

Corporate governance report

The Company is committed to the principles of good corporate governance contained in the Combined Code on Corporate Governance adopted by the Financial Reporting Council in July 2003 (the Code). This report sets out the Company's compliance with the Code.

Statement of compliance with the Combined Code

The Company has complied with the provisions set out in Section 1 of the Code throughout the year ended 31 March 2006 except for the short period between the retirement of Struan Robertson on 7 September 2005 and the appointment on 6 October 2005 of James Morley as Senior Independent Director, Sir Peter Williams as Chairman of the Remuneration Committee and Christopher Kemball as a member of the Audit Committee. During this period the Company had not confirmed the appointment of a replacement Senior Independent Director and the Audit and Remuneration Committees temporarily comprised two non-executive directors.

The Board

The Board of directors is the body responsible for corporate governance, for establishing policies and objectives and for the stewardship of the Group's resources. It is the Group's policy that the roles of Chairman and Chief Executive are separate, with their roles and responsibilities clearly divided and recorded. Currently the Board is made up of the Chairman, two executive directors and four non-executive directors. James Morley is the Senior Independent Director. Struan Robertson was Senior Independent Director until his retirement on 7 September 2005. The biographies of the directors as at the date of this report are given on pages 46 and 47.

It is the opinion of the Board that the non-executive directors are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement.

The Board has a regular schedule of meetings together with further meetings when required. In addition, directors meet as members of relevant committees. Whilst the Board has delegated the normal operational management of the Company to the Chief Executive it has agreed a formal schedule of matters reserved specifically for its decision. This schedule includes strategy, the approval of financial statements and shareholder circulars, treasury policy, major capital investments, risk management strategy and acquisitions and disposals.

The Chairman and the non-executive directors meet without the executive directors present at least annually.

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for directors to obtain independent professional advice, paid for by the Group.

In accordance with the Company's Articles of Association, one third of the Board is required to retire by rotation each year. In addition, any director appointed during the year will stand for election at the next General Meeting, ensuring that each Board member faces re-election at regular intervals.

Chairman

Ed Wallis, the Chairman, normally spends two days per week on the business of the Group. His other significant commitments are disclosed in his biography on page 46. The Board considers that these commitments do not hinder his ability to discharge his responsibilities to the Company effectively.

Committees of the Board

The Board's committees meet regularly to enable them to discharge their responsibilities. Each Committee has terms of reference which are reviewed annually by the Board. Copies are available on request from the Company Secretary or on the Group's website www.atkinsglobal.com. Following formal decision making the Board may, on occasion, delegate authority to a standing committee consisting of any two directors to facilitate final sign off for an agreed course of action within strict parameters.

Audit Committee

The Audit Committee comprises James Morley, Christopher Kemball and Sir Peter Williams, all independent non-executive directors. James Morley, a Chartered Accountant, is Chairman of the Committee. Struan Robertson served as a member of the Committee until his retirement on 7 September 2005. Christopher Kemball was appointed as a member of the Committee on 6 October 2005. The Board considers all members to have recent and relevant financial experience.

The independent auditors and Head of Internal Audit have unrestricted access to the Audit Committee and, in accordance with usual practice, meet privately with the Committee at each scheduled meeting.

The Audit Committee's terms of reference address the provisions in the Code in relation to audit committees and auditors. The Board and the Audit Committee monitor the cost effectiveness of audit and non-audit work performed by the auditors and also consider the potential impact, if any, on the corporate relationship with the auditors before awarding any non-audit work. For details regarding fees paid to the independent auditors, see note 4 to the financial statements.

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The independent auditors continue to operate procedures to safeguard against the possibility that the auditors' objectivity and independence could be compromised. This includes the use of quality review partners, use of a technical review board (where appropriate) and annual independence procedures, including confirmations by all staff. The auditors report to the Audit Committee on matters including independence and non-audit fees on an annual basis. In addition, the role of the audit partner is rotated on a periodic basis.

During the year the Committee's activities have included:

- A formal review of the draft Annual Report, interim statement and associated announcements focusing on key judgemental areas and accounting policies.
- A review of the independent auditors' strategy and their findings in respect of the annual and interim reports.
- Regular examination of the reports in respect of work undertaken by the internal audit function.
- An assessment of the effectiveness of the system of internal control, risk management process and the Company's written procedures for responding to the allegations of whistle-blowers.
- A detailed review of the internal audit plan.
- The conclusion of the Group's transition to IFRS.
- Analysis of audit and non-audit fees and of the auditors' independence, including consideration of the forthcoming rotation of the audit partner.
- An appraisal of its own effectiveness and that of the independent auditors and the internal auditors.

Nomination Committee

The Nomination Committee comprises Ed Wallis, Lord Boyce, Keith Clarke, Christopher Kemball, James Morley and Sir Peter Williams. Struan Robertson was a member of the Committee until his retirement from the Board on 7 September 2005. The Committee is chaired by Ed Wallis. The Committee is responsible for nominating candidates for appointment to the Board. The Committee makes appraisals of the processes in place for succession planning in respect of both Board and senior appointments.

All non-executive directors are advised of the time commitment considered necessary to enable them to fulfil their responsibilities prior to appointment.

Remuneration Committee

The Remuneration report on pages 55 to 60 includes details of the Remuneration Committee and its work.

Board and committee attendance

The following table details the attendance of directors at meetings of the Board and of Board committees of which they were members during the year ended 31 March 2006:

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Lord Boyce	8/8	–	4/4	1/1
Keith Clarke	8/8	–	–	1/1
Christopher Kemball	8/8	1/2 ⁽¹⁾	–	1/1
Robert MacLeod	8/8	–	–	–
James Morley	8/8	4/4	4/4	1/1
Struan Robertson	3/4	1/1	2/2	–
Ed Wallis	8/8	–	–	1/1
Sir Peter Williams	8/8	4/4	2/2	1/1

(1) Christopher Kemball was appointed as a member of the Audit Committee on 6 October 2005. The first meeting held following his appointment coincided with a prior engagement.

Group Executive

The Group Executive is the Chief Executive's committee and is responsible for the operational management of the business. Its members currently comprise the Group Finance Director, the Chief Operating Officer, the Managing Directors of a number of the Group's business segments, the Group Human Resources Director and the General Counsel and Company Secretary. It meets regularly throughout the year, on at least ten occasions. Those members who are not directors of the Company are invited to attend certain Board meetings during the year and also meet with the non-executive directors from time to time without the executive directors present.

The respective roles of the Board and Group Executive are discussed further under internal control on page 53.

Board performance evaluation and training

The Board, as part of its commitment to ensure its effectiveness and evaluate its performance, completed a full evaluation of its performance and that of its directors during the year. This evaluation consisted of a series of questionnaires completed by all Board members and those executives with significant Board exposure followed by private discussions between the Chairman and each director. In addition, the Audit Committee has completed a detailed formal assessment of its performance and the audit process. In light of the new composition of the Remuneration Committee it is proposed to complete a detailed formal assessment of the effectiveness of this committee later in the current financial year.

The non-executive directors have met alone to appraise the Chairman's performance.

The Company has a continuing professional development framework to assist the Chairman, executive directors and non-executive directors in discharging their responsibilities effectively. Non-executive directors meet regularly with members of the Group Executive and receive regular business updates via scheduled presentations. This, coupled with site visits and the attendance by key employees at Board dinners, ensures non-executive directors gain first hand experience of developments within the Group. External training is provided when appropriate. This includes briefings from the Company's legal advisors, brokers and auditors at Board meetings and presentations from guest speakers at Board dinners.

Internal control

The Board has accountability for reviewing and approving the adequacy and effectiveness of internal controls operated by the Group, including financial, operational and compliance controls and risk management. It is the role of management to implement the agreed policies on risk and control.

The system of internal financial and operational controls is designed to meet the Group's particular needs and aims to facilitate effective and efficient operations, to safeguard the Group's assets, ensure proper accounting records are maintained and ensure that the financial information used within the business and for publication is reliable. The Group's risk management process identifies the key risks facing each business and reports to the Board on how those risks are being managed.

Such a system of internal control can only be designed to manage rather than eliminate risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement and loss.

There is a continuing process for identifying, evaluating and managing the risks faced by the Group. This process has been in place for the year under review and remains current. This process covers subsidiaries in which the Group has an interest of 50% or more. Joint Ventures in which the Group does not have overall control are not treated, for these purposes, as part of the Group. For these Joint Ventures, systems of internal control are applied as agreed between the parties to the venture. For Metronet the Board has separately reviewed the risks faced by the Group.

The Audit Committee has reviewed the operation and effectiveness of the Group's internal controls, which operated during the period covered by the directors' report and financial statements, up to and including the date of approval by the Board.

Key features of the system of the Group's internal control are as follows:

Group organisation and culture

By its statements and actions the Board emphasises a culture of integrity, competence, fairness and responsibility.

The Board focuses mainly on strategic issues, senior management and financial performance. The Group Executive concentrates on operational performance, operational decision making and the formulation of strategic proposals to the Board. The Group's managing directors manage their businesses with the support of senior managers. The Board determines how the Chief Executive operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after high level review.

Control environment

The Group's operational structure has clearly documented and communicated principles of delegation of authority and segregation of duties. The Group's management systems include financial policies and procedures, corporate and business quality assurance manuals, health and safety procedures and environmental management procedures. These procedures are subject to review to ensure that improvements to enhance controls can be made.

Financial reporting

The Board approves a business plan and annual budgets for the Group. The financial performance of individual business operations is reported regularly and compared to annual budgets. The Group reports to shareholders on a half-yearly basis. Forecasts for the Group are updated and reviewed by the Board regularly.

Project and contract control

Procedures seek to ensure that risks are identified through the project lifecycle from bidding to completion. Regular review procedures are in place to ensure that issues are appropriately reported to the Board. A Commercial Risk and Audit Framework is in place which requires peer review to be carried out for all significant bids and opportunities or where significant investment decisions have to be taken.

Individual business controls

Individual businesses and central corporate functions complete an annual self-certification statement. Responsible managers personally confirm the review of their systems of internal control and their compliance with Group policies. The statement also requires the reporting of any significant control issues that have emerged so that areas of Group concern may be identified and addressed and experience shared. The results of the process are reported to the Board and reviewed by the Audit Committee.

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Functional speciality reporting

The Board assesses the risks facing the business on an ongoing basis and has identified a number of other key areas which are subject to regular reporting to the Board, such as human resources, health and safety, environment, equity investments and treasury.

Risk management review

The Board assesses risk management throughout the Group, aided by the Group Risk Committee and detailed reviews of internal controls and risk management. The Group Risk Management Framework requires businesses to record formally all significant risks facing their business and detail the steps being taken to avoid or mitigate those risks. A summary of the key risks facing the Group is placed on risk registers which are reviewed regularly by the Audit Committee acting on behalf of the Board.

The Group maintains insurance policies to provide protection from losses arising through claims from clients. The adequacy of the Group's insurance cover is reviewed by the Board annually.

Internal audit

The internal audit function undertakes a programme to address internal control and risk management processes with particular reference to the Turnbull report. Its conclusions are communicated to the relevant level of management and the function has a direct reporting responsibility to the Audit Committee acting on behalf of the Board.

Metronet

Metronet is the Group's most significant Joint Venture. Given its importance to the Group, an experienced senior manager is responsible for representing the Group's interest as a non-executive director on the Board of Metronet and is responsible for monitoring the progress of Metronet on behalf of the Group. Metronet has regular meetings of its board of directors. It also has its own Audit and Remuneration Committees, at which a Group representative is also present. Keith Clarke is non-executive Chairman of the board of directors of Metronet.

Investor relations

The Board gives communication with all shareholders a high priority. The Annual and Interim Reports are sent to all shareholders and all shareholders are invited to the Company's AGM, which is attended by the full Board. The Company is seeking to promote the use of e-communications by encouraging shareholders to sign up to receive company circulars, such as this Annual Report, by email rather than by post. This can be done by accessing our new shareholder services portal www.myatkinsshares.com.

The Group's website contains information on current activities including records of the Annual and Interim results presentations to City analysts and institutional investors.

The Board welcomes the views of all shareholders. The Chairman maintains contact with major shareholders, writing to them annually to set out the Company's commitment to open, ongoing dialogue. Both the Chairman and the Senior Independent Director will make themselves available for the regular investor meetings held by the Chief Executive and Group Finance Director if they are requested to do so. A wide range of relevant issues are discussed at investor meetings including strategy, performance, management and corporate governance. Non-executive directors are kept informed of the views of shareholders and the executive directors provide reports to them on investor meetings. The Company's brokers provide briefings to the Board on shareholder opinion and compile independent feedback from investor meetings.

The Annual Report is designed to present a balanced and understandable view of the Group's activities and prospects. The Chairman's statement and Operating and financial review on pages 4 to 45 provide an assessment of the Group's affairs and position and will be supported by a presentation to be made at the AGM.

Approved by the Board and signed on its behalf

Philip Davis

Company Secretary
22 June 2006