

Directors' report

The directors present their annual report on the affairs of the Company and the Group, together with the financial statements and the independent auditors' report, for the year ended 31 March 2007. These will be laid before shareholders at the Annual General Meeting (AGM) to be held at 4.30pm on Wednesday 5 September 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Chairman's statement (page 7), Our strategy (pages 8 to 9), the Human resources review (pages 10 to 11), the Operating and financial review (pages 16 to 33) and Corporate responsibility (pages 34 to 35) report on our principal activities and performance during the past year and our prospects for the future. The statement, reviews and report are incorporated into this report by reference, together with the list of the principal subsidiary undertakings and the countries in which they operate (note 40 to the financial statements).

RESULTS AND DIVIDENDS

The Group loss after tax for the year of £57.3m (2006: profit £56.9m) is shown in the Consolidated Income Statement on page 51.

The directors recommend a final dividend of 14.0p (2006: 11.5p) per ordinary share in respect of the year ended 31 March 2007, to be paid on 28 September 2007 to ordinary shareholders on the register on 17 August 2007 if approved, which, together with the interim dividend of 6.0p paid on 26 January 2007, makes a total dividend of 20.0p for the year (2006: 16.0p).

ACQUISITIONS AND DISPOSALS

Acquisitions and disposals made by the Group are described in notes 5, 16 and 39 to the financial statements on pages 68, 78 and 99.

DIRECTORS

The composition of the Board and full biographical details of the Company's directors at the date of this report are given on pages 36 to 37.

The Company's Articles of Association require that all directors appointed during the year retire at the AGM and may offer themselves for re-appointment. In addition, one-third of directors must retire at each AGM and may be re-elected.

Christopher Kemball retired from the Board on 31 December 2006.

Fiona Clutterbuck and Alun Griffiths, who were appointed by the Board as directors on 13 March 2007, will retire at the AGM and, being eligible, offer themselves for re-appointment.

Robert Macleod and Sir Peter Williams will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

The Board considers that the performance of those directors proposed for re-appointment and re-election continues to be effective and that they demonstrate a strong commitment to their role.

DIRECTORS' INTERESTS AND INDEMNITIES

Directors' interests in the Company and the Group are described in the Remuneration report in Table 5 on page 48.

Directors and officers of the Company and its subsidiaries have the benefit of a directors' and officers' liability insurance policy, which provides appropriate cover in respect of legal actions brought against its directors. The Company's practice has always been to indemnify its directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law. Disclosure of such indemnities is required by the Companies Act 1985 ("the Act"). All directors have deeds of indemnity that are in force as at the date of this report. These indemnities are available for inspection by shareholders at the Company's registered office during normal business hours and will be available for inspection at the AGM.

Neither the insurance nor the indemnities provide cover where the director has acted fraudulently or dishonestly.

CORPORATE GOVERNANCE AND REMUNERATION

A report on Corporate governance is on pages 41 to 44 and the Board's report on directors' remuneration is on pages 45 to 49.

CORPORATE RESPONSIBILITY

A summary of the Group's corporate responsibility activities is contained on pages 34 to 35. In addition, the Group produces a separate annual report on corporate responsibility, which includes detailed information in respect of health and safety, the environment, the community, people and suppliers. A copy of that report is sent to all shareholders and is also available on the Company's website www.atkinsglobal.com.

EMPLOYEES

The Group communicates financial results and significant business issues to all employees via the use of email, the Company's intranet and in-house publications. Feedback from employees is obtained annually via a confidential survey. Where appropriate, consultation with employee and union representatives takes place.

Employee share ownership has been encouraged over a long period. UK employees have the opportunity to become shareholders via the Company's Share Incentive Plan.

The Group is committed to the fair and equitable treatment of all its employees irrespective of gender, race, age, religion, disability or sexual orientation. Policies have been implemented across the Group to ensure that this

commitment is acted on in practice. The Group's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled people on the basis of their aptitude and abilities, and the retention and re-training of employees who become disabled.

BUSINESS CONDUCT POLICY

The Board is responsible for the Group's business conduct policy. The Group believes that integrity is a fundamental prerequisite for successful business relationships, both internally and externally. Reputation, trust and confidence are essential elements which we seek to protect and enhance to the benefit of all with whom we have a relationship. The Group seeks to understand and meet its customers' needs, whilst seeking continuous improvement. Across the Group there are procedures in place which seek to underpin this approach. By so doing the Group aims to meet the needs of all stakeholders.

SUPPLIER PAYMENT POLICY

It is Group policy to agree terms and conditions for its business transactions with suppliers and endeavour to make payment to these terms, subject to the terms and conditions being met by suppliers. WS Atkins plc, as a holding company, did not have any amounts owing to trade creditors as at 31 March 2007.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made charitable donations of £205,813 (2006: £97,534). The principal beneficiaries of such donations were the charities RedR, WaterAid and the PSP Association. For 2007, the Group has chosen to focus its efforts on local charities serving the communities in which the Group operates or charities relevant to the Group's activities. It is the Group's policy not to make political donations, either in the UK or overseas.

The Group has no intention of making any political donations or incurring such expenditure in the future. However, the Act defines "EU political organisation" widely. There is some uncertainty over which organisations are covered by the definition and what types of expenditure will be classified as a "donation". The Board will therefore seek authority at the forthcoming AGM for the Company and its main trading subsidiary Atkins Limited to make such political expenditure up to £100,000 in order to prevent inadvertent breach of the Act.

SHARE CAPITAL

Full details of the Company's authorised and issued share capital, including changes during the year, can be found in note 29 to the financial statements.

PURCHASE OF OWN SHARES

The Company is authorised to purchase its own shares in the market pursuant to an authorisation given by shareholders at its AGM held in 2006. Although no such purchases have been made, the Company will seek to renew this authority from shareholders at its forthcoming AGM. Any shares purchased pursuant to that authority may be held as treasury shares in accordance with the Act.

SUBSTANTIAL SHAREHOLDINGS

Until 19 January 2007 the Company maintained a register of substantial shareholdings in accordance with the provisions of section 211 of the Act. As at 19 January 2007, the Company had been notified of the following interests in the ordinary share capital of the Company:

NAME OF HOLDER	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ISSUED CAPITAL
SCHRODERS PLC	12,592,518	12.06%
STANDARD LIFE INVESTMENTS	4,249,130	4.07%
RESOLUTION ASSET MANAGEMENT	4,206,885	4.03%
LEGAL & GENERAL GROUP PLC	3,830,384	3.37%

On 20 January 2007 the provisions of the Act in respect of substantial shareholdings were repealed and the Disclosure and Transparency Rules of the Financial Services Authority came into force. As at 26 June 2007, the Company had been notified of the following holdings exceeding the 3% notification threshold in the total voting rights attaching to the issued ordinary share capital of the Company:

NAME OF HOLDER	NUMBER OF VOTING RIGHTS	PERCENTAGE OF TOTAL VOTING RIGHTS
STANDARD LIFE INVESTMENTS	4,962,936	4.75%
LEGAL & GENERAL GROUP PLC	3,646,794	3.49%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have

Directors' report Continued

prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State that the financial statements comply with IFRS as adopted by the European Union
- State whether applicable accounting standards have been followed, and disclose and explain any material departures from those standards
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and that enable them to ensure that the financial statements and the remuneration report comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company and the Group are properly safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the website and legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION

The directors confirm that, as at the date this report was approved, so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

GOING CONCERN

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

AUDITORS

The Company's auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and resolutions for their re-appointment and to authorise the directors to determine their remuneration will be proposed at the forthcoming AGM.

Approved by the Board and signed on its behalf by

Philip Davis, company secretary
26 June 2007

Cautionary statement

Under the Companies Act 1985 (as amended), a company's directors' report is required, among other matters, to contain a fair review by the directors of the Group's business through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year-end, consistent with the size and complexity of the business.

The Directors' report set out above, including the Chairman's statement, Our strategy, the Human resources review, the Operating and financial review and Corporate responsibility incorporated into it by reference (together, the "Directors' report"), has been prepared only for the shareholders of the Company, as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' report has not been audited or otherwise independently verified. The Company and its directors and employees are not responsible for any other purpose or use or to any other person in relation to the Directors' report.

The Directors' report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under 'Risks and uncertainties' on page 33 in this document. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.