ATKINS HOLDINGS LIMITED

Review of activities 2005/6

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INTRODUCTION

All around us we see and experience change that we can either buy into or choose to disregard; leading-edge technology that sets the standard for excellence in communications, automotive engineering offering new benchmarks in passenger safety, and advanced construction techniques that reduce build and maintenance costs.

We at Atkins Holdings have decided to adopt this change revolution with a brand new look to the Group Annual Review.

Traditionally, the review of our past year's activities has taken second place to the Consolidated Report and Accounts. With substantial changes to accounting procedures and further proposals to adopt international accounting standards, we considered it timely to acknowledge each individual contribution more robustly by publishing the two reports separately.

The first report is the one you are reading now, whilst the full Group Accounts are available either by request from the Company Secretary in Epsom, or from Companies House.

We hope you like our approach.

CHAIRMAN'S COMMENTS

Fair winds have continued to blow through the world of commercial property throughout 2005 and into 2006. Capital values have continued to grow as large volumes of money chase income producing investments, and it is this weight of money which has been the major influence in the market.

Property has slowly regained its place as an asset class which should be held in any balanced portfolio to provide a useful diversifier, and also to reduce volatility.

All of this has occurred in a market where rental growth has remained very subdued. To this extent the traditional fundamentals which state that yields should fall to reflect future rental growth prospects appear to have been abandoned.

What we have witnessed is an investment community still wary of the stock market, and disenchanted with poor returns on gilts, leaving property as the asset class that everyone wants.

The question on the lips of everyone involved in commercial property is how long can the party last?

All markets are cyclical and property has enjoyed a buoyant period for the past four years or so. Average property yields have recently fallen below the cost of money and in such circumstances it is difficult to come to any conclusion other than property values must be very close to their peak.

In short, this is not a market which suggests that one should rush out and buy stock.

Performance is likely to be generated by income rather than yield-driven capital growth.

In this respect the Group's direct investments are well placed to continue to perform. The vast majority of these assets were acquired when values were lower. Whilst voids have grown to 11% of estimated rental value we continue to enjoy a strong and reliable rental income. The capital value of the direct portfolio has benefited from the strong market and has recorded a weighted return of 13.63% which is very encouraging.

Clearly the strength of the market has restricted the Group's ability to expand its direct portfolio as we prefer to wait until better returns are available.

The excellent returns from the indirect portfolio have again been a reflection of the strong property market. Investments made on the basis that returns would be achieved in four or five years have performed so well that an early sale has achieved returns well in excess of those targeted at maturity. This sales activity helped to produce a weighted return of 33.68% for the indirect portfolio which is an exceptionally good result by any standard.

Significant reinvestment has been made to replace the investments which have been sold but as with the direct portfolio suitable opportunities are very scarce.

At Atkins Financial Investments our objective is to sell assets when conditions are favourable. Some listed investments have been sold this year and the Group is working closely with the boards of a number of the unlisted investments to ensure that our interests are represented as fully as possible. This policy enables the Group to maximise its influence although it must be recognised that this is in the capacity of a minority shareholder.

Following a review of this nature one is reminded of the diverse range of investments which comprise the business of this Group. It is partly this diversity which attracts investors and other business associates to become involved with the Group. The other ingredient is the people who work for the Group.

It is a privilege to report this excellent set of results and in so doing I wish to record a heartfelt thanks to all management and staff without whose effort and dedication these results could not be achieved.

For the reasons outlined above it may be hard to match this performance in the financial year which we have just entered. However, I have every confidence that the team at Cedars Cottage will perform to the highest standards, producing the best results that market conditions allow.

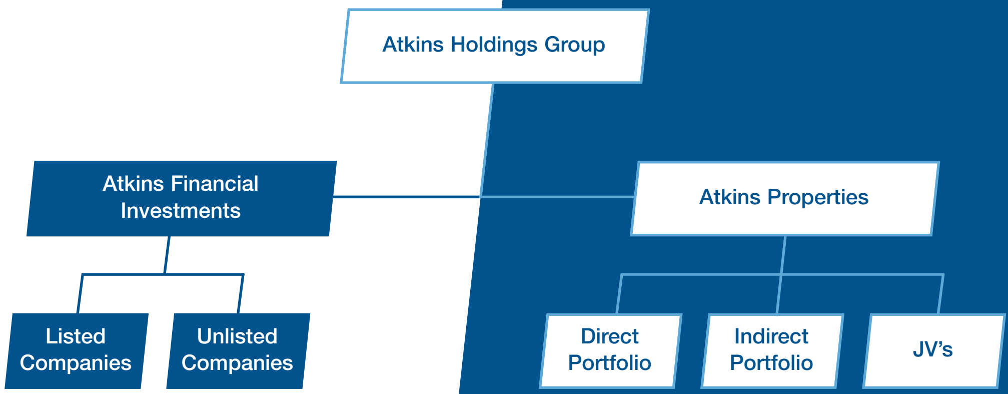
K.G. Saunders *Chairman*

COMPANY 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 USA.

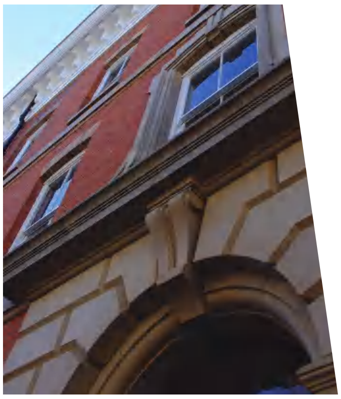
A sound asset base with a good income stream is the bedrock of our direct portfolio, complemented by indirect investments and developments for future capital growth and profits.

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



ATKINS PROPERTIES

Direct portfolio - 2006 has been another outstanding year with increases in new lettings, improved rentals, an enlarged refurbishment programme and significant uplifts in valuations all helping to provide good returns for shareholders.



We achieved a total of 19 lease renewals and new lettings with five rent reviews concluded and a total of £0.36m invested in upgrades and repairs.

At the Formal Business Park in Cornwall, ongoing improvements to the buildings have been undertaken and additional income contracted from five new lettings and lease renewals totalling £60,000 at rental levels of between £4.10 and £5.46/ft^2.

In West Bromwich at the Phoenix Industrial Estate, £32,000 in rent was achieved by new lettings at rentals of between £4.00 to £4.30/ft^2; and at the Gregston Trade Centre in Oldbury, £15,000 of income was secured at rents of between £4.70 and £5.45/ft^2.

The Silver Birches Business Park in Bromsgrove is our latest acquisition and has made good progress, with four out of the five vacant units now let producing £35,000 and improving the running yield to 7.7%.

A new letting to Land Securities Plc at our Bath Street office block in Glasgow and a new letting at Colvilles Place Industrial Estate in East Kilbride have also been secured.

A total of five rent reviews have been negotiated with the most notable at the Hernston Park Trade Centre in Wales lifting rents from £8.00 to £12.00/ft^2.

In all, a total of £220,213 in additional rents has been secured at a time when overall void rates have increased to 11% of ERV. The running yield on the portfolio now stands at 7.4% with a reversionary potential of 8.4%.

A continued programme of life cycle improvement works are underway in 2006/7 with emphasis on tenant retention and void reduction.

Indirect portfolio - In summary, 2006 has been another highly profitable year with a surprising level of new activity for future years. Profit contributions from no less than 11 of our investments were achieved, increasing the total return on the portfolio to the second highest level over the past 13 years.

Ashtenne Holdings Plc was profitably sold to Warner Estates Plc and we have reinvested the proceeds in Hansteen Holdings Plc which targets European industrials and UK land transactions. The Trade Park fund – t^3 (managed by Ashtenne) was also sold realising a very good profit for APL.

In a similar vein the Redleaf Shopping Centre Funds IV and V in the UK and the Spanish portfolio were all sold producing a combined profit of £760,000 to APL. A new fund – Redleaf VI was also launched in the UK in which we have continued to invest.

Retail property has had a particularly strong showing this year and our investment in the Hercules retail warehouse fund increased by a storming 33% in value - a great result.

Our investment in the Republic Property Washington Office Partnership has performed very well and this year the fund was converted to a REIT via an IPO in the USA. Whilst we have reduced our holding and taken some profit, we continue to invest in this market leader which has a further 1m ft^2 of potential assets under option via a development agreement.

Our investments in the Enterprise Heritage Capital residential development funds continue to produce profits, and in the first fund all the equity has been returned. Major housing schemes in Manchester and Newcastle have proved very successful in a challenging year and it is excellent to see a good number of new inner city and further rural conversion schemes being secured for the future.

Our investment in Squarestone London Partnership is showing good potential and one asset sale at Great Marlborough Street has been realised releasing some early profit to investors.

Good progress has been made with EuroCapital in Brussels with new lettings secured at Rue Defacqz; a new partially let office block totalling 54,000 ft^2 at Bischoffsheim in the City Centre secured for ¤ 7.6m and a further prime 49,000 ft^2 building in the EU CBD area at Rue de La Loi contracted for ¤ 11.2m.

In Ryon Properties, with Andrew Brazier, the industrial investment at Aldridge was sold and a portfolio of eight properties (via a sale and leaseback purchase with the Welconstruct Group) was agreed for £15m. This has put Ryon Properties on a strong footing for the future.

Sales at Bennetts Hill have continued at a frustratingly slow pace with depressed margins, however a further two sales have been completed with the last two sold since the year end.

Our new venture with Paul Foster at Craigard has concluded a highly active first year of business, with five transactions secured and two sales already concluded, totalling some £30m.

In Thatcham a 70,000 ft^2 industrial investment with vacant land has been purchased, along with a 30,000 ft^2 property at the Nursling Industrial Estate, Southampton. Also in the city centre a mixed use investment totalling 9,000 ft^2, a 64,000 ft^2 estate in Segensworth, Fareham and a 400,000 ft^2 warehouse building with land in Sherburn, near Leeds.

We have increased our European commitment with the newly formed Rutley European Properties, a commercial property fund set up by Knight Frank which aims to build a substantial portfolio over the next few years.

Turning to the financial results in APL, rental income rose 6% to £1.96m producing a healthy 8.3% running yield and profit before tax including indirect and joint ventures was £1.67m. With a strong but cautiously viewed revaluation uplift of £1.65m, the weighted return on the whole portfolio showed a 17.92% IRR – continuing a well above trend theme over the past few years.

The direct portfolio produced a 13.63% weighted return, with the indirect assets a storming 33.68% IRR continuing the upward movement of three, five and 13 year recorded performance.

Acquisition for the direct portfolio (and in particular in the UK market) remains very difficult to secure at present and is restricting our ability to grow the business in the short to medium term. It is however encouraging to see a level of new investment within our indirect portfolio that will help to maintain a good level of potential profits over the next five years albeit with some unpredictability about timing.

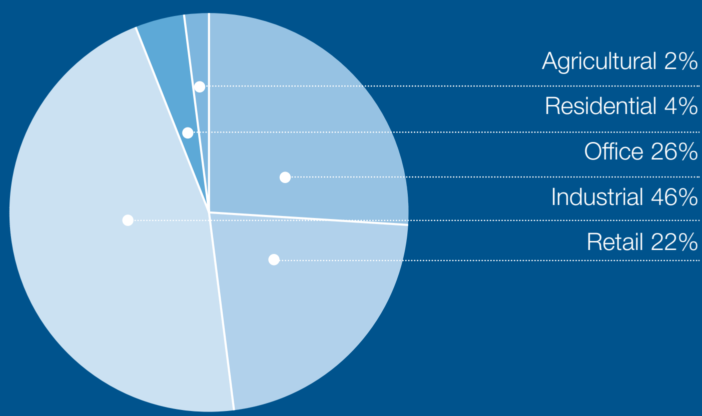
With low gearing levels and good income streams from rents, we remain in a healthy position to take advantage of new opportunities which, with patience, we will exploit.

C.C. Micklethwaite *Chief Executive*

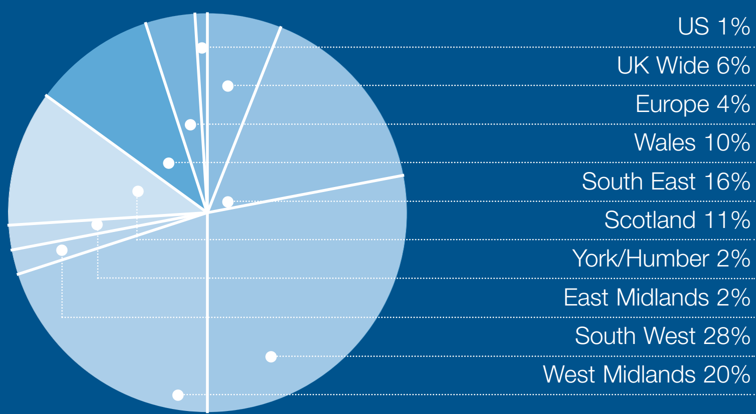
APL Average Returns Analysis

	3 Years	5 Years	13 Years
Total Portfolio	19%	16%	15%
Direct Portfolio	12%	11%	11%
Indirect Portfolio	38%	28%	24%
ROCE	19%	16%	14%
Weighted ROCE	30%	25%	22%

APL Total - Portfolio by Type to Date



APL Total - Portfolio by Location to Date



ATKINS FINANCIAL INVESTMENTS

Protecting our interests and realising our investments at an acceptable value is the key responsibility for the Financial Investment Committee, and a task crucial to our success.

The Committee regularly monitors the Group's investment in listed and unlisted investments (excluding property investments), and spends much of its time developing close contacts with the companies in which we invest.

Listed Companies

This year we continued our strategy of selling listed investments once they reached an acceptable price and we sold our remaining shares in Prelude Trust plc. We continue to retain our shareholding in Chelford Group plc.

Unlisted Companies

Securing satisfactory exits for our unlisted companies continues to remain difficult. Our strategy is to be patient with all of our holdings, so a priority is to realise our investments at an acceptable price and not to place unrealistic timeframes in achieving this. That the Group gearing is low and there is no financial pressure to sell to fund alternative projects is of great help in moving forward with this strategy.

Cambridge Education Group provides education mainly to foreign students. The last year has been very challenging on a number of fronts; with disappointing financial results the group has faced a number of management challenges.

On the upside there are a number of opportunities, in particular the group is obtaining new educational premises in Cambridge. The group will incur considerable costs in converting this to educational use, however once done it will both improve the offering that it can make to its students, and increase its capacity.

Episys Group Limited specialises in providing point of sale software and hardware to large retailers. In the last year, the group completed the development of two standard product suites. It is also targeting greater market penetration in North America and the development of business partners in different countries to provide the platform to grow sales and profitability.

Sterilox Technologies, Inc. is a Delaware registered company which provides sterilising technology worldwide to the medical and food hygiene sectors. Progress is encouraging, sales are increasing and there are positive signs that regulatory issues in the USA may be resolved.

Cambridge
Education Group

20 YEARS OF ATKINS HOLDINGS LIMITED

For those amongst you that may be unfamiliar with the heritage of The Atkins Holdings Group we have summarised our march through time for your benefit.

Our roots go back to the formation of WS Atkins and Partners in 1938. The business became dormant during the Second World War during which time the founder, Bill Atkins, worked for the war effort. After the war the Partnership was reformed and the business began its meteoric expansion over the next forty years.

Until 1986 we were all part of one group under WS Atkins Limited, which was then separated into two different businesses. This allowed management and staff in WS Atkins, the consultancy, to purchase a major shareholding prior to a full Stock Exchange listing some 10 years later.

Atkins Holdings was formed to take over non-consultancy related trading interests and the property portfolio built up since the 1960's. This business remains wholly owned by the Atkins Family and Trusts with involvement of third-generation family members.

In 1986, Atkins Holdings had interests in property investment and development, land reclamation, insurance, computing, printing, finishing, testing laboratories and oilfield inspection testing services. In subsequent years these also included venture capital interests and a specialist nursery garden.

Since Atkins Holdings was formed 20 years ago, much has changed both locally and economically in the world as have the interests of the Group.

Some years ago the shareholders decided to reduce the activities of the business which were considered too diverse. As a result the testing labs, oil inspection and computing interests were sold.

The property and venture capital interests were growing significantly so it was then decided to concentrate on these and sell off the printing, finishing and nursery businesses.

Today, we still hold venture capital interests, but in the last five years or so, the main focus has become property investment and our various indirect property vehicles and joint venture interests both in the UK, Europe and the USA.

The evolution of the Atkins logo

2006 SUMMARY

The Group has enjoyed a successful year making a profit before tax of £1,796,000 (2005: £1,951,000) and revaluing its assets by £882,000 (2005: £656,000).

Movement on Reserves - Profit and Loss and Revaluation of Assets

The statement below summarises the results for the year. It shows the realised profits in the year, the increase in the net assets as a result of revaluing the assets at the end of the year and the impact of the results upon the shareholders' funds. This statement has been adapted from the statutory format to more meaningfully present the result for the year.

	2006	2005
	£000	£000
Profit for the year/realised gains and losses in the year		
Revenue		
Rental income	1,960	1,843
Interest and dividends from fixed asset investments	656	857
Profit on sale of fixed asset investments	1,233	1,440
Other financial income	42	24
	3,891	4,164
Operating expenses		
Staff costs	665	698
Property development expenditure (net)	150	76
Other operating costs	766	770
	1,581	1,544
	2,310	2,620
Bank interest payable	(514)	(669)
Profit on ordinary activities before tax	1,796	1,951
Taxation		
Corporation tax credit	-	(46)
Deferred tax charge	(313)	(343)
Profit on ordinary activities after taxation	1,483	1,562
Unrealised gains and losses in the year		
Investment properties	1,320	377
Investment assets – property investments	331	364
Investment assets – financial investments	(513)	(119)
Currency differences on property investments	(40)	(14)
FRS 17 revaluation	(216)	48
Unrealised gains for the year	882	656
Total recognised gains before FRS 17 adjustment	2,365	2,218
Dividends paid	(850)	(900)
Increase in shareholders' funds	1,515	1,318
Shareholders' funds at 1st April 2005	20,326	18,908
Shareholders' funds at 1st April 2005 – FRS 17 adjustment	550	650
Shareholders' funds at 31st March 2006	22,391	20,876

Consolidated Balance Sheet

As at 31st March 2006

	2006 £000	2005 £000
Fixed assets		
Tangible assets - investment properties	**24,381**	22,827
- other	**688**	699
Indirect property investment	**6,608**	5,907
Other financial assets	**1,340**	1,560
	33,017	30,993
Current assets		
Development properties	**261**	528
Debtors	**334**	353
Cash at bank and in hand	**101**	910
	696	1,791
Creditors: amounts falling due within one year	**(3,667)**	(2,296)
Net current liabilities	**(2,971)**	(505)
Total assets less current liabilities	**30,046**	30,488
Creditors: amounts falling due after more than one year	**(6,100)**	(8,100)
Provision for liabilities and charges	**(796)**	(629)
Net assets excluding pension liability	**23,150**	21,759
Pension liability	**(759)**	(883)
Net assets	**22,391**	20,876
Capital and reserves		
Called up share capital	**37**	37
Capital redemption reserve	**14**	14
Share premium account	**269**	269
Revaluation reserve	**1,354**	228
Other reserves	-	2,024
Profit and loss account	**20,717**	18,304
Shareholders' funds	**22,391**	20,876

FIVE YEAR SUMMARY OF PERFORMANCE

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
Results for the year					
Realised gains for the year	**1,483**	1,562	2,172	914	277
Unrealised gains/(losses) for the year:					
Investment properties	**1,320**	377	892	500	506
Investment assets	**(222)**	231	138	(234)	(667)
Pension liability	**(216)**	48	(287)	-	-
Total	**882**	656	743	266	(161)
Total recognised gains for the year	**2,365**	2,218	2,915	1,180	116

The realised gains for the years for March 2004 to March 2006 include the impact of adopting FRS 17. Previous years have not been restated.

Extracts from the consolidated balance sheet

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
Fixed assets – investment property	**24,381**	22,827	19,447	16,651	16,873
Investments	**6,608**	5,907	6,825	4,750	5,113
Other financial assets	**1,340**	1,560	2,265	2,406	2,862
Bank borrowings	**(7,935)**	(8,185)	(10,118)	(7,242)	(10,250)
Shareholders' funds					
Before adoption of FRS 17	**23,150**	21,759	20,002	17,809	17,209
After adoption of FRS 17	**22,391**	20,876	18,908		

DIRECTORS AND ADVISORS

Mr K.G. Saunders

Mr C.C. Micklethwaite

Mr C.E. Marr

President: F. Micklethwaite

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

Company Secretary: Mrs G.P. Farrier

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Auditors:
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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).

Designed and Produced by AGA Vermilion – tel: +44 (0)1372 749556