ATKINS HOLDINGS LIMITED

Review of activities 2008/09

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A TRIBUTE TO FRANK MICKLETHWAITE

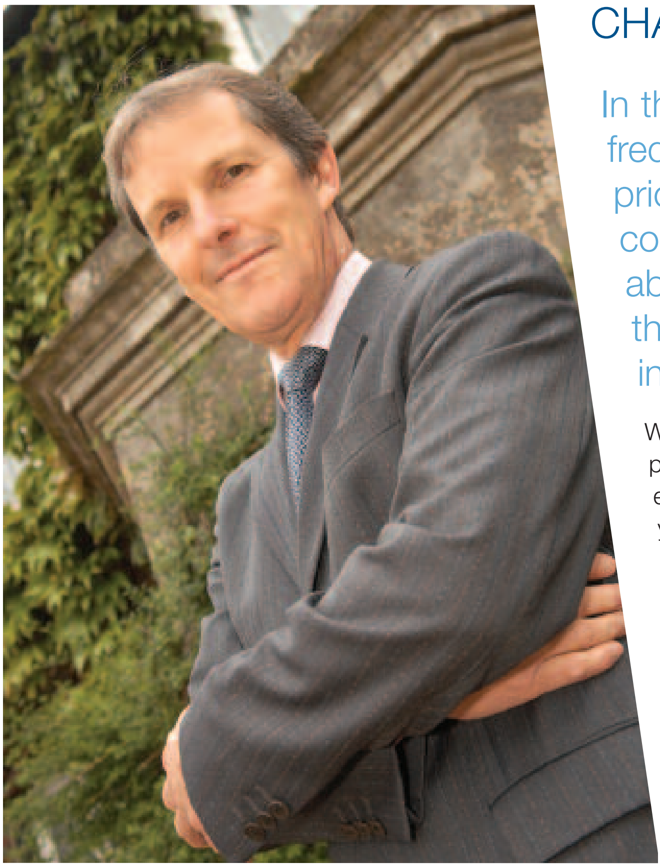
July saw the sad passing of Frank Micklethwaite who had been a director of the company for twenty years before becoming President of AHL in July 2005.

Having joined W S Atkins in 1946, his distinguished career culminated in his appointment as Chairman of W S Atkins Group Ltd in 1984, and amongst other appointments he was Chairman of the South East Region of the CBI.

He became the first Chairman of Atkins Holdings Ltd upon the company's formation in 1986 and was a non executive director until 2005.

Frank will be sadly missed by all who knew him.

K.G. Saunders *Chairman*



CHAIRMAN'S COMMENTS

In the days of freely available debt the board frequently questioned how long the property price bubble could continue. It was this concern which persuaded the company to abstain from the direct property market since the acquisition of the Bromsgrove investment in July 2004.

We now know that the inexorable rise in the capital value of commercial property became unsustainable in July 2007 and deteriorated at an even more alarming rate, signalled by the collapse of Lehman Bros a year later.

In previous Chairman's Statements I have expressed the company's concern about the unsustainable rise in capital values. That prediction was correct. What was impossible to foresee was the severity of the hangover which followed the debt binge. The country is now almost two years into an economic decline which has led to the present recession and the most severe economic decline since the 1930's.

The effect on capital values has been dramatic with IPD registering a 27.1% decline in the year to December 2008. Significant further falls in the first quarter of 2009 have exacerbated the position with falls in the year to end March 2009 registering 30.3%.

More worryingly values continue to fall and there are no clear indications of when the floor will be reached but most pundits predict that 2010 will see better performance than 2009.

The APL portfolio cannot remain immune from what is happening in the wider market place and the value of the company's direct portfolio fell by 16% in the year to March 2009. The property market cannot operate in isolation from the nation's economy and as unemployment continues to rise and economic activity slows there is growing concern regarding the associated impact on rental values and occupancy rates.

Rental values are declining, voids are increasing and the combined effect will inevitably cause further declines in value even if yields stabilise.

I extend my sincere thanks to Chris and all of the team at AHL for the work they have done in the past year to produce the pre-tax profit (before provisions) figure of £0.98m in a year when the second half has been difficult.

Void management has always been a key feature of the company's strategy and takes on an even greater significance in these troubled times exacerbated by the impact of liability for Uniform Business Rates on empty properties.

Expressed as a percentage of ERV void levels at the end of March in the direct portfolio stood at 8% (including the development void at East Kilbride representing 4% alone). This is a very creditable performance but one which will inevitably come under pressure throughout the coming financial year.

The company's policy of investing in multi-let properties rather than those relying on one or two tenants is well suited to these difficult times. The departure of a tenant from a single-let property for whatever reason has a much more dramatic effect on value and rental income than the loss of a tenant from a multi-let investment.

As the direct portfolio has suffered significant falls in value the same can be said of the indirect portfolio. Joint venture investments have customarily been designed to be held for around five years and have clearly been exposed to falling values prior to maturity.

Listed investments within the indirect portfolio have also experienced significant falls in value as the market adopted a draconian attitude to the way assets were valued. Our policy of seeking to diversify risk by investing in Europe via listed and unlisted vehicles has offered marginal protection as values in Europe are yet to experience the degree of decline in value experienced in the UK. However, these are geared vehicles and in many cases bank covenants are coming under pressure – this is reflected in the market's approach to pricing these companies often well below NAV whether they are involved in European or UK property.

The AFI portfolio is now very small and will continue to be managed to seek an exit at the best time and on the best terms which can be obtained. No part of the company's activities can remain outside the influence of this recession.

We are in a period when cash preservation in conjunction with void management is key. This gives little scope for new direct investments but we will closely watch for opportunities and possibly take advantage of distressed sales through the indirect portfolio to lay the foundations for growth.

As debt lies at the heart of the industry's woes it is opportune to report that the company has recently renewed its facilities with the Clydesdale Bank. On the basis of current borrowings the company remains comfortably within bank covenants but if values continue to decline there will be less room for manoeuvre when considering new investment opportunities. The position will continue to be carefully monitored and managed.

As part of the strategy of preserving cash salary increases have been frozen in April 2009 and no bonuses paid. I would like to commend management and staff on the way in which they have reacted to this situation. They have displayed great maturity and their continued dedication and loyalty to the company is to be admired.

A difficult year lies ahead but I am confident that under Chris' leadership and with a dedicated team the company will meet whatever challenges await.

K.G. Saunders *Chairman*

GROUP STRUCTURE AND STRATEGY

Our ever-evolving Group strategy revolves around property investment and development with direct interests in the UK and indirect property funds, syndicates and joint venture interests here, in Europe and the Americas.

A sound asset base with a good income stream is the bedrock of our direct portfolio, complemented by indirect investments and developments for future capital growth and profits.

Venture capital interests are decreasing, but include sterilising technology and retail point of sale business sectors in the UK and overseas.

ATKINS PROPERTIES

Direct portfolio - Although the quality of our investments is good as a result of the significant investment programme over previous years and our void levels low by comparison to others, values have been hit by the turmoil in the UK property market and the steep recession which has affected the business community.

In spite of all the doom and gloom we are pleased to report that 26 new lettings and lease renewals were secured and some £0.5m of new investment was undertaken within the portfolio during the year.

In the South West 12 new lettings and renewals were secured totalling some £130,000 income. These included a new 9 year lease to the Estate Agent Ombudsman and an assignment of Batemans Opticians to Vision Express in Salisbury as well as a new 15 year lease to Save The Children in Cardiff. Bookers also rebranded our unit in Weston-Super-Mare and we continued our asbestos removal programme in Camborne and boiler replacement in Cardiff.

In the Midlands 11 new lettings and renewals were secured totalling some £85,000 in rental income. Selective refurbishment of units at Phoenix Industrial Estate in West Bromwich and Silver Birches in Bromsgrove was undertaken, along with CCTV and lighting installation.

Regrettably a delay to a gas pipe installation at our Colvilles Place industrial development in East Kilbride has resulted in marketing for lettings falling into the occupier downturn, although some enquiries are being pursued.

Overall, some £282,000 of rental income was secured in the year and whilst our void rate increased to 8% including Colvilles Place, the underlying rate, excluding this development, stood at 4%.

Running yields on the portfolio now stand at 8.52% with 9.5% reversionary potential and the level of distressed occupiers at year-end remained remarkably low.

Not surprisingly in this market, the portfolio values have been severely hit by the recession, falling 16% over the period. Nonetheless this is well below the industry average.

Indirect portfolio - Regrettably this year's returns have been severely hit by further significant valuation falls in our listed investments and the need to make provisions against a number of our unlisted indirect and joint venture interests. Capital turnover also reduced significantly this year to some £2.9m.

The Squarestone Central London Syndicate sold the last asset at Rochester Row for £11.3m releasing the final element of profit in a highly successful venture.

At Ryon, in what has been a very difficult trading environment for this Midlands based company, sales at Pedmore Road, Dudley and part of the Wallows, Brierley Hill totalling £870,000 helped to reduce loans within the business.

Craigard Investments also suffered from the winds of change but secured further lettings at Burton-on-Trent and Segensworth and undertook a new Trade Centre development, pre-let to Jewson's in Andover.

At the Enterprise Property Group the collapse in the housing market resulted in falling sales revenues to £7m and a loss for the year to December 2008 of £2.6m. Whilst the market remains very challenging, sales in 2009 have picked up significantly with some £8.6m revenue to date. A new Close Care scheme comprising 77 units is now under development in Chester, with an encouraging level of enquiries.

EuroCapital in Brussels has had a very difficult time with the sale of Rue de La Loi stalling and disappointing letting progress at Olympiades. More encouragingly the Zaventem Industrial Park was successful in securing four new lettings during the year.

In Brazil, the Bonsucesso Shopping Centre in Sao Paulo underwent an 86,000 ft^2 extension and refurbishment, with car park extension and food court reconfiguration and letting progress has been most encouraging.

Squarestone also secured additional funds to purchase a second centre in Sao Paulo for a 295,000 ft^2 refurbishment and a 125 acre site option in Canoas for a 3.4m ft^2 commercial and housing scheme.

Our fund investments all suffered significant falls in values this year both in the UK with Hercules and UBS SERF (in which we have part divested) as well as Europe with Aberdeen Pan Nordic and the AIM listed Hansteen Plc. The Rutley European share price, listed on the UK market, also collapsed.

Company performance - Turning to the overall results for APL, rental income was successfully maintained at £2.1m producing a 7.92% running yield. However, profits slumped to an overall loss of £0.65m before tax as a result of provisions within the indirect portfolio.

The continued severe correction in yields resulted in the direct portfolio falling by £4.14m, a 16% reduction. In addition, the listed investments fell by £0.70m and a provision of £2.33m was made against other indirect investments and joint ventures.

The weighted return of the whole portfolio stood at -14% IRR, compared to the more institutional IPD index recording a -25.5% return. The APL direct portfolio recorded a -8% IRR with the indirect portfolio a -36% IRR.

Clearly these are very disappointing results in a property market both in the UK and Europe that still holds significant downside risks to values and where funding is very difficult following the financial crisis. However our rental income has held up well to date and a close working relationship endures with our tenants.

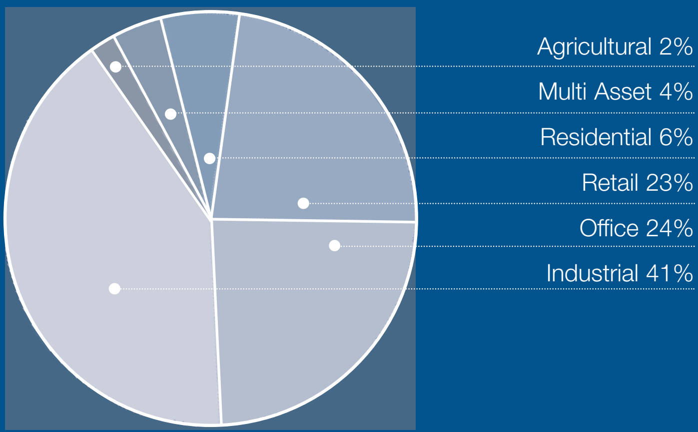
Capital expenditure and costs are being kept very tight and the emphasis is on keeping voids as low as possible and to supporting our core JV Partners through these challenging times.

C.C. Micklethwaite *Chief Executive*

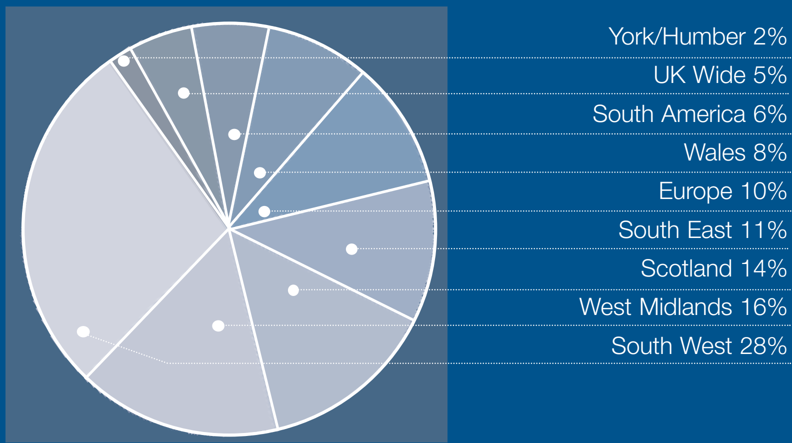
APL Average Returns Analysis

	3 Years	5 Years	15 Years
Total Portfolio	2%	8%	13%
Direct Portfolio	2%	6%	9%
Indirect Portfolio	1%	14%	19%
ROCE	-4%	5%	11%
Weighted ROCE	1%	11%	18%

APL Total - Portfolio by Type



APL Total - Portfolio by Location



2009 SUMMARY

Despite the impact of falls in property valuations the Group's balance sheet remains strong. A summary is set out below.

Group Balance Sheet

As at 31st March 2009

	£000
Fixed assets	
Tangible assets - investment properties	22,200
- other	700
Indirect property investment	5,700
Other financial assets	700
	29,300
Net current liabilities	
Bank overdrafts	(5,400)
Other (net)	(400)
Total assets less current liabilities	23,500
Bank loans due in more than one year	(5,300)
Provision - deferred tax	(300)
Net assets excluding pension liability	17,900
FRS 17 Pension scheme liability	(700)
Net assets	17,200

The financial information set out in the financial review of this document does not constitute the Group's statutory accounts but is derived from those accounts. The auditors have reported on those accounts; their reports were unqualified and do not contain statements under Companies Act 1985 sections 237(2) or (3).

DIRECTORS AND ADVISORS


Mr K.G. Saunders


Mr C.C. Micklethwaite


Mr C.E. Marr

Directors:

K.G. Saunders *Chairman*

C.C. Micklethwaite *Chief Executive*

C.E. Marr *Finance Director*

Mrs C.C. Butler

B.M. Caporn

P.W. Micklethwaite

A.C. Vause

N.R. Worthington

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