our people

On behalf of the Board, I would like to thank all our staff for their exceptional efforts over the last year. Whether working to maintain client services in the face of significant internal disruption or coping with the issues of restructuring against a background of uncertainty and unfavourable media reports, this has been a difficult year. I am aware of the long hours which have been worked and the huge effort put in to maintain quality of service to our clients.

Board of Directors

I am pleased to report that Keith Clarke has accepted the role of Chief Executive and will join the Board in October from Skanska AB where he is currently Executive Vice President.

Stephen Billingham joined the Board as Group Finance Director on 1 October 2002. Stephen has made a significant contribution to the Group's recovery programme during his first six months on the Board, and as Finance Director of Metronet, helped to steer the consortium to financial close. He resigned as Finance Director of Metronet on 4 April 2003.

Christopher Kemball became a Non-Executive Director on 14 May 2002. Roger Umney retired as a Non-Executive Director on 1 October 2002. Paul Marsh resigned as a Non-Executive Director on 10 April 2003 due to other business commitments. Frances Heaton will be retiring as a Non-Executive Director following the forthcoming Annual General Meeting. I would like to thank her for her long service to the Board.

Robin Southwell, the former Chief Executive, left the Board on 30 September 2002 and Ric Piper, the former Group Finance Director, left the Board on 1 October 2002.

Our prospects

Our order book remains strong and we continue to win new business from our key customers. At the start of the new financial year the Metronet consortium, in which the Group is a 20% shareholder, signed its 30 year Public Private Partnership (PPP) contracts with London Underground. Metronet will undertake a programme of repair and refurbishment that will deliver substantial improvements to the underground infrastructure and significant returns for the Group.

Results in the early part of the new financial year are in line with our expectations. The Board is confident that a stronger focus on operations will form the basis for a sustained recovery in our performance.

Michael Jeffries
Chairman
26 June 2003