

Key performance indicators

The Group measures success through key performance indicators (KPIs) which should be reviewed in the context of market conditions and the industry sector in which the Group operates.

The Group uses a range of financial and non-financial indicators across our businesses to monitor the Group's aggregated performance against key Group executive committee and board objectives as follows:

KPI	Description / method of calculation	Performance in 2014
Underlying operating profit/margin	<p>Underlying operating profit is a key measure of the operating profitability of the Group's revenue-generating businesses. This is the principal measure used by the Group to assess the success of its UK strategy.</p> <p>Underlying operating profit is defined as operating profit before other (non-underlying) items and before the results of JVs and associates (which principally includes the results of the Indian joint venture).</p> <p>Underlying operating margin is calculated as underlying operating profit expressed as a percentage of revenue.</p>	<p>The underlying operating profit before results of JVs and associates was £7.6m which reflects a significant turnaround from the loss of £19.2m in the prior 15 month period.</p> <p>The underlying operating margin of 3.3 per cent (2013: -6.0 per cent) reflects the stability restored to the UK business and the resolution of legacy contracts which marks a significant progression towards the target of 5-6 per cent for the 2015/16 financial year.</p>
Underlying basic earnings per share	<p>Underlying basic earnings per share represents an overall indicator of performance and is an important internal measure which is also used for setting performance share plan targets.</p> <p>This calculation is based on the underlying profit after tax and the weighted average number of shares in issue during the period.</p>	<p>Underlying basic earnings per share was 0.88p (2013: -10.78p) and reflects a good recovery in UK operating margins offset by a share of losses from our Indian joint venture.</p>

KPI	Description / method of calculation	Performance in 2014
Operating cash flow	<p>Cash is critical for providing the financial resources to develop the Group's business and to provide adequate working capital to operate smoothly. The Group is also required to comply with operating cash flow covenants.</p> <p>The Group has a robust and detailed cash forecasting procedure that considers the Group's position on a contract by contract basis.</p> <p>Operating cash flow is defined as cash flow before interest, tax and capital investment.</p>	<p>The operating cash inflow for the year was £2.1m. This represents operating cash inflows before working capital movements of £8.4m offset by an outflow from working capital of £6.3m. The outflow from working capital reflects good progress in reducing outstanding balances on legacy contracts at 31 March 2013, offset by a normalisation of the trade creditor position which was somewhat stretched immediately preceding the rights issue, and the unwind of advance payments of £5.3m.</p>
Order book	<p>The order book represents the amount of outstanding work on secured contracts. It is a key measure of our success in winning new work and also provides visibility of future earnings.</p> <p>It only includes future revenue from legally committed contracts comprising both ongoing and newly secured work.</p> <p>Whilst only the revenue within the order book is reported externally, a key forward indicator of future profitability that is tracked internally is the margin inherent within the forward order book.</p>	<p>The UK order book of £168m represents approximately eight months of forward production capacity. It has reduced in overall terms over the year from previous levels but this reflects the capacity reduction arising from the business reorganisation, as well as a longer negotiating period on major contracts arising from our improving risk management processes.</p>
Accident frequency ratio (AFR)	<p>The AFR is a key measure of the safe operation of our business and is one of a number of health and safety measures the Group uses to monitor its activities.</p> <p>AFR is an industry-standard measurement equivalent to one reportable lost-time incident resulting in more than three working days' absence per 100,000 hours worked, which equates to approximately one working lifetime.</p>	<p>The Group's AFR for the year was 0.57 (2013: 0.55). This performance reflected a disappointing first half of the year, followed by a marked improvement in the second half. The Group's approach towards health and safety was reviewed during the year and a number of new initiatives were implemented.</p> <p>The Group recognises that all injuries are unacceptable and is committed to reducing injuries in our workforce.</p>