

Notes to the Financial Statements

For the year ended 31 March 2010

1. Accounting policies

WS Atkins plc is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales. The address of its registered office is Woodcote Grove, Ashley Road, Epsom, Surrey KT18 5BW, England.

Basis of preparation

The Consolidated Financial Statements of WS Atkins plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the valuation of pensions, share-based payments and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Material estimates applied across the Group's businesses and Joint Ventures are reviewed to a common standard and adjusted where appropriate to ensure that consistent treatment of similar and related issues that require judgement is achieved upon consolidation. Any revisions to estimates are recognised prospectively.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed under 'Critical Accounting Policies' on page 33 of the Business Review.

Basis of consolidation

The accounting policies have been consistently applied to all the periods presented including the application of new IFRSs and interpretations.

The Consolidated Income Statement and Balance Sheet include the accounts of the Company, its subsidiary undertakings and its share of Joint Ventures. The results of the subsidiary undertakings acquired during the year are included in the income statement from the date of acquisition. The results of subsidiary undertakings disposed of during the year are included in the income statement up to the date of disposal.

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Goodwill is reviewed on finalisation of fair values and any adjustments required to the accounting are recorded within 12 months of the acquisition date.

Where subsidiaries adopt accounting policies that are different from the Group, their reported results are restated to comply with the Group's accounting policies. All intra-group transactions and balances are eliminated on consolidation. Where subsidiaries do not adopt accounting periods that are co-terminous with the Group's, results and net assets are based upon accounts drawn up to the Group's accounting reference date based on unaudited accounts.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

The accounts of the Employee Benefit Trusts (EBTs) are incorporated into the results of the Group as, although they are administered by independent trustees and their assets are held separately from those of the Group, in practice the Group's advice on how the assets are used for the benefit of employees is normally accepted. The Group bears the major risks and rewards of the assets held by the EBTs until the shares vest unconditionally with the employees. Shares in WS Atkins plc held by the EBTs are shown as a reduction in retained loss/earnings. Other assets and liabilities held by the EBTs are consolidated with the assets of the Group.

Notes to the Financial Statements

continued

Foreign currency transactions and translation

Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in pounds sterling ('£'), which is the Company's and Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

Assets and liabilities of overseas subsidiaries are translated at the closing rates of exchange at the balance sheet date. Trading results of overseas subsidiaries are translated at average rates of exchange. Differences resulting from the retranslation of opening net assets and results for the period at closing rates are taken to the statement of comprehensive income.

Operating segments

IFRS 8, *Operating segments*, replaces IAS 14, *Segment reporting*. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented as the previously reported Middle East, China and Europe segment has been split into Middle East and China and Europe.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive and the Group finance director.

The Group is organised into seven operating segments for management purposes, reflecting its key markets and service offerings. The segments are: Design and Engineering Solutions; Highways and Transportation; Rail; Middle East; China and Europe; Management and Project Services; and Asset Management. These segments form the basis for reporting the Group's segment information as it is the main determinant of the Group's risks and returns. The Group considers the United Kingdom to be its country of domicile. No other single country contributes more than 10% of the Group's revenue or non-current assets.

Inter-segment transfers and transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Revenue

Revenue from long-term contracts comprises the value of work performed during the period calculated in accordance with the Group's policy for contract accounting set out below. Revenue from other contract activities represents fee income receivable in respect of services provided during the period.

Under certain services contracts, the Group manages customer expenditure and is obliged to purchase goods and services from third-party contractors and recharge them on to the customer at cost. The amounts charged by contractors and recharged to customers are excluded from revenue and cost of sales where the Group is acting as an agent. Receivables, payables and cash relating to these transactions are included in the Consolidated Balance Sheet.

Revenue recognition and contract accounting

The value of contract work in progress comprises the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit. Fees invoiced on account are deducted from the value of work in progress and the balance is separately disclosed in trade and other receivables as amounts recoverable on contracts, unless such fees exceed the value of the work in progress on any contract when the excess is separately disclosed in trade and other payables as fees invoiced in advance.

Profit is recognised on a percentage completion basis when the outcome of a contract or project can be reasonably foreseen. Provision is made in full for estimated losses. Where the outcome of a contract cannot be reasonably foreseen, profit is taken on completion. Where contracts span two or more accounting periods, profit is not generally recognised until the contract is 50% complete.

Revenue recognition on outsourcing contracts is determined by reference to the proportion of the annual service delivered to date. Where the costs of obligations in relation to the non-renewal or termination of a contract are higher in the final period of the contract a proportion of revenue is deferred each period to meet these anticipated costs. Full provision is made for losses on outsourcing contracts if the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. In assessing the amount of the loss to provide on an outsourcing contract, account is taken of the Group's share of the forecast results from any Joint Ventures which the contract is servicing.

Interest income is recognised on a time-apportionment basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income is recognised when the right to receive payment is established.

Pre-contract costs

The Group accounts for all pre-contract costs in accordance with IAS 11, *Construction contracts*. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point are recognised in the balance sheet and charged to the income statement over the duration of the contract or, in the case of PPP/PFI concessions, over the same period as the Group's interest in any Special Purpose Company (SPC) charges the equivalent capitalised amounts to the income statement.

Bid recovery fees are deferred and credited to the income statement over the duration of the contract or, in the case of PPP/PFI concessions, over the same period as the Group's interest in any SPC charges the equivalent capitalised amounts to the income statement. Where the Group's interest in any SPC reduces, the deferred bid recovery fees are credited to the income statement in proportion to the reduction of the Group's interest.

Exceptional items

Where certain expense or revenue items recorded in a period are material by their size or incidence, the Group reflects such items as exceptional items and these are shown separately in the income statement.

Exceptional items are also summarised by class in the segmental analyses, excluding those that relate to interest and tax.

Retirement benefit schemes

The Group operates defined contribution and defined benefit pension schemes which require payments to be made into separately administered funds. For defined benefit schemes, regular valuations are prepared by independent professionally qualified actuaries to determine the level of contributions required to fund the benefits set out in the scheme rules.

The Group accounts for pensions in accordance with IAS 19, *Employee benefits*. The cost of the defined contribution schemes is charged to operating profit as incurred. The cost of the defined benefit schemes is charged as follows:

- the current service cost incurred during the period to provide retirement benefits to employees is charged to operating profit
- gains or losses arising from settlements or curtailments not covered by actuarial assumptions are included in operating profit
- a charge representing the expected increase in scheme liabilities is included in net finance costs. This is based on the present value of scheme liabilities at the beginning of the period
- a credit representing the expected return on scheme assets is included within net finance costs. This is based on the market value of the assets of the schemes at the start of the period allowing for expected cash flows during the period.

For defined benefit schemes, all actuarial gains and losses (asset experience, liability experience and changes in assumptions) are recognised immediately in the statement of comprehensive income. The difference between the market value of scheme assets and the present value of scheme liabilities is recognised as a retirement benefit asset or liability on the Consolidated Balance Sheet. To the extent that it is recoverable, any related deferred tax asset or liability is included in the relevant category of receivable/payable.

The Group has elected to recognise actuarial gains and losses in full as they arise through retained loss/earnings.

Share-based payments

In accordance with IFRS 2, *Share-based payments*, the cost of share-based payments awarded after 7 November 2002 is charged to the income statement over the performance and vesting periods of the instruments. The cost is based on the fair value of the awards made at the date of grant adjusted for the number of awards expected to vest. In accordance with the transitional provisions within IFRS 2, no charge is made in respect of instruments awarded before 7 November 2002. The credits associated with the amounts charged to the income statement are included in retained earnings/loss until the awards are exercised. Where awards are settled by new issue shares any proceeds received in respect of share options are credited to share capital and share premium. Where awards are settled in shares held by the EBTs any proceeds are credited to retained earnings/loss.

Share awards are granted by the Parent Company to employees of its subsidiaries. The Company charges to cost of investment in subsidiaries an amount equivalent to the equity-settled element of the annual IFRS 2 charge, with an equivalent credit to reserves in accordance with IFRIC 11, *Group and treasury share transactions*.

Notes to the Financial Statements

continued

Joint Ventures

In accordance with IAS 31, *Interests in Joint Ventures*, the Group accounts for Joint Ventures under the equity method of accounting. The Group's share of a Joint Venture's profit after tax is included from the date on which the Group acquires joint control. Within the Consolidated Balance Sheet the investment is recorded at cost (classified as a non-current asset) and subsequently adjusted to reflect the Group's share of the movements in the Joint Venture's net assets post acquisition.

The results, assets and liabilities of Joint Ventures are stated in accordance with Group accounting policies. Where Joint Ventures adopt accounting policies that are different from the Group, their reported results are restated to comply with the Group's accounting policies.

Where Joint Ventures do not adopt accounting periods that are co-terminous with the Group's, results and net assets are based upon unaudited accounts drawn up to the Group's accounting reference date.

PPP/PFI concessions

Assets constructed by PPP/PFI concession companies are classified in the accounts of the Joint Ventures as financial assets or intangible assets, depending on whether the grantor or user has the primary responsibility to pay the operator for the concession services. To date, all of the Group's PPP/PFI concession assets have been classed as financial assets.

The financial asset represents an interest-bearing, long-term receivable. The cost of the financial asset at any one time is equal to the accumulated value of service delivery plus accumulated interest charged to the financial asset less amounts received to date.

The financial asset is measured at fair value. Where it is classed as a loan receivable any movement in fair value is taken to the income statement. Where it is classed as available for sale any movement in fair value is taken to reserves.

Revenue is recognised at the fair value of the consideration received for goods and services provided in the normal course of business net of value-added tax rebates and discounts. Revenue from contracting activities represents the value of work carried out during the year including amounts not invoiced. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value amount.

Where the outcome of a construction contract can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date as measured by the contract costs incurred. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recovered.

When it is probable that the total contract costs will exceed total contract revenue, the expected resultant loss is recognised as an expense immediately.

Income tax

Current and deferred income tax are recognised in the income statement for the period except where the taxation arises as a result of a transaction or event that is recognised directly in equity. Income tax arising on transactions or events recognised directly in equity is charged or credited directly to equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and Joint Ventures.

Intangible assets

Goodwill

Goodwill is stated at cost less impairment. Prior to 1 April 2004, goodwill was amortised over its estimated useful economic life. Amortisation ceased on 1 April 2004 and the carrying value of existing goodwill was frozen at that date and subject to annual impairment review.

On acquisition of a business, fair values are attributed to the assets, liabilities and contingent liabilities of the acquired business at the date of acquisition. Goodwill arises when the fair value of the consideration given for a business exceeds the fair value of the net assets. In accordance with IFRS 3, *Business combinations*, goodwill arising on acquisitions is capitalised and is subject to impairment review both annually and when there are indications that the carrying value may not be recoverable.

Goodwill that arose prior to 1 April 1997 was written off to retained earnings/loss. Profit or loss on disposal of the underlying businesses to which this goodwill related will not include goodwill previously recorded as a deduction from equity.

Acquired customer relationships

Acquired customer relationships consist of intangible assets arising on the consolidation of recently acquired business, principally future order books, that do not appear within the balance sheet of the acquired entity itself, and which are separable from goodwill in accordance with IFRS 3, *Business combinations* and IAS 38, *Intangible assets*. Customer relationships are amortised on a straight-line basis over their useful economic lives of between one and three years.

Corporate information systems

In accordance with IAS 38, *Intangible assets*, the Group's corporate information systems are treated as an intangible asset. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements and internally generated costs) from the point of inception to the point of satisfactory completion where the probable future economic benefits arising from the investment can be assessed with reasonable certainty at the time the costs are incurred. Maintenance and minor modifications are expensed in the income statement as incurred. The corporate information systems are amortised on a straight-line basis over their estimated useful economic life of six years.

Software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight-line basis over their useful lives of between two and five years.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost comprises purchase price after discounts and rebates plus all directly attributable costs of bringing the asset to working condition for its intended use.

Property, plant and equipment is depreciated on a straight-line basis calculated at annual rates to write off the cost less residual value of each asset over the term of its estimated useful economic life as follows:

Freehold buildings – 10 to 50 years
 Short leasehold – over the life of the lease
 Plant and machinery – 3 to 10 years
 Special-purpose industrial motor vehicles – 3 to 12 years
 Other motor vehicles – 3 to 4 years
 Information technology – 2½ to 5 years

No depreciation is provided in respect of freehold land.

The directors annually review the estimated useful economic lives and residual values of property, plant and equipment.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are reviewed for impairment annually and when there are indications that the carrying value may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairments.

Notes to the Financial Statements

continued

Financial assets

The Group classifies its financial assets into the following two categories: at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

The fair value of financial instruments traded in active markets (Level 1) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arms length basis. The quoted market price used by the Group is the mid-market price.

The fair values of financial instruments that are not traded in an active market (Level 2) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on estimates.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included within current assets except where the maturity is greater than 12 months after the balance sheet date in which case they are included as non-current assets. The Group's loans and receivables consist of trade and other receivables and cash and cash equivalents, which are shown separately within the balance sheet. Trade receivables are recognised at original invoice amount less provision for impairment, which, due to their short-term nature, approximates to their fair value.

Other receivables include loan notes receivable in respect of disposals, which are measured at amortised cost using the effective interest method less any provision for impairment. This valuation approximates to their fair value.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Any impairment is charged to the income statement. Impairment testing for trade receivables is described below in the accounting policy paragraph relating to trade receivables.

Inventories

Inventories are stated at cost less impairment. Cost is calculated on a first-in, first-out basis.

Trade receivables

Trade receivables are recognised at original invoice amount. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially accounted for and measured at fair value on the date a contract is entered into and are subsequently re-measured at fair value.

Where a derivative is designated as a fair value hedge and is assessed as being effective in accordance with IAS 39 *Financial instruments: recognition and measurement*, the gain or loss on re-measurement is recognised in the income statement together with the corresponding changes in the fair value of the hedged item that are attributable to the hedged risk.

Where a derivative is designated as a cash flow hedge and is assessed as being effective in accordance with IAS 39, the gain or loss on re-measurement is recognised in equity. Amounts accumulated in equity are transferred to the income statement when the underlying transaction being hedged occurs or, if the transaction results in the creation of a non-financial asset or liability, are included in the initial cost of the asset or liability.

Where the derivative is designated as a hedge of the net investment in a foreign operation and is assessed as being effective in accordance with IAS 39, the gain or loss on re-measurement is recognised in equity. Amounts accumulated in equity are transferred to the income statement on disposal of the foreign operation. Similar treatment is applied where the hedge of a net investment in a foreign operation is a non-derivative financial instrument such as a foreign currency loan.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Lease obligations

Finance leases

Lease arrangements that transfer substantially all the risks and rewards of ownership to the lessee are treated as finance leases. Assets held under finance leases are capitalised within property, plant and equipment and depreciated over the shorter of the lease term and the useful life of the asset. A liability is recognised for the present value of the minimum lease payments within current and/or non-current liabilities as appropriate. Rental payments are apportioned between capital and interest expense to achieve a constant rate of interest charge on the outstanding obligation.

Where the Group acts as a lessor in a finance lease, receivables under finance leases represent outstanding amounts due under these agreements less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment.

Operating leases

Where the Group acts as lessee in an operating lease arrangement, the lease payments are charged as an expense to the income statement on a straight-line basis over the lease term. Lease incentives received are also recognised on a straight-line basis over the lease term.

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are also recognised over the lease term on a straight-line basis.

Trade payables

Trade payables are recognised at original invoice amount.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions for other liabilities and charges

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. In assessing the amount of the loss to provide on any contract, account is taken of the Group's share of the forecast results from any Joint Ventures which the contract is servicing. The provision is calculated based on discounted cash flows to the end of the contract.

Vacant property provisions are recognised when the Group has committed to a course of action that will result in the property becoming vacant. The provision is calculated based on discounted cash flows to the end of the lease.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Application of new IFRSs and interpretations

(a) The following standards, amendments to standards and interpretations are effective in the current financial year and have been adopted by the Group:

- IFRS 8, *Operating segments* (effective 1 January 2009) – IFRS 8 replaces IAS 14, *Segment reporting*. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The impact of these changes is detailed in the operating segments accounting policy.
- IAS 1 (revised), *Presentation of financial statements* (effective 1 January 2009) – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the Consolidated Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income. Comparative information has been re-presented so that it is also in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- Amendment to IFRS 7, *Financial instruments: Disclosures* (effective 1 January 2009) – The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

Notes to the Financial Statements

continued

(b) The following standards, amendments to standards and interpretations are effective in the current financial year but have not had a material impact on the Financial Statements of the Group:

- IAS 23 (revised), *Borrowing costs* (effective 1 January 2009)
- Amendment to IAS 32, *Financial instruments: Presentation* (effective 1 January 2009)
- Amendment to IFRS 2, *Share based payments* (effective 1 January 2009)
- Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective 1 July 2008)
- IFRIC 13, *Customer loyalty programmes relating to IAS 18, Revenue* (effective 1 July 2008)
- IFRIC 14, IAS 19, *The limit on defined benefit assets, minimum funding requirements and their interaction* (effective 1 January 2008, but EU endorsed for use 1 January 2009)
- IFRIC 15, *Agreements for construction of real estates* (effective 1 January 2009, but EU endorsed for use 1 January 2010)
- IFRIC 16, *Hedges of a net investment in a foreign operation* (effective 1 October 2008, but EU endorsed for use 1 July 2009)

(c) The following standards, amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

- IFRS 3 (revised), *Business combination* (effective 1 July 2009)
- IAS 27 (revised), *Consolidated and separate financial statements* (effective 1 July 2009)
- Amendment to IAS 39, *Financial Instruments: Recognition and measurement on eligible hedged items* (effective 1 July 2009)
- Amendments to IFRS 2, *Share based payments* (effective 1 January 2010)
- Amendments to IFRS 1, *First time adoption – additional exemptions* (effective 1 January 2010)
- Amendment to IAS 32, *Financial instruments: Presentation* (effective 1 February 2010)
- Amendment to IFRS 1, *First time adoption – financial instrument disclosures* (effective 1 July 2010)
- Amendment to IAS 24, *Related party disclosures* (effective 1 January 2011)
- IFRS 9, *Financial instruments – classification and measurement* (effective 1 January 2013)
- IFRIC 17 *Distributions of non-cash assets to owners* (effective 1 July 2009)
- IFRIC 18 *Transfer of assets from customers* (effective 1 July 2009)
- IFRIC 19 *Extinguishing financial liabilities with equity instruments* (effective 1 July 2010)
- Amendments to IFRIC 14, *Prepayments of a minimum funding requirement* (effective 1 January 2011)

2. Financial risk management

Risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

These policies are further described within the Treasury policies and objectives section of the Business Review.

Where individual sensitivities are disclosed below, all other variables are held constant.

a) Market risk

i) Foreign exchange risk

The Group operates in a number of international territories. Each business undertakes a large proportion of its commercial transactions within its local market and in its local functional currency. Foreign exchange risk arises from the small proportion of commercial transactions undertaken in currencies other than the local functional currency, from financial assets and liabilities denominated in currencies other than the local functional currency and on the Group's net investments in foreign operations.

Group policy is for each business to undertake commercial transactions in its own functional currency whenever possible. When this is not possible, the Group manages its foreign exchange risk from future commercial transactions using appropriate derivative contracts arranged via Group Treasury. Cash flows are reviewed on a monthly basis throughout the duration of projects and the future cover amended as appropriate.

Trade receivables and payables denominated in currencies other than the local functional currency arise from commercial transactions and are therefore largely hedged as part of the process described above. Remaining financial assets and liabilities denominated in currencies other than the local functional currency include bank accounts, loans and intercompany funding balances. These are unhedged, with the exception of balances that are themselves designated as hedging instruments used to hedge the Group's net investment in foreign operations.

The Group's primary exposure to foreign exchange rate risk on unhedged financial instruments arises mainly in respect of movements between the US dollar (including dollar-pegged currencies) and sterling and between the euro and sterling. At 31 March 2010, if sterling had strengthened/weakened by 10% against the US dollar, then profit after tax would be higher/lower by approximately £0.1m (2009: £0.1m lower/higher) and equity would be £0.1m higher/lower (2009: £0.1m lower/higher). If sterling had strengthened/weakened by 10% against the euro then profit after tax would be lower/higher by approximately £0.5m (2009: £0.5m lower/higher) and equity would be £0.5m lower/higher (2009: £0.5m lower/higher).

ii) Interest rate risk

The Group's exposure to interest rate risk arises from loan notes, cash and cash equivalents and financial assets at fair value through profit or loss which are all interest bearing, offset in part by interest bearing borrowings. The majority of items included in the above are at floating rates of interest or fixed deposits for periods of less than six months; changes in the interest rate result in changes in interest-related cash flows. No interest hedging is currently undertaken by the Group or its subsidiaries. If interest rates for the year to 31 March 2010 had been 10 basis points higher/lower, then profit after tax for the year would have been approximately £0.2m (2009: £0.2m) higher/lower, principally due to increased interest received on short-term bank deposits.

iii) Price risk

The Group does not have any equity securities in its balance sheet and is not materially exposed to commodity price risk. Certain longer term project and framework contracts include indexation clauses that are applied to unit rates to offset the effect of inflation on input costs over the duration of the agreement. The Group is exposed to price risk to the extent that inflation differs from the index used and forecast project outcomes that form the basis of revenue recognition include an estimate of this risk where it is present.

Notes to the Financial Statements

continued

b) Credit risk

Credit risk is the risk that the Group will suffer financial loss as a result of counterparties defaulting on their contractual obligations. The risk arises on financial instruments at fair value through profit or loss, cash and cash equivalents and trade and other receivables, with the maximum exposure to risk equivalent to 100% of the carrying value disclosed in the Group's Balance Sheet at 31 March. The Group does not hold any collateral as security. The majority of the Group's cash deposits are placed with its relationship banks, which carry at least an A-1/P1 credit rating. For deposits and money market investments placed with banks and financial institutions, only independently rated parties with a minimum rating of A are accepted. Investments carry a minimum credit rating of A-1/P1. Cash and investments are not concentrated with any one counterparty.

For trade and other receivables, an assessment of credit quality of the customer is made where appropriate using a combination of external rating agencies, past experience and other factors. In circumstances where credit information is unavailable or poor, the risk is mitigated by use of advance payments and, by exception, through credit risk insurance. Exposure and payment performance are monitored closely both at individual project and client level, with a series of escalating debt recovery actions taken where necessary. The Group's customer base is broad and dispersed. In view of current economic circumstances additional management attention has been focused on the recovery of debtors, in particular within the Middle East.

c) Liquidity risk

The Group funds its activities through cash generated from its operations and, where necessary, bank borrowings and finance leases. The Group's banking facilities include cash facilities and bank guarantees. Cash flow forecasts are prepared covering various periods from short to long term to ensure that sufficient funds are available to meet the Group's commitments as they fall due.

The table below analyses the maturity profile of the Group's non-derivative financial liabilities:

	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Discount £m	Carrying value £m
2010						
Hire purchase and finance leases	4.2	2.3	4.1	0.8	(0.7)	10.7
Loan notes	0.8	–	–	–	(0.1)	0.7
Trade payables	50.6	–	–	–	–	50.6
	On demand or within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Discount £m	Carrying value £m
2009						
Hire purchase and finance leases	5.4	3.6	4.2	1.2	(0.7)	13.7
Loan notes	2.9	0.7	–	–	(0.2)	3.4
Trade payables	64.4	–	–	–	–	64.4

d) Concentrations of financial instruments

The carrying amounts of the Group's financial assets and liabilities, excluding derivative financial instruments, were denominated in the following currencies:

	Financial assets £m	2010 Financial liabilities £m	Financial assets £m	2009 Financial liabilities £m
Sterling	315.0	43.7	327.3	57.2
UAE dirham	56.8	3.7	67.6	7.8
US dollar	43.0	2.3	37.9	3.0
Euro	25.6	3.1	22.8	4.0
HK dollar	18.8	0.3	15.2	2.5
China RMB	18.1	0.9	14.2	0.5
Qatari rial	17.8	0.9	6.0	0.3
Denmark krone	12.7	4.1	11.2	3.3
Other	39.2	3.0	32.3	2.9
Total	547.0	62.0	534.5	81.5

The financial assets and liabilities of the Company are all denominated in sterling.

Financial assets consist of acquired loan notes; trade receivables (net); intercompany receivables (nil in consolidated accounts); amounts due from Joint Ventures; financial assets at fair values through profit or loss; and cash and cash equivalents.

Financial liabilities consist of trade payables; intercompany payables (nil in consolidated accounts); amounts due to Joint Ventures; and borrowings.

Capital risk management

The Group manages its capital to ensure that it is able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to minimise its cost of capital by maintaining an optimal capital structure.

The Group maintains or adjusts its capital structure through the payment of dividends to shareholders, issues of new shares and buyback of existing shares, and through its loan facility.

For capital management purposes, the Group monitors the ratio of its net debt plus defined benefit pension deficit net of deferred tax to EBITDA. This policy is unchanged from the prior year. Total capital is calculated as equity as shown in the Consolidated Balance Sheet plus net debt.

The Group's banking facilities include a number of financial and non-financial covenants. Compliance with these covenants is monitored and as at 31 March 2010 and since, none of the covenants had been breached.

3 Segment information

The chief operating decision-maker has been identified as the chief executive and the Group finance director. The chief executive and the Group finance director review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The chief executive and the Group finance director assess the performance of the operating segments based on operating profit before interest and tax. Information provided to the chief executive and Group finance director is measured in a manner consistent with that in the Financial Statements.

The segmental results for the comparative period to 31 March 2009 has been restated under IFRS 8, *Operating segments*.

a) Group business segments

Revenue and results

	Total revenue £m	Inter- segment revenue £m	Revenue £m	Operating profit/(loss) £m	Operating margin %	Share of post-tax profit/(loss) from Joint Ventures £m
2010						
Design and Engineering Solutions	442.5	(52.2)	390.3	31.3	8.0	–
Highways and Transportation	319.6	(19.2)	300.4	21.4	7.1	0.2
Rail	190.7	(5.0)	185.7	16.8	9.0	–
Middle East	150.0	(13.4)	136.6	14.0	10.2	–
China and Europe	143.2	(9.1)	134.1	6.1	4.5	–
Management and Project Services	217.6	(14.8)	202.8	15.9	7.8	(0.1)
Asset Management	58.0	(2.0)	56.0	5.0	8.9	–
Total for segments	1,521.6	(115.7)	1,405.9	110.5	7.9	0.1
Group items:						
Joint Ventures reported above	(18.0)	–	(18.0)	(0.1)		–
Unallocated central items	–	–	–	2.6		(2.0)
Total for Group	1,503.6	(115.7)	1,387.9	113.0	8.1	(1.9)

Notes to the Financial Statements

continued

2009	Total revenue £m	Inter-segment revenue £m	Revenue £m	Operating profit/(loss) £m	Operating margin %	Share of post-tax profit/(loss) from Joint Ventures £m
Design and Engineering Solutions	451.9	(16.9)	435.0	31.6	7.3	0.1
Highways and Transportation	328.0	(19.8)	308.2	19.9	6.5	(0.4)
Rail	210.2	(14.1)	196.1	17.0	8.7	–
Middle East	206.0	(20.0)	186.0	17.3	9.3	–
China and Europe	123.9	(6.7)	117.2	4.9	4.2	–
Management and Project Services	241.0	(11.0)	230.0	18.9	8.2	–
Asset Management	50.5	(2.9)	47.6	(6.8)	(14.3)	–
Total for segments	1,611.5	(91.4)	1,520.1	102.8	6.8	(0.3)
Group items:						
Joint Ventures reported above	(32.9)	–	(32.9)	0.3		–
Unallocated central items	–	–	–	–		0.5
Total for Group	1,578.6	(91.4)	1,487.2	103.1	6.9	0.2

Total segment revenue excludes the share of Joint Venture earned from centrally managed Joint Ventures of £12.1m (2009: £12.3m).

Reconciliation of segmental analysis to profit for the year attributable to owners of the parent:

	2010 £m	2009 £m
Operating profit	113.0	103.1
Profit on disposal of Joint Venture	0.1	2.5
Share of post-tax (loss)/profit from Joint Ventures	(1.9)	0.2
Profit before interest and tax	111.2	105.8
Finance income	3.8	6.7
Finance cost	(18.4)	(9.8)
Net finance cost	(14.6)	(3.1)
Profit before taxation	96.6	102.7
Income tax expense	(19.3)	(18.5)
Profit for the year from continuing operations	77.3	84.2
Discontinued operations	25.0	–
Profit for the year attributable to owners of the parent	102.3	84.2

Balance sheet

	Total segment assets £m	Total segment liabilities £m	Net assets/ (liabilities) £m	Investments in Joint Ventures £m	Capital expenditure £m	Depreciation & amortisation £m
2010						
Design and Engineering Solutions	90.0	(72.0)	18.0	–	1.2	1.4
Highways and Transportation	61.0	(75.2)	(14.2)	0.7	2.2	2.5
Rail	40.1	(32.7)	7.4	–	0.1	0.5
Middle East	149.1	(94.3)	54.8	–	0.1	4.1
China and Europe	96.9	(66.0)	30.9	–	2.2	1.4
Management and Project Services	63.7	(33.9)	29.8	–	0.8	1.6
Asset Management	4.4	(13.7)	(9.3)	–	–	0.1
Total for segments	505.2	(387.8)	117.4	0.7	6.6	11.6
Group items:						
Unallocated assets/(liabilities)	369.1	(571.4)	(202.3)	1.1	7.4	11.2
Total for Group	874.3	(959.2)	(84.9)	1.8	14.0	22.8
	Total segment assets £m	Total segment liabilities £m	Net assets/ (liabilities) £m	Investments in Joint Ventures £m	Capital expenditure £m	Depreciation & amortisation £m
2009						
Design and Engineering Solutions	122.0	(87.4)	34.6	–	5.1	3.6
Highways and Transportation	60.3	(68.2)	(7.9)	0.6	4.9	2.3
Rail	57.1	(37.6)	19.5	–	0.2	0.7
Middle East	191.6	(117.2)	74.4	–	5.4	4.6
China and Europe	81.9	(48.1)	33.8	–	3.7	3.5
Management and Project Services	72.8	(37.8)	35.0	0.1	1.6	2.4
Asset Management	(1.8)	(13.5)	(15.3)	–	–	0.1
Total for segments	583.9	(409.8)	174.1	0.7	20.9	17.2
Group items:						
Unallocated assets/(liabilities)	244.8	(462.4)	(217.6)	3.2	14.9	16.2
Total for Group	828.7	(872.2)	(43.5)	3.9	35.8	33.4

Unallocated assets consist primarily of goodwill, deferred tax and UK cash and cash equivalents. Unallocated liabilities consist primarily of central creditors and pension liabilities.

Capital expenditure includes additions to goodwill, other intangible assets and property, plant and equipment.

b) Group geographical segments

External revenue is measured by location of operation. There was no material difference between geographic revenue by location of operation and by location of customer.

The Group considers the United Kingdom to be its country of domicile. No other single country contributes more than 10% of the Group's revenue or non-current assets.

	2010 £m	Revenue 2009 £m	Non-current assets 2010 £m	2009 £m
United Kingdom	997.7	1,062.2	104.1	103.5
Other	390.2	425.0	24.6	31.2
Total for Group	1,387.9	1,487.2	128.7	134.7

Non-current assets exclude deferred tax assets and derivative financial instruments.

Notes to the Financial Statements

continued

c) Major customers

Revenue from the UK Government represents approximately £254.8m (2009: £287.6m) of the Group's total revenue. All reported segments earn revenues from this particular customer with the exception of Middle East and China and Europe.

d) Company

The Company's business is to invest in its subsidiaries and it operates in a single segment.

4. Joint Ventures

a) Share of post-tax (loss)/profit from Joint Ventures

	2010 £m	2009 £m
Revenue	30.1	45.2
Operating expenditure	(30.8)	(44.7)
Operating (loss)/profit	(0.7)	0.5
Finance cost	(6.2)	(5.4)
Finance income	4.8	5.1
(Loss)/profit before taxation	(2.1)	0.2
Income tax credit	0.2	–
Share of post-tax (loss)/profit from Joint Ventures	(1.9)	0.2

b) Investments in Joint Ventures

	2010 £m	2009 £m
Non-current assets		
Property, plant and equipment	1.8	2.1
Other non-current assets	70.7	71.2
	72.5	73.3
Current assets		
Cash and cash equivalents	12.0	15.9
Other current assets	18.3	16.2
	30.3	32.1
Current liabilities		
Trade and other payables	(18.0)	(12.2)
	(18.0)	(12.2)
Non-current liabilities		
Borrowings	(79.2)	(86.7)
Other non-current liabilities	(3.8)	(2.6)
	(83.0)	(89.3)
Share of net assets	1.8	3.9
Investments in Joint Ventures	1.8	3.9

The Group's principal Joint Ventures are detailed in note 40.

5. Operating profit – analysis of costs by nature

	2010 £m	Group 2009 £m
Operating profit is arrived at after charging/(crediting):		
Employee benefit costs (see note 6)	735.9	776.7
Net foreign exchange (gains)/losses	(0.6)	0.6
Depreciation and impairment of property, plant and equipment:		
– owned assets (note 17)	12.4	18.2
– assets held under finance leases (note 17)	2.9	2.5
Loss/(profit) on sale of property, plant and equipment	1.4	0.7
Impairment of trade receivables/(reversal of impairment):		
– increase in provisions (note 23)	27.5	15.4
– release of provisions (note 23)	(8.0)	(3.1)
Amortisation of intangibles:		
– customer relationships (note 16)	0.1	0.5
– other assets (note 16)	7.4	12.2
Receipts under operating leases:		
– plant and machinery	(1.9)	(2.1)
– property	(1.7)	(1.3)
Payments under operating leases:		
– plant and machinery	6.1	6.5
– property	30.1	30.7

Company operating profit was arrived at after incurring £0.1m of net foreign exchange losses (2009: £0.1m gain) and £36.1m of realised profit on disposal of investments (2009: £9.5m).

Services provided by the Group's auditor

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2010 £m	Group 2009 £m
Statutory audit of Parent Company's and Group Financial Statements	0.2	0.2
The audit of accounts of Group companies pursuant to legislation		
UK	0.5	0.5
Non-UK	0.2	0.2
Total audit services	0.9	0.9
Other services pursuant to such legislation	0.1	0.1
Other services relating to taxation	0.3	0.4
Services relating to corporate finance transactions	–	0.1
Services relating to pensions	0.1	–
All other services	0.1	–
Total non-audit services	0.6	0.6
Total	1.5	1.5

The statutory audit of the Company's annual accounts was £0.1m (2009: £0.1m). No other services were provided to the Company by the Group's auditor (2009: nil).

The Atkins Pension Plan is audited by Baker Tilly and the audit fee for 2010 was £30,000 (2009: £29,000). This audit fee was borne by the Group.

Notes to the Financial Statements

continued

6. Employee benefit costs

	2010 No.	Average 2009 No.	2010 No.	Year end 2009 No.
Number of full-time equivalent people (including executive directors) employed by the Group				
By class of business:				
Design and Engineering Solutions	4,423	4,805	4,155	4,846
Highways and Transportation	2,895	2,920	2,844	2,983
Rail	1,384	1,531	1,319	1,499
Middle East	2,152	2,821	1,866	2,822
China and Europe	1,435	1,432	1,404	1,461
Management and Project Services	2,008	2,292	1,903	2,169
Asset Management	596	658	537	653
Corporate	638	588	639	593
Group total	15,531	17,047	14,667	17,026

Aggregate employee benefit costs of those people amounted to:

	2010 £m	Group 2009 £m
Wages and salaries	617.2	648.4
Profit share and performance-related bonus	25.8	24.1
Social security costs	50.5	54.2
Retirement benefit costs (see note 29)	34.1	37.1
Other post-employment benefit costs (see note 29)	(0.1)	4.0
Share-based payments (see note 32)	8.4	8.9
	735.9	776.7

Wages and salaries for 2010 includes £7.2m of redundancy costs (2009: £7.7m) relating to continuing operations.

During the year the Group embarked upon an HR modernisation project which moved human resources staff from individual businesses to the centre, resulting in an increased number of staff within Corporate.

Details of remuneration (including retirement benefits) and interests for directors are included in the Remuneration Report, which forms part of these Financial Statements. Details of remuneration for key management are included in note 38.

The Company has no employees (2009: nil).

7. Net finance cost

	2010 £m	Group 2009 £m
Hire purchase and finance leases	0.8	1.0
Unwinding of discount	1.1	1.0
Net finance cost on post-employment benefits	16.2	6.6
Other finance costs	0.3	1.2
Finance cost	18.4	9.8
Interest receivable on short-term deposits	(0.7)	(2.9)
Income from held at fair value financial assets	(0.9)	(2.2)
Unwinding of discount	(0.4)	(0.4)
Other finance income	(1.8)	(1.2)
Finance income	(3.8)	(6.7)
Net finance cost	14.6	3.1

Company finance income consisted of net interest income of £0.3m (2009: £0.1m) and unwinding of discount on loan notes receivable of £0.4m (2009: £0.4m).

Unwinding of discount disclosed within finance cost comprises £0.8m (2009: £0.7m) relating to provisions and £0.3m (2009: £0.3m) relating to borrowings.

8. Income tax expense

a) Analysis of charge in the year

	2010 £m	Group 2009 £m
Current income tax		
– current year	20.0	16.8
– adjustment in respect of prior year	(0.2)	0.5
Deferred income tax (see note 19)	(0.5)	1.2
Income tax on profit per income statement	19.3	18.5
Adjust for:		
– Joint Venture taxation	(0.2)	–
Normalised income tax expense	19.1	18.5
Profit before tax per income statement	96.6	102.7
Adjust for:		
– Joint Venture taxation	(0.2)	–
– profit on disposal of Joint Ventures	(0.1)	(2.5)
Normalised profit before income tax	96.3	100.2
Effective income tax rate	20.0%	18.0%
Normalised effective income tax rate	19.8%	18.5%

b) Factors affecting income tax expense

The income tax expense for the year is lower (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010 %	Group 2009 %
UK statutory income tax rate	28.0	28.0
Increase/(decrease) resulting from:		
Expenses not deductible for tax purposes	–	0.7
Adjustment in respect of overseas tax rates	(6.4)	(4.1)
Effect of share-based payments	(0.2)	2.6
Tax on Joint Ventures	0.6	(0.1)
R&D tax credit	(2.4)	(2.4)
Consortium relief	–	(6.8)
Other	0.4	0.8
Disposal of Joint Ventures	–	(0.7)
Effective income tax rate	20.0	18.0

The normalised income tax expense for the year is lower (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010 %	Group 2009 %
UK statutory income tax rate	28.0	28.0
Increase/(decrease) resulting from:		
Expenses not deductible for tax purposes	–	0.7
Adjustment in respect of overseas tax rates	(6.4)	(4.2)
Effect of share-based payments	(0.2)	2.7
Tax on Joint Ventures	0.4	(0.1)
R&D tax credit	(2.4)	(2.4)
Consortium relief	–	(6.9)
Other	0.4	0.7
Normalised effective income tax rate	19.8	18.5

Notes to the Financial Statements

continued

c) Income tax on components of other comprehensive income

	Post- employment benefit liability £m	Cash flow hedges £m	Group Total £m
2010			
At 1 April	35.4	–	35.4
Deferred income tax	46.6	–	46.6
Current income tax	–	(1.0)	(1.0)
At 31 March	82.0	(1.0)	81.0

	Post- employment benefit liability £m	Cash flow hedges £m	Group Total £m
2009			
At 1 April	1.1	–	1.1
Deferred income tax	34.3	–	34.3
Current income tax	–	–	–
At 31 March	35.4	–	35.4

9. Profit on disposal of Joint Venture

On 5 March 2010 the Group disposed of its holding in Transaction Systems Limited generating a profit on disposal of £0.1m. In the prior year, the Group disposed of its holding in Modern Housing Solutions (Prime) Limited generating a profit on disposal of £2.5m.

10. Discontinued operations

Following the expiry during the year of a letter of credit issued in respect of the Metronet Enterprise (which went into PPP administration on 18 July 2007) the Group has released a related provision and a one-off, non-cash credit of £25.0m has been reflected in the Group's full-year income statement. There is no related tax charge.

11. Dividends

	2010 pence	2009 pence	Company and Group 2010 £m	2009 £m
Final dividend paid for the year ended 31 March 2009 (2008)	17.25	16.50	16.7	16.1
Interim dividend paid for the year ended 31 March 2010 (2009)	9.25	8.75	9.0	8.6
Dividends recognised in the year	26.50	25.25	25.7	24.7
Interim dividend paid for the year ended 31 March 2010 (2009)	9.25	8.75	9.0	8.6
Final dividend proposed for the year ended 31 March 2010 (2009)	18.25	17.25	17.8	16.9
Dividends relating to the year	27.50	26.00	26.8	25.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements.

As at 31 March 2010 one Employee Benefit Trust had an agreement in place to waive dividends in excess of 0.01 pence per share on 213,461 ordinary shares (2009: 213,461). A separate Employee Benefit Trust also had an agreement in place as at 31 March 2009 to waive dividends in excess of 0.01 pence per share on 2,126,051 ordinary shares. On 29 April 2009 this second Employee Benefit Trust entered a new agreement to waive all future dividends in their entirety and as at 31 March 2010 this waiver was in place on 2,633,450 ordinary shares. These arrangements reduced the dividends paid in-year by £0.8m (2009: £0.6m).

12. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue during the year, excluding shares held by the Employee Benefit Trusts (EBTs), which have not unconditionally vested in the employees, and shares in treasury.

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the number of options outstanding during the year. The options relate to discretionary employee share plans.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2010 number (000)	Group 2009 number (000)
Number of shares		
Weighted average number of shares used in basic and normalised basic EPS	97,269	97,790
Effect of dilutive securities – share options	1,964	1,516
Weighted average number of shares used in diluted and normalised diluted EPS	99,233	99,306
	£m	£m
Earnings – continuing and discontinued operations		
Profit for the year attributable to owners of the parent	102.3	84.2
Earnings – continuing operations		
Profit for the year attributable to owners of the parent	77.3	84.2
Profit on disposal of Joint Venture (note 9)	(0.1)	(2.5)
Normalised earnings	77.2	81.7
	pence	pence
From continuing and discontinued operations		
Basic earnings per share	105.2	86.1
Diluted earnings per share	103.1	84.8
From continuing operations		
Basic earnings per share	79.5	86.1
Diluted earnings per share	77.9	84.8
Normalised basic earnings per share	79.4	83.5
Normalised diluted earnings per share	77.8	82.3

Normalised diluted EPS is considered by the directors to be a more representative measure of underlying trading.

13. Parent Company Income Statement

The Company has not presented its own income statement as permitted by Section 408 of the Companies Act 2006. The profit for the year attributable to the owners of the parent was £46.8m (2009: £9.6m), which included £12.0m (2009: £nil) dividend income from subsidiary companies.

Notes to the Financial Statements

continued

14. Goodwill

	2010	Group
	£m	2009
		£m
Cost at 1 April	71.5	63.4
Additions (note 15)	0.1	2.9
Difference on exchange	(0.6)	5.2
Cost at 31 March	71.0	71.5
Aggregate impairment at 1 April	9.2	6.7
Difference on exchange	(0.3)	2.5
Aggregate impairment at 31 March	8.9	9.2
Net book value at 31 March	62.1	62.3

Goodwill is tested for impairment in accordance with IAS 36, *Impairment of assets* at least annually.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to their business segment.

The goodwill allocation by CGU, summarised at segmental level, is disclosed below:

	2010	Group
	£m	2009
		£m
Design and Engineering Solutions	34.5	34.5
Highways and Transportation	2.4	2.4
Rail	1.4	1.4
Middle East	–	–
China and Europe	5.2	5.2
Management and Project Services	18.6	18.8
Asset Management	–	–
Total	62.1	62.3

The recoverable amount of goodwill for each CGU has been based on value in use as represented by the net present value of future cash flows. Cash flows are projected forward for five years based on approved budgets and plans, beyond which they are inflated by a GDP-based growth factor. They are then discounted using a discount rate based on the Group's pre-tax discount rate based on nominal weighted average cost of capital. The average pre-tax discount rate used was 13.4% per annum (2009: 13.8% per annum) which has been applied consistently across each CGU based on their similar risk profiles.

The key assumptions used for each CGU are as follows:

	2010	Group
		2009
Five-year growth rate	0% – 6%	0% – 18%
Post five-year growth rate	0% – 2.5%	4%
Taxation rate	22%	25%

As at 31 March 2010, based on these internal valuations, the recoverable value of goodwill required no impairment.

15. Business combinations

On 24 November 2009 the Group acquired the assets of Systems for Change Limited, a UK registered entity, for £125,000, consisting of cash consideration of £50,000 and deferred consideration of £75,000.

16. Other intangible assets

	Acquired customer relationships £m	Corporate information systems £m	Intellectual property rights £m	Software licences £m	Group Total £m
Cost at 1 April 2008	1.9	15.3	0.2	15.1	32.5
Additions	–	0.2	–	10.3	10.5
Disposals	–	–	–	(4.1)	(4.1)
Difference on exchange	–	–	–	1.2	1.2
Cost at 31 March 2009	1.9	15.5	0.2	22.5	40.1
Additions	–	0.1	–	3.4	3.5
Disposals	–	–	–	(14.2)	(14.2)
Cost at 31 March 2010	1.9	15.6	0.2	11.7	29.4
Amortisation at 1 April 2008	1.3	15.3	–	5.0	21.6
Amortisation charge for the year	0.5	0.1	–	12.1	12.7
Disposals	–	–	–	(4.1)	(4.1)
Difference on exchange	–	–	–	0.9	0.9
Amortisation at 31 March 2009	1.8	15.4	–	13.9	31.1
Amortisation charge for the year	0.1	–	0.1	7.3	7.5
Disposals	–	–	–	(14.0)	(14.0)
Difference on exchange	–	–	–	0.1	0.1
Amortisation at 31 March 2010	1.9	15.4	0.1	7.3	24.7
Net book value at 31 March 2010	–	0.2	0.1	4.4	4.7
Net book value at 31 March 2009	0.1	0.1	0.2	8.6	9.0

Included within corporate information systems is £0.2m (2009: £0.1m) of internally generated intangible assets.

Notes to the Financial Statements

continued

17. Property, plant and equipment

	Freehold land & buildings £m	Short-term leasehold property £m	Plant, machinery & vehicles £m	Group Total £m
Cost at 1 April 2008	10.1	16.5	91.2	117.8
Additions	–	5.1	17.3	22.4
Acquisition of subsidiary undertakings	–	–	0.1	0.1
Disposals	–	(0.8)	(9.5)	(10.3)
Difference on exchange	–	0.8	5.1	5.9
Cost at 31 March 2009	10.1	21.6	104.2	135.9
Additions	–	1.3	9.1	10.4
Disposals	–	(0.9)	(15.5)	(16.4)
Difference on exchange	–	–	(0.3)	(0.3)
Cost at 31 March 2010	10.1	22.0	97.5	129.6
Depreciation at 1 April 2008	7.3	7.5	57.4	72.2
Depreciation charge for the year	0.1	3.7	16.9	20.7
Disposals	–	(0.5)	(8.0)	(8.5)
Difference on exchange	(0.1)	0.9	4.1	4.9
Depreciation at 31 March 2009	7.3	11.6	70.4	89.3
Depreciation charge for the year	0.1	2.7	12.5	15.3
Disposals	–	(0.9)	(12.9)	(13.8)
Difference on exchange	–	–	(0.1)	(0.1)
Depreciation at 31 March 2010	7.4	13.4	69.9	90.7
Net book value at 31 March 2010	2.7	8.6	27.6	38.9
Net book value at 31 March 2009	2.8	10.0	33.8	46.6

The market value of freehold land and buildings is estimated at £9.0m (2009: £9.0m).

Included in plant, machinery and vehicles above are equipment and vehicles held under finance leases and hire purchase contracts as follows:

	2010 £m	2009 £m
Cost	20.5	24.3
Accumulated depreciation	(10.1)	(11.1)
Net book value	10.4	13.2

Additions to property, plant and equipment funded by finance leases were £1.9m (2008: £4.2m).

Included in the above are equipment and vehicles leased to customers under operating leases as follows:

	2010 £m	2009 £m
Cost	3.6	3.7
Accumulated depreciation	(2.6)	(2.4)
Net book value	1.0	1.3

18. Investments in subsidiaries

	Company £m
Cost at 1 April 2008	131.6
Additions	18.1
Cost at 31 March 2009	149.7
Additions	14.4
Cost at 31 March 2010	164.1
Impairment at 1 April 2008, 31 March 2009 and 31 March 2010	0.8
Net book value at 31 March 2010	163.3
Net book value at 31 March 2009	148.9

The Group's principal subsidiaries are disclosed in note 39.

During the year the Company increased its investment in Atkins Investments UK Limited in order to enable Atkins Investments UK Limited to fulfil its obligation to make shareholder contributions to Connect Plus (M25) Intermediate Limited.

During the prior year the Company increased its investment in Atkins Investments UK Limited in order to facilitate the purchase of WS Atkins Insurance (Guernsey) Limited by Atkins Investments UK Limited from another Group company.

19. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2010 £m	Group 2009 £m
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	147.1	98.9
– Deferred tax assets to be recovered within 12 months	3.9	2.8
	151.0	101.7
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(1.6)	–
– Deferred tax liabilities to be recovered within 12 months	–	(0.1)
	(1.6)	(0.1)
Deferred tax assets (net)	149.4	101.6

a) Net deferred tax assets

	2010 £m	Group 2009 £m
Accelerated depreciation	18.0	13.8
Share-based payments	2.9	2.5
Overseas	2.4	0.4
Deferred tax asset on post-employment benefit liabilities	122.9	83.0
Deferred income	0.9	0.9
Amortisation of intangibles on acquisitions	–	(0.1)
Other temporary differences	2.3	1.1
Total deferred income tax	149.4	101.6

Notes to the Financial Statements

continued

b) Analysis of movements during the year

	2010 £m	Group 2009 £m
Deferred tax assets at 1 April	101.6	69.6
Transfers between current and deferred tax	0.5	–
Deferred tax credited/(charged) to the income statement – continuing operations (note 8a)	0.5	(1.2)
Deferred tax credited to equity (note 8c)	46.6	33.2
Foreign exchange difference on deferred tax	0.2	–
Deferred tax assets at 31 March	149.4	101.6

20. Derivative financial instruments

The fair value of forward currency contracts at the year end, based on their market value, is detailed below:

	Inflow £m	Outflow £m	2010 Net £m	Inflow £m	Outflow £m	Group 2009 Net £m
Current	32.5	(31.2)	1.3	8.9	(9.7)	(0.8)
Between one and two years	16.7	(16.5)	0.2	5.5	(5.7)	(0.2)
Between two and five years	22.2	(21.8)	0.4	0.9	(1.1)	(0.2)
Non-current	38.9	(38.3)	0.6	6.4	(6.8)	(0.4)
Total	71.4	(69.5)	1.9	15.3	(16.5)	(1.2)

The Group did not use any derivative instrument during the year other than forward currency contracts and foreign exchange swaps to hedge foreign currency receipts and payments on current contracts.

All of the Group's derivative financial instruments are classified as Level 2 under the amendments to IFRS 7, *Financial instruments: disclosures*. The fair value of derivative financial instruments is calculated based on quoted forward currency rates at the balance sheet date.

The Group has reviewed all contracts for embedded derivatives and does not have any such instruments that are closely related to the host contract.

21. Other receivables

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Non-current assets:				
Loan notes receivable	21.2	12.9	6.4	6.0

During the year the Group acquired £7.9m of interest-bearing loan notes in Connect Plus (M25) Intermediate Limited which mature in 2039. In the prior year the Group acquired interest-bearing loan notes in RMPA Holdings Limited which also mature in 2039.

Loan notes receivable of £6.4m arose on the disposal of LSH. These loan notes have no fixed redemption date.

None of the other receivables are past due.

22. Inventories

	2010 £m	Group 2009 £m
Raw materials and consumables	0.9	0.3

The directors consider that the carrying amount of inventories approximates their fair value.

There were no amounts of inventories written off during the year (2009: £nil).

23. Trade and other receivables

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Current assets:				
Trade receivables	272.3	301.9	–	–
Less: Provision for impairment of receivables	(42.4)	(26.5)	–	–
Trade receivables – net	229.9	275.4	–	–
Amounts recoverable on contracts	32.6	33.3	–	–
Amounts due from subsidiary undertakings (note 38)	–	–	11.3	11.4
Amounts due from Joint Ventures (note 38)	3.2	7.8	–	–
Other receivables	22.8	23.0	–	–
Prepayments and accrued income	12.2	14.2	–	–
	300.7	353.7	11.3	11.4

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

At 31 March 2010 £138.4m (2009: £176.2m) of trade receivables were within normal payment terms and considered to be fully performing. A further £72.6m (2009: £92.2m) were past due date and aged up to six months from invoice date, which carried a provision for impairment of £5.8m (2009: £nil). Trade receivables aged beyond six months of invoice date totalled £61.3m (2009: £33.4m) and carried a provision for impairment of £36.6m (2008: £26.5m).

Movements in the Group provision for impairment of trade receivables were as follows:

	2010 £m	Group 2009 £m
Provision for impairment at beginning of year	(26.5)	(13.0)
Increase in provisions	(27.5)	(15.4)
Release of provisions	8.0	3.1
Receivables written off as uncollectable	3.8	2.2
Difference on exchange	(0.2)	(3.4)
Provision for impairment at end of year	(42.4)	(26.5)

None of the financial assets that are fully performing were renegotiated during the year.

Amounts due from Joint Ventures are shown net of contract-related provisions of £nil (2009: £23.1m). The other classes of financial assets shown within trade and other receivables were unimpaired both at 31 March 2010 and 31 March 2009.

Notes to the Financial Statements

continued

24. Financial assets at fair value through profit or loss

The Group's financial instruments that are measured and recognised at fair value include certificates of deposit, floating rate notes and fixed interest securities.

The following table presents the Group's financial assets and liabilities measured at fair value through profit and loss:

	Level 1 £m	Level 2 £m	2010 Total £m	Level 1 £m	Level 2 £m	Group 2009 Total £m
Certificates of deposit	–	19.3	19.3	–	17.3	17.3
Floating rate notes	2.0	–	2.0	1.7	–	1.7
Fixed interest securities	11.1	–	11.1	9.7	–	9.7
Marketable securities	13.1	19.3	32.4	11.4	17.3	28.7

Level 1 financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arms length basis. The quoted market price used by the Group is the mid-market price.

Level 2 financial instruments

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on estimates. The fair value of certificates of deposit is calculated as the present value of the future cash flows, discounted at an appropriate market rate of interest.

25. Cash and cash equivalents

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Cash at bank and in hand	98.1	78.1	–	–
Short-term bank deposits	162.2	131.6	–	–
	260.3	209.7	–	–

Included in the Group's cash and cash equivalents above are amounts held by the Employee Benefit Trusts of £0.8m (2009: £2.9m).

Within the Middle East £1.3m (AED 7.2m) (2009: £0.6m (AED 3.2m)) is held within an escrow account in order to cover the Group's liability in respect of visa bonds issued locally.

The effective interest rate on cash and cash equivalents was 0.3% (2009: 2.0%).

26. Borrowings

	2010 £m	Group 2009 £m
Current		
Hire purchase and finance leases	3.7	4.8
Loan notes	0.7	2.8
	4.4	7.6
Non-current		
Hire purchase and finance leases	7.0	8.9
Loan notes	–	0.6
	7.0	9.5

Loan notes relate to previous years' Group acquisitions.

The maturity profile of the carrying amount of the non-current borrowings was as follows:

	2010			Group 2009		
	Hire purchase and finance leases £m	Loan notes £m	Total £m	Hire purchase and finance leases £m	Loan notes £m	Total £m
Repayable:						
– between one and two years	2.1	–	2.1	3.3	0.6	3.9
– between two and five years	4.0	–	4.0	4.2	–	4.2
– after more than five years	0.9	–	0.9	1.4	–	1.4
	7.0	–	7.0	8.9	0.6	9.5

The carrying amounts of the borrowings are denominated in the following currencies:

	2010			Group 2009		
	Hire purchase and finance leases £m	Loan notes £m	Total £m	Hire purchase and finance leases £m	Loan notes £m	Total £m
Sterling	10.7	0.7	11.4	13.7	3.4	17.1
Total	10.7	0.7	11.4	13.7	3.4	17.1

The minimum lease payments under finance leases fall due as follows:

	2010 £m	Group 2009 £m
Not later than one year	4.2	5.4
Later than one year but not more than five years	6.4	7.8
More than five years	0.8	1.2
	11.4	14.4
Future finance charges on finance leases	(0.7)	(0.7)
Present value of finance lease payables	10.7	13.7

Finance leases are on a fixed repayment basis, with interest rates fixed at the contract date. The average effective borrowing rate was 6.4% (2009: 6.2%) over a weighted average remaining period of 52 months (2009: 44 months).

Notes to the Financial Statements

continued

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 March expiring as follows:

	2010 £m	Group 2009 £m
Between one and two years	87.0	–
Between two and five years	–	75.0

All of the Group's undrawn committed borrowing facilities will be subject to floating rates of interest.

The Group's principal borrowing facilities of £100.0m signed on 21 June 2006 are unsecured and include borrowings and letter of credit facilities. The total letters of credit in issue at 31 March 2010 was £13.0m (31 March 2009: £25.0m).

The Group's banking facilities include a number of financial and non-financial covenants. Compliance with these covenants is monitored. As at 31 March 2010, and since, none of these covenants had been breached.

27. Trade and other payables

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Current liabilities:				
Trade payables	50.6	64.4	–	–
Fees invoiced in advance	169.8	178.7	–	–
Amounts due to subsidiary undertakings (note 38)	–	–	42.2	57.4
Social security and other taxation	34.0	33.7	–	–
Deferred consideration on acquisitions	0.8	0.8	–	–
Deferred PFI/PPP bid costs recovered and development fees	0.2	0.1	–	–
Accruals and deferred income	155.2	179.8	2.0	–
Other payables	23.7	21.2	0.1	0.1
	434.3	478.7	44.3	57.5

The balance for deferred consideration represents £0.8m outstanding in respect of Nedtech Engineering BV and Systems for Change Limited to be settled in the next 12 months.

The directors consider that the carrying value of the Group's trade and other payables approximates their fair value.

28. Provisions for other liabilities and charges

	Onerous contracts £m	Vacant property £m	2010 Total £m	Onerous contracts £m	Vacant property £m	Group 2009 Total £m
Current	0.7	4.9	5.6	9.7	0.2	9.9
Between one and two years	0.3	5.6	5.9	0.4	1.1	1.5
Between two and five years	0.6	3.9	4.5	0.7	3.7	4.4
Over five years	4.7	1.9	6.6	5.0	6.9	11.9
Non-current	5.6	11.4	17.0	6.1	11.7	17.8
Total	6.3	16.3	22.6	15.8	11.9	27.7

	Onerous contracts £m	Vacant property £m	Group Total £m
Balance at 1 April 2009	15.8	11.9	27.7
Charge to income statement	–	9.1	9.1
Provisions utilised	(6.4)	(4.9)	(11.3)
Provisions released	(3.7)	–	(3.7)
Unwinding of discount	0.6	0.2	0.8
Balance at 31 March 2010	6.3	16.3	22.6

The onerous contracts and vacant property provisions are discounted. No provision has been released or utilised for any purpose other than that for which it was established.

The onerous contracts provision relates to PFI school and hospital facilities management contracts in the Asset Management segment. The PFI provisions held are expected to be utilised over the next 20 years.

The vacant property provision is expected to be utilised over the next 8 years (2009: 11 years).

29. Post-employment benefit liabilities

The Group's post-employment benefit liabilities are analysed below:

	2010 £m	Group 2009 £m
Retirement benefit liabilities	440.0	298.4
Other post-employment benefit liabilities	10.5	13.1
	450.5	311.5

a) Retirement benefit liabilities

The Group operates both defined benefit and defined contribution pension schemes. The two main defined benefit schemes are the Atkins Pension Plan and the Railways Pension Scheme, both of which are funded final salary schemes. The assets of both schemes are held in separate trustee-administered funds. Other pension schemes include the Atkins McCarthy Pension Plan in the Republic of Ireland, which is a final salary funded defined benefit scheme, and a range of defined contribution schemes or equivalent.

On 1 September 2009 the terms of the Railways Pension Scheme were amended to offer two options regarding future benefits. The options were to receive future benefits linked to final salary in exchange for higher contributions or to receive future benefits linked to salary as at 1 September 2009 with future increases capped at inflation. Following consultation 83 members selected to cap their future benefits which has resulted in a curtailment gain of £2.6m in the year. The remaining members retained benefits linked to final salary.

During the year as a result of a TUPE transfer 49 members transferred out of the Atkins section of the Railways Pension Scheme. The bulk of the assets were transferred in January 2010 and the liabilities in respect of transferring members were valued at 31 December 2009. The bulk transfer resulted in a settlement gain of £4.1m. The Company also made a top-up payment to the receiving section to ensure full funding for protected members which amounted to £1.8m. The payment was made directly to the receiving section and so does not appear in the disclosures for the Atkins section of the Railways Pension Scheme. The net gain recognised in the income statement is £2.3m.

In the previous year, on 31 March 2009 the defined benefit section of the Atkins McCarthy pension scheme was closed to future accrual of benefits for members who do not enjoy a statutory or contractual right to a final salary pension. These members transferred to the Personal Retirement Savings Accounts – Ireland (PRSA – Irish Life) scheme with effect from 1 April 2009.

The Atkins Pension Plan was closed to future accrual of benefits on 30 September 2007 and all members were transferred to a defined contribution section for future service where it was clear they did not enjoy a statutory or contractual right to a final salary pension. Although the service accrual under the defined benefit sections ceased for these members, the link to final salary remains whilst employed by Atkins Limited (unless opting out or retiring if sooner).

Notes to the Financial Statements

continued

The defined benefit sections of all pension schemes are closed to new entrants, who are offered membership of the defined contribution section.

Membership of the Group's principal pension schemes is as follows:

	Defined benefit schemes				Defined contribution schemes			F+G 2009 No.
	Atkins Pension Plan		Railways Pension Scheme		Atkins Pension Plan		2010 No.	
	2010 No.	2009 No.	2010 No.	2009 No.	2010 No.	2009 No.		
Members	71	100	304	397	7,809	8,700	748	848
Restricted members	1,589	1,810	–	–	–	–	–	–
Deferred pensioners	6,563	6,549	325	322	5,914	4,784	1,212	973
Pensioners	2,771	2,585	268	227	–	–	–	–
	10,994	11,044	897	946	13,723	13,484	1,960	1,821

Restricted members consists of staff who are no longer accruing final salary benefits but retain their entitlement to pensions linked to final salary based on years of service accumulated prior to the closure of the scheme to future accrual. These staff are also included where appropriate within defined contribution schemes.

The main assumptions used for the IAS 19 valuation of the retirement benefit liabilities for the Atkins Pension Plan and the Railways Pension Scheme are listed in the table below:

	2010	2009
Price inflation	3.70%	3.00%
Rate of increase of pensions in payment		
Limited Price Indexation	3.70%	3.00%
Limited Price Indexation to 2.5%	2.50%	2.50%
Fixed	5.00%	5.00%
Rate of increase in salaries		
Atkins Pension Plan	5.20%	4.50%
Railways Pension Scheme (Uncapped)	5.95%	4.50%
Railways Pension Scheme (Capped)	3.70%	n/a
Rate of increase for deferred pensioners	3.70%	3.00%
Discount rate	5.50%	6.30%
Expected rate of return on plan assets	6.50%	6.60%
Expected rate of social security increases	3.70%	3.00%
Longevity at age 65 for current pensioners		
Men	22.4 years	22.3 years
Women	24.8 years	24.7 years
Longevity at age 65 for future pensioners (current age 45)		
Men	24.3 years	24.2 years
Women	26.7 years	26.6 years

The actuarial tables used to calculate the retirement benefit liabilities for the Atkins Pension Plan were the 2000 series standard tables, with medium cohort improvements and a minimum of 1% improvement per annum, based on year of use application. The Railways Pension Scheme results have been adjusted on an approximate basis to be based on the same mortality tables.

The components of the pension cost are as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2010				
Cost of sales				
Current service cost	2.9	2.6	–	5.5
Curtailement gain	–	(2.6)	–	(2.6)
Settlement gain (net)	–	(2.3)	–	(2.3)
Total charge/(credit)	2.9	(2.3)	–	0.6
Finance cost/(income)				
Interest cost	50.6	11.4	0.3	62.3
Expected return on plan assets	(37.7)	(9.3)	(0.2)	(47.2)
Net finance cost	12.9	2.1	0.1	15.1
Total charge/(credit) to income statement for defined benefit schemes	15.8	(0.2)	0.1	15.7
Charge for defined contribution schemes	–	–	33.5	33.5
Total charge/(credit) to income statement	15.8	(0.2)	33.6	49.2
Statement of comprehensive income				
Gain on pension scheme assets	93.8	30.3	1.1	125.2
Changes in assumptions	(234.5)	(56.1)	(0.9)	(291.5)
Actuarial (loss)/gain	(140.7)	(25.8)	0.2	(166.3)
Deferred tax credited to equity	39.4	7.2	–	46.6
Actuarial (loss)/gain (net of deferred tax)	(101.3)	(18.6)	0.2	(119.7)
2009				
Cost of sales				
Current service cost	4.6	3.7	0.6	8.9
Total service cost	4.6	3.7	0.6	8.9
Finance cost/(income)				
Interest cost	52.8	12.5	0.3	65.6
Expected return on plan assets	(45.9)	(13.5)	(0.3)	(59.7)
Net finance cost/(income)	6.9	(1.0)	–	5.9
Total charge to income statement for defined benefit schemes	11.5	2.7	0.6	14.8
Charge for defined contribution schemes	–	–	28.2	28.2
Total charge to income statement	11.5	2.7	28.8	43.0
Statement of comprehensive income				
Loss on pension scheme assets	(136.2)	(56.4)	(1.6)	(194.2)
Changes in assumptions	47.7	22.2	1.5	71.4
Actuarial loss	(88.5)	(34.2)	(0.1)	(122.8)
Deferred tax credited to equity	24.7	9.6	–	34.3
Actuarial loss (net of deferred tax)	(63.8)	(24.6)	(0.1)	(88.5)

Notes to the Financial Statements

continued

The expected return on plan assets is based on market expectations at the beginning of the year for returns over the entire life of the benefit obligation.

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2010				
Defined benefit obligation	(1,080.2)	(234.6)	(7.9)	(1,322.7)
Fair value of plan assets	725.9	150.7	6.1	882.7
Retirement benefit liabilities	(354.3)	(83.9)	(1.8)	(440.0)
	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2009				
Defined benefit obligation	(812.2)	(184.2)	(7.0)	(1,003.4)
Fair value of plan assets	579.6	121.2	4.2	705.0
Retirement benefit liabilities	(232.6)	(63.0)	(2.8)	(298.4)

Other includes the Atkins McCarthy defined benefit pension scheme and an unfunded pension obligation in relation to a former director, for £0.6m (2009: £0.5m).

The major categories of plan assets as a percentage of total plan assets are as follows:

	Expected asset return %	Atkins Pension Plan £m	Railways Pension Scheme £m
2010			
Equities	8.00	377.5	90.4
Bonds	5.00	297.6	45.2
Property	6.50	36.3	15.1
Other/cash	4.20	14.5	–
		100.0	150.7
	Expected asset return %	Atkins Pension Plan £m	Railways Pension Scheme £m
2009			
Equities	7.90	272.4	97.0
Bonds	6.40	260.8	12.1
Property	7.15	40.6	12.1
Other/cash	3.50	5.8	–
		100.0	121.2

The plan assets do not include any of the Group's own financial instruments or property occupied by the Group.

Movements in the present value of the defined benefit obligation are as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2010				
Defined benefit obligation at beginning of year	812.2	184.2	7.0	1,003.4
Service cost	2.9	2.6	–	5.5
Curtailement gain	–	(2.6)	–	(2.6)
Settlement gain	–	(11.0)	–	(11.0)
Interest cost	50.6	11.4	0.3	62.3
Change of assumptions	234.5	56.1	0.9	291.5
Employee contributions	0.1	1.8	–	1.9
Benefit payments	(20.1)	(7.9)	(0.1)	(28.1)
Difference on exchange	–	–	(0.2)	(0.2)
Defined benefit obligation at end of year	1,080.2	234.6	7.9	1,322.7
	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2009				
Defined benefit obligation at beginning of year	820.1	194.7	7.1	1,021.9
Service cost	4.6	3.7	0.6	8.9
Interest cost	52.8	12.5	0.3	65.6
Change of assumptions	(47.7)	(22.2)	(1.5)	(71.4)
Employee contributions	0.4	1.7	0.2	2.3
Benefit payments	(18.0)	(6.2)	(0.7)	(24.9)
Difference on exchange	–	–	1.0	1.0
Defined benefit obligation at end of year	812.2	184.2	7.0	1,003.4

Movements in the fair value of plan assets are as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2010				
Fair value of plan assets at beginning of year	579.6	121.2	4.2	705.0
Expected return on plan assets	37.7	9.3	0.2	47.2
Settlement gain	–	(6.9)	–	(6.9)
Employer contributions	34.8	2.9	0.8	38.5
Employee contributions	0.1	1.8	–	1.9
Benefits paid	(20.1)	(7.9)	(0.1)	(28.1)
Actuarial gain	93.8	30.3	1.1	125.2
Difference on exchange	–	–	(0.1)	(0.1)
Fair value of plan assets at end of year	725.9	150.7	6.1	882.7
	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2009				
Fair value of plan assets at beginning of year	638.5	165.7	4.6	808.8
Expected return on plan assets	45.9	13.5	0.3	59.7
Employer contributions	49.0	2.9	0.6	52.5
Employee contributions	0.4	1.7	0.2	2.3
Benefits paid	(18.0)	(6.2)	(0.7)	(24.9)
Actuarial loss	(136.2)	(56.4)	(1.6)	(194.2)
Difference on exchange	–	–	0.8	0.8
Fair value of plan assets at end of year	579.6	121.2	4.2	705.0

Notes to the Financial Statements

continued

Movements in the retirement benefit liabilities are as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2010				
Retirement benefit liabilities at beginning of year	(232.6)	(63.0)	(2.8)	(298.4)
Service cost	(2.9)	(2.6)	–	(5.5)
Net finance cost	(12.9)	(2.1)	(0.1)	(15.1)
Curtailment gain	–	2.6	–	2.6
Settlement gain	–	4.1	–	4.1
Contributions	34.8	2.9	0.8	38.5
Actuarial (loss)/gain	(140.7)	(25.8)	0.2	(166.3)
Difference on exchange	–	–	0.1	0.1
Retirement benefit liabilities at end of year	(354.3)	(83.9)	(1.8)	(440.0)

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2009				
Retirement benefit liabilities at beginning of year	(181.6)	(29.0)	(2.5)	(213.1)
Service cost	(4.6)	(3.7)	(0.6)	(8.9)
Net finance (cost)/income	(6.9)	1.0	–	(5.9)
Contributions	49.0	2.9	0.6	52.5
Actuarial loss	(88.5)	(34.2)	(0.1)	(122.8)
Difference on exchange	–	–	(0.2)	(0.2)
Retirement benefit liabilities at end of year	(232.6)	(63.0)	(2.8)	(298.4)

Cumulative net actuarial gains/(losses) recognised in equity are as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2010				
At beginning of year	(108.0)	(34.7)	(2.8)	(145.5)
Net actuarial (loss)/gain recognised in the year	(140.7)	(25.8)	0.2	(166.3)
At end of year	(248.7)	(60.5)	(2.6)	(311.8)

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2009				
At beginning of year	(19.5)	(0.5)	(2.7)	(22.7)
Net actuarial loss recognised in the year	(88.5)	(34.2)	(0.1)	(122.8)
At end of year	(108.0)	(34.7)	(2.8)	(145.5)

The return on plan assets is as follows:

	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2010				
Expected return on plan assets	37.7	9.3	0.2	47.2
Experience gain on plan assets	93.8	30.3	1.1	125.2
Actual return on plan assets	131.5	39.6	1.3	172.4
	Atkins Pension Plan £m	Railways Pension Scheme £m	Other £m	Total £m
2009				
Expected return on plan assets	45.9	13.5	0.3	59.7
Experience loss on plan assets	(136.2)	(56.4)	(1.6)	(194.2)
Actual return on plan assets	(90.3)	(42.9)	(1.3)	(134.5)

History of experience gains and losses:

	2010 Total	2009 Total	2008 Total	2007 Total	2006 Total
Experience gain/(loss) on scheme assets	£125.2m	£(194.2)m	£(88.1)m	£3.4m	£88.4m
Percentage of scheme assets	14.2%	(27.5)%	(10.9)%	0.4%	12.2%
Experience (loss)/gain on scheme liabilities	£(0.3)m	£9.1m	£20.7m	£(0.5)m	£15.8m
Percentage of defined benefit obligation	0.0%	(0.9)%	(2.0)%	0.0%	(1.5)%
Defined benefit obligation	£(1,322.7)m	£(1,003.4)m	£(1,021.9)m	£(1,058.2)m	£(1,021.9)m
Fair value of plan assets	£882.7m	£705.0m	£808.8m	£808.1m	£722.0m
Retirement benefit liability	£(440.0)m	£(298.4)m	£(213.1)m	£(250.1)m	£(299.9)m

The Group expects employer contributions to be paid during the financial year to 31 March 2011 to be circa £36.9m, of which £32.0m is in relation to the funding of the actuarial deficit, and employee contributions paid to be circa £2.1m. Expected benefit payments made directly by the Group to pensioners in the financial year to 31 March 2011 are £nil.

The approximate effect on the liabilities from changes in the main assumptions used to value the liabilities are as follows:

	Change in assumption	Effect on plan liabilities	
		Atkins Pension Plan	Railways Pension Scheme
Discount rate	increase/decrease 0.5%	decrease/increase 10.0%	decrease/increase 9.0%
Inflation	increase/decrease 0.5%	increase/decrease 8.0%	increase/decrease 9.0%
Real rate of increase in salaries	increase/decrease 0.5%	increase/decrease 2.0%	increase/decrease 3.0%
Longevity	increase 1 year	increase 3.0%	increase 2.0%

The effect of the change in inflation on liabilities assumes a corresponding increase in salary increases and inflation-related pension increases.

Notes to the Financial Statements

continued

b) Other post-employment benefit liabilities

The Group operates unfunded gratuity schemes within certain of its non-UK businesses. Members of the schemes are entitled to receive a cash gratuity on leaving the business which is dependent on their length of employment and final salary. Valuation of the gratuity obligation is carried out in line with the principles of IAS 19, *Employee benefits*.

	2010 £m	Group 2009 £m
Other post-employment obligation at beginning of year	13.1	6.2
Service cost	(0.1)	4.0
Interest cost	1.1	0.7
Benefit payments	(3.2)	(1.0)
Difference on exchange	(0.4)	3.2
Other post-employment obligation at end of year	10.5	13.1

The main assumptions used for the IAS 19 valuation of other post-employment benefits are listed in the table below:

	2010	2009
Discount rate	9%	9%
Salary inflation	6%	7%
Average remaining service period	2 years	2 years

30. Other non-current liabilities

	2010 £m	Group 2009 £m
Deferred PFI/PPP bid costs recovered, deferred consideration and development fees:		
Maturing between one and two years	0.8	0.9
Maturing between two and five years	0.9	1.1
Maturing after more than five years	4.1	2.8
	5.8	4.8

31. Ordinary shares

	No. shares	2010 £m	Group and Company 2009 No. shares	£m
Authorised ordinary shares of 0.5p each				
At 1 April	150,000,000	0.8	150,000,000	0.8
Increase in year	30,000,000	0.1	–	–
At 31 March	180,000,000	0.9	150,000,000	0.8
Issued, allotted and fully paid ordinary shares of 0.5p each				
At 1 April	104,451,799	0.5	104,451,799	0.5
At 31 March	104,451,799	0.5	104,451,799	0.5

At the 2009 Annual General Meeting (AGM) held on Wednesday 9 September 2009 a shareholder resolution was passed by which the authorised share capital of the Company was increased by 30,000,000 ordinary shares of 0.5 pence each.

Also at the 2009 AGM, shareholder authority was obtained for the Company to purchase up to a maximum of 10,011,000 of its own ordinary shares (representing approximately 10% of the issued share capital of the Company on 16 June 2009) for a period ending on the earlier of the next AGM or 9 March 2011, provided that certain conditions (relating to the purchase price) are met. The Notice of Meeting for the AGM to be held at 1630 hours on Thursday 9 September 2010 proposes that shareholders approve a resolution updating and renewing this authority. Shares in the Company may also be purchased by Atkins' Employee Benefit Trusts.

As at the date of this report there were 4,341,000 ordinary shares of 0.5p each (nominal value £21,705) held as treasury shares. No shares were purchased during the year ended 31 March 2010 (2009: 1,123,000 at a cost of £11.3m excluding fees and stamp duty). The 4,341,000 treasury shares, which represent approximately 4.2% of the total (2009: 4.2%) of the called-up share capital as at the date of this report, have not been cancelled and represent a deduction from shareholders' equity.

32. Share-based payments

Long-Term Incentive Plans

Atkins Long-Term Incentive Plan (LTIP) September 2006 onwards

A share plan for senior executives and key employees used to make awards to employees that are settled in equity or, in limited circumstances, in cash. There are different performance targets for different categories of management. Awards made to executive directors and senior employees have 50% of the award subject to the Company's total shareholder return (TSR) performance relative to the constituents of the FTSE 250 Index (excluding investment trusts) on the date of the award. Full vesting of this portion of the award will take place if the Company is ranked in the upper quartile and 30% vesting will be achieved with a median ranking, with pro rata vesting for intermediate performance. No vesting will occur for a ranking below median.

The remaining 50% of the award made to executive directors and senior employees is subject to the Company's real growth in normalised earnings per share (EPS) over the performance period. For the 2006 and subsequent awards the growth target required the increase to be more than 10% per annum above the UK Retail Price Index (RPI) in the three-year performance period to allow full vesting; if the increase is less than 4% per annum above the UK RPI then there will be no vesting. A sliding scale operates between 4% and 10% above the UK RPI.

Awards made to other participants are subject solely to the EPS condition. As a general rule awards made to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves as a result of a qualifying reason they receive a pro rated entitlement.

Subject to vesting, participants are entitled to receive the benefit of dividends declared following award, without interest.

Atkins Long-Term Incentive Plan (LTIP) September 2003 to August 2006

A share plan for senior executives and key employees used to make awards to employees that are settled in equity or, in limited circumstances, in cash. The performance condition was TSR with an EPS growth underpin measured over three financial years starting with the financial year beginning immediately after the award was granted. Full vesting of any award took place for a TSR performance where the Company ranked in the top 20% in a group of up to 16 comparator companies, 30% vesting for median ranking and no award if TSR fell below the median. The EPS underpin was the UK RPI plus 2% per annum. As a general rule awards made to participants who left employment prior to vesting were forfeited. In the event that a participant left as a result of a qualifying reason they received a pro rated entitlement. All awards have now vested.

Atkins Long-Term Incentive Plan (LTIP) pre September 2003

A share plan for senior executives and key employees used to make awards to employees that are settled in equity. Awards had an EPS performance condition. EPS was required to be more than 12% per annum above the UK RPI in the relevant three-year performance period to enable all of the ordinary shares to be acquired, but if the EPS growth was less than 5% per annum above the UK RPI then none of the ordinary shares could be acquired. A sliding scale in relation to the number of ordinary shares that could be acquired operated for growth in EPS between 5% and 12% above the UK RPI. Participants are entitled to receive the benefit of dividends declared, without interest, on the shares subject to the award between vesting and exercise. As a general rule awards made to participants who left employment prior to vesting were forfeited. In the event that a participant left as a result of a qualifying reason they received a pro rated entitlement. All awards have now vested.

WS Atkins Employees' Stock Option Plan (ESOP)

A share plan used to make awards to key employees in the US that are settled in equity or in cash and which permitted options to be granted at an exercise price no lower than the market price of a share at the time of grant. Options vested after three years and must be exercised within 10 years of the date of grant. All awards have now vested.

Atkins Restricted Stock Unit Plan (RSU)

A share plan used to make awards to key employees following an acquisition that are settled in equity. There is no performance condition but awards are restricted for three years from the date of award. As a general rule awards made to participants who leave employment prior to vesting will be forfeited. In the event that a participant leaves as a result of a qualifying reason they will receive their award in full.

Notes to the Financial Statements

continued

Deferred Bonus Plans

Atkins Deferred Bonus Plan (DBP)

A share plan for senior executives and key employees that is settled in equity or, in limited circumstances, in cash. There is no performance condition but awards are restricted for at least three years from the date of award. As a general rule awards made to participants who leave employment prior to vesting will be forfeited. In the event that a participant leaves as a result of a qualifying reason they will receive their award in full. In the case of awards to executive directors, the value of shares over which an award may be granted under the plan shall be taken to form part of the annual bonus payable to that participant. Awards may also be granted under the plan to employees below the level of executive directors that do not form part of their annual bonus (for instance, on recruitment of the employee).

Atkins Deferred Share Plan (DSP) (formerly the Atkins Retention Bonus Plan (RBP))

A share plan for senior executives and key employees that are settled in equity or, in limited circumstances, in cash. There is no performance condition but awards are restricted for a set period, fixed by the Remuneration Committee at grant, from the date of the award. As a general rule awards made to participants who leave employment prior to vesting will be forfeited. In the event that a participant leaves as a result of a qualifying reason they will receive their award in full. In the case of awards to senior executives, the value of the shares over which an award may be granted under the plan are taken to form part of the annual bonus payable to that participant. Awards may be made to an executive director under the plan but only in connection with the deferral of an annual bonus entitlement. Awards may also be granted under the plan to employees that do not form part of their annual bonus.

The Group's share-based payments charge for the year of £8.4m (2009: £8.9m) has been included in administrative expenses in the income statement.

The effect of the share-based payment transactions on the Group's result and financial position is as follows:

	2010 £m	Group 2009 £m
Total expense recognised for equity-settled share-based payment transactions	6.8	8.7
Total expense recognised for cash-settled share-based payment transactions	1.6	0.2
	8.4	8.9
Closing balance of liability for cash-settled share-based payment transactions	2.1	1.0

As at 31 March 2010 the following awards were outstanding:

	LTIPs ¹		DBP/DSP ²	
	Number	Weighted average exercise/transfer price	Number	Weighted average exercise/transfer price
Awards outstanding at 1 April 2008	2,241,284	0.78p	1,000,276	–
Granted	441,319	–	798,902	–
Exercised/transferred	(145,700)	–	(213,509)	–
Lapsed	(359,336)	–	(467)	–
Forfeited	(155,712)	–	(63,007)	–
Awards outstanding at 1 April 2009	2,021,855	0.16p	1,522,195	–
Granted	277,000	–	1,280,478	–
Exercised/transferred	(378,211)	–	(414,874)	–
Lapsed	(375,824)	–	(1,845)	–
Forfeited	(125,082)	–	(71,669)	–
Awards outstanding at 31 March 2010	1,419,738	0.23p	2,314,285	–

1. Including LTIP, ESOP and RSU awards.

2. Including DBP and DSP (formally RBP) awards.

The weighted average share price at the date of exercise was 618.39p (2009: 934.86p).

A summary of awards outstanding as at 31 March 2010 is as follows:

Scheme	Award date	Exercise price	Scheme maturity	Maximum term	Weighted average remaining contractual life	Awards outstanding at 31 March 2010	Awards exercisable at 31 March 2010
LTIPs							
LTIP (September 2006 TSR/EPS onwards)	11/09/2006 to 19/06/2009	0.0p	3 years	3 to 10 years	7.81 years	558,574	10,347
LTIP (September 2006 EPS onwards)	11/09/2006 to 27/06/2008	0.0p	3 years	3 to 10 years	6.53 years	784,563	85,300
LTIP (September 2003 to August 2006)	17/09/2003 to 25/06/2004	0.0p	3 to 4 years	10 years	3.88 years	32,625	32,625
LTIP (pre September 2003)	30/11/2001	0.0p	3 years	10 years	1.67 years	2,297	2,297
ESOP	08/06/2001	832.5p	3 years	10 years	1.19 years	400	400
RSU	29/06/2007	0.0p	3 years	3 years	0.25 years	41,279	41,279
DBPs							
DBP	26/08/2002 to 19/06/2009	0.0p	3 years	3 to 10 years	6.41 years	310,969	212,720
DSP (formerly RBP)	29/06/2007 to 27/11/2009	0.0p	2 to 3 years	2 to 10 years	7.69 years	2,003,316	106,896

On 19 June 2009 the Company issued awards over 277,000 shares to employees under the LTIP, 36,904 shares to employees under the DBP and 1,228,436 shares to employees under the DSP (formerly RBP).

On 14 July 2009 the Company issued awards over 9,750 shares to employees under the DSP (formerly RBP).

On 27 November 2009 the Company issued awards over 5,388 shares to employees under the DSP (formerly RBP).

At 31 March 2010 the Company's Employee Benefit Trusts held 2,846,911 shares (2009: 2,339,512 shares) at a nominal value of £0.0m (2009: £0.0m) and market value of £17.7m (2009: £11.6m).

For the purposes of valuing LTIP awards with market performance conditions, the Monte Carlo model has been used to arrive at the share-based payments charge. The assumptions used in the model are as follows:

	2010 LTIP	2009 LTIP
Exercise price	£nil	£nil
Risk-free interest rate	n/a	n/a
Discount in respect of dividend yield	0%	0%
Volatility of share price	39.8%	24.5% and 35.8%
Share price at grant date:		
– 27/06/2008	1,048.0p	1,048.0p
– 27/11/2008	611.0p	611.0p
– 19/06/2009	546.0p	–
Expected term	3 years from grant date	3 years from grant date

Volatility was determined based on the movement in the share price over a period prior to the grant date equal in length to the period over which the TSR condition applies, which equates to a three-year share price history (2009: a three-year share price history). The fair value of share plans involving market performance conditions takes into account market information.

In accordance with the rules of the plan, the Monte Carlo model simulates TSR for the Company and a comparator group. In 2010 and 2009 the comparator group consisted of the FTSE 250 excluding investment trusts. The model takes into account historic dividends and share price volatilities for the Company and the comparator group to produce a predicted distribution of relative share performance.

Awards that do not contain market performance conditions are valued at market value at date of award and discounted in the event that the award does not benefit from dividends during the vesting period.

The weighted average fair value of awards granted during the year was 528.06p (2009: 993.70p).

Notes to the Financial Statements

continued

33. Cash generated from continuing operations

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Profit for the year	77.3	84.2	46.8	9.6
Adjustments for:				
Income tax (note 8)	19.3	18.5	–	–
Finance income (note 7)	(3.8)	(6.7)	(1.0)	(0.8)
Finance cost (note 7)	18.4	9.8	0.3	0.3
Share of post-tax loss/(profit) from Joint Ventures (note 4)	1.9	(0.2)	–	–
Other non-cash costs	0.1	–	–	–
Depreciation charges	15.3	20.7	–	–
Profit on disposal of Joint Venture (note 9)	(0.1)	(2.5)	–	–
Amortisation charges	7.5	12.7	–	–
Release of deferred income	(0.2)	(0.1)	–	–
Share-based payment charge (note 32)	6.8	8.9	–	–
Pensions settlement and curtailment gain (note 29)	(6.7)	–	–	–
Result on disposal of property, plant and equipment	1.4	0.7	–	–
Dividends received	–	–	(12.0)	–
Movement in provisions (note 28)	(5.9)	9.2	–	–
Movement in inventories (note 22)	(0.6)	–	–	–
Movement in trade and other receivables (note 23)	72.1	(34.1)	0.7	(3.0)
Movement in payables (note 27)	(41.9)	45.0	(1.5)	22.6
Movement in long-term payables	1.9	–	–	–
Movement in post-employment benefits (note 29)	(36.3)	(40.6)	–	–
Cash generated from continuing operations	126.5	125.5	33.3	28.7

34. Analysis of net funds

	At 31 March 2009 £m	Cash flow £m	Other non- cash changes £m	Exchange movement £m	At 31 March 2010 £m
Cash and cash equivalents	209.7	49.2	–	1.4	260.3
Loan notes receivable	12.9	7.9	0.4	–	21.2
Financial assets at fair value through profit or loss	28.7	3.7	–	–	32.4
Borrowings due within one year	(2.8)	2.7	(0.6)	–	(0.7)
Borrowings due after one year	(0.6)	–	0.6	–	–
Finance leases	(13.7)	4.9	(1.9)	–	(10.7)
Net funds	234.2	68.4	(1.5)	1.4	302.5

35. Contingent liabilities

The Group has given indemnities in respect of overseas office overdrafts, performance bonds, advance payment bonds, letters of credit and import duty guarantees issued on its behalf. The amount outstanding at 31 March 2010 was £38.7m (2009: £61.5m) including £13.0m in respect of Connect Plus (M25) letters of credit. During the year letters of credit amounting to £25.0m in respect of the Metronet Enterprise expired. The indemnities, which arose in the ordinary course of business, are not expected to result in any material financial loss.

36. Operating lease arrangements

Group	Property £m	2010 Vehicles, plant and equipment £m	Property £m	2009 Vehicles, plant and equipment £m
Future aggregate minimum lease payments under non-cancellable operating leases expiring:				
Within one year	9.5	4.3	13.3	7.8
Later than one year but less than five years	35.9	7.1	27.4	10.5
After five years	108.0	–	130.0	0.2
	153.4	11.4	170.7	18.5

The Company had no operating lease commitments as at 31 March 2010 (2009: £nil).

Group	Property £m	2010 Vehicles, plant and equipment £m	Property £m	2009 Vehicles, plant and equipment £m
Amounts receivable under non-cancellable operating leases expiring:				
Within one year	0.1	0.4	0.1	0.2
Later than one year but less than five years	1.7	–	0.3	2.4
After five years	0.2	–	1.3	0.5
	2.0	0.4	1.7	3.1

The Company had no operating lease receivables as at 31 March 2010 (2009: £nil).

37. Capital and other financial commitments

	2010 £m	Group 2009 £m
Capital expenditure contracted for but not incurred – property, plant and equipment	0.3	2.2

The Group is committed to make payments for equity and debt into Special Purpose Companies under Public Private Partnership (PPP) and Private Finance Initiative (PFI) contracts of £12.1m (2009: £20.0m).

38. Related party transactions

Details of the directors' shareholdings, share options and remuneration are given in the Remuneration Report, which forms part of these Financial Statements.

Transactions with the retirement benefit schemes are shown in note 29.

Details of the Company's principal subsidiaries are shown in note 39 and principal Joint Ventures in note 40.

a) Group sales and purchases of goods and services to/from Joint Ventures

	2010 £m	Group 2009 £m
Sales of goods and services to Joint Ventures	20.6	26.4
Purchases of goods and services from Joint Ventures	–	–

Notes to the Financial Statements

continued

b) Group year end balances arising from sales/purchases of goods and services to/from Joint Ventures and loans provided to Joint Ventures

	2010	Group
	£m	2009
		£m
Receivables from Joint Ventures	3.2	7.8

Receivables from Joint Ventures are shown net of contract-related provisions of £nil (2009: £23.1m).

Payables to Joint Ventures	–	–
----------------------------	---	---

c) Group year end balances arising from loans provided to other related parties

	2010	Group
	£m	2009
		£m
Receivables from related parties (note 21)	7.9	–

d) Company sales/purchases of goods and services to/from subsidiaries

The Company did not sell any goods or services to subsidiaries during the year (2009: £nil). The Company did not purchase any goods or services from its subsidiaries during the year (2009: £nil).

e) Company year end balances with subsidiaries

	2010	Company
	£m	2009
		£m
Receivables from subsidiaries	11.3	11.4
Payables to subsidiaries	42.2	57.4

Provision of goods and services to and purchases of goods and services from related parties were made at the rates charged to external customers. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of amounts owed by related parties and £nil charged to income and expense (2009: £nil).

Receivables from subsidiaries are shown net of impairment of £75.4m (2009: £111.5m).

f) Key management compensation

Key management comprises the executive and non-executive directors, and certain senior managers who are members of the Group Executive.

	2010	Group
	£m	2009
		£m
Salaries and other short-term employment benefits	6.5	5.1
Post-employment benefits	0.3	0.2
Share-based payments	1.6	1.3
	8.4	6.6

39. Subsidiary undertakings

The following companies were the principal subsidiary undertakings as at 31 March 2010:

	Country of registration/ incorporation	Class and percentage of shares held	Nature of business
Atkins China Limited	China	100% ordinary	Consulting engineers
Atkins Facilities Management Limited	England and Wales	100% ordinary	Property services
Atkins Investments Limited ¹	England and Wales	100% ordinary	Investment company
Atkins Limited ¹	England and Wales	100% ordinary	Consulting engineers
Atkins Investments UK Limited	England and Wales	100% ordinary	Holding company
Faithful & Gould Inc ¹	USA	100% ordinary	Project and programme management consultants
Faithful+Gould Limited ¹	England and Wales	100% ordinary	Quantity surveyors and cost estimators
WS Atkins & Partners Overseas ¹	Gibraltar	100% ordinary	Consulting engineers
WS Atkins Insurance (Guernsey) Limited ¹	Guernsey	100% ordinary	Insurance
WS Atkins International Limited ¹	England and Wales	100% ordinary	Consulting engineers

1. Owned by a subsidiary undertaking other than WS Atkins plc.

The percentage of the issued share capital held by the Group is equivalent to the percentage of voting rights held. The Group holds the whole of all classes of issued share capital.

All the above operate in the country of registration, except for WS Atkins & Partners Overseas, which operates in the Middle East.

A full list of subsidiary companies will be filed at Companies House with the Company's Annual Return.

40. Joint Ventures

The following represents the principal Joint Ventures in which the Group participated during the year:

Name	Nature of business	Proportion of shares held ²	Date of last audited financial statements	External auditors
RMPA Holdings Limited ¹	Holding company for companies involved in the design, financing and construction of the MoD garrison facility at Colchester.	14.0%	31 Mar 2009	KPMG Audit PLC
Connect Plus Services (unincorporated)	Joint Venture undertaking operation and maintenance on the M25 over the next 30 years.(32.5% interest).	n/a	n/a	n/a

All Joint Ventures operate in the United Kingdom unless otherwise stated.

1. Owned by a subsidiary undertaking other than WS Atkins plc.

2. Proportion of shares held is in respect of ordinary share capital. There are no special rights or constraints on the shares. There are no restrictions on distributions from any of these Joint Ventures.