



ANNUAL REPORT

08





Contents

BUSINESS REVIEW

- 01** Financial Highlights
- 02** Chairman's Statement
- 06** Operating and Financial Review
- 09** Risk Management
- 12** Property
- 14** Transport & Infrastructure
- 16** Environment & Energy
- 18** Management & Industrial
- 20** Our People
- 23** Financial Performance
- 28** Sustainability Report

- 36** Board of Directors
- 38** Performance Committee

GOVERNANCE

- 39** Director's Report
- 44** Statement of directors' responsibilities
- 45** Corporate Governance Report
- 50** Directors' Remuneration Report
- 56** Independent Auditors' report

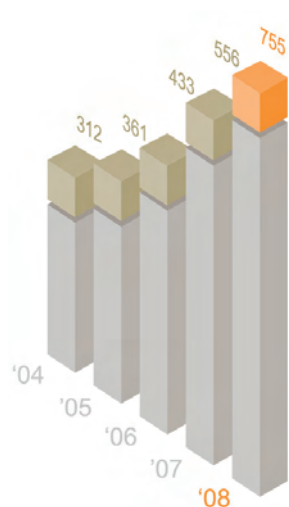
FINANCIAL STATEMENTS

- 58** Consolidated Income Statement
- 58** Statements of Recognised Income and Expense
- 59** Balance Sheets
- 60** Cash Flow Statements
- 61** Accounting Policies
- 66** Notes to the financial statements
- 96** Five Year Review
- 97** Shareholder Information

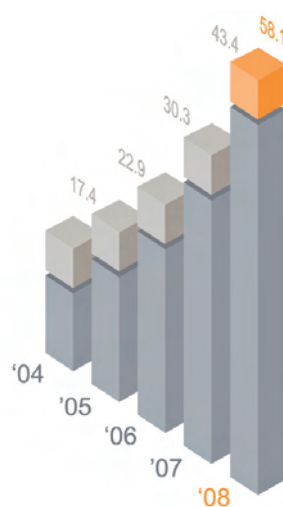
WSP is a global business with the vision to be the outstanding supplier of specialist and integrated services in the built and natural environment.

The colour sections of this report have been designed in-house by WSP. All the project photography included in the report has been provided by our very own WSP people who collaborated in an international photographic competition to submit exciting, abstract images of WSP projects, expressing the innovative nature of the work we do. We hope you will enjoy the images which reflect the high standard of the entries received.

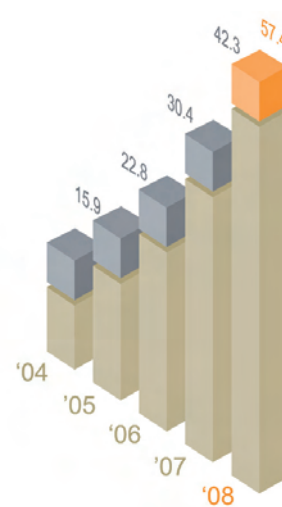
Financial Highlights



Revenue (£m)



Adjusted profit before interest and taxation (£m)*



Adjusted basic earnings per share (pence)*

*Profit before interest and taxation together with basic earnings per share are adjusted by adding back amortisation of intangible assets arising on business combinations (including tax effect) and deducting exceptional items and the profit on sale of a subsidiary undertaking. These adjustments are set out in the five year summary on page 96.

WSP operates in four core divisions of Property, Transport & Infrastructure, Environment & Energy and the newest division, Management & Industrial.

WSP Property is an international leader in structural, building services design and associated engineering for all types of buildings in both the private and public sectors.

WSP Transport & Infrastructure provides design engineering for roads, rail, marine, bridges, tunnels and utility services predominately in the public sector.

WSP Environment & Energy is a global business providing a broad range of 'green' services with particular emphasis on sustainability.

WSP Management & Industrial provides industrial process engineering, project management and front end management consulting services.

Chairman's Statement



David Turner
Chairman

I am particularly pleased to report that WSP has delivered an excellent trading and financial performance in 2008, which was ahead of our expectations.

The diversification of our business together with the depth and experience of our management team positioned us well to address the downturn and to mitigate the impact of declining markets in certain of the areas where we work.

Financial Performance

Revenue has increased to £755.2m (2007: £556.5m) an increase of 36%, of which 21% represents underlying organic growth. The series of acquisitions completed in the second half of 2007 and now integrated into the Group generated revenue of £121.7m, which represented a significant increase on their previous trading levels.

Operating profit, before exceptional items, increased to £56.7m (2007: £42.0m), an increase of 35%, representing a profit margin of 7.5% (2007: 7.5%). This is shown after charging one off restructuring costs of £3.5m, designed to give cost savings in excess of £12m in 2009 and beyond. Underlying profit margin, excluding these restructuring costs, were 8.0%. 2008 operating profit has benefited from the strength of the Swedish Kronor and the US Dollar against Sterling by approximately £2.4m on a like for like basis when compared to the previous year.

Profit before tax and exceptional items was £51.1m (2007: £39.6m) a rise of 29% after a net finance cost of £7.0m (2007: £3.8m), which reflects additional interest payable on the acquisitions in 2007.

Exceptional items, before tax, show a net gain of £1.0m (2007: loss £1.7m) and relate to a pension curtailment gain in Sweden, gains on the sale of equity investments in WSP subsidiaries, the double rent on office moves following the relocation of headquarter buildings in London and New York, the impairment of specific goodwill and the amortisation of intangible assets arising on business combinations.

Basic and diluted earnings per share, before exceptional items, increased from 45.6p and 44.9p to 57.5p and 56.6p respectively, an improvement of 26%. Basic and diluted earnings per share after exceptional items increased from 43.0p and 42.3p to 58.3p and 57.4p respectively, an improvement of 36%.

During 2008 the Group renegotiated its borrowing facilities with a syndicate of relationship banks. Facilities of £150m are now in place, which are repayable in 2013. At the end of 2008 net debt



amounted to £56.2m leaving substantial headroom and well within our banking covenants.

Despite the economic conditions our order book has remained strong at £1.1bn (2007: £0.9bn) helped by major long term project wins particularly in the Transport & Infrastructure division. The split of our work between the public and private sector is now equal, illustrating the success of our diversification strategy, and the strong growth we have achieved in working for Governments, States and Authorities around the world.

In view of the financial results and in line with the Board's progressive dividend policy, the Directors are proposing a final dividend of 10p (2007: 8p) per ordinary share making a total for the year of 15p (2007: 12p) which represents an increase of 25% over the previous year and is covered 3.9 times (2007: 3.6 times).

Business Review

During the year we have had to contend with changing economic conditions including declining markets in the private sector of the UK and, to a lesser extent, the USA and Australia. Towards the end of the year, we witnessed an unprecedented slowdown in Dubai. In contrast, the public sector in the UK and the USA continues to grow and all our business activities in Sweden, Germany, South Africa and Asia are robust.

Our businesses in the UK and Europe represent 36% and 30% respectively of the Group's total revenue. The USA accounts for approximately 16% of revenue, leaving the balance of 18% broadly spread across Australia, Asia, India and the Middle East. Whilst declining markets in these smaller regions need to be managed the impact on the Group's overall performance is relatively limited.

The Property division has continued to grow during the year; however, in the last quarter some regions have experienced declining markets due to the increasing effect of the lack of liquidity. In the UK, sectors such as commercial, retail and residential are very quiet, whereas education, health and public buildings remain active, as does the development of property

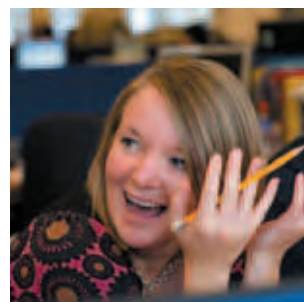
assets around transport hubs. In Europe our property and industrial divisions remain busy with little reliance on commercial and retail work. We continue to work on very significant projects in the USA, including the Ground Zero site, and these will continue through 2009 and beyond despite the general market malaise.

Our business in the Middle East has grown significantly over the last three years however there has been a material change in the Dubai economy and in particular the real estate market. We have responded immediately to reduce our resource and we are actively transferring staff to adjacent regions in response to new business opportunities. We continue to bid for a number of major projects in the wider region and have won prestigious projects in Abu Dhabi and Qatar. Naturally, we are mindful of the current financial risks in the region, and we are being discerning on which projects and for which clients we work. Where necessary we have made appropriate and prudent provisions in respect of potential impairment of trade receivables and unbilled amounts due on contracts.

Our growing Transport and Infrastructure division has performed well. In the UK, we have continued to make progress in the Local Authority market, an area of increased focus for us over the last few years. Our investment into UK rail has shown benefits with major station refurbishment projects and our appointment to the design framework for Crossrail stations.

We hold a market leading position with the Swedish Road and Rail Authorities which contributes approximately 5% of our global revenue and we are working on many major infrastructure projects throughout Scandinavia. WSP Sells, which is a leading bridge inspector and infrastructure specialist in the USA, is already seeing benefits from the US Governments' stimulus package and we believe similar proposals are likely to be introduced elsewhere in the world from which the Group will benefit.

Environment and Energy continues to deliver good results benefiting from its position as one of the world's leading





environmental consultants. Performance continues to be underpinned by the growing awareness of environmental protection and the threat of climate change. We continue to be encouraged by the emergence of a market that sees clients addressing sustainability of the built environment in their business models.

As anticipated we have benefited from the introduction of new legislation driven by climate change and energy security. In the European Union, the introduction of the Energy Performance in Buildings Directive has been a key driver of growth and has more than compensated for the decline in transactional due diligence work. Furthermore we are well positioned to capitalise on market opportunities from the Carbon Reduction Commitment and other Regulations that will be introduced as the world moves towards a lower carbon economy.

Our global structure allows us to export our skills in the growth markets of renewable energy, climate change consulting and the remediation of legacy environmental liabilities. We are supporting some of the world's largest organisations with a full suite of environmental and energy services and the number of appointments under global client frameworks have increased. Whilst not immune to market downturn in certain sectors, our strategy to establish a diverse business is delivering the expected resilience.

Management and Industry, our fourth core division, has progressed well with the new businesses acquired in 2007, CEL Engineering in the UK and CBP in Germany, integrating well and delivered results in line with our expectation.

Corporate Strategy

We completed the fourth year of our Strategy Plan and significantly exceeded our growth ambitions. The market has changed, however, and we have therefore reviewed both our short and long term strategy.

We believe that the diversity of our business in terms of sectors,

skills and geography is critical to our success, even more so when certain regions and sectors are seeing downward pressure. In the last year we have achieved meaningful penetration into new sectors such as rail, water, international master planning, industrial engineering and project management. We will continue to develop these new opportunities notwithstanding our short term operational focus.

Following a detailed review of our business model, we are in the course of preparing a new Strategic Plan. However, given market conditions we are presently focussed on the operational priorities of delivering quality services to clients, matching costs to revenue and ensuring effective cash management.

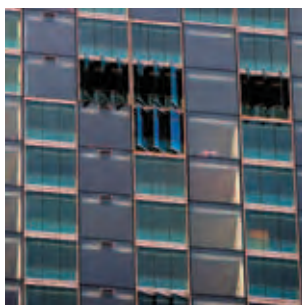
Our medium term objective remains that of profitable diversified growth and we have identified specific areas where we wish to reinforce our multidisciplinary service as well as potential new markets. With our capable management team and available resources we look forward to the resumption of more stable markets and the opportunities that will present themselves to the Group.

Our experience in acquiring and integrating businesses to support our strategy of diversification will continue, but only in a timely manner. When appropriate, and when stability returns to the markets, it is our intention to resume acquisitive growth and be proactive in the consolidation of our sector which we believe will occur in due course.

People

At the end of the year we employed over 10,000 people and we are continuing to recruit personnel to handle work in sectors where we have a growing presence, such as energy, sustainability, water, process engineering and rail.

However, we have also had to make reductions to staff operating in the private sector and it is likely that further cuts will take place as we adjust our resource to align with our revenue. It is with a natural reluctance that we have to release some of our





valued workforce and we are conscious of the need to handle this both professionally and sensitively.

We are continuing with graduate recruitment, the talent management programme, WSP University and our young advisory Taskforce teams which are essential to ensure that we are well resourced to address the future. We are an attractive employer, giving career opportunities across the world, and we will continue to provide a progressive employment policy to ensure we continue as an employer of choice.

I would therefore like to thank our worldwide workforce most sincerely for their hard work and commitment to deliver the excellent results in 2008. The motivation and focus of our management and staff ensures we are well equipped to address the uncertain markets that lie ahead.

As previously announced, as part of our succession strategy, Malcolm Paul, our Group Finance Director since the floatation of WSP in 1987, will be leaving the Board at the Annual General Meeting on 6 May 2009. Malcolm's contribution to the successful development and growth of WSP has been significant and we are very appreciative of his commitment. On behalf of the Board and all our staff, I thank him for his services to the Group over the last 21 years. Malcolm will be succeeded by Peter Gill, a chartered accountant and experienced public company finance director.

In addition, Ernest Sheavills retired from the Board at the end of 2008 and we thank him for his valued contribution to the Group over the three year period of his appointment. Our new independent non executive director is Anders Karlsson, a Swedish businessman, who will bring a wealth of international experience to the Board.

Outlook

The markets are uncertain and may remain so for some time. We will focus on the basic business imperatives of client delivery, cost control and cash management and remain agile in our operations to address further changes in the markets. Through diversification we have benefited from strong markets whilst others have declined and the fact that all markets and sectors do not decline either at the same rate or the same time is proving to be of significant benefit to the Group. We will work hard to benefit from strong markets whilst vigorously addressing the challenges elsewhere.

Our strong position in Northern Europe and increased focus on the public sector will serve us well. I am optimistic that WSP will perform strongly within its global peer group due to the broad international spread of our business and the increasing proportion of public sector work. Furthermore, through the opportunities we are already pursuing we expect to continue to win major international projects that can only be served by the larger multidisciplinary consultants. We are also well positioned to benefit from the world's growing requirement for sustainable solutions and carbon management to address climate change issues.

In these challenging times, the momentum with which the Group has entered 2009, together with our overall order book and secure bank facilities provide a solid platform for the Group's trading outlook.

We are not immune to the effects of recession around the world, but our current trading and experienced management provide me with confidence that we will be resilient during this period and will emerge an even stronger Company as markets improve.

David Turner

Chairman
5 March 2009



Operating and Financial Review



Malcolm Paul
Group Finance Director

Christopher Cole
Chief Executive

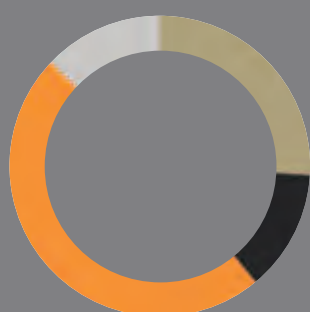
WSP has delivered a record performance in 2008 with strong earnings and profit growth, and a significant enhancement in earnings per share. Our special focus on managing cash flows has resulted in year end net debt of £56.2m against our bank facilities of £150m, committed until 2013.

However, there is considerable uncertainty as to how markets will respond over the coming months and WSP is focused on ensuring that we continue to deliver quality services to clients, flexing our cost base to match anticipated revenue and placing cash management at the forefront of our agenda.

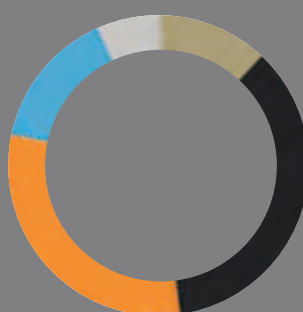
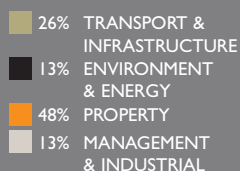
During 2008 we took action to reduce our global workforce by approximately 5% at a one off cost of £3.5m, which we forecast will result in annualised cost savings in 2009 and thereafter of more than £12m per annum. The continuing deterioration of market conditions in Dubai and in the private sector in the UK means that we will continue to take such action where it is deemed appropriate.

In Sweden, which alone generates 23% of Group revenue, we hold a major position in road and rail design engineering and the market remains good with high staff utilisation.

Whilst we recognise the difficulty of the current market and the uncertainties that exist, WSP is a well established, well managed business with diverse operations. Overall, the flexibility of our workforce and our broad international coverage positions the Group to respond effectively to the changing economic conditions.



2008 REVENUE
BY DIVISION



2008 REVENUE
BY REGION





The WSP Business Model and Strategy

Our business model and strategy has remained broadly unchanged during 2008. WSP is a diversified global business operating in four core divisions of Property, Transport & Infrastructure, Environment & Energy and the newest division, Management & Industrial.

WSP Property is an international leader in structural, building services design and associated engineering for all types of buildings in both the private and public sectors.

WSP Transport & Infrastructure provides design engineering for roads, rail, marine, bridges, tunnels and utility services predominately in the public sector.

WSP Environment & Energy is a global business providing a broad range of "green" services with particular emphasis on sustainability.

WSP Management & Industrial provides industrial process engineering, project management and front end management consulting services.

Our vision is to be the outstanding supplier of these specialist and integrated services and to fulfil this vision we actively promote our core values of Trust, Sharing & Supporting, Pride & Passion, Sustainability and Innovation.

The Group has permanent offices in more than 40 countries around the world and carries out projects in many more. The average number of staff employed by the Group during 2008 was 9,945 (2007: 8,197).

In 2005 we commenced the WSP five year Strategic Plan designed to set financial and operating targets to improve the business for all our stakeholders.

At the end of the fourth year we continue to deliver against this Plan. Revenue, as restated to reflect the proportionate consolidation of joint ventures, has increased from £312m in 2004 to £755m, an increase of 142%, whilst operating profit margins have increased from 5.5% to 7.5%.

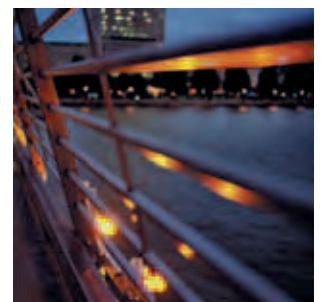
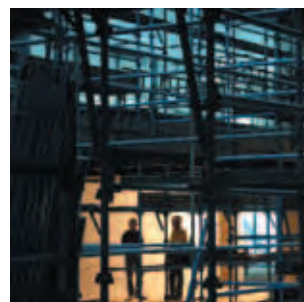
Many new services have been added to our skill base either as a result of specifically targeted acquisitions or, organically, where market conditions have created opportunity.

However, the recent changes in economic conditions, totally outside our control, have resulted in the Group re-examining its existing strategy in order to ensure that WSP is in a position to respond effectively. In the present market, we believe that the short term imperatives of client satisfaction, cost controls and cash management should be our focus and, whilst we remain committed to diversification, this has to be in the context of a longer term aim.

We remain one of a very small number of international design engineering and environmental businesses capable of delivering a one stop shop, where our clients may choose a combination of our services, and our network of international offices enables the Group to respond effectively to the demands of our global clients.

Our employees remain our greatest asset and through an integrated approach to induction, training, global opportunities and career development we are able to attract the best qualified professionals at all levels within the Group.

Diversification of skills, sectors and regional coverage remains the cornerstone of our business model and has underpinned our performance during 2008. In the prior year we made a series of strategic acquisitions to broaden our skill base and widen our international presence. These acquisitions have now been integrated into the Group and have made strong contributions to our results for the year.





The Market and WSP's Clients

Market dynamics vary dramatically depending where in the world the Group is operating. Approximately 64% of the Group's revenue arises on projects outside the United Kingdom, with almost half of this in the Northern European markets where, to date, we have seen limited impact from the global downturn.

Presently public sector work, which represents approximately 50% of our total revenue, is proving resilient and we believe the new stimulus packages being promoted by many Governments will underpin this work. Whilst this may ultimately be impacted by declining tax revenues from the private sector it appears that Governments are prepared to increase their borrowing requirement in order to finance their recovery plans.

Property

The Property division, with its broad base of technical skills, contributes the largest portion of our revenue at 48%. The services offered from all our offices worldwide include the design and contract supervision for any type of building including hospitals, prisons, schools, airports, railway stations, leisure facilities, retail, commercial and residential developments.

Market conditions vary considerably depending upon the region and the state of the local economy. In general, public sector projects and those concerned with transport hubs are proving to be resilient whereas developments relying on funding from the banking community have come under pressure.

Our technical staff are able to work on a diverse range of projects and, within their specific discipline, easily transfer their design skills from one type of building to another. In addition, the global nature of our business and the fact that designs may be prepared at distance from the project site has allowed us to maintain levels of staff utilisation and respond to the demands of a rapidly changing market place.

Transport & Infrastructure

The Transport and Infrastructure division represents 26% of our total revenues and, again, we have well established businesses in all our geographic regions. Virtually all the business is generated by the public sector and a Government's investment strategy towards infrastructure requirements results not only in their financial commitment being published but leads to a workload with high visibility. Long term contracts are the norm and WSP has been successful during 2008 in increasing both the size and length of our Infrastructure order book and at satisfactory fee rates.

In the USA, WSP Sells which was acquired in 2007 has been an early beneficiary of that country's enhanced infrastructure spending and has already built a strong order book for the current year and beyond.

Environment & Energy

The environment and energy sectors have remained robust however we have had to respond to the declining commercial markets and create opportunities elsewhere. The continual introduction of new legislation designed to enhance sustainability has enabled this division to contribute 13% of the Group's revenue.

We are one of a very small number of environmental consultants who have true global reach and this has helped us secure important framework contracts with large multi national clients. Whilst the order book is otherwise short, the blue chip quality of our clients in both the public and private sector provides a strong base to continue to build the division.

Management & Industrial

Following the acquisitions of CBP in Germany and the UK based CEL Engineering in the second half of 2007, we now report a fourth core division, Management & Industrial, which this year contributed 13% of Group revenue.



Total Revenue by Region (based on location of client)

	2008 Revenue £m
United Kindom	274.6
Mainland Europe	225.6
United States of America	116.6
Africa & Middle East	86.5
Far East & Australia	51.8
Total	755.2



Comprising those separately identifiable businesses that provide project management, industrial process engineering and front end management consulting services, this division has performed well in 2008. The nature of their business is built on long term contracts and therefore provides good visibility which presently remains broadly unaffected by market conditions.

Financial Headlines

Despite the economic climate, WSP has delivered excellent financial results for the year under review.

Revenue, which includes the proportionate consolidation of joint ventures, has increased to £755.2m (2007: £556.5m), an increase of 36%. The acquisitions completed during the second half of 2007 contributed revenue of £121.7m, meaning underlying organic growth of 21% was achieved.

Operating profit, before exceptional items was £56.7m (2007: £42.0m), representing an increase of 35%. These results are after deducting a charge of £3.5m, being the one off cost of staff reductions during the year. The resulting operating profit margin of 7.5% (2007: 7.5%) is therefore an excellent outcome. Profits have been further enhanced by the contribution from our principal associate in Norway, Multiconsult AS, which contributed a further £2.0m before tax (2007: £1.9m).

The detailed information that follows provides an overview of the separate core business divisions, demonstrating the international diversity as well as some important contract wins.

Where appropriate we support the headline financial performance with Key Performance Indicators that we regard as being particularly relevant to our business, including profit margins, order book analysis and staff numbers. Whilst the future order book provides an indication of the visibility and resilience of our business we cannot guarantee that projects will not be deferred or stopped altogether. For this reason internally, we manage our businesses by using a rolling three month order book which enables management to match their staff resources to predicted revenue.

The numbers of staff reported in this Review reflect the full time equivalents employed by the Group at 31 December 2008 and 2007.

Risk Management

In managing WSP we recognise the risks inherent in our business model and have identified those areas which may have a particular impact on our business.

In the present economic downturn our short term strategy is based on delivering client satisfaction whilst managing our cost base and ensuring strong cash flows.

At operating company level we carry out quarterly assessments of how these risks change and how the Group responds to changing circumstances. The results are discussed by the Main Board twice a year.

Headline Results before exceptional items

	Revenue (£m) 2008	Revenue (£m) 2007	Increase
Property	363.7	280.2	29.8%
Transport & Infrastructure	198.6	141.1	40.8%
Environment & Energy	92.9	80.7	15.1%
Management & Industrial	100.0	54.5	83.5%
Revenue	755.2	556.5	35.7%
	Profit (£m) 2008	Profit (£m) 2007	Increase
Property	26.4	22.3	18.4%
Transport & Infrastructure	14.2	10.0	42.0%
Environment & Energy	7.2	6.1	18.0%
Management & Industrial	8.9	3.6	147.2%
Operating Profit	56.7	42.0	35.0%
Associated undertakings, net of tax	1.4	1.4	
Profit before interest and taxation	58.1	43.4	33.9%
Net finance Costs	(7.0)	(3.8)	
Profit before tax	51.1	39.6	29.0%
Taxation	(14.9)	(11.2)	
Profit after tax	36.2	28.4	
Adjusted basic earnings per share	57.5p	45.6p	26.1%
Adjusted diluted earnings per share	56.6p	44.9p	26.1%

The directors believe that to assist stakeholders to understand the underlying performance of the Group the statutory profit should be adjusted by excluding exceptional items, details of which are shown on the Consolidated Income Statement on page 58 and later in this Review.



Key Risks in 2009

- Economic downturn
- Resource utilisation
- Reputational risk
- Business interruption
- Cash management
- Client satisfaction
- Litigation and PI claims

Economic downturn

Major construction expenditure in certain countries has been impacted by the liquidity crisis. Having already recognised this risk the Group had embarked upon a strategy of diversification both in terms of geographical regions, sectors of business and a broad range of skills, believing that negative external economic factors were unlikely to apply to every region in which the Group operated at exactly the same time. This has proved to be the case. In addition the Group is equally exposed to both the public and private sectors. Public sector work continues to provide substantial, long term work at known prices whilst private sector work remains at risk from the lack of funding sources.

Cash management

Effective cash management is critically important to successfully managing a service industry where the majority of costs, including payroll, are paid before fees are collected from clients. To address this issue WSP has built strong relationships with a number of retail banks around the world who provide the finance for working capital and, where appropriate, acquisitions. New long term banking facilities, details of which may be found later in this Review, were negotiated prior to the deterioration of the credit markets and the Group is well positioned as regards its future funding requirements.

The Group has robust financial management systems and we have developed a series of financial matrices to facilitate the effective short, medium and long term awareness of our global cash requirements.

Resource utilisation

A key objective of the Group's strategy is to match our resources to expected revenue and maximise staff utilisation. Where projects are based on time and materials the recording and monitoring of time spent and recovered is a straight forward process to monitor and where this is the norm utilisation figures are regularly and closely watched. On contracts where our fees are related to the cost of build we use resource management tools to analyse our progress and using the financial assessment of stage of completion coupled with costs to complete we ensure we meet improving utilisation targets.

Client satisfaction

Providing client satisfaction by delivering high quality work, particularly in difficult markets, is critical to the success of WSP. Most of our work is for Governments, blue chip Institutions and major corporate clients who have a regular and recurring need for our services. Repeat orders underpin our order book so our management teams are focused to ensure the delivery of an excellent service in a timely and focused manner.

Reputational risk

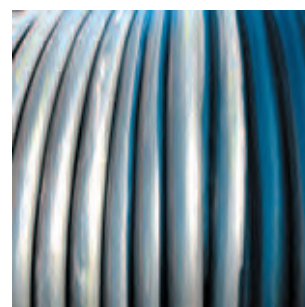
As a world leader in our industry it is essential that we maintain our reputation for the delivery of high quality work, on time and on budget. Our quality control systems are designed to ensure the work we produce is of the highest standard and we have a system of peer reviews to check and monitor progress. We want our brand to represent excellence and we have developed programmes to promote and protect our brand for the benefit of the Group as a whole.

Litigation and Professional Indemnity claims

The nature of construction is such that situations arise from time to time on projects where claims for professional negligence of design or delays may arise from clients, contractors or other professionals. Our experience, and that of the insurance industry, is that the risks of claims increase when markets become more difficult. We have established processes which are designed to respond to such situations as soon as they become apparent as we know that a timely response will limit the Group's exposure. We have a well developed insurance programme across the world that will respond to such claims and where appropriate the Group makes provision for any uninsured loss as soon as it is identified. On rare occasions litigation may follow however wherever possible the Group will use arbitration or mediation services to reach an amicable solution.

Business interruption

WSP makes extensive use of technology to support its business services and knowledge management databases. We have an effective IT platform and we have established procedures to protect the Group against data loss or damage. We monitor our IT security procedures on a regular basis and an early requirement for acquisitions is to ensure that they use properly licensed software and have an appropriate control regime. With offices in many countries we naturally limit our exposure to interruptions that may result from the loss of facilities in any one location.





Property

THE PROPERTY DIVISION, WITH ITS BROAD BASE OF TECHNICAL SKILLS, CONTRIBUTES THE LARGEST PORTION OF OUR REVENUE AT 48%. THE SERVICES OFFERED FROM ALL OUR OFFICES WORLDWIDE INCLUDE THE DESIGN AND CONTRACT SUPERVISION FOR ANY TYPE OF BUILDING.

The Property division generated total revenue of £363.7m of which £56.3m came from acquisitions made during the second half of 2007. Overall operating profit margins declined from 8.0% to 7.3% with the largest decreases seen in the UK and the Middle East. Particularly good performances were noted in Europe and the USA and generally across those businesses acquired in 2007.

During the latter part of 2008 we saw a decline in the UK order book, particularly in private sector work, and we took immediate action to reduce staff and this will continue into 2009.

Elsewhere, our order book has held up well, however having reached a peak of activity in Dubai in September 2008 we are now reducing staff numbers in response to the rapidly slowing market.

In the UK, we continued successfully to diversify away from the private and into the public sector including health, education and both central and local government. We have strong credentials in education where we have been appointed to the technical advisory framework for Building Schools for the Future as both lead and technical advisors.

In healthcare, we continue to build long term relationships and we are significantly involved in the major frameworks which include ProCure 21 in England, Design for Life in Wales and Framework Scotland - Excellence in Healthcare Construction. Recent notable project wins include North Tees NHS Trust, Sussex Partnership NHS Trust and Surrey and Borders NHS

Trust. Framework Scotland was won at the end of 2008 and two major projects have already been secured. We have also secured an appointment to provide new facilities at Great Ormond Street Hospital.

We have redeployed a number of our staff on International projects including Blue City, a substantial coastal residential project in Oman, Anfa Place which is a Foster+Partners project in Casablanca and Masdar City in Abu Dhabi.

In Sweden, both the commercial and residential market have decreased in volume however important projects have been won in specialist engineering and mining such as the new pier to be built in the Värta harbor in Stockholm, the extensive rebuilding of the copper mine Atik to double production and the new enrichment works in Kiruna, thus demonstrating the flexibility of our technical staff.

In the USA we have been awarded a tall tower in downtown Manhattan for a well known hotel operator and a 42 storey commercial office tower to be built in Times Square. Our experience in working overseas has also brought projects in a number of cities in India as well as in Saudi Arabia and the Far East.

The difficulties in Dubai have been widely reported however we continue to support major clients in the region. In addition we are increasing our workload in adjoining countries including Bahrain, Qatar, Libya and Morocco.

	2008			2007		
	Revenue £m	Adjusted Profit £m	Profit Margin %	Revenue £m	Adjusted Profit £m	Profit Margin %
Continuing						
United Kingdom	109.6	6.4	5.8	107.0	8.1	7.6
Mainland Europe	74.9	7.2	9.6	58.0	4.3	7.4
United States of America	62.6	6.0	9.6	52.5	4.6	8.8
Africa, India & Middle East	52.8	2.3	4.4	39.1	3.3	8.4
Far East & Australia	7.5	0.3	4.0	5.0	0.3	6.0
	307.4	22.2	7.2	261.6	20.6	7.9

Acquisitions in H2 2007

Mainland Europe	12.4	0.5	4.0	2.6	0.1	3.8
United States of America	13.6	1.4	10.3	1.6	0.1	6.3
Africa, India & Middle East	3.6	0.5	13.9	2.2	0.3	13.6
Far East & Australia	26.7	1.8	6.7	12.2	1.2	9.8
	56.3	4.2	7.5	18.6	1.7	9.1
	363.7	26.4	7.3	280.2	22.3	8.0



	Order Book £m		Employee N°s	
	2008	2007	2008	2007
United Kingdom	184.0	211.6	1,584	1,505
Mainland Europe	87.7	72.2	1,133	1,046
United States of America	125.9	120.4	705	727
Africa, India & Middle East	98.6	91.3	1,420	1,107
Far East & Australia	57.9	46.3	744	653
	554.1	541.8	5,586	5,038



Transport & Infrastructure

THE TRANSPORT AND INFRASTRUCTURE DIVISION REPRESENTS 26% OF OUR TOTAL REVENUES WITH WELL ESTABLISHED BUSINESSES IN ALL OUR GEOGRAPHIC REGIONS. VIRTUALLY ALL THE BUSINESS IS GENERATED BY THE PUBLIC SECTOR AND A GOVERNMENT'S INVESTMENT STRATEGY TOWARDS INFRASTRUCTURE REQUIREMENTS RESULTS IN A WORKLOAD WITH HIGH VISIBILITY.

The strategy of building a significant presence in Transport & Infrastructure, which is characterised by a highly visible order book supported by long term contracts and framework agreements, has been justified by the very strong organic growth achieved in 2008. The Group now accounts for joint ventures using proportionate consolidation and the comparative figures have been restated.

Excluding the contribution from businesses acquired in 2007, organic growth of 31% has been achieved with revenue growing to £178.7m generating operating profit of £13.2m representing an increase in margins from 7.1% to 7.4%. The prior year acquisitions contributed revenue of £19.9m and a profit of £1.0m.

In January 2008, the May Gurney WSP joint venture was successful in winning the sustainable transport highway services contract for Northamptonshire County Council and shortly after we won in joint venture with Carillion Area 8 Managing Agent Contract. This has had a significant impact on the visibility of the UK long term order book.

In the UK utilities infrastructure sector, WSP has secured design and build appointments with infrastructure contractors working for United Utilities, Severn Trent Water and South Staffordshire Water. The next generation of water company asset management programmes (AMP5) are currently being procured and WSP will continue to diversify into this market, having already successfully pre-qualified on a number of AMP5 opportunities with Yorkshire Water, Severn Trent Water, and Thames Water.

WSP UK has been selected as one of Crossrail's framework consultants for the detailed design of the Underground Stations to the central section of the project. We have also been awarded the detailed design of Crystal Palace station enhancements and work on the East London Line which is currently being extended to eventually form a major part of the new London over-ground system. In addition, WSP together with its partners have secured the preliminary design appointment of Reading Station as part of the £500m Capacity Enhancement Scheme.

WSP Sweden participates in a number of large road and railway projects which will continue for years to come. We have been appointed to carry out the design of the Northern Central Station Area in Stockholm and in the south of Stockholm, where commuter traffic has increased considerably during the past years, our engineers have received over 30 separate assignments to shorten travel time and increase punctuality. There is a considerable interest in developing wind power in Sweden and WSP has developed a strong capability to support all aspects of wind power energy generation.

In the USA, we are a leading bridge inspection company and during the year completed the inspection of two of New York City's critical bridge structures, the Throgs Neck Suspension Bridge and the Verrazano Narrows Suspension Bridge, which is the eighth largest suspension bridge in the world. We have subsequently been appointed by the Delaware River Port Authority to carry out bridge inspection services for the Benjamin Franklin Suspension Bridge.

	2008			2007		
	Revenue £m	Adjusted Profit £m	Profit Margin %	Revenue £m	Adjusted Profit £m	Profit Margin %
Continuing						
United Kingdom	90.5	6.7	7.4	70.8	5.2	7.3
Mainland Europe	73.6	5.5	7.5	57.4	3.8	6.6
Africa, India & Middle East	13.6	0.9	6.6	7.3	0.6	8.2
Far East & Australia	1.0	0.1	10.0	1.0	0.1	10.0
	178.7	13.2	7.4	136.5	9.7	7.1

Acquisitions in H2 2007

United States of America	18.2	0.9	4.9	3.9	0.2	5.1
Africa, India & Middle East	1.7	0.1	5.9	0.7	0.1	14.3
	19.9	1.0	5.0	4.6	0.3	6.5
	198.6	14.2	7.2	141.1	10.0	7.1



	Order Book £m		Employee N°s	
	2008	2007	2008	2007
United Kingdom	288.0	98.7	1,077	961
Mainland Europe	84.0	72.3	1,155	1,001
United States of America	32.1	32.5	226	269
Africa, India & Middle East	18.6	17.7	259	209
Far East & Australia	1.3	6.3	15	41
	424.0	227.5	2,732	2,481



Environment & Energy

THE ENVIRONMENT AND ENERGY SECTORS HAVE REMAINED ROBUST. THE CONTINUAL INTRODUCTION OF NEW LEGISLATION DESIGNED TO ENHANCE SUSTAINABILITY HAS ENABLED THIS DIVISION TO CONTRIBUTE 13% OF THE GROUP'S REVENUE.

Organic growth has continued in this division with revenue reaching £91.8m, an increase of 15%, and generating profits of £7.0m.

Our profile as a leading climate change and sustainability consultancy has increased significantly during the year, illustrated by our work for a number of leading global organisations, the development of our service capability in this area, and some high profile award recognitions.

In the UK we were appointed by Marks & Spencer to develop a carbon profile of their operations, including direct carbon output and indirect outputs from suppliers and customers. We are developing a 'net zero-carbon strategy' for a flagship 800 home development in the South of England which will include the largest domestic renewable energy installation in the UK.

We have launched a new energy management service called 'Energy Bureau' which helps organisations monitor and manage their energy consumption through a remote web based system, identifying unexpected usage and providing solutions to reduce consumption. We also continue to advise clients on emerging regulations such as the Carbon Reduction Commitment and Energy Performance Certification process.

Internationally in China, we are working with architects on

site-wide energy, waste and water strategies for the expansion of the Jiangsu province to accommodate a further 20,000 inhabitants. In particular, we are minimising high energy consuming air conditioning through passive design solutions, and evaluating options for clean energy.

We are increasingly advising on the feasibility of renewable technologies such as wind power, ground source energy, solar energy technologies and energy from waste. In Sweden we are advising Vattenfall, Europe's fifth largest generator of electricity, on the development of a wind power park. WSP Environment & Energy is handling the impact assessment and permit applications, advising on the energy and noise calculations and assessing the infrastructure issues whilst our engineering colleagues are advising on other aspects of the project.

We continue to provide ground breaking initiatives such as the environmental liability transfer to support the remediation of a Kodak imaging production site. We have helped a range of clients register 170 chemicals for the EU Directive, REACH, which assesses all chemicals and their potential hazards. In Australia we have won a major project to support Chevron manage the land remediation of various sites over a 3 year period and we are managing the entire site works for a heavily contaminated former smelting site near Newcastle in New South Wales, involving one of the largest demolition projects in Australia.

	2008			2007		
	Revenue £m	Adjusted Profit £m	Profit Margin %	Revenue £m	Adjusted Profit £m	Profit Margin %
Continuing						
United Kingdom	35.7	2.8	7.8	35.1	2.8	8.0
Mainland Europe	19.9	1.5	7.5	18.4	1.3	7.1
United States of America	22.2	1.4	6.3	17.0	1.1	6.5
Africa, India & Middle East	5.0	0.6	12.0	3.5	0.3	8.6
Far East & Australia	9.0	0.7	7.8	6.1	0.5	8.2
	91.8	7.0	7.6	80.1	6.0	7.5
Acquisitions in H2 2007						
Far East & Australia	1.1	0.2	18.2	0.6	0.1	16.7
	92.9	7.2	7.8	80.7	6.1	7.6



	Order Book £m		Employee N°s	
	2008	2007	2008	2007
United Kingdom	35.0	43.6	435	592
Mainland Europe	13.9	16.3	288	245
United States of America	24.8	25.7	160	158
Africa, India & Middle East	4.7	3.4	70	46
Far East & Australia	4.3	5.6	107	86
	82.7	94.6	1,060	1,127



Management & Industrial

WE NOW REPORT A FOURTH CORE DIVISION, MANAGEMENT & INDUSTRIAL, WHICH THIS YEAR CONTRIBUTED 13% OF GROUP REVENUE. COMPRISING THOSE SEPARATELY IDENTIFIABLE BUSINESSES THAT PROVIDE PROJECT MANAGEMENT, INDUSTRIAL PROCESS ENGINEERING AND FRONT END MANAGEMENT CONSULTING SERVICES, THIS DIVISION HAS PERFORMED WELL IN 2008.

Following a series of acquisitions in the latter part of 2007 which significantly enhanced WSP's skills in project management, industrial process engineering and front end management consulting the Group now reports a fourth core segment, Management & Industrial.

In the first full year, revenue from this segment was £100.0m producing operating profit of £8.9m at an 8.9% margin.

In the area of industrial process engineering the Group, through CEL Engineering, has won a number of important contracts including a biomass renewable fuels project for Dalkia, to deliver significant CO₂ reductions and cost benefits for Diageo's Cameron Bridge distillery and the installation of a fermenter in the construction of a Quorn production facility for Premier Foods.

New relationships have been established with BP Exploration for the process simplification at their oilfield facility at Wytych Farm in Dorset and we are developing a biobutanol pilot plant at BP Saltend.

Internationally, we have worked on a coatings project for Akzo Nobel International Paints in China, delivered a highly innovative new manufacturing plant for Ahlstrom for the production of biodegradable paper substitute materials for household usage

and carried out a number of technically challenging projects for the China Bluestar Group for advanced fibre material production.

In front end management consulting we have carried out a review of future freight and shipping options for St Helena and the Ascension Islands for the UK Department for International Development and have advised on capacity building in the private sector for road maintenance in Burkina Faso, Tanzania and Madagascar. The project is being funded by the European Union through its Centre for Development of Enterprise.

Aid funded work continues such as for the Asian Development Bank where we are appointed for a three year contract for Road Network Development in Bhutan overseeing the strengthening of 121 km of national highway, re-alignment of 16 km of national highway and the construction of 102 km of feeder roads.

Our newly acquired German subsidiary, CBP Engineering, has won a series of large long term project management assignments including two major new hospitals in Saxonia and Baden-Württemberg as well as continuing with major contracts at both Frankfurt and Berlin airports where we have recently received the order for phase three of the contract to deliver the new airport complex by 2011.

	2008			2007		
	Revenue £m	Adjusted Profit £m	Profit Margin %	Revenue £m	Adjusted Profit £m	Profit Margin %
Continuing						
United Kingdom	11.5	0.8	7.0	7.1	0.3	4.2
Mainland Europe	32.8	4.1	12.5	33.1	2.6	7.9
Africa, India & Middle East	7.0	0.6	8.6	2.5	0.2	8.0
Far East & Australia	4.3	0.4	9.3	4.3	0.2	4.7
	55.6	5.9	10.6	47.0	3.3	7.0

Acquisitions in H2 2007

United Kingdom	27.3	1.6	5.9	3.9	0.2	5.1
Mainland Europe	12.1	0.5	4.1	3.2	0.1	3.1
United States of America	2.8	0.7	25.0	0.4	-	-
Africa, India & Middle East	2.2	0.2	9.1	-	-	-
	44.4	3.0	6.8	7.5	0.3	4.0
	100.0	8.9	8.9	54.5	3.6	6.6



	Order Book £m		Employee N°s	
	2008	2007	2008	2007
United Kingdom	34.1	36.3	332	342
Mainland Europe	25.9	33.0	387	388
Africa, India & Middle East	4.9	2.9	29	32
Far East & Australia	3.2	2.9	24	41
	68.1	75.1	772	803





Associated Undertakings

WSP has 24.7% equity investment in Multiconsult AS, one of the leading design consultants in Norway. Multiconsult continues to perform very well and has a wide client base across many sectors including oil and gas, energy, wind power and sustainability.

Total revenue of Multiconsult in 2008 was £110m generating profit before tax of £8.0m. Of this, the Group's share was £2.0m (2007: £1.9m) from which tax was deducted of £0.6m (2007: £0.5m).

Our People

As a knowledge-based business in a highly competitive sector one of our main priorities is to attract, develop and retain high calibre staff to ensure that we safeguard the long term growth of the company. This becomes even more crucial in the current economic climate, when change and uncertainty can have an adverse impact on motivation and morale. Although we have reduced our staff numbers in line with the reduced workload, retention of key staff remains our priority. It is therefore imperative that we redouble our efforts to ensure that we are regarded as the employer of choice by both prospective and existing staff.

Whilst our main emphasis has shifted to the retention and development of existing talent within the Group, the recruitment of new staff remains an important component of our continued success.

Despite an overall reduction in our workforce, we continue to recruit for sectors that remain strong, such as public sector work, and we will continue to recruit graduates to ensure we have a strong reserve of talent as we start to emerge from recession. With an increasing number of global project opportunities we also foresee a need to recruit or develop international project managers with an ability to manage multidisciplinary services in a multicultural environment.

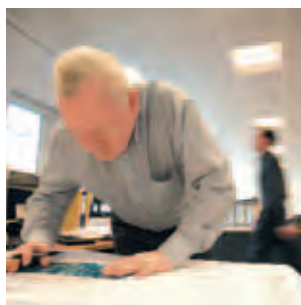
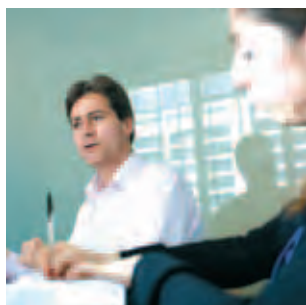
A key area of activity in 2008 has been to continue the integration of staff from the newly acquired companies. A major contributor to this process was the launch of a single Group Intranet, which has played an important role in creating a sense of belonging and has been greatly appreciated. This is part of continuing activities to improve communication throughout WSP, complementing our global internal magazine, Network and the continued development and increased use of knowledge sharing databases and collaboration tools.

We have introduced talent management throughout the company to ensure that we have motivated and trained staff to support the long term growth of the business. Early career professionals have their own development opportunities including our highly successful Taskforce initiative, bespoke personal development planning and leadership programmes.

During 2008 we have also seen an increasing number of staff transfers to provide international experience as well as to achieve a balanced distribution of resources and skills throughout the business.

Our annual employee survey continues to receive an exceptionally high response rate, with a record 83% of staff responding in 2008 from virtually every part of the Group. Utilising the TRI*M index introduced in 2007 as a benchmark, the survey revealed that overall employee commitment to WSP remains at the same high level as last year. It also showed that staff are most motivated by an "open" work culture where they can raise any issue, and the provision of support in difficult situations.

In identifying areas for improvement, the survey also serves as the basis for goal-setting in the coming year. This will include providing support to the businesses in improving performance management by sharing best practice and providing central guidelines focusing in particular on the appraisal process, including planning for competence development and career advancement and providing staff with feedback on their performance.







The provision of opportunities for competence development remains a top priority for staff, so this year we will be launching a number of training initiatives including a global version of WSP University on the Global Intranet, the introduction of new training programmes and e-learning courses and new competence development courses specifically targeted at project leaders.

Corporate and Social Responsibility

CSR is critically important to WSP and our approach to CSR is set out on pages 28 to 35 together with a review of our progress during 2008.

Whilst we are implementing a series of policies to ensure our business practices and our staff focus on the issues that we can influence, our biggest impact will come from the advice we give our clients to improve their own performance in meeting their targets.

Awards in 2008

During the year we have again received recognition for the excellence of our work and the skills of our staff and the following represent a small example:

WSP was named 'Sustainable Consultant of the Year' by UK Buildings Magazine and we have been recognised as one of 12 'Green Leaders in Business' in a competition sponsored by Barclays Commercial Bank. The submission profiled WSP Carbon Footprint Calculator, our thought leadership around issues such as 'Green Leases', and outstanding projects such as the Dubai World Trade Centre and the Emerald City project in Helsinki.

WSP USA was ranked number one in the prestigious Zweig White 2008 Hot Firm List based on achieving the strongest revenue growth over the prior three years as compared to peer firms in the US Architectural and Engineering industry.

The Council on Tall Buildings and Urban Habitat awarded High

Rise of the Year for the Americas for the New York Times Headquarters in New York City where WSP Flack +Kurtz provided the engineering services with Renzo Piano Building Workshop and FXFowle Architects.

The prestigious Plaza Hotel in New York has been awarded the Best Renovation, Rehabilitation and Restoration Project of 2008 by New York Construction. The project also won the Citation of Excellence Award from USA Buildings Magazine.

WSP Cantor Seinuk has won Concrete Industry Board awards for excellence and innovation in concrete design and construction for Citi Field Stadium which will be the new, state-of-the-art home venue for the New York Mets and for One Madison Park, a new 51-story luxury residential tower which is one of the most slender buildings in New York.

WSP Lincolne Scott's environmental leadership continues in Australia with a number of leading Green Star rated buildings. Melbourne Convention Centre was awarded 6 Green Stars and the new HQ for Macquarie Bank in Sydney was also awarded 6 Green Stars.

WSP Hong Kong has been awarded the BIM 2008 Consultant of the year and was also awarded an excellent building award for the building services design of the AIG Tower on Hong Kong Island.





Financial Performance

With the exception of those detailed below there have been no material changes to the accounting policies adopted by the Group in the current year. These policies are set out on pages 61 to 65.

The preparation of financial statements requires the directors to use estimates and assumptions that will affect the reported results. Every care is taken to ensure that these estimates and assumptions are applied consistently and represent a fair reflection of the position based on the circumstances that exist at the time.

In the opinion of the directors the accounting policy that requires the most judgement is that concerning the recognition of revenue and the stage of completion of contracts in progress. Further details regarding this are also set out in the accounting policies on page 61.

Segmental and Joint Venture Reporting

In order to ensure that the presentation of the Group's financial results reflect recent changes in its business, WSP has made two alterations to the way in which it presents the financial statements.

We have previously reported operating results in three principal segments being Property; Transport & Infrastructure and Environment & Energy. Following the acquisitions in the last quarter of 2007 of CEL International, the industrial process engineer and CBP, the German project managers, we will now report a fourth segment, Management & Industrial.

This new segment will include the financial performance of those separately identifiable business units throughout the Group that provide Industrial Process Engineering, Project Management and front end Management Consulting services.

In addition, the Transport & Infrastructure division of the UK has had considerable success by winning two major road network

management contracts in joint ventures. With the resulting significant increase in joint venture revenue the Group now accounts for joint ventures using the proportionate consolidation method rather than the equity accounting method. The comparative results have been restated accordingly.

Revenue and Profit

We have continued to deliver against our strategic goals in the year with revenue of £755.2m, an increase of 36% over 2007 of £556.5m. This includes a full year contribution from businesses acquired in 2007 of £121.7m. Excluding revenue from those acquired businesses the underlying organic growth is an excellent 21%.

Adjusted operating profit has grown from £42.0m in 2007 to £56.7m which is also an increase of 35% year on year. Again excluding the impact of the 2007 acquisitions, underlying organic growth is 22% representing a slight improvement to margin on those businesses. Total group margin remains at 7.5% which is at the same level as 2007. Profit before interest and tax grew 42% from £41.7m to £59.1m.

Exceptional items

In order to understand the underlying operational performance of the Group, the directors have disclosed certain items as exceptional. Due to their size or nature the directors believe that showing these items separately allows the users of the accounts to assess the true operational performance of the Group. Full details can be found in note 3 to the Financial Statements.

In Sweden, we have provided a proportion of the multi employer defined benefit pension plan through our own balance sheet. This was always planned to have a finite life and in April 2008 we ceased to accrue further benefits returning all employees fully to the State operated pension plan. This has therefore resulted in a one-off curtailment gain of £6.4m.





We have sold certain small non-core businesses and also disposed of a 26% equity stake in our South African business to a Black Empowerment Consortium. In addition, we have carried out a review of goodwill and recorded an impairment loss. In total these have resulted in a small loss of £1m. Amortisation arising on business combinations amounted to £2.1m (2007: £1.7m)

Finally, two major office moves took place in 2008. Our new global headquarters in London was opened in December and our New York office moved to new premises. During the year we incurred rent on both the old and new premises whilst the new buildings were being fitted out resulting in an incremental charge of £2.2m during this overlap period.

Financing

In May 2008 the Group completed the re-financing of its global banking facilities with its partner banks comprising Barclays and HSBC in the UK, Bank of America in the USA and Swedbank in Sweden.

The new syndicated loan facility offers a total commitment of £150m renewable in 2013 to finance the Group's future operational cash flow requirements and, where appropriate, potential acquisitions. WSP is therefore in a strong position with substantial headroom given that net debt at 31 December 2008 was £56.2m (2007: £59.5m).

As with most bank facilities the Group is required to operate within certain financial covenants that apply to the gearing ratio and interest cover. The covenants that apply to WSP are that net debt must at no time exceed 3 times Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and annual interest must always be covered at least 4 times by EBITDA. In 2008 consolidated EBITDA was £73.7m (2007: £55.0m)

At 31 December 2008, the ratio of net debt to EBITDA was 0.8 and interest cover was 10.2 times both metrics are therefore very significantly within the covenants referred to above.

Taxation

The tax charge for the year was £15.4m (2007: £11.1m). The adjusted tax charge, including tax on associated undertakings and excluding taxes on exceptional items, on adjusted profit before tax is £15.5m which represents an effective corporate tax rate of 29.9% compared to 29.2% in the prior year. This slight increase is predominantly due to a higher proportion of profits earned in the US in the current year following the acquisitions made in 2007 and a drop in the profits reported from the low tax zone of the Middle East.

Full details of how the tax charge is calculated can be found in note 7 to the financial statements.

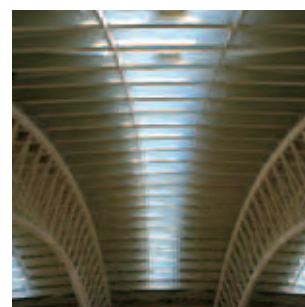
Earnings per share

Earnings per share have continued to record significant year on year growth. Adjusted basic and diluted earnings per share are 57.5p and 56.6p respectively compared to 45.6p and 44.9p in 2007 representing a 26% increase.

Dividends

The dividend policy recognises the Group's increasing earnings each year whilst having consideration to the operating cash flow needs of the business. This policy remains unchanged from the prior year.

The Group declared an increased interim dividend of 5p per share (2007: 4p) which was paid in October 2008. Given the significant success of the Group in 2008 the directors believe that it is appropriate to substantially increase the dividend again this year and propose a final dividend of 10p per share (2007: 8p). This results in a full year dividend of 15p (2007: 12p) representing a 25% increase over the prior year and in line with the increase in earnings per share. The dividend is covered 3.9 times (2007: 3.6 times) by profit after tax. The final dividend, if approved by shareholders, will be payable in May 2009.





Cash Flow

Historically WSP has been a strong generator of cash and in 2008 the Group has continued to demonstrate this track record. Cash generated from trading activities was £55.6m in the year which is a strong performance given the need to fund organic revenue growth of over £100m. Due to the fit out of the new London global headquarters and the New York office move, unusually high capital expenditure of £19m was incurred in 2008 (2007: £13m) and the Group also paid over £10m of deferred consideration on prior year acquisitions. Despite these outflows the Group was still able to reduce net debt to £56.2m from £59.5m at the start of the year.

	2008 £m	2007 £m
Cash generated from operations	55.6	50.1
Capital expenditure (net)	(19.4)	(13.9)
Bank & finance lease interest	(5.4)	(3.8)
Tax paid	(13.9)	(6.1)
Currency and other movements	6.0	(1.3)
	22.9	25.0
Acquisitions / disposals	(11.4)	(44.0)
Dividends	(8.2)	(6.2)
	3.3	(25.2)
Net debt at 1 January	(59.5)	(34.3)
Net debt at 31 December	(56.2)	(59.5)

Pensions

The majority of the Group's employees participate in defined contribution pension arrangements. However in the UK there are a number of defined benefit schemes taken over by the Group following acquisitions, all of which are closed to new members.

In Sweden, from 2003 until April this year, a proportion of the multi-employer Government PRI scheme was treated as an

unfunded defined benefit scheme and the Group carried a proportion of its staff's pension liabilities on its balance sheet. This arrangement ceased in April when the employees were transferred back to the Government scheme for future service. Future obligations of the Group will now take the form of a defined contribution arrangement. The Group will continue to carry the full liability on its balance sheet for the period before the transfer which will be actuarially assessed each year.

Defined benefit obligations at 31 December 2008 were £36.4m (2007: £31.6m) reflecting changes in actuarial assumptions made in the year, the curtailment gain relating to the Swedish scheme offset by falls in the value of investments in 2008. Full details of the assumptions used can be found in note 26. These liabilities have been calculated in accordance with IAS19. The charge to the income statement was £1.4m (2007: £2.7m) with a net finance cost of £0.5m (2007: £0.5m). The decrease in current service cost relates to the changes made in Sweden and this will have been offset by an increase to defined contribution pension scheme costs.

Actuarial losses of £9.4m (2007: gain £3.1m), are recognised in the Statement of Recognised Income and Expense and comprise actuarial accounting adjustments in respect of experience losses which are the differences between previous actuarial assumptions and what has actually occurred, and the impact of annual changes in actuarial assumptions.

Capital structure

As at 31 December 2008, the Company had issued 63.1m (2007: 62.7m) fully paid ordinary shares.

The Group's net shareholders' equity at the end of the year was £185.2m (2007: £124.5m) increasing as a result of improved retained earnings and exchange gains arising on the translation of overseas net assets. Net debt was £56.2m (2007: £59.5m). The capital structure of the Group provides flexibility and capacity with which to deliver the growth anticipated in the Strategic Plan.





Financial instruments and foreign exchange

Our policy is to manage centrally the Group's liquidity, funding and exposure to foreign currency risk in a manner which ensures straightforward administration, the minimisation of risk and operational flexibility.

The financial instruments used by the Group comprise internal cash resources, borrowing, and accounts receivable and payable arising from normal trading activities. The renewed committed bank facilities provide working capital and acquisition finance to meet the current and future requirements of the Group.

Most of our trading activity is in the currencies relevant to the local subsidiary, thus matching the currency of earnings with its cost base. The Group has experienced a higher level of non-local currency fee earning and this is centrally monitored to mitigate material foreign exchange risks having regard to all relevant circumstances. We partially mitigate the effect of foreign currency on our balance sheet using foreign currency borrowings predominantly in US dollars, Swedish Kronor and Australian dollars. We do not consider it necessary to materially hedge our net investments in other overseas subsidiaries but the matter is kept under review.

The Group is also exposed to interest rate risk whereby we continually review our exposure to floating interest rates and assess the cost versus the benefit of alternative instruments available to minimise interest rate risk. At the present time our exposure to this risk is un-hedged however our interest cover is such that this risk is considered to be low. The Group also manages its foreign currency interest exposure with regard to matching interest cost to earnings in particular currencies.

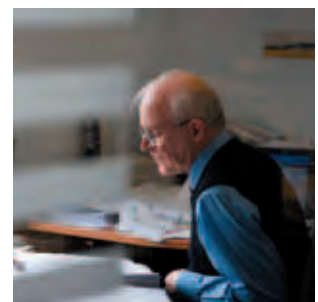
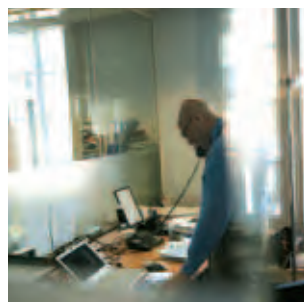
A summary of the Group's borrowings, financial risks and use of derivatives is set out in note 27 to the financial statement on page 91.

Outlook

Without doubt the current economic climate presents all companies with an increased level of uncertainty in global markets. The increased diversity in terms of geography, sector and skills of the Group has enabled WSP to adapt to these changing circumstances. The Group sees strength in its diversity which will allow it to respond with agility as markets evolve around the world.

Christopher Cole
Chief Executive

Malcolm Paul
Group Finance Director



Sustainability Report



Sustainability is an integral part of how we will grow our business, the advice we provide to our clients and how we carry out our work on a day to day basis. It forms a key part of WSP's vision and core values which also include pride & passion, trust, innovation and support & sharing.

Since our last report, we have further developed our strategy and established a structure for implementation throughout our business.

Sustainability means four things to us

- Sustainability provides new commercial opportunities - not just through our Environment & Energy business, but also in opening up new markets and client services for all parts of WSP globally
- Sustainability issues will be considered in the advice provided to all our clients
- We will actively manage our direct impacts and seek to reduce these impacts year by year - this includes the impact of our offices, our travel and how we manage our people
- We will be an active participant in communities where WSP operates.

Stuart McLachlan, Executive Director of WSP Group plc has overall responsibility for the strategy. He is supported by the recently appointed Group Head of Sustainability who is responsible for implementation of the strategy. This responsibility includes chairing our sustainability Primary Network, a team of senior managers drawn from each of our operating companies that meets monthly. The Primary Network is accountable for implementing the sustainability strategy in each operating company.

'As a global business, acting responsibly is important to our future success. We consider sustainability not as an addition to the way we work, but as an integral part of everything we do'

Chris Cole, Chief Executive



During 2008 we undertook a global benchmarking exercise across our business covering the four elements of our sustainability strategy. Responses were evaluated against a tiered set of internal sustainability standards based on a gold, silver and bronze ranking. Every business globally is required to meet the bronze standard which represents our global minimum operating standard. Businesses can choose to exceed this by moving towards silver or gold as appropriate to the needs of their geographical area and the demands of their clients. Compliance with the appropriate standard will be overseen at Group-level and reported to the Board at regular intervals.

Sustainability provides new commercial opportunities

Helping the world design and build low carbon and sustainable economies provides WSP with significant new business opportunities. These exist for our Environment & Energy business, which today is one of the world's largest sustainability consulting practices, and also for our other operating companies where sustainability-led demand is starting to grow. This demand is not only coming from our traditional client base but also from regional authorities, national governments and the European Union. In 2008 WSP provided a range of solutions in response to sustainability-led client needs. Examples include:

- Iceland's main waste management contractor commissioned WSP to review the environmental impacts of different waste management options for the country's waste. National environmental legislation requires significant increase in recycling rates and energy recovery. Our project helped to determine future waste management treatment systems for the country.
- In South Africa, WSP worked with the Central Energy Fund to find solutions that will help meet the country's renewable energy targets.
- In response to the EU's new directive on Energy-using-Products, WSP launched a lifecycle design tool called EcoFly, specifically for designers of electronic goods. The eco-design

software helps designers identify the environmental impacts of their products and determine where the most positive improvements can be made.

- With changing weather patterns potentially leading to sea-level rise, more frequent storms and intense rainfall events, flood risk assessment is an area of growing interest to local authorities. In Sweden, WSP carried out Flood Hazard Mapping for Södertälje and Nynäshamn municipalities. The project included analysing cost-effective mitigating measures with the results integrated into social and emergency planning.

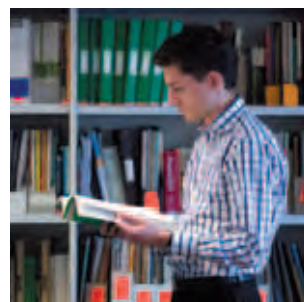
In the medium term, we believe sustainability will represent a growing proportion of our business and over the next 12 months we will develop metrics to identify and report how much of WSP's business is generated from appointments where sustainability is a key factor.

Sustainability will be considered in all the advice provided to our clients

In 2008 WSP received external recognition for our work in responding to demands in the area of sustainability. WSP USA came top of the Zweig Letter 2008 Hot Firm List. The list ranks the 200 fastest growing architecture, engineering and environmental consultancy firms in the USA and Canada.

WSP Environment & Energy was named by Barclays Bank as one of the 12 UK "Green Leaders in Business" for innovation in delivering commercial success from environmental opportunities. In Australia, new ways of delivering online environmental information to clients won WSP the DuPont Innovation Awards for Sustainability Services.

In 2008, Building Magazine named WSP Group the UK Sustainable Consultant of the Year. The award recognised our work in helping drive sustainability through our projects, programmes and advice. This is significant as we believe it is through the advice we provide our clients on sustainability that we make the most significant positive impact.





MASDAR, UAE. WORLD'S FIRST ZERO-CARBON, ZERO WASTE, CAR FREE CITY.

By 2016 Masdar City in Abu Dhabi will be home to 40,000 residents and a further 50,000 daily commuters. It is being built on the principles of One Planet Living™ (a set of ten guiding principals of sustainability developed by Bioregional and the World Wildlife Fund) and is being designed to use low carbon technologies to achieve a carbon neutral, zero-waste and car-free community.

WSP was part of the original masterplan design team for this pioneering project, developing integrated and sustainable infrastructure strategies covering key areas such as waste management, drainage, treatment of water and sewage and the distribution of energy and power throughout the city. We are currently engaged on developing several sub phases of the city including work on minimising energy demand and the consumption of other resources through high performance building designs.

Developing low carbon approaches in our designs is an area where we have made an important contribution in 2008. The issue of climate change is starting to redefine the approach to so much in the world around us. The impact is seen on business operations, land development and usage, real estate commitments and product design and delivery.

During 2008 we increased our engagement in clean energy, energy efficiency, emissions reduction and carbon financing. Examples include developing South Africa's first third-party Clean Development Mechanism biogas-to-energy project, and working with Leadership in Energy and Environmental Design (LEED®) in the USA, Australia and the Middle East which uses our knowledge of emerging technologies to improve the identification of the best sustainable solution for buildings.

In the UK we remain one of the leaders for Energy Performance Certificates and in sustainable master planning of new towns and cities. A carbon footprint toolkit has been developed to enable WSP consultants to deliver concept design advice to clients and architects on the potential benefits of introducing low or zero carbon technologies.





We have also developed carbon footprinting tools that add value and insights for our clients. In 2008 we worked with a global construction company to carry out a carbon, water and eco-footprint of their business. The work reviewed both the company's direct footprint and the materials they were buying. Analysis was conducted using a whole-life perspective with the insights enabling the client to identify the steps necessary to reduce their impacts.

But we also understand that sustainability is much more than just carbon. It is about using our expertise to work with clients to create the built and natural environments of the future.

■ Australia is suffering from prolonged drought which makes water scarcity a crucial issue. In 2008 WSP played a central role in helping the Australian Government raise awareness of the need for water conservation. We provided the intellectual capability behind a high profile campaign asking Australian households to reduce their water usage. The campaign, 'Help Us Help the Earth', included advice to the organisers on how to provide an interactive online tool that enabled the public to assess their personal use of water; receive advice on how to reduce their usage, and track their impacts through an online calculator.

■ WSP was commissioned to develop a sustainability programme for the North Djurgårds City, a district of Stockholm. Using expertise from across WSP, innovative solutions were delivered including low-energy housing, automatic underground waste collection systems, district heating and cooling, solar-powered hot water and electricity, biogas from household sewage, water and waste collection, reuse of rainwater and the installation of vegetated 'green roofs' that provide wildlife habitat as well as natural insulation to buildings.

Away from the protection of natural resources, we established a 'Behavioural Risk Solutions' team in the UK focusing on organisational and behavioural safety. Aligned to existing expertise

in our Australian business, we provide support to clients on organisational safety culture, risk management, and we are now examining the role that human behaviours play in climate change.

Although we are pleased with the progress made in 2008, we feel there is still more that WSP can do to provide value-adding sustainability advice to our clients. For example, over the next 12 months we will be developing tools to help clients measure the carbon savings from the advice we provide. We will report on our performance in this area in 2010.

We will actively manage our direct impacts and reduce these impacts year by year

We are committed to improving how we measure and manage the direct impacts of our activities. These impacts principally cover our offices and our business travel.

Energy use and carbon emissions

We have made some progress in 2008 in improving the quality of our global data collection but it is an area where we need to improve further over the next 12 months. Collecting data from outside the UK continues to prove challenging but we are able to report UK energy and travel figures for the third year running.

Energy usage in the UK fell 9.8% in 2008 representing a reduction in carbon emissions of 142 tonnes. This can be attributed to rationalisation of offices and improvements in the collection of performance data.

Some of our operations in the USA and Australia have achieved carbon neutral status, offsetting a combined total of 3,632 tonnes of CO₂ representing approximately 3.5 tonnes per employee. Whilst it is at the discretion of individual businesses to pursue carbon offsetting as part of their environmental management approach, we will consider the merits of developing Group-wide guidance in 2009.



UK Office Energy Consumption (per annum)		Electricity		Gas
	2008	2007	2008	2007
Totals (kWh) ⁽¹⁾	3,005,155	3,208,643	88,673	378,314
Total per employee (kWh) ⁽²⁾	1,416	1,652	264	711
CO ₂ Equivalent (tonne CO ₂) ⁽³⁾	1,292.22	1,379.72	16.85	71.88
Emissions per employee (tonne CO ₂)	0.61	0.71	0.05	0.14
Notes				
(1) UK data is based on offices monitored (approximately 60% of staff / 70% of offices) managed centrally by our internal Facilities Management team. Gas data is based on locations accessible for monitoring				
(2) UK staff numbers are based on a representative proportion of the total permanent staff figures throughout the year				
(3) Conversion rates used - 0.43 (electricity), 0.19 (gas)				



At the end of 2008, we moved into our new global headquarters in Central London. Sustainability criteria were an important element of the design and fit-out of the building. Features include low energy equipment and lighting, waste recycling, sustainable decorating materials, recycled content in furniture and carpets and improved facilities for cyclists.

During the year no reportable environmental incidents occurred in the UK as a result of our business activities. We use the Environment Agency's definition to assess if environmental incidents warrant being reported. In 2008, one incident occurred in the USA during the course of a remediation project that was reported internally and the business took swift action to remedy. As a precaution, we reported the incident to the regulator who took no further action.

Distances travelled, and emissions from vehicles, fell during 2008. The number of short-haul and UK domestic flights fell by 15% and 25% respectively. An increase in the use of video-conferencing and rail travel had a positive impact on our performance in these areas. Overall, carbon emissions from our UK business travel fell by 11% in 2008. However, the carbon impact of UK originated air travel rose overall 43% in 2008 despite a fall in the total number of flights taken. This was due to a 63% increase in long-haul flights reflecting growth in our geographical reach and the fact that as a client led business, face to face interaction remains an important and effective means of providing our services and maintaining client relationships.

Through our SMART working scheme, launched in November 2008, WSP in the UK aims to reduce further the total amount of business travel undertaken in 2009. This initiative has the potential to save us time and money while simultaneously contributing to the improved work/life balance for staff and a reduction in carbon emissions. The initiative initially focuses on reducing business travel by prompting staff to challenge their need to travel and to look at choosing smarter alternatives. Through SmartWorking we aim to reduce business travel by a further 10% per head in 2009. To help achieve this we will continue to emphasise the business and personal benefits of our advanced telephone and video conferencing facilities.

Supply Chain

During 2008 we completed a UK review of our supplier management processes and are currently revising and piloting new supplier evaluation systems. In the next 12 months we will be increasing our focus on supplier issues including development of risk management processes and carrying out more active engagement with our suppliers on sustainability.

Our people

Our people around the world remain our most important asset in delivering our goals and vision. We recognise that our future success in highly competitive markets depends on the quality and motivation of our people. More information is available elsewhere in this report on how we support the development and well-being of our staff.

During 2008 we continued to invest in our people offering training opportunities averaging four days per person. We believe that ongoing professional development is crucial in attracting and retaining the best qualified professionals at all levels within the organisation, 62% of whom hold degrees with many others holding other professional qualifications.

We operate a flexible working culture and are an equal opportunities employer. Globally in 2008, the percentage of women employed by WSP remained steady at 28%. The high proportion of male professional staff affects the ratio of female to male basic salary which currently stands at 74%. The percentage of women in senior positions declined slightly from 15% in 2007 to 14% in 2008. However, there are initiatives being developed in this area. For example, in Australia, our business Lincolne Scott runs 'Women@LS', a programme to assist with the career development of women, with a focus on ensuring a higher proportion of women progress to senior positions within the company.

We are also committed to providing a good work/life balance for our employees and have implemented a number of initiatives including job-swap, job-sharing, flexible hours and supporting

UK Business Travel

	CO ₂ / employee (tonnes per annum)		Total CO ₂ (tonnes per annum)	
	2008	2007	2008	2007
Car Travel	0.51	0.67	1,626.50	2,227.50
Rail Travel	0.08	0.07	255.79	218.68
Air Travel	0.24	0.16	773.46	540.52
Total	0.83	0.90	2,655.75	2,986.70





voluntary work. We continue to monitor employee satisfaction through our annual survey using the feedback to identify ongoing ways to enhance the WSP workplace. Between 2007 and 2008 the voluntary turnover rate remained steady at 16%. In 2008 the average number of sickness days per employee stood at four days.

Business Integrity and transparency

WSP works in many countries throughout the world and we have to adapt to a wide range of cultures and business practices. However, our commitment to business integrity is clear and unequivocal. We condemn corrupt and fraudulent practices and require transparency, integrity and honesty in all aspects of our business.

Our principles on this issue use the Global Reporting Initiative as the framework for our aims. In 2008 we updated our Business Ethics, Gifts and Hospitality Policy which re-emphasises our approach and commitment to addressing these issues and has been published to staff across the Group. Supporting the policy, we have developed an Anti-Corruption Training Manual to help staff gain a better understanding of corruption and how to avoid it. During 2008 over 80% of our senior management in the UK, Middle East and South Africa received specific training on the issue.

We promote an open and transparent culture. We expect all our staff, sub contractors, sub consultants, business partners and agents who suspect wrong-doing at work or breaches of these principles to raise any concerns they may have. This can be either through line management or by an independent confidential multi-lingual telephone hotline service. In 2008 no one raised any concerns with the hotline service and we concluded an investigation into one alleged incident where no evidence of wrong-doing was found to have taken place.

Human Rights

We aim to ensure our workplaces are free from unlawful discrimination on the grounds of sex, race, nationality, ethnic

or national origin, gender, sexual orientation, age, marital status, religious belief or disability. We do not treat staff less favourably simply because of the contract under which they are employed. As a global business, we recognise the Universal Declaration of Human Rights and are committed to the principles of the UN Global Compact. We endorse the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and are committed to following these principles to ensure human rights issues do not adversely impact on our business and the communities in which our employees work. WSP abides by the intentions of the Ethical Trading Initiative Base Code, and extends this where appropriate through our supply chain.

Health and Safety

We recognise the importance of maintaining a healthy and safe working environment for our employees. In all countries where we operate, we are committed to operating Health and Safety systems which meet, and where possible exceed, local requirements. This includes communicating our health and safety policies and procedures to all staff when they join WSP and periodically thereafter.

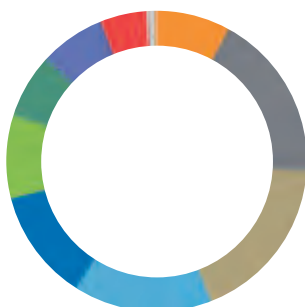
In the UK, our health and safety management system meets the requirements of BS OHSAS 18001 and is reviewed regularly to ensure it takes account of changes to legislation, performance and industry practice. We also carry out an annual health and safety survey across our UK staff with the findings of the survey helping to drive continual improvement to our health and safety action plans.

During 2008 in the UK we were not subject to any health and safety prosecutions, prohibition or improvement notices. Our incident management system indicated the following performance:

- No fatalities were reported (2007: Nil)
- 6 work related reportable incidents (2007: 4)
- No work related reportable diseases (2007: Nil)

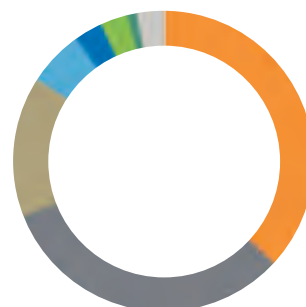
STAFF AGE DISTRIBUTION

8%	24 & under
18%	25-29
18%	30-34
15%	35-39
12%	40-44
9%	45-49
7%	50-54
7%	55-59
5%	60-64
1%	65 & over



STAFF LENGTH OF SERVICE

37%	<2 years
32%	2-4 years
15%	5-9 years
6%	10-14 years
3%	15-19 years
3%	20-24 years
1%	25-29 years
3%	30+ years





Outside the UK there were a further four work related reportable incidents handled in accordance with local regulations.

Some of our staff work in countries or environments where heightened security, safety and health risks exist. To minimise risk and improve employee welfare, we undertake a range of additional measures including risk assessments and provide specialist information and training for staff operating in these geographies.

We will be an active participant in communities where WSP operates

WSP seeks to contribute to the economic, social and sustainable development of the host countries and communities in which we operate through provision of local employment and facilities. We act in a socially responsible manner when delivering projects on behalf of our clients.

We make charitable contributions and non-commercial sponsorship where appropriate to support these communities. Decisions regarding charitable donations are delegated to individual companies within WSP. We do not make political contributions nor allow our clients to direct our charitable giving.

During 2008, we made charitable donations totalling £127,153 (2007: £126,184). This does not include our pro-bono and volunteering contributions. In the UK, we re-launched a new Give As You Earn scheme in April 2008.

In the US, WSP Flack + Kurtz participates in a number of public committees aimed at 'greening' New York City. WSP Flack + Kurtz also participate in the ACE Mentor program to introduce professional engineering to local high school students and making them aware of the career opportunities available in architecture, engineering and construction. Similarly, in the UK members of WSP act as Science and Engineering ambassadors through a

number of professional institutes whose activities are aimed at encouraging school children of all ages to consider taking up science and engineering based careers.

In 2008 the Black Economic Empowerment group, Intsaki Consortium, acquired a 26% equity stake in WSP Group Africa. Intsaki aims to benefit previously disadvantaged individuals and communities. The consortium comprises over 18,000 members from various walks of life including engineers, community members, youth, woman-owned enterprises and business professionals. Amongst them is a community trust set up to provide educational opportunities to community members in the Umzimkhulu area in KwaZulu Natal.

WSP Environment & Energy in the UK has continued to operate an employee personal carbon reduction scheme. Participants start with a six tonne annual allowance and enter utility and travel data into a carbon calculator. In the first year of the scheme only one scheme member exceeded their annual allowance. Over half of the members donated their surplus carbon credit which amounted to £1,310, representing 26 tonnes of carbon, to the Woodland Trust. Now in its second year, membership has risen to nearly 90 and the annual allowance has been reduced to 5.5 tonnes.

Also in the UK, we have launched a new Pro Bono programme to UK based charities, inviting applications for no-fee support from us on environmental and sustainability issues. The scheme involves our staff contributing some of their personal time to assist selected charities. Resource for Autism was the first charity selected and we have provided advice to them on improving the energy efficiency of their offices and helped in landscaping their grounds.





Majher Chor Village Transformation Project, Bangladesh

In last year's report we described how development and disaster management specialists at WSP had joined the Majher Chor Village Transformation Project consisting of 45 UK companies based in Bangladesh.

The objective was to restore and transform the lives

of one of the communities hardest hit by Cyclone Sidr in November 2007. The vision was to 'build back better' with WSP playing a leading role in project managing the rehabilitation process.

During 2008, over 164 houses have been rebuilt, making innovative use of

sand cement hollow bricks and ferro cement sheets which offer increased thermal comfort and greater storm resistance.

Each house has provision for rainwater harvesting and solar panels provide 40 watts of electricity. Sluice culverts have also been built to allow the movement

of tidal water and the former 3.25km embankment has been raised and repaired.

The project has become a role model of success creating substantial interest for its potential to be replicated and for its value-for-money approach and strong sustainable features.

Board of Directors

DAVID TURNER FRICS

Non-Executive Chairman

David was first appointed to the Board in 1997. He was chief executive of Barclays Property Holdings Limited from 1991 until 1997 and a divisional director of Barclays Bank. He is also Chairman of the Advisory Board of the City University, London and a director of a number of private companies. David has a wealth of knowledge of the property industry and has broad business experience. He was appointed Chairman of the Board in 2003 and he also chairs the Nominations Committee.

Shareholding: 14,507

CHRISTOPHER COLE C Eng FCIBSE MASHRAE

Chief Executive

Chris was first appointed to the Board in 1987 at the time of the WSP IPO. Following initial training and education, Chris spent the first ten years of his career working for a major contracting and subsequently consultancy business. He joined WSP in 1972 at its inception, becoming Managing Director in 1987 and Chief Executive in 2001. He chairs the Performance and Strategy Committees and is responsible for both operational control and strategic direction of the Group. Chris maintains significant client contact, together with regular liaison with offices around the world. He is also Chairman of Ashtead Group plc.

Shareholding: 947,477

MALCOLM PAUL FCA

Group Finance Director

Malcolm was first appointed to the Board in 1987 at the time of the WSP IPO. After qualifying as a chartered accountant, he worked in both practice and industry before joining Longcrofts, a city accountancy firm as a partner specialising in corporate finance. He became Group Finance Director of WSP in 1987. He is a principal member of the Performance and Strategy Committees. Malcolm maintains links with the Group's professional advisers and is responsible for the financial control of the Group. In December 2008, Malcolm intimated that he will retire from the Board at the 2009 Annual General Meeting and as an employee of the Company in December 2009.

Shareholding: 860,276

STUART McLACHLAN MSc

Executive Director

Stuart was appointed to the Board in 2006. Having worked both as a practising Environmental Consultant and a Manager of a London based Environmental and Testing firm, Stuart joined WSP in 1995 to be responsible for the start-up of the Environmental business. He became Managing Director of WSP Environmental UK in 1997 and, in 2001, he was appointed Managing Director of WSP's global Environment and Energy business. Stuart has responsibility for the development of the Environment and Energy business while undertaking a wider Group role.

Shareholding: 31,014

PETER GILL FCA

Executive Director

Peter was appointed to the Board with effect from 2 March 2009. He is a chartered accountant and was formerly finance director of The Rank Group plc. He has a breadth of experience with companies including Xansa plc, the IT services and outsourcing group which is now part of Groupe Steria, and Penguin Group, the international consumer book division of Pearson plc. He will take over as Group Finance Director in advance of the 2009 Annual General Meeting.

Shareholding: Nil

CHRISTOPHER STEPHENS MA

Senior Independent Non-Executive Director

Chris was first appointed to the Board in 2003. He has many years experience in a range of industries including Consumer, High Technology and Business Services. Until 2004 he was the Group Human Resources Director of Exel plc (now DHL), the global logistics company. He is a Civil Service Commissioner and holds a number of non-executive positions. Chris chairs the WSP Remuneration Committee.

Shareholding: 9,341

ANDERS C KARLSSON BSc

Independent Non-Executive Director

Anders was appointed to the board with effect from 1 January 2009. He has broad international experience and is an industrial advisor to the Ratons AB private equity group. He chairs the board of H&H International A/S and is a non executive director of Lindab International AB, both of which are publicly quoted companies. Anders is also non executive chairman of the supervisory board of WSP Europe AB and holds board positions with several other private companies in Sweden and Denmark.

Shareholding: Nil

MARISA CASSONI BSc ACA

Independent Non-Executive Director

Marisa was appointed to the board in 2006. She is a chartered accountant and Finance Director of the John Lewis Partnership, having formerly been Group Finance Director of the Royal Mail Group. Marisa is a member of the Accounting Standards Board and a non-executive director of GFI Group Inc. Marisa chairs the audit committee.

Shareholding: 6,225

MARK ROLLINS BEng ACA

Independent Non-Executive Director

Mark was appointed to the board in 2006. He is a chartered accountant and Chief Executive of Senior plc, having previously been its Group Finance Director since 2000. He was formerly with the Morgan Crucible Company plc and, before that, with BDO Binder Hamlyn.

Shareholding: 10,000

GRAHAM BISSET BAcc CA

Company Secretary

Graham was appointed Company Secretary in 2005. After qualifying as a Chartered Accountant with KPMG, he filled several senior finance roles. Since joining WSP in 1993, he has had broad responsibilities throughout the Group for administrative matters, corporate governance, risk management, systems implementation and financial management.



Back Row (from left to right)
Christopher Stephens, Mark Rollins,
Malcolm Paul, Stuart McLachlan,
Graham Bisset.

Front Row (from left to right)
Anders C Karlsson, David Turner,
Christopher Cole, Peter Gill, Marisa
Cassoni.

Performance Committee

The performance committee comprises the executive directors of the Group, together with the following directors.

RIKARD APPELGREN **MSc**

Managing Director **WSP Europe & WSP Sweden**

After working as an engineering consultant and contractor in Sweden and Germany, Rikard joined WSP Sweden in 1996, becoming Managing Director of Construction Design in 1998. In 2002, he was appointed Managing Director of WSP Sweden and, in 2006, Managing Director of WSP Europe.

SIV AXELSSON **MBA**

Group Human Resources and **Communications Director**

Siv was educated at Stockholm School of Economics and gained broad management experience with a variety of organisations. She has published several books addressing the management of intellectual businesses and joined WSP Sweden in 1995. She was appointed Group Human Resources and Communications Director in 2002.

DAVID COOPER **P.E., CEM, LEED® AP**

President & CEO **WSP Flack + Kurtz**

David is a mechanical engineer specialising in large complex projects, low energy systems and sustainability. David has been with WSP Flack + Kurtz for 27 years, and for the 5 years prior to becoming President and CEO he was the managing director of their New York headquarters office.

ANDREW MATHER **Pr Eng, BSc Eng, B Com**

Managing Director **WSP Africa**

Andrew is an electrical engineer who specialises in industrial process control systems. He joined WSP as Managing Director of WSP Group S.A. in 1999, when WSP acquired the WEVS Group.

ROGER KELLEWAY **BSc, MICE, MIHT**

Chairman **WSP UK**

Roger is a Civil Engineer who has specialised in Transportation and Development Planning. Prior to his appointment as Chairman of WSP UK in 2007 he was Managing Director of WSP UK Development and Transportation business.

TOM SMITH **BSc(Hons), MBA, CEng** **MIMechE**

Group Global Development **Director**

Tom has been with WSP since 1994 and has held a number of senior positions including MD of UK Buildings from 1999 to 2004. He operates throughout the Group working with regional management to develop global initiatives focussed on market sectors, clients and major project bids. He has also been closely involved in the development of the Middle East and India businesses.



Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2008.

Principal Activities and Business Review

WSP Group plc is an international business supplying specialist management and integrated services in the built and natural environment. The Group operates through its subsidiaries and joint ventures in the following core areas:

- Property
- Transport & Infrastructure
- Environment & Energy
- Management & Industrial

The Operating and Financial Review on pages 6 to 27 together with the Chairman's statement on pages 2 to 5 include information about the Group's strategy, the development of its businesses, and financial performance during the year, together with the principal risks and uncertainties facing the Group and likely developments. The Sustainability Report on pages 28 to 35 includes information about environmental matters, the company's employees and social and community issues. The information that fulfils the requirements of the Business Review can be found in the above reports which are incorporated in this report by reference.

Results and Dividends

The Group profit after tax for the financial year amounted to £36.7m (2007: £26.8m)

The directors propose a final dividend of 10.0p (2007: 8.0p) per share, which, together with the interim dividend of 5.0p (2007: 4.0p) per share paid in October 2008, would give a total dividend of 15.0p (2007: 12.0p) for the year. If approved at the Annual General Meeting, which is convened for 6 May 2009, the final dividend will be paid on 8 May 2009 to shareholders on the register of members at the close of business on 3 April 2009. The shares will be ex dividend from 1 April 2009.

The dividend charge included in the accounts for the year ended 31 December 2008 reflects dividends paid during the year, totalling 13.0p (2007: 10.0p) per share.

Directors

The directors who served throughout the year were:

David Turner	<i>Chairman</i>
Christopher Cole	<i>Chief Executive</i>
Malcolm Paul	<i>Group Finance Director</i>
Stuart McLachlan	<i>Executive Director</i>
Christopher Stephens	<i>Senior Independent Non-executive Director</i>
Marisa Cassoni	<i>Independent Non-executive Director</i>
Mark Rollins	<i>Independent Non-executive Director</i>
Ernest Sheavills	<i>Independent Non-executive Director (retired 31 December 2008)</i>

The following directors have been appointed since the year end:

Anders C Karlsson	<i>Independent Non-executive Director (appointed 1 January 2009)</i>
Peter Gill	<i>Executive Director (appointed 2 March 2009)</i>

Biographical details of all directors are set out on page 36, and details of directors' interests in shares and share options are set out in the Remuneration Report on page 55.

The Company's articles of association set out the rules concerning the appointment and replacement of directors. At the Annual General Meeting, Stuart McLachlan, Christopher Stephens, Marisa Cassoni and Mark Rollins will retire by rotation in accordance with article 86 and, being eligible, offer themselves for re-election. As required by article 80, Anders C Karlsson and Peter Gill who have been appointed to the Board since the last Annual General Meeting will retire and, being eligible, offer themselves for re-election. David Turner and Malcolm Paul will retire in accordance with article 88. David Turner who has served on the Board for 11 years will retire in line with good practice and, in doing so, will satisfy the recommendation of the Combined Code on Corporate Governance. Being eligible, he will offer himself for re-election. Malcolm Paul will not offer himself for re-election.

Other than their service contracts, no director had a material interest in any contract of significance to the Group's business. Christopher Cole is a non-executive director of Ashtead Group plc, David Turner is chairman of the Advisory Board of the City University, London and a director of the Royal Mail Group Property Board. During the year these businesses have occasionally procured services from the Group, and the Group has procured goods or services from these companies. These contracts are

Directors' Report – continued

conducted on an arms length basis, without the involvement of the relevant director. The Company maintains directors and officers' liability insurance.

Share Capital

As at 31 December 2008, the Companies' authorised share capital of the Company was £5m, divided into 100,000,000 shares of 5 pence each. At that date, 63,129,167 ordinary shares of 5 pence each had been issued, were fully paid up and were quoted on the London Stock Exchange. The following table summarises the movements in share capital during the year.

	Issue Price	Consideration (£'000)	Ordinary 5p Shares
Issued share capital at 1 January 2008			62,700,994
Shares issued during the year:			
Lincolne Scott purchase deferred consideration	548p	199	36,233
The WSP 1997 Share Option Plan options exercised	58.1p – 308.8p	154	73,012
The WSP Deferred Bonus Share Plan options exercised	5p	4	78,928
The WSP Performance Share Plan options exercised	5p	12	240,000
Issued/aggregate consideration during the year		369	428,173
Issued share capital at 31 December 2008			63,129,167

Rights attaching to shares

The rights attaching to the ordinary shares are defined in the Company's articles of association. Shareholders may change the articles of association by approving a special resolution, requiring a three quarters majority, at a general meeting of the Company.

A shareholder whose name appears on the Company's register of members can choose whether their shares are evidenced by share certificates or held in electronic uncertificated form in CREST, the electronic settlement system in the UK.

Subject to any restrictions below, shareholders may attend any general meeting of the Company and, on a show of hands, every shareholder (or their representative) who is present at a general meeting has one vote on each resolution and, on a poll, every shareholder (or their representative) who is present has one vote on each resolution for every ordinary share of which they are the registered shareholder.

A resolution put to the vote of a general meeting is decided on a show of hands unless before, or on the declaration of the result of, a vote on a show of hands, a poll is demanded by the chairman of the meeting, or by at least five shareholders (or their representatives) present in person and having the right to vote, or by any shareholders (or their representatives) present in person having at least one-tenth of the total voting rights of all shareholders, or by any shareholders (or their representatives) present in person holding ordinary shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all ordinary shares.

Shareholders can declare final dividends by passing an ordinary resolution but the amount of the dividends cannot exceed the amount recommended by the Board. The Board can pay interim dividends on any class of shares of the amounts and on the dates and for the periods they decide provided the distributable profits of the Company justify such payment. The Board may, if authorised by an ordinary resolution of the shareholders, direct that dividends may be satisfied in whole or in part by the distribution of specific assets including paid up shares, debentures or other securities of any other company.

Any dividend which has not been claimed for twelve years after it became due for payment will be forfeited and will then belong to the Company.

If the Company is wound up, the liquidator can, with the sanction of an extraordinary resolution passed by the shareholders, divide among the shareholders all or any part of the assets of the Company and they can value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator can also transfer the whole or any part of the assets to trustees upon any trusts for the benefit of the members. No shareholders can be compelled to accept any asset which would give them a liability.

Voting at general meetings

Any form of proxy sent by the Company to shareholders in relation to any general meeting must be delivered to the Company, whether in written form or (where an address has been specified for the purpose of receiving electronic communications) in electronic form, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

No shareholder is, unless the Board decide otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or any person with an interest in shares has been sent a notice

under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days from the date of service of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered.

These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

Transfers of shares

The Board may refuse to register a transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register a transfer of a certificated share unless the instrument of transfer:

- (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) is in respect of only one class of shares; and
- (iii) is in favour of not more than four transferees.

Transfers of uncertificated shares must be carried out using CREST and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Board may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Board cannot suspend the registration of transfers of any uncertificated shares without gaining consent from CREST. The Company's articles of association impose no further limitations on the holding of ordinary shares in the Company.

Change of control

Part VII to Schedule 7 of the Companies Act 1985 requires the Company to identify those significant arrangements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effects of any such agreements. The Group's banking agreements include provisions which, in the event of a change of control, require that the Company and its principal banks should enter into negotiations for a period not exceeding 30 days with a view to agreeing a basis on which banking facilities may continue. In the event that no agreement is reached within 30 days of a change of control, the banks may cancel the facilities and require the repayment of all amounts due by giving not less than 5 days' notice to the Company.

All of the Company's share schemes include provisions that relate to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Variation of rights

If at any time the capital of the Company is divided into different classes of shares, the special rights attaching to any class may only be varied or revoked either:

- (i) with the consent in writing of the holders of at least 75% in nominal value of the issued shares of the class; or
- (ii) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

The Company can issue new shares and attach any rights to them. If there is no restriction by special rights attaching to existing shares, rights attaching to new shares can take priority over the rights of existing shares, or the new shares and the existing shares can rank equally, or the existing shares can take priority. However, the rights of existing shares are deemed to be varied (unless the rights expressly allow it) by a reduction of paid up capital or if another share of that same class is issued and ranks in priority for payment of dividend or in respect of capital or more favourable voting rights.

Repurchase of Shares

At the Annual General Meeting held on 7 May 2008 a special resolution was approved to authorise the Company to make market purchases of up to 10% of its own ordinary shares. The authority was not used in the period to 5 March 2009 and a similar resolution will be proposed at the forthcoming Annual General Meeting. Any purchases of ordinary shares will be by means of market purchases through the London Stock Exchange and any shares so purchased may be cancelled or may be placed into treasury in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003. The Company currently holds no shares in treasury but the Regulations allow shares repurchased by the Company to be held as treasury shares that may be subsequently cancelled, sold for cash or used for the purpose of employee share schemes. The directors consider it desirable for these general authorisations to be available to provide flexibility in the management of the Company's capital resources.

Directors' Report – continued

Issue of Shares

Also at the Annual General Meeting held on 7 May 2008, an ordinary resolution was approved to renew the directors' authority to allot relevant securities pursuant to Section 80 of the Companies Act 1985 up to an aggregate nominal amount of £1,000,000 (representing approximately one third of the ordinary shares then in issue). Additionally, a special resolution was approved to authorise the directors to dis-apply the statutory pre-emption provisions of Section 89 of the Companies Act 1985 in respect of any rights issue and for cash issues up to an aggregate nominal amount of £156,800 (representing approximately 5% of the ordinary shares then in issue). In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non pro-rated basis over the last three years. Similar resolutions will be proposed at the forthcoming Annual General Meeting.

Significant shareholdings

At 5 March 2009 the following shareholders had notified the Company that they held 3% or more of the voting rights in the ordinary share capital of the Company:

Shareholder	Voting rights held through direct shareholdings	Percentage of Total Voting Rights	Voting rights held through indirect shareholdings	Percentage of Total Voting Rights	Total Voting Rights held	Percentage of Total Voting Rights
Black Rock Inc	–	–	4,925,588	7.94%	4,925,588	7.94%
Axa S.A. and its Group of companies	619,936	0.98%	2,718,880	4.31%	3,338,816	5.29%
JPMorgan Asset Management Holdings Inc	–	–	3,319,036	5.26%	3,319,036	5.26%
Aviva plc and its subsidiaries	1,421,131	2.29%	1,650,413	2.65%	3,071,544	4.94%
Standard Life Investments Ltd	1,026,141	1.64%	1,964,246	3.13%	2,990,387	4.77%
Legal & General Group plc	2,527,292	4.00%	–	–	2,527,292	4.00%
Henderson Smaller Companies Investment Trust plc	1,915,610	3.03%	–	–	1,915,610	3.03%

Financial Instruments

Page 27 of the Operating and Financial Review sets out the Group's approach to financial instruments and financial risk management. Further detail is set out in note 27 of the financial statements.

Corporate Responsibility and Social, Environmental and Ethical Risks

The Group's approach to Corporate Responsibility is set out in the Sustainability Report on pages 28 to 35.

The directors consider that only by ensuring effective relationships with all the Group's stakeholders can WSP deliver long term value and satisfaction to its shareholders. Christopher Cole has ultimate responsibility for health and safety and Stuart McLachlan is responsible for environmental matters. The Group has established systems of corporate governance, in line with the 2006 Combined Code on Corporate Governance published by the Financial Reporting Council, details of which are set out on pages 45 to 49. The Board takes account of risk and reviews the Group's systems of internal control on a regular basis. Identified risks include those which have a potential Social, Environmental and Ethical ('SEE') impact and, where the risks are significant, controls and policies are in place to manage them. Most directors have received training on various aspects of SEE risk. As outlined in the Remuneration Report on pages 50 to 55, the executive directors are incentivised to ensure sustainability through share schemes and bonus arrangements that have regard to sustainability issues and the longer term performance of the Group.

Donations

During the year the Group made charitable donations of £127,153 (2007: £126,184) principally to local charities and foundations serving the communities in which the Group operates. Included in the above was £35,180 (2007: £26,902) donated in the UK. No political donations were made during the year.

Employees

The success of the business depends upon maintaining a highly qualified and well-motivated work force and every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the Group.

Regular communication and consultation with employees is essential and this is achieved by formal and informal meetings, through intranets, the global internet, and through the distribution of in-house newsletters and magazines.

WSP recognises the Universal Declaration of Human Rights and is a committed equal opportunity employer, engaging employees with broad backgrounds and skills. Within the limitations of its business, the Group's policy is to appoint disabled persons and to provide training, career development and promotion opportunities within standard terms of employment. It is also WSP's policy to retain and

re-train those employees who have become disabled. The Operational and Financial Review and the Sustainability Report on pages 6 to 35 provide further details of employees and employee relationships.

Research and Development

To enable WSP to deliver innovative solutions, we maintain research links in many areas that make it possible for us to develop and apply some of the latest technical solutions to the benefit of our clients. The sharing of knowledge and innovations is encouraged through the use of the Group's common databases, the intranet and other staff communication.

Supplier Payment Policy

As a service business, WSP's primary cost base is its professional staff who are paid weekly or monthly in arrears. Many other costs, such as office rents and insurance, are paid in advance. In addition, and in common with other businesses in the construction sector, sub-consultants who provide support or specialist services on projects operate on a paid when paid basis.

The terms and conditions of payment for the supply of other capital and revenue items are normally agreed with the supplier. However, subject to regional practices, and in the absence of any such agreement it is our policy to make payment 60 days after the end of the month in which the supplier's invoice was received.

The average number of days credit taken by the Company for trade purchases for the year ended 31 December 2008 was 59 days (2007: 54 days).

Auditors and disclosure of information to auditors

Having made enquiries of fellow directors, each of the directors who was a member of the Board at the time of approving the Directors' Report confirms that, so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that they ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Corporate Governance

The Company's statement on Corporate Governance is included in the Corporate Governance report on pages 45 to 49 of these financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the registered offices of the Company at 11 a.m. on 6 May 2009. Details of the business to be conducted at the Annual General Meeting are contained in the explanatory circular and Notice of Meeting issued to shareholders.

By Order of the Board



Graham Bisset

Company Secretary
5 March 2009

Statement of directors' responsibilities

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

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

In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State that the financial statements comply with IFRSs as adopted by the European Union.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are also required by the Disclosure and Transparency Rules of the Financial Services Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and Company.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation applicable in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed in page 39 of the Directors Report confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the directors report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

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

By Order of the Board



Graham Bisset

Company Secretary
5 March 2009

Corporate Governance Report

Vision and Values

WSP Group's vision and values are integral to the way the Group does business and the Group's culture reflects this. The Group's values of Trust, Sharing and Supporting, Pride and Passion, Sustainability and Innovation help define the culture, motivating staff to give their best and instilling in clients confidence that WSP will deliver solutions of the highest quality.

Meeting stakeholders' expectations is hugely important and WSP will continue to review and improve the way the business operates and delivers its services. Corporate governance is fundamental to ensuring that WSP fulfils its vision and to ensuring that its values are prevalent in all business activities.

Corporate Governance

The Board remains committed to maintaining the highest standards of corporate governance, which it considers is critical to business integrity, performance and to maintaining investor and stakeholder confidence.

The corporate governance rules applicable to all UK companies admitted to the Official List of the UK Listing Authority are set out in the Combined Code on Corporate Governance which was first published by the Financial Reporting Council in June 2003, and revised in 2006.

Compliance with the Combined Code

The Board confirms that throughout the year ended 31 December 2008 and at the date of this report it was compliant with the provisions of Section 1 of the 2006 Financial Reporting Council Combined Code on Corporate Governance. This report together with the Directors' Remuneration Report on pages 50 to 55 provides details of how the Company applies the principles and complies with the provisions of the Combined Code.

The Board

The Board of WSP Group plc is responsible for promoting the success of the Group, its overall strategy and direction and for its corporate governance. It aims to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls that enable risk to be assessed and managed.

A formal schedule sets out those matters specifically reserved to the Board and its committees. Those matters include decisions on strategy and direction, acquisitions and disposals, capital structure, material contracts, governance and policy.

The Board's composition brings together a balance of skills and experience appropriate to the requirements of the business. It is the Company's policy that, excluding the chairman, at least half the Board should comprise independent non-executive directors. This helps ensure that no individual director or group of directors dominates the decision making process. As outlined on pages 36 and 39, the Board currently comprises the non-executive chairman, four executive directors and four independent non-executive directors.

The Board considers Christopher Stephens, Marisa Cassoni and Mark Rollins to be independent non-executive directors. Anders Karlsson who was appointed as a non-executive director on 1 January 2009 is determined to be independent by the Board and prior to his retirement from the Board on 31 December 2008 Ernest Sheavills was also determined to be independent. Anders Karlsson has served as the non-executive chairman of the supervisory board of the Group's European holding company, WSP Europe A.B. for the last two years. In considering the question of his independence prior to appointment, the Board determined that even though he will continue in that role, he was and remains robustly independent in both character and in judgment. In considering the matter, the Board determined that all fees payable to Anders Karlsson should be subject to the Remuneration Committee's recommendation and recognised that Anders Karlsson is neither an employee of WSP Europe A.B. nor does he have executive responsibilities.

Christopher Stephens is the senior independent non-executive director and is available to shareholders if they request a meeting or have concerns which contact through normal channels fail to resolve or where such contact is inappropriate.

At the 2008 Annual General Meeting, in anticipation of the implementation of new provisions included in the 2006 Companies Act, the Company obtained shareholders' authority to change its articles of association. Amongst other things, these changes permitted the Board to authorise individual directors to enter into situations that could potentially give rise to a conflict of interest. The Board has introduced a procedure whereby directors are required to seek and obtain prior authorisation for such situational conflicts. The Board may decline or approve such situations and, where appropriate, impose restrictions or require ongoing review and monitoring of approved situational conflicts. The procedure has operated effectively since October when the statutory provisions were implemented.

Corporate Governance Report – continued

The Board usually meets on a monthly basis throughout the year and the table below sets out details of the directors, their positions and committee memberships. It also identifies the number of Board and committee meetings convened during the year together with the number of meetings attended by each director.

Director	Position	Independent (as determined by the Board)	Full Board (11 meetings)	Meeting Attendance		Nomination Committee (4 meetings)
				Audit Committee (4 meetings)	Remuneration Committee (6 meetings)	
Directors serving during the year						
David Turner	Chairman and chairs the nomination committee	No	11	–	–	4
Christopher Cole	Chief Executive	No	11	–	–	3
Malcolm Paul	Group Finance Director	No	10	–	–	–
Stuart McLachlan	Executive Director	No	11	–	–	–
Christopher Stephens	Non-executive director and chairs remuneration committee	Yes (Senior independent non-executive director)	11	4	6	4
Marisa Cassoni	Non-executive director and chairs the audit committee	Yes	11	4	6	4
Mark Rollins	Non-executive director	Yes	11	4	–	4
Ernest Sheavills (resigned 31.12.08)	Non-executive director	Yes	11	–	5	2
Directors appointed since the year end						
Anders Karlsson (appointed 01.01.09)	Non-executive director	Yes	–	–	–	–
Peter Gill (appointed 02.03.09)	Executive Director	No	–	–	–	–

The Board has a standing agenda which includes receiving reports from the chief executive and the Group finance director on the Group's operational performance, finances, ongoing strategy and risk profile, all of which are considered at the monthly Board meetings. The Board has regard to social, environmental and ethical matters in relation to the Group's business and assesses these when considering the risks faced by the Group.

Where appropriate, matters are delegated to the nomination, audit and remuneration committees. The committees' terms of reference which were updated during the year are available on the Group's website and available for inspection at the Company's registered office during normal office hours.

Chairman and Chief Executive

The roles and responsibilities of the chairman and chief executive have been agreed by the Board and are kept under review to ensure a clear division of responsibilities.

The chairman is responsible for the leadership of the Board and ensuring effective communications with shareholders. He sets the Board agenda, taking full account of the issues and concerns of all Board members, and ensures that it is supplied with accurate, timely and clear information. During the year, he held regular meetings with the non-executive directors without the executive directors present. He takes the lead on director induction and development; encourages active engagement by all directors, and ensures that the performance of individuals and of the Board as a whole, together with its committees, is evaluated at least once a year.

The chief executive is responsible for managing the day to day conduct of the Group's business. He chairs the performance and strategy committees which have primary responsibility for managing and controlling the Group's operations.

Appointment of Directors

In accordance with the Company's articles of association, directors are required to retire by rotation on the third anniversary of their appointment or re-appointment to the Board. Directors appointed during the year are required to stand for re-election by shareholders at the first opportunity after their appointment. In line with good practice and as recommended by the Combined Code, David Turner, who has served on the Board for eleven years, will also retire at the Annual General Meeting and will offer himself for re-election.

The names of those directors who will retire and are submitting themselves for re-election are detailed in the Directors' Report on page 39. Biographies of each of the directors are set out on page 36.

Personal development, advice and performance evaluation

Directors are encouraged to update their knowledge and familiarity with the Group through office visits, briefings and meetings with senior management. As part of the induction process, an induction pack is provided to non-executive directors. All directors have access to the company secretary who is responsible for ensuring good information flows within the Board and its committees and between senior management and non-executive directors. The company secretary is appointed by the Board and is responsible for ensuring that Board procedures are complied with and for advising the Board, through the chairman, on all corporate governance matters. Directors are encouraged to seek independent or specialist advice or training at the Company's expense where this will add to their understanding of the Group in the furtherance of their duties.

The Board has established a formal and rigorous process by which it reviews its own performance and that of its committees and directors. Performance evaluations have been structured so as to ensure a balanced and objective review, using questionnaires to stimulate discussion of a range of issues. Following these reviews the chairman ensures that, where relevant, appropriate actions are identified and undertaken.

The individual performances of the chairman, the chief executive, the executive directors and the independent non-executive directors have all been reviewed during the year taking account of the views of the other Board directors. David Turner and Christopher Stephens have both served as non-executive directors for more than six years and have undergone particularly rigorous performance evaluations during the year.

Nomination Committee

The nomination committee leads the process for Board appointments and makes recommendations to the Board thereon. It considers Board composition and balance and maintains succession plans for executive and non-executive directors under review. It makes recommendations to the Board regarding the re-election of directors.

The committee comprises David Turner, the chairman of the Board, as its chairman together with the four independent non-executive directors and the chief executive.

During the year, the nomination committee considered succession plans, the balance of skills, knowledge and experience on the Board and director performance together with the time commitment required of non-executive directors in fulfilling their duties. It made recommendations to the Board regarding the appointments of Peter Gill and Anders Karlsson.

Peter Gill was appointed following a series of interviews, with the support of an external search consultancy engaged to identify suitable candidates, conduct initial interviews and provide advice on the selection process. In its recommendation to appoint Anders Karlsson, the nomination committee recognised that he had the range of skills and international experience that the committee sought to introduce to the Board and under such circumstances the committee decided not to engage external search consultants or to advertise the position. External search consultants had previously been engaged as part of the selection process that secured his appointment to his role as non-executive chairman of WSP Europe A.B.'s supervisory board in 2007.

Remuneration Committee

The Remuneration Committee advises the Board on directors service contracts and remuneration. A report on executive directors' remuneration and the activities of the remuneration committee is set out on pages 50 to 55.

Audit Committee

The audit committee advises and makes recommendations to the Board on matters including financial reporting, internal control, risk management and the appointment of external auditors. The committee comprises Marisa Cassoni, who chairs it, together with Mark Rollins and Christopher Stephens. All are independent non-executive directors and both Marisa Cassoni and Mark Rollins are finance professionals with recent and relevant financial experience.

Where appropriate, the committee has consulted with the chairman of the Board, the chief executive and the Group finance director in its deliberations and in developing recommendations. The chairman, executive directors and head of internal audit are invited to meetings of the committee for parts of the agenda. The external auditors are also invited to attend meetings, and meet in private with the audit committee at least annually.

During the year, the committee reviewed the Group's financial statements and other formal announcements relating to the Group's financial performance before presentation to the Board. In doing so, it has considered accounting policies, areas of judgement or estimate, reporting requirements and matters brought to their attention by management and the external auditors.

Since the Group decided to implement an internal audit function at the end of last year the committee has been closely involved in its development, monitoring its introduction, agreeing its terms of reference, its resources and the initial internal audit plan which has been focused on key areas of risk. During the year, internal audit facilitated the annual assessment of internal controls which the committee undertook on behalf of the Board. The committee will continue to receive and review reports prepared by internal audit, approve its audit plans and monitor its effectiveness.

Corporate Governance Report – continued

The Group has a confidential hotline arrangement operated by an independent third party. During the year the committee has reviewed arrangements by which staff may, in confidence, raise concerns about possible improprieties and considers that the Group's arrangements are appropriate given the nature of the risks involved.

The committee has primary responsibility for making recommendations to the Board in relation to the appointment of external auditors. It is responsible for monitoring the independence and objectivity of the external auditors and agreeing the level of remuneration and the extent of non-audit services. During the year, PricewaterhouseCoopers LLP ('PwC') reported to the committee on its audit strategy, the scope of audit work and the outcome of the audit.

The committee has reviewed the performance of PwC together with the level of non-audit fees paid to PwC during the year. These are set out in note 5 on page 71. The Company has implemented a policy whereby the provision of non-audit services other than tax compliance and routine taxation advice must be referred to the committee in the event that it is likely to exceed a pre-determined threshold of £50,000. Any work that falls below this threshold must be pre-approved by the Group finance director. PwC also report to the committee on matters including independence and their engagement in non-audit work. They operate procedures designed to protect their objectivity that include periodic rotation of audit partners and annual independence confirmations by all staff. By monitoring these reports and restricting the nature and quantum of non-audit services provided by PwC, the committee aims to safeguard auditor objectivity and independence.

Internal Control

The directors have ultimate responsibility for the system of internal control and also for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

As a decentralised group, local management retain considerable autonomy to manage and develop their businesses and in such an environment effective systems of internal control are necessary to ensure shareholder value and safeguard assets. The operational and strategic direction of the Group is managed and monitored through the following committees which provide direction, monitoring and control to businesses throughout the Group:

- The Performance Committee has written terms of reference and meets on a monthly basis to review and consider the operational and financial performance of the Group. Reports are received from businesses throughout the Group and each meeting has a formal agenda that includes risk management issues. The Committee consists of the executive directors and the chairmen of the three executive committees together with the global development director and is regularly attended by the managing directors of the remaining principal businesses. The discussions of the committee are reported to the Board by the executive directors.
- Three Executive Committees meet monthly and embrace the regional businesses in the UK and Europe, while the Global Environment and Energy executive committee is formed from the regional environment and energy businesses. The committees comprise the managing directors of the principal operating businesses. The chief executive and Group finance director together with other Group management regularly visit and attend the Board meetings of key operations, including those in the USA, Australia, Middle East, Asia and Africa.
- The Strategy Committee met twice during the year and has written terms of reference to develop the strategic direction of the Group and consider strategic proposals. The committee consists of the executive directors and the chairmen of the executive committees together with such other senior executives as are deemed appropriate. The committee's conclusions and recommendations are reported to the Board.

The members of the executive committees and subsidiary directors are responsible for the conduct and management of their businesses and clearly defined levels of authority have been established between the Group's executive directors, the executive committees and subsidiary boards. Subsidiaries subscribe to the Group's vision and values but have autonomy to develop appropriate and effective ways of working, while operating control environments that recognise specific business risks and that are established in accordance with Group policies and systems of reporting and internal control.

Management are responsible for reviewing risks locally and identifying, evaluating and managing those significant risks that are relevant to their businesses. Businesses maintain their own risk registers and action plans which are summarised and reviewed on a regular basis by the performance committee, internal audit, the audit committee and the Board. A summary of the key risks inherent in the Group's business is provided on page 10 of the Operating and Financial Review.

The Group established an internal audit function during the year that reports to the company secretary. Working throughout the Group, the role of internal audit is to build upon work previously undertaken by the Group financial risk manager, adopting a risk based approach to identify, test and report to the audit committee on the effectiveness of key systems of internal control and risk management operated across the Group's businesses.

The audit committee assists the Board in its review of the effectiveness of internal controls and is responsible for setting the strategy for the review. In doing so, it takes account of the organisational framework and reporting mechanisms embedded within Group

procedures together with the work of internal audit and the Group financial risk manager. Where concerns have been raised about the effectiveness of controls, the committee has considered the appropriateness of remedial actions.

Individual businesses across the Group complete internal control questionnaires that take account of financial, operational and compliance controls and risk management systems and through which the effectiveness of controls and compliance with Group policies and systems is assessed. The effectiveness of internal controls is considered together with the range and significance of risks to which each business is exposed.

During the course of the year the Board has reviewed the effectiveness of the Group's internal controls together with any significant remedial action that may be required. In its deliberations, the Board has taken account of the advice of the audit committee and any other related factors which have come to its attention.

The Board is satisfied that there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board, and that it accords with the revised guidance on internal control published by the Financial Reporting Council in October 2005. The review process does not extend to include associate companies or joint ventures where the Group does not have a controlling interest. In joint ventures, systems of internal control are agreed in conjunction with joint venture partners. Details of associate companies and joint ventures are provided in note 13 to the financial statements.

Relations with Shareholders

In the interests of developing a mutual understanding of objectives, the executive directors meet regularly with institutional investors to discuss the performance of the Group and its future strategy. Where it has been considered appropriate, the Board has consulted with institutional shareholders on matters such as directors' remuneration and the chairman and senior independent director are available to meet with institutional shareholders should there be unresolved matters that shareholders believe ought to be brought to their attention.

Corporate and financial presentations are regularly made to fund managers, brokers and the media, particularly when the Group's final and half year results are announced. Regulatory announcements are published in the Market News section of the London Stock Exchange website, and also on the WSP Group website. All shareholders are welcome to attend the Annual General Meeting in May where they have the opportunity to put questions to the directors, including the chairpersons of the Board committees.

The non-executive directors are available to meet with major shareholders and are provided with regular updates on the views of institutional shareholders. They meet with shareholders at the Annual General Meeting and may attend presentations following the final and interim results announcements. A third party report on investor views and comments regarding the Company is prepared after investor results meetings and a summary is presented to the Board.

Notices of annual general meetings and related papers are sent to shareholders at least twenty working days in advance of the meetings. At annual general meetings separate resolutions are proposed for each substantially different issue to enable each one to receive proper consideration. Proxy votes are disclosed after each resolution has been dealt with by a poll. Following annual general meetings the results, including proxy voting, are published on the WSP Group website where further information on the activities of the Group, together with shareholder information can be accessed.

Directors' Remuneration Report

This report sets out the remuneration policy and remuneration details of the executive and non-executive directors of the Group and has been prepared in accordance with the Companies Act 1985 which incorporates the Directors' Remuneration Report Regulations 2002 and also with the 2006 Combined Code on corporate governance.

The report is divided into separate sections for audited and unaudited information. The Regulations require the auditors to report to shareholders on the audited information and to state whether those sections have been properly prepared in accordance with the Companies Act 1985 as amended by the Regulations. As required by the Companies Act a resolution for shareholders to approve the report will be proposed at the Annual General Meeting at which the financial statements are presented for approval.

Summary of Remuneration Policy (unaudited)

The remuneration policy is designed to attract, retain and motivate the executive directors by rewarding them with competitive salary and benefit packages linked to achieving the Group's strategic goals. A significant proportion of the remuneration package is delivered through performance related incentive pay. The incentive pay arrangements are structured so as to align the interests of executive directors with those of shareholders by rewarding long-term performance that creates additional shareholder value, but without encouraging excessive risk taking or promoting behaviors that might heighten environmental, social and governance risks.

During the year, the committee reviewed the remuneration policy in light of the best practice guidance issued by the institutional investor bodies and the changing economic environment and concluded that the current policy remains appropriate. No changes are therefore being proposed to the structure of the remuneration arrangements for 2009. Furthermore, taking into account the more difficult market conditions that have developed during the year, the committee has determined not to increase the base salaries of the executive directors for 2009.

Remuneration Committee (unaudited)

The remuneration committee, which has written terms of reference, determines, on behalf of the Board, the Group's policy on executive remuneration and considers and approves remuneration packages for executive directors. In addition, the committee monitors and makes recommendations on the level and structure of senior management remuneration across the Group. The terms of reference are available on the Group website.

The committee, which met six times during the year, comprises three independent non-executive directors, Christopher Stephens as chairman, Marisa Cassoni and Ernest Sheavills. Anders Karlsson replaced Ernest Sheavills as a member of the committee with effect from 1 January 2009. Where appropriate, the committee consults with the chairman of the Board and the chief executive, neither of whom take part in discussions in matters relating to their own remuneration.

The remuneration committee has appointed Hewitt New Bridge Street to provide independent remuneration advice to the committee. Neither Hewitt New Bridge Street, nor its parent company, Hewitt Associates Ltd, has any other relationships with the Company.

The members of the remuneration committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and to the continuing financial and commercial health of the business.

Directors' Contracts (unaudited)

Executive Directors

The Board's policy is to offer service agreements to executive directors with notice periods of not more than 12 months. The directors' service contracts may be summarised as follows:

Director	Contract Date	Unexpired Term	Notice Period	Contractual Termination Payments
Christopher Cole	01.01.2004	Rolling 1 year	12 months	One year's remuneration
Malcolm Paul*	01.01.2004	9½ Months	12 months	One year's remuneration
Stuart McLachlan	01.01.2006	Rolling 1 year	12 months	One year's salary
Peter Gill (appointed 02.03.09)	02.03.2009	Rolling 1 year	12 months	One year's salary

* With effect from 31 December 2008, Malcolm Paul served the Company with notice of resignation. It has been agreed that he will resign as a director of the Company at the 2009 AGM and that he should continue as an employee of the Company until 31 December 2009.

The terms of the service contracts of Christopher Cole and Malcolm Paul allow for liquidated damages that extend beyond basic salaries to include bonuses, which the committee considers reflects the true financial entitlement of the individuals concerned.

Non-Executive Directors

The non-executive directors have letters of appointment which provide that their appointments are initially for a term of three years, subject to satisfactory performance and their re-election at forthcoming annual general meetings. David Turner, who is subject to

annual re-election, has a letter of appointment which provides for a one year term, subject to satisfactory performance and re-election at forthcoming annual general meetings. Their appointments may be terminated with 3 months' written notice at any time.

The chairman and non-executive directors' dates of appointment and their most recent dates of re-election at annual general meetings are set out below:

Director	Date of appointment as a non-executive director	Date of last re-election at Annual General Meeting
David Turner	01.07.1997	07.05.2008
Christopher Stephens	10.01.2003	03.05.2006
Marisa Cassoni	01.01.2006	03.05.2006
Mark Rollins	01.01.2006	03.05.2006
Ernest Sheavills (retired 31.12.08)	01.01.2006	03.05.2006
Anders Karlsson (appointed 01.01.09)	01.01.2009	Pending 2009 AGM

Remuneration Policy (unaudited)

The policy of the Board is to attract, retain and motivate the best executive directors by rewarding them with competitive salary and benefit packages linked to achieving the Group's strategic goals without promoting excessive risk taking. The remuneration committee has considered a variety of independently sourced information including comparisons of the executives' remuneration with UK peer group companies and UK companies of similar size to WSP. WSP is an international business and therefore the committee also considered employment practices in UK listed companies with a similar international presence. The committee has considered, and is sensitive to, remuneration and employment conditions throughout the Group.

The remuneration packages of executive directors comprise:

- Basic salaries together with specific employee benefits that are reviewed annually having regard to individual performance, responsibility and skills, and comparable evidence of other companies in the sector. Taking account of the more challenging market conditions that have developed during the year, no increases to base salaries for the directors have been proposed for 2009 and accordingly their salaries have been determined as set out below.

Director	2009 Salary
Christopher Cole	£390,000 per annum
Malcolm Paul	£325,000 per annum
Stuart McLachlan	£210,000 per annum
Peter Gill (appointed 02.03.2009)	£310,000 per annum

- All the executive directors are members of defined contribution pension schemes. Pension contributions are calculated by reference to basic salaries with neither annual bonuses nor awards under the share incentive schemes taken into account in calculating the amounts due. Peter Gill has elected to receive his pension contributions by way of salary supplement.
- Performance related annual bonuses, up to a maximum of 100% of the executive directors' salary, are calculated by reference to the Group meeting prescribed annual performance targets. In 2009, the annual performance targets are based on profit before tax together with an over-riding requirement that net debt is kept under control and the Group keeps within set gearing and interest cover ratios.
- Share awards under the 2006 Performance Share Plan, up to a maximum of 100% of executive directors' basic salaries. The vesting of awards is linked to the long-term performance of the Company. The extent to which an award will vest and thus becomes exercisable is measured by reference to the growth in WSP's adjusted diluted earnings per share over a three year performance period.

The committee is of the opinion that adjusted diluted earnings per share continues to be the most appropriate measure of Group performance as it rewards significant and sustained increases in profitability that should be expected to flow through to enhanced long term shareholder value. Adjusted diluted earnings per share is a transparent performance measure for WSP as the Group's approach to revenue recognition is firmly established in accounting practices, with Group cash flow clearly linked to profit on an annual basis. Furthermore, because typically over 40% of the executives participating in the plan are resident outside the UK, adjusted diluted earnings per share is considered to provide them with a strong and meaningful focus.

The remuneration committee aims to align the interests of executive directors with those of shareholders by rewarding ongoing performance that creates additional shareholder value without inadvertently raising behaviours that might threaten the financial stability of the business or cause excessive environmental, social and governance risks to be taken. The performance related elements of executive remuneration which comprise annual bonuses and awards under the 2006 Performance Share Plan are intended to

Directors' Remuneration Report – continued

represent a significant proportion of remuneration. The targeted composition of directors' remuneration, assuming full entitlements to bonus and share awards, is set out in the following table.

Director	Position	Non Performance Related	Performance Related
David Turner	Non-executive Chairman	100%	–
Christopher Cole	Chief Executive	35%	65%
Malcolm Paul	Group Finance Director	35%	65%
Stuart McLachlan	Executive Director	41%	59%
Peter Gill (appointed 02.03.2009)	Executive Director	31%	69%
Christopher Stephens	Non-executive Director	100%	–
Marisa Cassoni	Non-executive Director	100%	–
Mark Rollins	Non-executive Director	100%	–
Ernest Sheavills (retired 31.12.2008)	Non-executive Director	100%	–
Anders Karlsson (appointed 01.01.2009)	Non-executive Director	100%	–

In determining Peter Gill's recruitment package, the remuneration committee determined that his 2009 bonus and share awards should be based on a maximum of 100% of his annual rate of salary, albeit he commenced his service as a director of the company with effect from 2 March 2009. In 2009 a proportion of his bonus will be determined according to personal performance objectives that have been set by the committee. Malcolm Paul, who will retire as a director of the Company at the 2009 Annual General Meeting will continue his employment with the Group until the end of 2009 and the committee has determined that his maximum entitlement to bonus and share awards to be granted in accordance with the 2006 Performance Share Plan will be based on 100% of his 2009 salary.

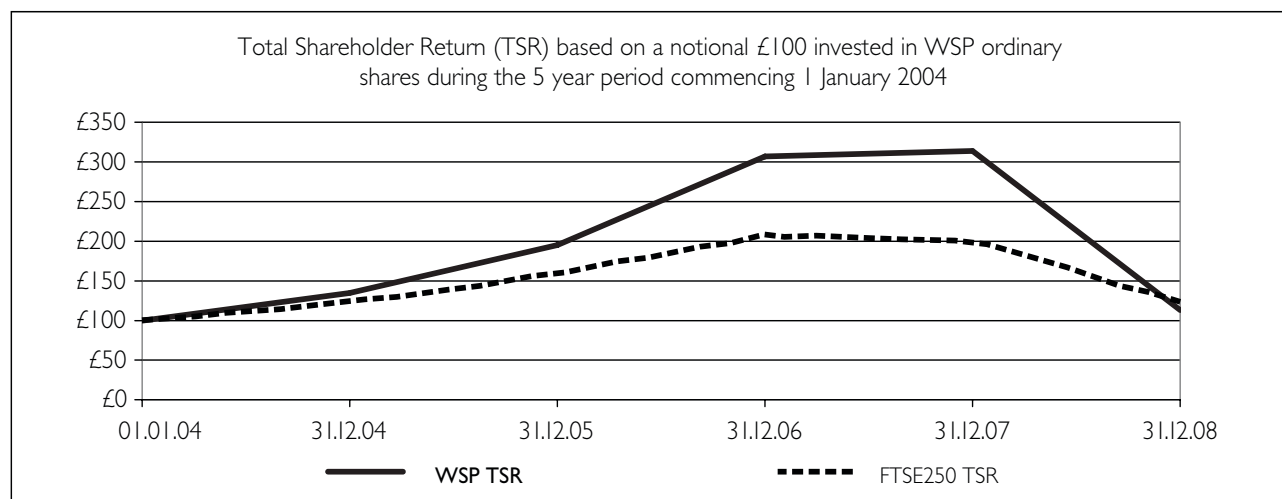
The interests of executive directors and shareholders are further aligned by requiring executive directors to build and maintain a minimum shareholding that is linked to their level of remuneration. Under this policy, it is anticipated that directors will invest a sum at least equivalent to 100 per cent of their salary by investing 50 per cent of their annual after tax bonus, until such time as they establish the requisite holding. The interests of the directors in the shares of the company are shown on page 55.

The committee has agreed that in the event of a significant adverse event, it may have regard to significant non-financial factors, such as environmental, social and corporate governance matters, and that bonuses may be adjusted downwards on a discretionary basis if such events materially damage the reputation of the Group. Sustainability factors are further engaged by the 2006 Performance Share Plan which encourages a long term responsible approach to developing the business by rewarding earnings per share growth over three year performance periods.

Non-executive directors' fees are determined by the Board within the limits set by the articles of association and are structured to reflect the time commitment and responsibilities of their respective roles. The non-executive directors do not participate in share plans, bonus or pension arrangements.

Performance Chart (unaudited)

Set out below is a performance chart that compares the total shareholder return ('TSR') of WSP Group with the FTSE 250 TSR index. TSR is the return that shareholders would receive if they acquired a notional number of shares and reinvested dividends on those shares over a period of time. The Remuneration Committee considers that FTSE 250 TSR index provides a broad UK equity market index against which the share performance of WSP Group can be fairly judged.



The chart demonstrates that, in the years prior to 2008, WSP Group's TSR significantly exceeded that of the FTSE 250. However, in 2008, macro economic factors and global market turmoil have conspired to downgrade equities generally. During the same period, equities in the UK support services and property sectors to which WSP is principally aligned have underperformed markets generally. Despite WSP's earnings per share and dividend growth together with increased diversity and global reach, the WSP share price fell significantly in 2008 and the five-year TSR dropped to slightly below that of the FTSE 250.

Directors' Remuneration (audited information)

The following table provides an analysis of the remuneration of each director who served during the year:

Director	Salary and fees £'000	Performance Bonus £'000	Employee Benefits ** £'000	2008 Total £'000	2007 Total £'000	2008 Pension £'000	2007 Pension £'000
David Turner	60	—	—	60	50	—	—
Christopher Cole	390	390*	27	807	684	136	116
Malcolm Paul	325	325	29	679	613	114	103
Stuart McLachlan	210	143	13	366	311	31	19
Christopher Stephens	40	—	—	40	35	—	—
Marisa Cassoni	40	—	—	40	35	—	—
Mark Rollins	35	—	—	35	30	—	—
Ernest Sheavills (resigned 31.12.08)	35	—	—	35	30	—	—
	1,135	858	69	2,062	1,788	281	238

* Christopher Cole is using 30% of his post tax bonus, representing £70,000, to acquire WSP Group Plc shares in the open market.

** Employee benefits include car allowance, tax advice, medical and health insurance cover.

In determining executive directors' 2008 salaries, the remuneration committee recognised the Group's exceptional growth in recent years. In the 3 years ending 2007, the Group continued to expand significantly, as the strategic plan was delivered. During that period reported revenues increased by more than 78% to £556m, with adjusted earnings per share increasing by more than 160% in the same period. Consequently, the committee awarded base salary increases which amounted to approximately 18% for Christopher Cole, 10% for Malcolm Paul and 11% for Stuart McLachlan. In setting base salaries, the committee took account of market data concerning remuneration levels in competitor companies together with pay conditions elsewhere in the Group.

In 2008 annual bonus targets required the Group's profit before tax to grow by 20.3% during the year, at which point an annual bonus of 40% would be payable. This would increase pro rata up to 80% for 26.6% growth in profit before tax, then to a maximum of 100% for 32.3% growth. In 2008, the growth in profit before tax was 37.5%. Accordingly, performance related annual bonuses amounting to 100% of salary were payable in respect of the increase in profit before tax. Consequently, Malcolm Paul and Christopher Cole are entitled to bonuses amounting to 100% of salary.

Stuart McLachlan's bonus which amounted to 68.1% of salary was limited to a maximum of 75% of salary and determined equally on the basis of the growth in the Group's profit before tax as set out above together with the operating profit growth achieved by the Environment and Energy business.

The committee was satisfied that the Group had performed well on environmental, social and governance issues throughout the year.

Where executive directors receive approval to serve in a non-executive capacity with other companies, the Board has agreed that they may retain any remuneration received. In respect of the year to 31 December 2008, Christopher Cole received remuneration of £106,667 in his capacity as non-executive chairman of Ashted Group plc.

Directors' Remuneration Report – continued

Long Term Incentive Share Plan (audited information)

a) The WSP Performance Share Plan

At 31 December 2008, the committee had made the following awards under the WSP Performance Share Plan which are dependent upon the Group's future adjusted diluted earnings per share growth.

Director	Award Date	Earliest Vesting Date	Market price at Award Date	Number of shares at 01.01.2008 No.	Granted in year No.	Number of shares exercised No.	Number of shares at 31.12.2008 No.	2008 Value of entitlement £'000	2007 Value of entitlement £'000
Christopher Cole	01.04.2005	01.04.2008	275.0p	41,000	–	(41,000)	–	–	237
	03.05.2006	03.05.2009	436.5p	32,000	–	–	32,000	65	185
	03.04.2007	03.04.2010	692.4p	29,000	–	–	29,000	59	167
	09.04.2008	09.04.2011	602.0p	–	64,750	–	64,750	131	–
				102,000	64,750	(41,000)	125,750	255	589
Malcolm Paul	01.04.2005	01.04.2008	275.0p	33,000	–	(33,000)	–	–	190
	03.05.2006	03.05.2009	436.5p	26,500	–	–	26,500	54	153
	03.04.2007	03.04.2010	692.4p	25,000	–	–	25,000	51	144
	09.04.2008	09.04.2011	602.0p	–	53,950	–	53,950	110	–
				84,500	53,950	(33,000)	105,450	215	487
Stuart McLachlan	01.04.2005	01.04.2008	275.0p	15,000	–	(15,000)	–	–	87
	03.05.2006	03.05.2009	436.5p	13,000	–	–	13,000	26	75
	03.04.2007	03.04.2010	692.4p	13,250	–	–	13,250	27	76
	09.04.2008	09.04.2011	602.0p	–	21,000	–	21,000	43	–
				41,250	21,000	(15,000)	47,250	96	238

Participants are only entitled to receive 100% of their 2008 award if the adjusted diluted earnings per share over a three year period from the date of the award increases by at least 14% (2007 awards: 12%, 2006 awards: 10%) per annum plus the equivalent increase in the Retail Price Index. No award will vest unless the Group's adjusted diluted earnings per share over the same period increase by 4% per annum plus the equivalent increase in the Retail Price Index and, at this level, the participant would receive 30% of any award. In respect of awards made after 2005, participants are entitled to receive sums equivalent to the value of dividends that would have been paid on those shares that will vest to them, had they been held by participants between the grant and vesting dates.

The following table shows the awards under the WSP Performance Share Plan that vested and were exercised by directors during 2008:

Director	Award date	Exercise date	Market price at award date	Market price at exercise date	Number of shares exercised No.	2008 Gain on exercise £'000	2007 Gain on exercise £'000
Christopher Cole	01.04.2005	16.04.2008	275.0p	561.0p	41,000	230	482
Malcolm Paul	01.04.2005	16.04.2008	275.0p	561.0p	33,000	185	445
Stuart McLachlan	01.04.2005	16.04.2008	275.0p	561.0p	15,000	84	148
					89,000	499	1,075

In respect of those awards that vested during the year, participants were only entitled to receive 100% of any award provided the adjusted diluted earnings per share over the three year period from 1 January 2005 had increased from a base of 15.4p by at least 37.0%, representing 8% per annum plus the increase in the Retail Price Index compounded. No award would have vested unless the Group's adjusted diluted earnings per share over the same period had increased by at least 23.6%, being 4% per annum plus the increase in the Retail Price Index compounded, at which point 25% of any award would have vested. The adjusted diluted earnings per share as reported in the 2007 Annual Report was 44.9p, representing an actual increase of 191.6% over the base. As a result of this strong performance, the awards vested in full and were satisfied by new issue shares.

b) The WSP Deferred Bonus Share Plan

At 31 December 2008, outstanding awards due to directors under the Deferred Bonus Share Plan are set out in the table below. Final awards under the Deferred Bonus Share Plan were made in May 2006 and participants had the option to invest up to 50% of their after tax annual bonus in shares of the Company. If these shares are held for more than three years and provided adjusted diluted earnings per share grew by at least 5% per annum plus the increase in the Retail Price Index, the Company agreed to grant an award of the right to acquire a matching number of shares at nil exercise price.

Director	Award Date	Earliest Vesting Date	Market price at Award Date	Number of shares 01.01.2008 No.	Exercised in year No.	Granted in year No.	Number of shares 31.12.2008 No.	2008 Value of entitlement £'000	2007 Value of entitlement £'000
Christopher Cole	30.04.2005	30.04.2008	268.0p	33,333	(33,333)	–	–	–	192
	03.05.2006	03.05.2009	436.5p	31,167	–	–	31,167	63	180
				64,500	(33,333)	–	31,167	63	372
Malcolm Paul	30.04.2005	30.04.2008	268.0p	33,333	(33,333)	–	–	–	192
	03.05.2006	03.05.2009	436.5p	28,333	–	–	28,333	58	164
				61,666	(33,333)	–	28,333	58	356

In respect of those awards that vested in 2008, participants were only entitled to receive 100% of any award provided the adjusted diluted earnings per share over the three year period from 1 January 2005 had increased from a base of 15.4p by at least 26.8%, representing 5% per annum plus the increase in the Retail Price Index compounded. In the event, adjusted diluted earnings per share grew by 191.6% and the awards vested and were exercised in full. Details of those awards that were exercised during the year are set out in the table below.

Director	Award date	Exercise date	Market price at award date	Market price at exercise date	Number of shares exercised No.	2008 Gain on exercise £'000	2007 Gain on exercise £'000
Christopher Cole	30.04.2005	30.04.2008	268.0p	561.0p	33,333	187	556
Malcolm Paul	30.04.2005	30.04.2008	268.0p	561.0p	33,333	187	556
					66,666	374	1,112

The value of entitlements under the WSP Performance Share Plan and the WSP Deferred Bonus Share Plan are calculated by reference to the middle market share price at 31 December 2008 which was 203.0p (2007: 577.0p) and the share price range during the year was 179.0p to 614.0p.

In accordance with the Group's accounting policy for employee share schemes, long term incentive compensation arising out of the above plans is disclosed in directors' remuneration when it crystallises, which will normally be after the third anniversary of the award, and appropriate provisions are built up over the vesting period. Where awards under share schemes depend on adjusted diluted earnings per share growth, the committee takes account of the impact of changes in accounting policy to ensure that awards are made on the basis of consistent calculations of adjusted diluted earnings per share.

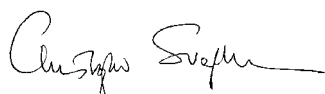
Directors' interests (unaudited)

As at 31 December the beneficial and contingent interests of the directors in the 5p ordinary shares of the Company were as follow:

Director	Beneficial Performance		Deferred Bonus		Beneficial Performance		Deferred Bonus	
	Shares	Share plan	Share plan	Total	Shares	Share plan	Share plan	Total
	31.12.2008	31.12.2008	31.12.2008	31.12.2008	31.12.2007	31.12.2007	31.12.2007	31.12.2007
	No.	No.	No.	No.	No.	No.	No.	No.
David Turner	14,507	–	–	14,507	12,762	–	–	12,762
Christopher Cole	947,477	125,750	31,167	1,104,394	947,477	102,000	64,500	1,113,977
Malcolm Paul	860,276	105,450	28,333	994,059	860,276	84,500	61,666	1,006,442
Peter Gill (<i>appointed 02.03.2009</i>)	–	–	–	–	–	–	–	–
Stuart McLachlan	31,014	47,250	–	78,264	22,214	41,250	–	63,464
Christopher Stephens	9,341	–	–	9,341	7,610	–	–	7,610
Marisa Cassoni	6,225	–	–	6,225	1,587	–	–	1,587
Mark Rollins	10,000	–	–	10,000	5,000	–	–	5,000
Ernest Sheavills (<i>resigned 31.12.2008</i>)	10,000	–	–	10,000	10,000	–	–	10,000
Anders C Karlsson (<i>appointed 01.01.2009</i>)	–	–	–	–	–	–	–	–

On 2 March 2009 Christopher Stephens acquired a further 5,000 shares. There have been no other changes in directors' share interests since 31 December 2008.

On behalf of the Board



Christopher Stephens

Chairman of the Remuneration Committee
5 March 2009

Independent Auditors' report to the members of WSP Group plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of WSP Group plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense, the Accounting Policies and the Notes to the Financial Statements. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Principal Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review, the Sustainability Report, the Corporate Governance Report and all other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

5 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	Before exceptional items 2008 £m	Exceptional items* 2008 £m	Total 2008 £m	Restated before exceptional items 2007 £m	Restated exceptional items* 2007 £m	Restated total 2007 £m
Continuing operations							
Revenue	1	755.2	–	755.2	556.5	–	556.5
Subcontractor costs		(87.4)	–	(87.4)	(56.2)	–	(56.2)
Employee benefits costs	6	(462.6)	6.4	(456.2)	(346.0)	–	(346.0)
Cost of sales		(550.0)	6.4	(543.6)	(402.2)	–	(402.2)
Gross profit		205.2	6.4	211.6	154.3	–	154.3
Administrative expenses		(148.5)	(5.4)	(153.9)	(112.3)	(1.7)	(114.0)
Operating profit		56.7	1.0	57.7	42.0	(1.7)	40.3
Associated undertakings	2						
– share of profit		2.0	–	2.0	1.9	–	1.9
– share of taxation		(0.6)	–	(0.6)	(0.5)	–	(0.5)
		1.4	–	1.4	1.4	–	1.4
Profit before interest and taxation		58.1	1.0	59.1	43.4	(1.7)	41.7
Finance costs	4	(7.8)	–	(7.8)	(4.5)	–	(4.5)
Finance income	4	0.8	–	0.8	0.7	–	0.7
Profit before taxation		51.1	1.0	52.1	39.6	(1.7)	37.9
Taxation	7	(14.9)	(0.5)	(15.4)	(11.2)	0.1	(11.1)
Profit for the financial year		36.2	0.5	36.7	28.4	(1.6)	26.8
Profit attributable to							
– Equity shareholders		36.3	0.5	36.8	28.3	(1.6)	26.7
– Minority interests		(0.1)	–	(0.1)	0.1	–	0.1
		36.2	0.5	36.7	28.4	(1.6)	26.8
Basic earnings per share	9			58.3p			43.0p
Diluted earnings per share	9			57.4p			42.3p

* Exceptional items include amortisation of intangible assets arising on acquisitions of £2.1m (2007: £1.7m) and other items shown in note 3.

Statements of Recognised Income and Expense

For the year ended 31 December 2008

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
Profit for the financial year	36.7	26.8	22.8	13.1
Actuarial (loss)/gain on pension schemes (net of taxation)	(5.9)	1.0	–	–
Taxation related to the performance share plan adjustment	(0.9)	0.2	(0.6)	0.1
Foreign exchange movements (net of taxation)	36.8	4.1	–	0.9
Net gains/(losses) not recognised in the income statement	30.0	5.3	(0.6)	1.0
Total income and expense recognised in the year	66.7	32.1	22.2	14.1
Attributable to				
– Equity shareholders	66.8	32.0	22.2	14.1
– Minority interests	(0.1)	0.1	–	–
	66.7	32.1	22.2	14.1

Balance Sheets

As at 31 December 2008

	Note	2008 £m	Restated Group 2007 £m	2008 £m	Company 2007 £m
Assets					
Non-current assets					
Goodwill	10	202.6	170.0	1.4	1.4
Intangible assets	11	6.3	7.2	–	–
Property, plant and equipment	12	36.9	26.2	–	–
Investment in subsidiary and joint venture undertakings	13	–	–	107.3	107.3
Financial assets available for sale	13	0.6	0.5	–	–
Investments accounted for using the equity method	13	11.6	7.0	–	–
Deferred taxation asset	14	9.9	8.2	0.3	0.4
		267.9	219.1	109.0	109.1
Current assets					
Trade and other receivables	15	283.9	216.6	129.3	74.6
Cash and cash equivalents		37.5	33.0	2.3	0.4
		321.4	249.6	131.6	75.0
Liabilities					
Current liabilities					
Financial liabilities	16	(7.1)	(18.3)	–	(5.5)
Trade and other payables	17	(245.6)	(193.1)	(19.0)	(13.8)
Liabilities for current taxation		(6.0)	(3.7)	(4.3)	(1.8)
		(258.7)	(215.1)	(23.3)	(21.1)
Net current assets		62.7	34.5	108.3	53.9
Non-current liabilities					
Financial liabilities	16	(86.6)	(74.2)	(97.3)	(54.0)
Retirement benefit obligations	26	(36.4)	(31.6)	–	–
Deferred taxation liability	14	(11.1)	(7.9)	–	–
Provisions	18	(8.9)	(14.5)	(0.4)	(2.5)
		(143.0)	(128.2)	(97.7)	(56.5)
Net assets		187.6	125.4	119.6	106.5
Equity					
Called up share capital	19	3.2	3.1	3.2	3.1
Share premium account	20	81.5	81.2	81.5	81.2
Other reserves	20	–	–	8.2	8.2
Retained earnings	20	100.5	40.2	26.7	14.0
Total shareholders' equity		185.2	124.5	119.6	106.5
Minority interests		2.4	0.9	–	–
Total equity		187.6	125.4	119.6	106.5

The financial statements on pages 58 to 95 were approved by the Board of Directors on 5 March 2009 and signed on their behalf by:

CHRISTOPHER COLE, Chief Executive

MALCOLM PAUL, Group Finance Director

Cash Flow Statements

For the year ended 31 December 2008

		2008	Restated Group 2007	2008	Company 2007
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Cash generated from/(used in) operations	23	55.6	50.1	(42.5)	(10.1)
Finance costs paid		(6.2)	(4.5)	(4.9)	(2.7)
Finance income received		0.8	0.7	4.7	3.5
Taxation (paid)/recovered		(13.9)	(6.1)	(0.3)	1.5
Net cash from/(used in) operating activities		36.3	40.2	(43.0)	(7.8)
Cash flows from investing activities					
Purchase of subsidiary undertakings (net of cash acquired)		(3.8)	(39.8)	–	(25.7)
Disposal of subsidiary undertakings (net of cash disposed)		4.0	–	–	–
Deferred consideration paid		(11.4)	(3.4)	(2.0)	–
Purchase of associates		(0.2)	(0.8)	–	–
Purchase of intangible assets		(2.9)	(3.8)	–	–
Purchase of property, plant & equipment		(20.0)	(13.4)	–	–
Sale of property, plant & equipment		3.0	3.0	–	–
Sale of intangible assets		0.3	0.1	–	–
Disposal of financial asset available for sale		0.1	0.1	–	–
Disposal of associates		0.1	–	–	–
Disposal of joint venture		–	0.1	–	–
Dividends received from associated undertakings		0.8	0.7	–	–
Net cash used in investing activities		(30.0)	(57.2)	(2.0)	(25.7)
Cash flows from financing activities					
Net proceeds of share issues		0.2	0.2	0.2	0.2
Drawdown of loan facilities		102.7	38.3	102.7	30.0
Repayment of loan facilities		(95.7)	(6.5)	(64.4)	(6.5)
Repayment of finance leases		(0.5)	(0.4)	–	–
Equity dividends received		–	–	17.1	11.2
Equity dividends paid		(8.2)	(6.2)	(8.2)	(6.2)
Net cash (used in)/from financing activities		(1.5)	25.4	47.4	28.7
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at 1 January		26.5	18.0	(0.1)	4.7
Exchange movements on cash and cash equivalents		3.8	0.1	–	–
Cash and cash equivalents at 31 December	25	35.1	26.5	2.3	(0.1)

Accounting Policies

For the year ended 31 December 2008

The financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards ('IFRSs'), IFRIC interpretations and the Companies Act, 1985 applicable to companies reporting under IFRS.

The principal accounting policies adopted in the presentation of these consolidated and Company financial statements, which have been consistently applied, except for the change in accounting policy noted below, are set out as follows:

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets available for sale and pension assets and liabilities, all of which have been measured at fair value.

Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the Group or Company:

- IAS 1 *Presentation of financial statements (Amendment effective from 1 January 2009)*. The revision details significant changes in the presentation in the financial statements of movements in financial position. When restatements or reclassifications are made in a comparative period, the standard also requires entities to present an additional restated balance sheet showing the position at the beginning of the comparative period. The impact of this amendment is currently being considered.
- IFRS 2 *Share based payments (Amendment effective from 1 January 2009)*. The amendment clarifies the definition of a vesting condition and calls for consistency in the treatment of cancellations of share awards. The expected impact of this revision is being assessed in detail.
- IFRS 8 *Segmental Reporting (effective from 1 January 2009)*. This standard replaces IAS 14 and requires segment information to be presented on the same basis as used for internal reporting purposes. The expected impact is being assessed in detail.
- IFRS 3 *Business Combinations (Amendment effective 1 July 2009)*. The revised standard makes significant changes to the acquisition method of accounting for business combinations but will only affect the Group's financial statements should material acquisitions be made in 2009 or later as the standard will not apply retrospectively.

- IAS 27 *Consolidated and Separate Financial Statements (Amendment effective 1 July 2009)*. Specifies accounting for transactions with non-controlling interests and where control of an entity is lost. Management do not anticipate any material affect on the financial statements as a result of adopting this revision.
- IFRIC 14 *The limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (effective 1 January 2009)*. This interpretation relates to the amount of any pension surplus that can be recognised in the financial statements and may affect the financial statements should material surpluses within defined benefit pension schemes arise, which is not currently anticipated.
- IFRIC 18 *Transfer of assets from customers (effective 1 July 2009)*. This interpretation clarifies the accounting treatment of items of property, plant and equipment belonging to a customer which is used to provide an ongoing service. Management do not anticipate any material affect on the financial statements as a result of its adoption.

The following standards and interpretations are in issue but are not relevant to the Group or Company's financial statements:

- IAS 23 *Borrowing Costs, (Amendment, effective 1 January 2009)*
- IAS 32 *Financial Instruments: Presentation (Amendment, effective 1 January 2009)*
- IAS 39 *Financial Instruments: Recognition and measurement on 'Reclassification of financial assets' and on 'Eligible hedged items' (Amendment, effective 1 July 2008 & 1 July 2009 respectively)*
- IFRS1 *First-time adoption (revised) (effective 1 July 2009)*
- IFRIC 11 *IFRS2: Group and Treasury Share Transactions (effective 1 March 2007)*
- IFRIC 13 *Customer Loyalty Programmes (effective 1 July 2008)*
- IFRIC 16 *Hedges of a net investment in a foreign operation (effective 1 October 2008)*
- IFRIC 17 *Distribution of non-cash assets to owners (effective 1 July 2009)*

Basis of consolidation

The consolidated financial statements comprise the accounts of WSP Group plc and its subsidiaries as at 31 December each year prepared in accordance with IFRS using consistent accounting policies. Subsidiaries are entities that are directly or

Accounting Policies – continued

For the year ended 31 December 2008

indirectly controlled by the Group. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at fair value of the consideration 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. The excess of cost of acquisition over the fair value of assets acquired is recorded as goodwill and tested for impairment during the period of acquisition and subsequent periods. If the cost of acquisition is less than fair value of assets acquired, the difference is recognised directly in the income statement.

Results of subsidiaries acquired or disposed in the period are consolidated from or to the date on which control passes. If subsidiaries had adopted accounting policies that are different to the Group, the reported results are restated to comply with the Group's accounting policies.

The consolidated balance sheet and income statement include the Group's equity interests and results of the Group's associated undertakings, along with the Group's interests and results of the Group's joint venture undertakings in accordance with the net equity method.

Change in accounting policy

During the year, the Group changed its policy for accounting for joint ventures. Prior to the change, the Group's share of the results of jointly controlled entities was accounted for under the equity method of accounting. Beginning with the current financial year, the Group will account for the results of jointly controlled entities under the proportional consolidation method. The Group's share of each individual line item will now be consolidated in the income statement and balance sheet as opposed to being included within one line item in the income statement and balance sheet. The Group believes that this will reflect a fairer representation of the activities of the Group in respect of its jointly controlled entities.

Comparative information has been restated to reflect this change. For the year end 31 December 2007, the effect of the change is to increase revenue by £17.5m and profit before taxation by £0.5m. At 31 December 2007, the effect on the balance sheet was to reduce non-current assets by £0.4m, increase current assets by £3.7m and increase current liabilities by £3.3m. There was no change to net assets.

Exceptional items

Exceptional items are those that the directors consider are of unusual size or nature that they are required to be separately disclosed to allow the user of the financial statements to understand the underlying performance of the Group.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and any exchange differences are taken to the income statement.

On consolidation, income statements and cash flows of foreign subsidiaries are translated into sterling using average rates that existed during the accounting period. The balance sheets of foreign subsidiaries are translated into pounds sterling at the rates of exchange ruling at the balance sheet date. Gains or losses arising on the translation of opening and closing net assets are recognised in the statement of recognised income and expense.

Revenue

Revenue is stated net of sales tax and is recognised to the extent that it is probable that economic benefits will flow to the Group and can be reliably measured. Revenue represents fee income recognised in respect of services provided during the period.

The Group has a number of long term contracts that span more than one financial period. In calculating revenue, the percentage of completion method is used, based on a review of contract progress and the proportion of contract work completed in relation to the total contract works. Profits are only recognised where they can be reliably measured. Full provision is made for all known or anticipated losses on each contract immediately such losses are identified. Contract costs include direct staff costs and disbursements.

Amounts due from customers are stated at the proportion of the anticipated net sales value earned to date less amounts billed on account. To the extent that fees paid on account exceed the value of work performed, they are included in trade and other payables.

Segmental reporting

The directors regard the Group's primary segments of business to be; Property, Transport & Infrastructure, Environment & Energy and Management & Industrial. The secondary segments of business are the geographic regions in which the Group operates. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on a reasonable basis.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provisions for impairment where appropriate.

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.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment by equal annual instalments over their expected useful lives, having regard to their residual values.

The annual depreciation rates applicable are as follows:

Freehold and long leasehold property	1%
Short leasehold property	lease term
Motor vehicles	25%
Plant and equipment	20-33%
Fixtures and fittings	10%

Depreciation is not charged on assets held for sale.

Depreciation is not charged on capital work in progress until the assets are brought into operational use in the business.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable value.

Goodwill

Goodwill recognised under UK GAAP prior to 1 January 2004, the date of transition to IFRS, is stated at net book value as at that date. Goodwill on business combinations recognised subsequent to 1 January 2004 is initially measured at cost being the excess of the cost of the business combination over the interest in the net fair value of the identifiable net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired.

Intangible assets

Intangible assets acquired are capitalised at cost and those identified in a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Useful lives of intangible assets are assessed on acquisition to be either indefinite or finite. Amortisation is charged as appropriate on those intangibles with finite lives, while those with indefinite lives are tested for impairment.

Software is amortised on a straight-line basis over the expected useful life which ranges from three to five years and assets arising on business combinations are amortised according to the period in which the benefit is realised.

Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Financial assets available for sale

Available for sale investments are non-derivatives, are carried at their fair value and held in non-current assets, unless it is anticipated that they will be sold within 12 months of the balance sheet date. Realised gains and losses arising from changes in the fair value of available for sale assets are included in the consolidated income statement in the period in which they are realised. Unrealised gains and losses are recorded in equity. Investments that the Group has the intent and ability to hold to maturity are classified as held to maturity and are included in either current or non-current assets as appropriate. They are carried at amortised cost.

The Group assesses financial assets at each balance sheet date for impairment. Impairment testing of trade receivables is described below.

Trade Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts. An estimate of uncollectible amounts is made when collection of the full amount is no longer probable. Uncollectible amounts are written off to the income statement when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and those deposits held with banks having a maturity date of less than 3 months from the date the deposit was made and being available on demand within one working day without significant penalty. They are carried in the balance sheet at cost.

Accounting Policies – continued

For the year ended 31 December 2008

For the purposes of the cash flow statement cash and cash equivalents are net of bank overdrafts.

Borrowings

Borrowings are recognised initially at fair value and borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

Pension schemes

The Group maintains a number of defined contribution schemes and contributions are charged to the income statement in the year in which they are due. In addition, the Group operates defined benefit schemes which require contributions to be made to separately administered funds. The cost of providing benefits under defined benefit schemes is determined separately for each scheme using the projected unit credit actuarial valuation method. Current and past service costs together with curtailment and settlement costs are charged to operating profit. Interest costs which are based on a notional charge based on scheme liabilities during the year, less expected returns on scheme assets, are charged to net finance costs. Actuarial gains and losses are fully recognised in equity through the statement of recognised income and expense as they arise. The balance sheet reflects the schemes' full surplus or deficit at the balance sheet date.

Leasing

Finance leases which transfer to the Group substantially all the risks and benefits of ownership of the asset are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Finance costs are charged to the income statement over the period of the agreement. Obligations under finance leases are included in financial liabilities net of finance costs allocated to future periods. Capitalised leased assets are depreciated over the shorter of the estimated life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rentals paid under operating leases are charged to the income statement as incurred on a straight-line basis over the lease term.

Dividends

Final equity dividends to the shareholders of WSP Group plc are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation and that amount can be reasonably estimated. Where the Group expects all or some of the obligation to be reimbursed, the reimbursement is recognised as a separate asset to the extent that it is virtually certain to be reimbursed. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If material, provisions are determined by discounting the expected future cash flows using rates that reflect current market assessments of the time value of money.

Deferred taxation

Full provision has been made for deferred taxation balances on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date using the full liability method.

A deferred taxation asset is recognised only to the extent that it is probable that taxable profit will be available to offset against the asset. Deferred taxation assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise the asset.

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Share based payments

The Company operates a number of executive and employee share schemes. For all grants of share options and awards, the fair value as at the date of grant is calculated using an appropriate option pricing model and the corresponding expense is recognised over the period to which the associated employee's service relates. The Company has taken advantage of the transitional provisions of IFRS 2 'Share-based Payments' in respect of equity-settled awards and has applied IFRS 2 only to equity settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

Employee Benefit Trust (EBT)

The Company's EBT is a separately administered discretionary trust for the benefit of employees. The assets of the EBT mainly comprise shares in the Company. The assets, liabilities, income and costs of the EBT are consolidated in the financial statements. The investment in own shares is treated as a deduction in Shareholders' Funds.

Sources of estimation uncertainty and significant judgements

The preparation of the financial statements requires the Group to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Areas requiring critical judgement and estimation that may significantly impact on the Group's earnings and financial position are considered to be as follows:

Revenue recognition: The Group believes that the most significant critical judgement area in the application of its accounting policies is revenue recognition and the assessment of the percentage of completion achieved. The Group assesses contract progress and determines the proportion of contract work completed at the balance sheet date in relation to the total contract works. Due to the volume and complexity of the Group's many contracts in existence at any one time it is not practicable to quantify how changes to the assumptions used for each individual contract would affect the Group's financial statements.

Retirement benefit obligations and related deferred tax: The present value of obligations is calculated on an actuarial basis which depends on a number of assumptions relating to the future. These key assumptions are assessed regularly according to market conditions and data available to management. Additional details are given in note 26.

Impairment of goodwill: The Group assesses goodwill for impairment annually in accordance with the accounting policy detailed above. The value in use calculations performed use estimates relating to future predicted cash flows expected from the cash generating units. The Group used its weighted average cost of capital as the discount rate for these calculations as described in note 10 to the financial statements. In addition, the calculations were performed using the discount rate increased by 1% which also indicated that no impairment to goodwill would need to be recognised.

Intangible assets: On acquisition of subsidiaries, the Group recognises intangible assets. This requires judgement to be exercised regarding the valuation methodology, expected useful life and discount rates to be applied. In addition a number of estimates are used in calculating fair value and changes to these judgements and estimates would affect the carrying value and amortisation charges in respect of these assets.

Deferred consideration: Where deferred consideration in respect of acquisitions is payable, this may be contingent upon future events or the acquired business' performance. The most probable outcome of these future events are estimated to ascertain the fair value of the obligation and any change to this outcome will affect the carrying value of goodwill and cash flow of the Group in future periods.

Notes to the financial statements

For the year ended 31 December 2008

I. Segmental analysis

a) Primary segmental analysis

Revenue

	Total 2008 £m	Restated Total 2007 £m
Property	363.7	280.2
Transport & Infrastructure	198.6	141.1
Environment & Energy	92.9	80.7
Management & Industrial	100.0	54.5
Revenue	755.2	556.5

Profit

	Operating profit before exceptional items 2008 £m	Exceptional items 2008 £m	Operating profit 2008 £m	Operating profit before exceptional items 2007 £m	Exceptional items 2007 £m	Restated Operating profit 2007 £m
Property	26.4	1.6	28.0	22.3	(0.7)	21.6
Transport & Infrastructure	14.2	1.5	15.7	10.0	(0.1)	9.9
Environment & Energy	7.2	(0.2)	7.0	6.1	(0.3)	5.8
Management & Industrial	8.9	(1.9)	7.0	3.6	(0.6)	3.0
Operating profit	56.7	1.0	57.7	42.0	(1.7)	40.3
Share of associated undertakings operating profit (net of tax)			1.4			1.4
Profit before interest and taxation			59.1			41.7
Net finance costs			(7.0)			(3.8)
Profit before taxation			52.1			37.9
Taxation			(15.4)			(11.1)
Profit for the financial year			36.7			26.8

A segmental analysis of net finance costs has not been disclosed as the directors are of the opinion that its components cannot be meaningfully analysed across regions and classes of business.

I. Segmental analysis (continued)

Assets, liabilities and other items

	Property 2008 £m	Transport & Infrastructure 2008 £m	Environment & Energy 2008 £m	Management & Industrial 2008 £m	Group 2008 £m
Segment assets	306.7	155.7	53.7	58.5	574.6
Income tax asset					3.1
Investment in equity accounted investments					11.6
Total assets					589.3
Segment liabilities	154.0	67.1	28.8	20.8	270.7
Unallocated liabilities					
– Financial liabilities – bank loans					88.6
– Income tax liabilities					6.0
– Pension liabilities					36.4
Total liabilities					401.7

Assets, liabilities and other items

	Property 2007 £m	Transport & Infrastructure 2007 £m	Environment & Energy 2007 £m	Management & Industrial 2007 £m	Restated Group 2007 £m
Segment assets	257.7	98.0	48.1	56.0	459.8
Income tax asset					1.9
Investment in equity accounted investments					7.0
Total assets					468.7
Segment liabilities	160.2	22.0	24.7	18.1	225.0
Unallocated liabilities					
– Financial liabilities – bank loans					83.0
– Income tax liabilities					3.7
– Pension liabilities					31.6
Total liabilities					343.3

Other items

	Property 2008 £m	Transport & Infrastructure 2008 £m	Environment & Energy 2008 £m	Management & Industrial 2008 £m	Group 2008 £m
Capital expenditure	10.9	5.3	5.2	2.4	23.8
Depreciation	5.2	2.5	1.7	1.2	10.6
Amortisation of intangibles					
– software	1.4	0.6	0.3	0.4	2.7
– business combinations	0.9	0.2	0.2	0.8	2.1
Impairment of trade receivables	9.5	1.4	1.6	1.8	14.3

Other items

	Property 2007 £m	Transport & Infrastructure 2007 £m	Environment & Energy 2007 £m	Management & Industrial 2007 £m	Restated Group 2007 £m
Capital expenditure	9.9	3.7	3.9	0.4	17.9
Depreciation	3.9	2.5	0.8	0.3	7.5
Amortisation of intangibles					
– software	1.4	0.6	0.2	0.2	2.4
– business combinations	0.9	0.1	0.3	0.4	1.7
Impairment of trade receivables	1.5	0.7	0.3	0.2	2.7

Notes to the financial statements – continued

For the year ended 31 December 2008

I. Segmental analysis (continued)

b) Secondary segmental analysis

The tables below are based on the location of the client.

Revenue

	Total 2008 £m	Restated total 2007 £m
United Kingdom	274.6	223.9
Mainland Europe	225.7	172.7
United States of America	116.6	75.0
Africa & the Middle East	86.5	55.7
Far East & Australia	51.8	29.2
Revenue	755.2	556.5

Profit

	Operating profit before exceptional items 2008 £m	Exceptional items 2008 £m	Operating profit 2008 £m	Operating profit before exceptional items 2007 £m	Exceptional items 2007 £m	Restated Operating profit 2007 £m
United Kingdom	18.3	(5.1)	13.2	16.6	(0.3)	16.3
Mainland Europe	19.3	6.6	25.9	12.2	(0.2)	12.0
United States of America	9.7	(1.1)	8.6	6.0	(0.4)	5.6
Africa & the Middle East	5.7	0.9	6.6	4.8	(0.2)	4.6
Far East & Australia	3.7	(0.3)	3.4	2.4	(0.6)	1.8
Operating profit	56.7	1.0	57.7	42.0	(1.7)	40.3
Share of associated undertakings operating profit (net of tax)			1.4			1.4
Profit before interest and taxation			59.1			41.7
Net finance costs			(7.0)			(3.8)
Profit before taxation			52.1			37.9
Taxation			(15.4)			(11.1)
Profit for the financial year			36.7			26.8

Assets and capital expenditure

	Segment assets 2008 £m	2007 £m	Capital expenditure 2008 £m	2007 £m
United Kingdom	195.9	169.0	11.0	5.4
Mainland Europe	166.4	133.6	5.3	6.6
United States of America	122.0	86.5	3.0	1.2
Africa & the Middle East	50.3	30.9	3.1	3.8
Far East & Australia	40.0	36.5	1.4	0.9
	574.6	456.5	23.8	17.9
Income tax asset	3.1	1.9	–	–
Investments accounted for using the equity method	11.6	7.0	–	–
Total	589.3	465.4	23.8	17.9

2 Associated undertakings

	2008 £m	Restated 2007 £m
Share of associated undertakings' revenue	28.3	20.9
Share of profit before interest and taxation	2.0	1.9
Net finance costs	—	—
Share of profit before taxation	2.0	1.9
Taxation of associated undertakings	(0.6)	(0.5)
Share of profit after taxation	1.4	1.4
Share of net assets of associated undertakings		
	2008 £m	Restated 2007 £m
Goodwill	4.0	0.2
Property, plant and equipment	1.2	3.2
Current assets	15.6	9.9
	20.8	13.3
Current liabilities	(1.0)	(6.7)
Non-current liabilities	(9.2)	(0.7)
	10.6	5.9
Group revenue with associated undertakings	0.5	0.5
Included in associated undertakings' current assets are:		
Trading balances with WSP Group plc subsidiaries	2.3	0.2
Included in associated undertakings' current liabilities are:		
Trading balances with WSP Group plc subsidiaries	5.8	1.8

The Group's balances in respect of associated undertakings relate mainly to its 24.7% interest in Multiconsult AS and its 20% interest in LINK Signatur AS.

3. Exceptional items

The following items due to their unusual size or nature have been disclosed separately in the income statement of the current period:

	2008 £m	2007 £m
Amortisation of business combination intangible assets	(2.1)	(1.7)
Pension curtailment gain	6.4	—
Disposal of 26% share of WSP Group Africa (Pty) Ltd	2.3	—
Disposal of Swedish Architecture business	0.5	—
Disposal of Biotherm	(1.2)	—
Duplicate rent charge	(2.2)	—
Impairment of Charterhouse goodwill	(2.7)	—
	1.0	(1.7)

a) Amortisation of business combination intangible assets. The amortisation of intangible assets arising on acquisitions has been separately identified as the directors believe this would otherwise distort the financial performance of the Group.

Notes to the financial statements – continued

For the year ended 31 December 2008

3. Exceptional items (continued)

b) Curtailment gain on Swedish pension liability. Part of the Group's pension obligations were unfunded defined benefit liabilities in Sweden. During the period the Group decided to transfer the future obligations into the government backed Alecta scheme whereby the future obligations that accrue to employees will be satisfied by way of contributions to Alecta. These future liabilities will be accounted for as a defined contribution scheme as Alecta are unable to identify the underlying assets and liabilities of the WSP portion of the scheme. The obligations relating to service prior to this transfer will continue to be accounted for according to IAS19 and actuarially assessed every year. Prior to the transfer, the actuarial assumptions took account of future service benefits expected to accrue to the employees. This assumption no longer applies and consequently the present value of the obligation immediately reduces giving rise to a net gain of £6.4m. This gain has been recognised within operating profit.

c) Disposal of 26% minority share of WSP Group Africa (Pty) Ltd. In December 2008, the Group disposed of a 26% shareholding in its African business to a Black Economic Empowerment consortium. Cash consideration of £3.8m was received in exchange for net assets relating to the minority interest of £1.5m, resulting in a gain on disposal of £2.3m. The consideration could be returned in the event that the consortium does not complete its own finance package before 31 March 2009. In such an event, WSP would recoup the proceeds over time by way of loan repayments financed by future dividends.

d) In July 2008, WSP acquired 20% of the ordinary share capital in LINK Signatur AS, a Norwegian based architectural business in exchange for the 100% owned architecture business comprising approximately 60 staff in Sweden. The fair value of the business acquired was determined to be £2.1m using a discounted cash flow approach with net assets disposed of £1.6m resulting in a gain of £0.5m.

e) In October 2008 the group disposed of 100% share holding of Biotherm, an energy generation business in South Africa. Cash consideration of £0.6m was received and debt of £1.2m was assumed by the purchaser. Net assets including goodwill disposed were £1.8m giving rise to a loss of £1.2m. Further contingent consideration of up to £1.4m could be received depending on the outcome of certain transactions completed by the Purchaser.

f) Duplicate rent charge. During the year, WSP moved to new global headquarters in London and a New York subsidiary also moved to new premises. The fit-out period before occupation was rent free, however during this period, the group was obliged to accrue under accounting rules an income statement rent charge on the new offices whilst incurring rent on the existing offices. The cost of this duplicate rent charge was £2.2m.

g) Impairment of goodwill. In March 2008 the group acquired 100% share capital of Charterhouse Limited a building services consultancy in the UK. Subsequent to the acquisition, the Group has received insurance claims and has made fair value adjustments to the net assets acquired totalling £1.7m resulting in total goodwill of £2.7m. Although the claims will be vigorously defended and are covered by warranties, due to the uncertainty surrounding the ability to recover these monies, an impairment charge of £2.7m has been made against this goodwill as the carrying value was considered to be unsupportable by the directors.

4. Net finance costs

	2008 £m	2007 £m
Interest on loans and other borrowings wholly repayable within five years:		
Bank overdrafts	0.6	0.3
Bank loans	5.5	3.6
Finance leases	0.1	0.1
Bank and finance lease costs	6.2	4.0
Net finance cost on pension obligations	0.5	0.5
Unwinding of discounts	1.1	–
Finance costs	7.8	4.5
Finance income	(0.8)	(0.7)
Net finance costs	7.0	3.8

5. Profit before taxation

	2008 £m	2008 £m	2007 £m	2007 £m
<i>Is stated after charging:</i>				
Auditors' remuneration for the statutory audit:				
Principal auditor:				
– Group audit fee	0.3		0.3	
– Audit of subsidiary accounts	0.6		0.4	
		0.9		0.7
Other auditors		0.2		0.1
Other fees paid to principal auditor:				
– Taxation and other services		0.1		0.1
Property lease rentals		19.6		15.2
Equipment lease rentals		1.3		1.8
Amortisation of intangible assets on business combinations		2.1		1.7
Amortisation of other intangible assets		2.7		2.4
Depreciation of owned assets		10.5		7.4
Depreciation of assets held under finance leases		0.1		0.1
Profit on disposal of property, plant and equipment		(2.0)		(0.9)
Impairment of trade receivables		14.3		2.7

6. Directors and employees

	2008 £m	Restated Group 2007 £m	2008 £m	Company 2007 £m
<i>Staff costs, including directors, were as follows:</i>				
Wages and salaries	370.6	273.1	3.1	3.3
Social security costs	43.8	34.7	0.2	0.2
Post employment benefits	16.6	18.5	0.3	0.3
Share based payments	1.6	1.2	0.6	0.4
Contract and agency staff	23.6	18.5	0.3	0.6
Total staff costs	456.2	346.0	4.5	4.8

	2008 Number	Group 2007 Number	2008 Number	Company 2007 Number
<i>The weekly average number of employees, contract and agency staff, including directors, was as follows:</i>				
Engineering and technical	9,850	7,499	–	–
Administration	754	698	23	20
Total Staff	10,604	8,197	23	20

	2008 £m	2007 £m
Aggregate emoluments of the directors of the Company was as follows:		
Salaries and benefits	1.8	1.6
Post employment benefits	0.3	0.2
Non executive directors' fees	0.2	0.2
Aggregate emoluments	2.3	2.0

Full details of the directors' emoluments, share options, long term incentive plans including gains on exercise and pension entitlements are included in the remuneration report on pages 50 to 55.

Notes to the financial statements – continued

For the year ended 31 December 2008

6. Directors and employees (continued)

The directors have identified 50 (2007: 53) (Company 2008: 6; (2007: 5)) key management personnel whose compensation was as follows:

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
Short term employment benefits	11.2	10.1	2.0	1.6
Post employment benefits	1.0	0.9	0.3	0.3
Share based payments	1.3	1.0	0.6	0.4
	13.5	12.0	2.9	2.3

7. Taxation

a) Analysis of charge in the year

UK corporation tax on profits for the year at 28.5% (2007: 30%)

Tax attributable to exceptional items

Adjustments in respect of previous years

Foreign taxation on profits for the year

Adjustments in respect of previous years

Tax attributable to exceptional items

Total current taxation

Movement in deferred taxation

Movement in deferred taxation attributable to exceptional items

Taxation – note 7 (b)

	2008 £m	Restated 2007 £m
	5.4	4.0
	(0.5)	–
	–	(0.1)
	4.9	3.9
	8.4	6.0
	0.2	0.1
	(0.2)	(0.1)
	13.3	9.9
	0.9	1.2
	1.2	–
	15.4	11.1

The directors believe that the weighted average effective rate will remain broadly similar in the next year. The directors are not aware of any factors which may materially affect the future tax charge. Further details of deferred taxation can be found in note 14.

b) Factors affecting taxation for the year

The tax assessed for the year is higher in the current and lower in the prior year than the standard rate of corporation tax in the UK which is 28.5% (2007:30%). The differences are explained below:

	2008 £m	Restated 2007 £m
Profit before taxation	52.1	37.9
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	14.8	11.4
Effect of different taxation rates on overseas earnings	0.1	(0.5)
Net impact of permanent differences	1.5	0.1
Other timing differences	(1.3)	(1.0)
Unrelieved overseas losses	(0.2)	–
Adjustments relating to exceptional items	1.2	0.4
Taxation relating to joint ventures and associated undertakings	(0.4)	(0.5)
	13.3	9.9
Total current taxation	13.3	9.9
Current year deferred taxation	0.8	0.8
Adjustments to deferred taxation in respect of previous years	0.1	0.4
Movement in deferred taxation attributable to exceptional items	1.2	–
	15.4	11.1

7. Taxation (continued)

c) Taxation items charged to equity

	2008 £m	Restated 2007 £m
Corporation taxation related to the performance share plan adjustment	(0.1)	0.7
Corporation taxation related to foreign exchange movements	(1.8)	–
Deferred taxation asset related to the performance share plan adjustment	(0.8)	(0.5)
Deferred taxation related to the actuarial movement on pension scheme obligations	3.5	(2.1)
Taxation charged to equity	0.8	(1.9)

8. Dividends

	2008 £m	2007 £m
Dividends charged to equity in the year:		
Final dividend paid in May 2008 of 8.0p per share (2007: 6.0p)	5.0	3.7
Interim dividend paid in October 2008 of 5.0p per share (2007: 4.0p)	3.2	2.5
Total dividend paid in 2008 of 13.0p per share (2007: 10.0p)	8.2	6.2
Final dividend proposed for payment (not charged to equity) in May 2009 of 10.0p per share (paid in May 2008: 8.0p)	6.3	5.0

If approved at the 2009 AGM, which will be convened on 6 May 2009, the proposed final dividend of 10.0p per share will be paid on 8 May 2009 to those shareholders on the register at the close of business on 3 April 2009. The shares become ex-dividend on 1 April 2009.

9. Earnings per share

	2008 £m	2007 £m
Profit for the financial year attributable to shareholders	36.8	26.7
Exceptional items and amortisation of business combination intangible assets (net of taxation)	(0.5)	1.6
Adjusted profit for the financial year attributable to shareholders	36.3	28.3
	No.'000	No.'000
Weighted average number of shares in issue	63,012	62,306
Basic earnings per share	58.3p	43.0p
Adjusted basic earnings per share	57.5p	45.6p

Earnings per share are calculated by reference to the profit for the financial year attributable to shareholders.

Adjusted earnings per share are calculated by reference to the profit for the financial year excluding exceptional items and amortisation of business combination intangible assets attributable to shareholders.

	No.'000	No.'000
Weighted average number of shares in issue	63,012	62,306
Dilution effect of share options	948	1,024
	63,960	63,330
Diluted earnings per share	57.4p	42.3p
Adjusted diluted earnings per share	56.6p	44.9p

Notes to the financial statements – continued

For the year ended 31 December 2008

10. Goodwill

	Group £m	Company £m
Cost at 1 January 2007	106.1	1.4
Additions	58.7	–
Amendments to fair value of consideration	0.1	–
Foreign exchange movements	5.1	–
Cost at 1 January 2008	170.0	1.4
Additions (see note 21)	5.4	–
Disposals (see note 22)	(3.3)	–
Impairment	(2.7)	–
Amendments to fair value of net assets acquired	0.4	–
Amendments to fair value of consideration	2.0	–
Foreign exchange movements	30.8	–
Cost at 31 December 2008	202.6	1.4
Aggregate impairments at 1 January 2007, 1 January 2008 and 31 December 2008	–	–
Net book value		
At 31 December 2008	202.6	1.4
At 31 December 2007	170.0	1.4
At 1 January 2007	106.1	1.4

The amendment to fair value reflects adjustments made during the year in relation to the provisional fair values assigned to contingent consideration.

At the balance sheet date the recoverable amounts of all cash generating units (CGU's) or groups of cash generating units were determined based on value in use calculations. The cash flow projections used in these calculations were based on the following key data and assumptions:

- Budgeted revenue and profit after taxation for 2009 as agreed by the Board used for the basis of determining cash flows.
- Cash flows were projected forward for each CGU giving regard to their relative markets and risk profiles. Growth factors were applied ranging from a conservative 0% for 2010 (2007: 5%), and between 3% and 5% for the following 2 years (2007: 5%) and 3% thereafter (2007: 3%) projected forward for a total of 20 years plus a discounted terminal value at 20 years (2007: same).
- Maintaining margins at 2008 levels, even though long term margin targets are expected to increase.
- Applying the discount rate of 10.7% (2007: 12.4%) pre-taxation.

The directors recognised no impairment during the year with the exception of that relating to Charterhouse Limited which was acquired in the year. This resulted in a charge of £2.7m.

Sensitivity to the discount rate was also tested. Increasing the discount rate by 2% also showed that no further impairment of goodwill was necessary.

The carrying values of goodwill by both primary and secondary segments is as follows:

	Property £m	Transport & Infrastructure £m	Environment & Energy £m	Management & Industrial £m	Total 2008 £m
United Kingdom	3.4	0.4	0.1	19.9	23.8
Mainland Europe	46.7	37.3	9.0	7.2	100.2
United States of America	32.5	9.5	4.8	–	46.8
Africa & the Middle East	9.7	1.7	–	–	11.4
Far East & Australia	15.1	–	5.3	–	20.4
	107.4	48.9	19.2	27.1	202.6

10. Goodwill (continued)

	Property £m	Transport & Infrastructure £m	Environment & Energy £m	Management & Industrial £m	Restated Total 2007 £m
United Kingdom	3.1	0.4	0.1	19.9	23.5
Mainland Europe	41.6	32.3	7.8	4.5	86.2
United States of America	23.4	6.8	2.0	–	32.2
Africa & the Middle East	7.2	1.0	1.5	–	9.7
Far East & Australia	13.5	–	4.9	–	18.4
	88.8	40.5	16.3	24.4	170.0

11. Intangible assets

Group

	Computer software £m	Sales order books £m	Customer lists £m	Trading names £m	Total £m
Cost at 1 January 2007	7.2	0.6	0.3	0.2	8.3
On acquisition of subsidiaries	0.8	1.8	1.7	–	4.3
Additions	3.8	–	–	–	3.8
Disposals	(0.9)	–	–	–	(0.9)
Foreign exchange movements	0.2	–	–	–	0.2
Cost at 1 January 2008	11.1	2.4	2.0	0.2	15.7
On acquisition of subsidiaries	–	0.2	0.2	–	0.4
Additions	2.9	–	–	–	2.9
Disposals	(0.5)	–	–	–	(0.5)
Foreign exchange movements	1.8	0.4	0.4	–	2.6
Cost at 31 December 2008	15.3	3.0	2.6	0.2	21.1
Amortisation at 1 January 2007	4.6	0.3	0.1	0.1	5.1
Charge for the year	2.4	0.9	0.7	0.1	4.1
Disposals	(0.8)	–	–	–	(0.8)
Foreign exchange movements	0.1	–	–	–	0.1
Amortisation at 1 January 2008	6.3	1.2	0.8	0.2	8.5
Charge for the year	2.7	1.1	1.0	–	4.8
Disposals	(0.2)	–	–	–	(0.2)
Foreign exchange movements	1.3	0.2	0.2	–	1.7
Amortisation at 31 December 2008	10.1	2.5	2.0	0.2	14.8
Net book value					
At 31 December 2008	5.2	0.5	0.6	–	6.3
At 31 December 2007	4.8	1.2	1.2	–	7.2
At 1 January 2007	2.6	0.3	0.2	0.1	3.2

Where appropriate, intangible assets identified in business combinations have been recognised in accordance with the provisions of IFRS 3 'Business Combinations' and IAS 38 'Intangible Assets'. Intangible assets have only been recognised where they are separable and have identifiable future economic benefits that are controlled by the entity and where it is probable that these benefits will flow to the entity and their fair value can be measured reliably.

Notes to the financial statements – continued

For the year ended 31 December 2008

11. Intangible assets (continued)

The useful lives for the intangible assets are assessed to be as follows:

	Years
Computer software	3 – 5
Sales order books	2 – 4
Customer lists	2 – 4
Trading names	2 – 4

There are no intangible assets with indefinite lives. Amortisation has been charged to administrative expenses.

There are nil intangible assets in the Company at 31 December 2008 (2007: £nil).

12. Property, plant and equipment

	Freehold £m	Short leasehold £m	Motor vehicles £m	Plant & equipment £m	Fixtures & fittings £m	Total £m
Group						
Cost at 1 January 2007	0.5	3.2	1.5	32.8	12.2	50.2
On acquisition of subsidiaries	–	1.0	–	2.0	0.8	3.8
Additions	–	1.3	0.2	9.3	3.3	14.1
Disposals	–	(0.7)	(0.5)	(7.5)	(1.1)	(9.8)
Foreign exchange movements	–	–	–	0.8	0.3	1.1
Cost at 1 January 2008	0.5	4.8	1.2	37.4	15.5	59.4
On acquisition of subsidiaries	–	0.1	–	0.1	0.1	0.3
Additions	0.1	7.8	0.1	8.5	4.4	20.9
On disposal of subsidiaries	–	–	–	(1.9)	–	(1.9)
Disposals	–	(0.2)	(0.1)	(1.1)	(0.8)	(2.2)
Foreign exchange movements	0.1	1.5	0.1	4.2	1.9	7.8
Cost at 31 December 2008	0.7	14.0	1.3	47.2	21.1	84.3
Depreciation at 1 January 2007	0.1	1.2	1.0	22.9	7.4	32.6
Charge for the year	–	0.7	0.1	5.1	1.6	7.5
Disposals	–	(0.4)	(0.3)	(6.1)	(0.9)	(7.7)
Foreign exchange movements	–	–	–	0.6	0.2	0.8
Depreciation at 1 January 2008	0.1	1.5	0.8	22.5	8.3	33.2
Charge for the year	–	1.4	0.1	6.7	2.4	10.6
Disposals	–	(0.1)	(0.1)	(0.5)	(0.5)	(1.2)
Foreign exchange movements	–	0.5	0.1	3.1	1.1	4.8
Depreciation at 31 December 2008	0.1	3.3	0.9	31.8	11.3	47.4
Net book value						
At 31 December 2008	0.6	10.7	0.4	15.4	9.8	36.9
At 31 December 2007	0.4	3.3	0.4	14.9	7.2	26.2
At 1 January 2007	0.4	2.0	0.5	9.9	4.8	17.6

The net book value of Group fixed assets includes an amount of £1.0m (2007: £1.8m) in respect of plant & equipment held under finance leases.

Depreciation is charged to administrative expenses.

12. Property, plant and equipment (continued)

	Plant & equipment £m	Fixtures & fittings £m	Total £m
Company			
Cost at 1 January 2007, 1 January 2008 and 31 December 2008	0.1	0.2	0.3
Depreciation at 1 January 2007, 1 January 2008 and 31 December 2008	0.1	0.2	0.3
Net book value At 31 December 2007, 1 January 2008 and 31 December 2008	–	–	–

13. Financial assets

The Group's interest in financial assets available for sale and associated undertakings was as follows:

	Financial assets available for sale Note 13 (a) £m	Investment in associated undertakings Note 13 (b) £m
Value at 1 January 2007	0.5	5.4
Additions	–	0.4
On acquisition of subsidiaries	0.1	0.1
Disposals	(0.1)	–
Share of profit for the year	–	1.3
Dividends received	–	(0.7)
Foreign exchange movements	–	0.5
Value at 1 January 2008	0.5	7.0
Additions	–	2.9
Disposals	(0.1)	(0.1)
Share of profit for the year	–	1.4
Dividends received	–	(0.8)
Foreign exchange movements	0.2	1.2
Value at 31 December 2008	0.6	11.6

The Company's interest in subsidiary undertakings was as follows:

	Subsidiary undertakings Note 13 (c) £m
Cost at 1 January and 31 December 2008	107.3
Provision at 1 January and 31 December 2008	–
Net investment at 1 January and 31 December 2008	107.3

a) Financial assets available for sale

Financial assets available for sale primarily relate to the capital value of life assurance policies written on the lives of certain vendors of Flack + Kurtz that were transferred to the Group at the time of the acquisition of that business, and other minor property interests.

Notes to the financial statements – continued

For the year ended 31 December 2008

13. Financial assets (continued)

b) Principal joint ventures and associated undertakings

	Group's interest	Class of shares held	Country of Registration	Principal activities
<i>Associated undertakings:</i>				
Gifford Graham & Partners Limited	50.0%	ordinary	England	Civil engineering
Multiconsult AS	24.7%	ordinary	Norway	Multi-disciplined consultancy
LINK Signatur AS	27.9%	ordinary	Norway	Multi-disciplined consultancy
<i>Joint ventures:</i>				
Ryan Hanley WSP Limited	50.0%	ordinary	Ireland	Civil engineering
Carillion WSP	40.0%	unincorporated	England	Civil engineering
WSP May Gurney	50.0%	unincorporated	England	Civil engineering
WSP: Beijing UK – China ITS Technology Limited	50.0%	ordinary	China	Civil engineering
WSP Engineering Services Limited	50.0%	ordinary	India	Multi-disciplined consultancy

Carillion WSP operates from offices in Dewsbury Road, Tingley, West Yorkshire, WF3 1SW.

WSP May Gurney operates from offices in Harborough Road, Brixworth, Northamptonshire, NN6 9BX.

c) Principal subsidiary undertakings

Unless otherwise indicated the following principal subsidiary undertakings are registered in England and Wales and operate throughout the UK.

The Group's interest in principal subsidiaries entirely comprises ordinary equity shares.

Principal subsidiary undertakings	Group's interest	Principal activities
WSP UK Limited	100%	Multi-disciplined
CEL International Limited	100%	Multi-disciplined building design
WSP Environmental Limited	100%	Environmental and geotechnical services
WSP Remediation Limited*	100%	Remediation of contaminated land
WSP Management Services Limited	100%	Management services
WSP Sweden AB*	100%	Multi-disciplined consultancy, registered in Sweden
WSP Finland Limited*	100%	Multi-disciplined consultancy, registered in Finland
WSP Environmental Oy*	100%	Environmental and geotechnical services, registered in Finland
WSP Cantor Seinuk Inc.*	100%	Structural building design, registered in U.S.A.
WSP Flack + Kurtz Inc.*	100%	Building services design, registered in U.S.A.
WSP Group Africa (Pty) Limited	74%	Multi-disciplined building design, registered in South Africa
WSP Middle East Limited	100%	Multi-disciplined consultancy, registered in Jersey
WSP Asia Limited	100%	Multi-disciplined building design, registered in Hong Kong
WSP Hong Kong Limited*	100%	Building services design, registered in Hong Kong
WSP Asia Philippines Inc*	100%	Building services design, registered in Philippines
Shanghai WSP Consulting Limited – 上海科进咨询有限公司 *	100%	Building services design, registered in China
WSP Environment & Energy LLC*	100%	Environmental services, registered in U.S.A.
WSP Environmental Australia Pty Limited *	100%	Environmental services, registered in Australia
WSP Consultants India Limited*	100%	Multi-disciplined building design, registered in India
CBP Consulting Engineers AG*	100%	Multi-disciplined building design, registered in Germany
Lincolne Scott Pty Limited*	100%	Building services design, registered in Australia
SEi Engineering Inc.*	100%	Building services design, registered in U.S.A.
WSP Sells Inc.*	100%	Civil engineering, registered in U.S.A.

* The investment in these companies is held through subsidiary undertakings.

14. Deferred taxation

Deferred taxation asset

Group

	Accelerated capital allowances £m	Temporary differences £m	Total 2008 £m	Total 2007 £m
At 1 January	0.4	7.8	8.2	8.7
On acquisition of subsidiaries	–	–	–	2.0
Credited/(charged) during the year	(0.2)	0.7	0.5	(0.2)
Movement in reserves	–	0.8	0.8	(2.3)
Foreign exchange movements	–	0.4	0.4	–
At 31 December	0.2	9.7	9.9	8.2

Company

At 1 January	–	0.4	0.4	0.8
Movement in reserves	–	(0.4)	(0.4)	(0.4)
Charged during the year	–	0.3	0.3	–
At 31 December	–	0.3	0.3	0.4

Deferred taxation liability

Group

	Work in progress £m	Temporary differences £m	Total 2008 £m	Total 2007 £m
At 1 January	7.7	0.2	7.9	4.7
On acquisition of subsidiaries	–	0.9	0.9	1.2
Charged during the year	1.6	1.6	3.2	1.0
Movement in reserves	–	(1.6)	(1.6)	0.3
Change in tax rate	(0.6)	–	(0.6)	–
Foreign exchange movements	1.9	(0.6)	1.3	0.7
At 31 December	10.6	0.5	11.1	7.9

Full provision has been made for deferred taxation assets and liabilities. Deferred taxation assets and liabilities have been offset only to the extent they relate to the same taxation regime. In the UK, a deferred taxation asset of £5.5m (2007: £5.0m) primarily relates to pension liabilities and the taxation treatment of employee share awards. In Sweden, a deferred taxation liability of £10.6m (2007: £7.7m) arises in relation to the taxation treatment of work in progress, offset by a deferred taxation asset in relation to pension liabilities. In the United States, a deferred taxation asset of £1.3m (2007: £1.5m) relates to short term differences on certain provisions.

Notes to the financial statements – continued

For the year ended 31 December 2008

15. Trade and other receivables

	2008 £m	Restated Group 2007 £m	2008 £m	Company 2007 £m
Trade receivables	197.6	147.6	–	0.1
Less: provision for impairment of trade receivables	(20.2)	(6.3)	–	–
Trade receivables – net	177.4	141.3	–	0.1
Amounts recoverable on contracts	71.3	52.0	–	–
Amounts due from group undertakings	–	–	127.1	73.0
Amounts due from joint ventures and associated undertakings	5.8	1.8	–	–
Other receivables	17.5	11.0	0.1	0.2
Prepayments and accrued income	11.9	10.5	2.1	1.3
	283.9	216.6	129.3	74.6

As at 31 December 2008, trade receivables of £41.6m (2007: £8.3m) were considered for potential impairment. The amount provided against these balances was £20.2m as at 31 December 2008 (2007: £6.3m). The allocation of the provision according to the date from issue of invoice is as follows:

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
Less than 30 days	0.9	–	–	–
Between 30 and 60 days	1.0	0.2	–	–
Between 60 and 90 days	1.5	0.3	–	–
Between 90 and 120 days	2.8	0.7	–	–
Greater than 120 days	14.0	5.1	–	–
	20.2	6.3	–	–

As of 31 December 2008, trade receivables of £47.7m (2007: £25.8m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables according to date from issue is as follows:

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
Less than 30 days	2.1	0.3	–	–
Between 30 and 60 days	13.6	13.9	–	–
Between 60 and 90 days	12.6	4.3	–	–
Between 90 and 120 days	5.8	2.4	–	–
Greater than 120 days	13.6	4.9	–	–
	47.7	25.8	–	–

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
Sterling	50.0	48.9	–	0.1
Swedish Krona	29.1	26.3	–	–
US Dollar	46.0	31.0	–	–
Euro	13.8	10.3	–	–
UAE Dirham	17.8	9.3	–	–
South African Rand	10.5	5.8	–	–
Australian Dollar	5.7	6.2	–	–
Other currencies	4.5	3.5	–	–
	177.4	141.3	–	0.1

15. Trade and other receivables (continued)

Movements on the group provision for impairment of trade receivables are as follows:

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
At 1 January	6.3	4.8	–	–
On acquisition of subsidiaries	–	0.3	–	–
Provision for receivables impairment	14.3	2.7	0.2	–
Receivables written off during the year as uncollectible	(1.6)	(1.2)	(0.2)	–
Unused amounts reversed	(1.1)	(0.3)	–	–
Foreign exchange movements	2.3	–	–	–
At 31 December	20.2	6.3	–	–

The other classes within trade and other receivables do not contain impaired assets. There is no material difference between the carrying value and fair value of financial assets and financial liabilities at the balance sheet date.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

16. Financial liabilities

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
<i>Current</i>				
Bank loans	3.0	9.9	–	5.0
Other loans	1.3	1.1	–	–
Bank overdrafts	2.4	6.5	–	0.5
Obligations under finance leases	0.4	0.8	–	–
	7.1	18.3	–	5.5
<i>Non-Current</i>				
Bank loans	85.6	73.1	97.3	54.0
Obligations under finance leases	1.0	1.1	–	–
	86.6	74.2	97.3	54.0

In May 2008 the Group re-financed its principal banking facilities with a syndicate of four banks in the UK, USA and Sweden. The total committed facility is £150m and expires in May 2013. In addition, the Group has negotiated some additional minor facilities with local relationship banks in the countries in which it operates. At 31 December 2008 committed banking facilities amounted to £150m, of which £55m was undrawn before the offset of cash balances in overseas territories.

There is no material difference between the total of the future minimum finance lease payments at the balance sheet date and their present value.

17. Trade and other payables

	2008 £m	Restated Group 2007 £m	2008 £m	Company 2007 £m
Trade payables	45.1	35.0	0.3	0.8
Amounts due to group undertakings	–	–	13.3	6.6
Amounts due to joint ventures and associated undertakings	2.3	0.2	–	–
Payments received on account	52.4	42.3	–	–
Other taxes and social security costs	24.0	23.1	0.3	0.1
Other payables and accruals	109.6	81.4	3.2	4.4
Deferred consideration	12.2	11.1	1.9	1.9
	245.6	193.1	19.0	13.8

Notes to the financial statements – continued

For the year ended 31 December 2008

18. Provisions

Group

	Deferred consideration £m	Property provisions £m	2008 Total £m	2007 Total £m
Current (note 17)	12.2	1.4	13.6	11.1
Non-current	8.6	0.3	8.9	14.5
Total	20.8	1.7	22.5	25.6

Movement in total provisions

At 1 January	23.8	1.8	25.6	8.5
Created during the year	1.5	0.3	1.8	19.9
On acquisition of subsidiaries	–	–	–	0.2
On disposal of subsidiaries	(0.9)	–	(0.9)	–
Unwinding of discounting deferred consideration	1.1	–	1.1	–
Amendments to fair value of consideration	2.0	–	2.0	0.1
Provisions utilised during the year	(11.6)	(0.4)	(12.0)	(4.0)
Foreign exchange movements	4.9	–	4.9	0.9
At 31 December	20.8	1.7	22.5	25.6

Company

	Deferred consideration £m	Property provisions £m	2008 Total £m	2007 Total £m
Current (note 17)	1.9	0.4	2.3	1.9
Non-current	–	0.4	0.4	2.5
Total	1.9	0.8	2.7	4.4

Movement in total provisions

At 1 January	3.7	0.7	4.4	0.4
Created during the year	–	0.2	0.2	4.1
Provisions utilised during the year	(1.8)	(0.1)	(1.9)	(0.1)
At 31 December	1.9	0.8	2.7	4.4

Provision for deferred consideration has been calculated based upon the directors' best estimate of the amount of deferred consideration that will fall due. Amounts are payable in less than five years. The ultimate amount payable may be different depending on the future performance of acquired businesses and other requirements. Amounts the Group deem to be payable within one year are included within trade and other payables. The property provisions relate to the rent, service charge and other associated costs relating to properties that are vacant or nearing the end of their lease term. The amount and timing of payments will depend on future commercial agreements.

19. Called up share capital

The share capital of the Company comprises 5p ordinary shares

	No.'000	Authorised £m	Issue Price	Allotted, called up and fully paid No.'000	£m
At 1 January 2007	100,000	5.0		61,938	3.1
Issued during the year			5p to 726p	763	—
At 1 January 2008	100,000	5.0		62,701	3.1
Issued during the year			5p to 548p	428	0.1
At 31 December 2008	100,000	5.0		63,129	3.2

20. Statement of changes in equity

Group

	Share capital £m	Share premium account £m	Retained earnings £m	Total shareholders' funds £m	Minority interests £m	Total equity £m
At 1 January 2008	3.1	81.2	40.2	124.5	0.9	125.4
Profit for the year	—	—	36.8	36.8	(0.1)	36.7
Dividends	—	—	(8.2)	(8.2)	—	(8.2)
Foreign exchange movements (net of taxation)	—	—	36.8	36.8	—	36.8
Performance share plan adjustment	—	—	1.7	1.7	—	1.7
Deferred taxation related to the performance share plan adjustment	—	—	(0.8)	(0.8)	—	(0.8)
Current taxation related to the performance share plan adjustment	—	—	(0.1)	(0.1)	—	(0.1)
Actuarial loss on pension schemes (net of taxation)	—	—	(5.9)	(5.9)	—	(5.9)
Minority interests created in the year	—	—	—	—	1.6	1.6
Issue of ordinary shares	0.1	0.3	—	0.4	—	0.4
At 31 December 2008	3.2	81.5	100.5	185.2	2.4	187.6
At 1 January 2007	3.1	77.8	13.2	94.1	—	94.1
Profit for the year	—	—	26.7	26.7	0.1	26.8
Dividends	—	—	(6.2)	(6.2)	—	(6.2)
Foreign exchange movements (net of taxation)	—	—	4.1	4.1	—	4.1
Performance share plan adjustment	—	—	1.2	1.2	—	1.2
Deferred taxation related to the performance share plan adjustment	—	—	(0.5)	(0.5)	—	(0.5)
Current taxation related to the performance share plan adjustment	—	—	0.7	0.7	—	0.7
Actuarial gain on pension schemes (net of taxation)	—	—	1.0	1.0	—	1.0
Minority interests purchased in the year	—	—	—	—	0.8	0.8
Issue of ordinary shares	—	3.4	—	3.4	—	3.4
At 31 December 2007	3.1	81.2	40.2	124.5	0.9	125.4

Notes to the financial statements – continued

For the year ended 31 December 2008

20. Statement of changes in equity (continued)

Company

	Share capital £m	Share premium account £m	Merger reserve £m	Retained earnings £m	Total shareholders' funds £m
At 1 January 2008	3.1	81.2	8.2	14.0	106.5
Profit for the year	–	–	–	22.8	22.8
Dividends	–	–	–	(8.2)	(8.2)
Performance share plan adjustment	–	–	–	(1.3)	(1.3)
Deferred taxation related to the performance share plan adjustment	–	–	–	(0.4)	(0.4)
Current taxation related to the performance share plan adjustment	–	–	–	(0.2)	(0.2)
Issue of ordinary shares	0.1	0.3	–	–	0.4
At 31 December 2008	3.2	81.5	8.2	26.7	119.6
At 1 January 2007	3.1	77.8	8.2	5.7	94.8
Profit for the year	–	–	–	13.1	13.1
Dividends	–	–	–	(6.2)	(6.2)
Foreign exchange movements	–	–	–	0.9	0.9
Performance share plan adjustment	–	–	–	0.4	0.4
Deferred taxation related to the performance share plan adjustment	–	–	–	(0.4)	(0.4)
Current taxation related to the performance share plan adjustment	–	–	–	0.5	0.5
Issue of ordinary shares	–	3.4	–	–	3.4
At 31 December 2007	3.1	81.2	8.2	14.0	106.5

In accordance with section 230 of the Companies Act 1985 the Company has elected not to present a separate income statement for the Company.

The profit after taxation for the Company for the year amounted to £22.8m (2007: £13.1m).

21. Acquisitions

During the year the group acquired 100% of the following principal entities or their businesses:

Entity	Place of Incorporation	Date of Acquisition	Initial consideration including legal fees £m	Deferred consideration £m	Book value of assets acquired £m	Fair value of assets acquired £m	Goodwill and intangible assets acquired £m
Charterhouse Limited	UK	31.03.08	2.4	–	0.5	(0.5)	2.9
LC Cape Consulting	S Africa	01.09.08	0.8	0.7	0.1	0.1	1.4
Infragen	S Africa	01.09.08	0.4	0.3	–	–	0.7
Other			1.0	0.5	0.7	0.7	0.8
			4.6	1.5	1.3	0.3	5.8

21. Acquisitions (continued)

The assets and liabilities of the businesses acquired during the year are set out below:

	Intangible assets arising on business combinations £m	Property, plant and equipment £m	Other assets £m	Other liabilities £m	Cash/ debt £m	Net assets £m
Carrying values pre acquisition						
Charterhouse Limited		0.1	1.1	(0.6)	(0.1)	0.5
LC Cape Consulting		–	0.7	(0.8)	0.2	0.1
Infragen		–	0.3	(0.3)	–	–
Other		0.2	0.5	(0.7)	0.7	0.7
		0.3	2.6	(2.4)	0.8	1.3
Provisional fair value						
Charterhouse Limited	0.2	0.1	0.7	(1.2)	(0.1)	(0.3)
LC Cape Consulting	0.2	–	0.7	(0.8)	0.2	0.3
Infragen	–	–	0.3	(0.3)	–	–
Other	–	0.2	0.5	(0.7)	0.7	0.7
	0.4	0.3	2.2	(3.0)	0.8	0.7
Goodwill acquired						5.4
Consideration						6.1

The fair value adjustments contain some provisional amounts which will be finalised in 2009. The fair value adjustments relate to the valuation of work in progress and accounts receivable, the accounting treatment of deferred taxation and identification of intangibles as set out below. Further details of intangible assets are given in note 11.

	£m
Sales order book	0.2
Customer lists	0.2
Total	0.4

The goodwill arising is attributable to the employees of the acquired businesses and the anticipated profitability of these acquisitions that is expected to arise in the Group from exposure to new markets and increasing market share in existing markets. The goodwill arising on Charterhouse was considered to be impaired and has been written off in the period, see notes 3 & 10.

The outflow of cash and cash equivalents on acquisitions during the year is calculated as follows:

	£m
Initial cash consideration	4.6
Cash acquired	(0.8)
	3.8

The net profit included in the income statement in 2008 for the principal acquisitions in the year is as follows

	£m
Charterhouse Limited	(0.3)
LC Cape Consulting	0.1
Other	0.1
	(0.1)

Had all acquisitions been made at the beginning of the year and the companies performed on a similar basis as post acquisition, the Group's revenue and profit before interest and taxation would have been reported as £760.5m and £58.7m respectively. This information is not necessarily indicative of the results of operations that would have occurred had the acquisitions been made at the beginning of the year presented or the future results of the combined operations.

Notes to the financial statements – continued

For the year ended 31 December 2008

22. Disposals

During the year the Group disposed of certain interests in subsidiary undertakings as noted below:

- a) 26% shareholding of WSP Group Africa (pty) Limited to a Black Economic Empowerment Consortium.
- b) 100% interest in the Swedish Architectural business to LINK Signatur AS, in consideration for a 20% holding of the ordinary share capital of LINK Signatur AS.
- c) 100% interest in Biotherm Energy.

The aggregated financial effect of these disposals on the consolidated accounts for the period is as follows:

	£m
Net assets disposed	
Goodwill	3.3
Property, Plant & Equipment	1.9
Current assets	1.4
Current liabilities	(1.8)
Cash and overdrafts	0.4
Loans	(1.2)
	4.0

The net gain on sale is calculated as follows:

	£m
Cash consideration received	4.4
Fair value of assets received	2.7
	7.1
Less: Net assets disposed	(4.0)
Less: Minority Interest	(1.5)
	1.6

Net cash inflowing on the disposals is as follows:

	£m
Cash consideration received (net of costs)	4.4
Less: cash disposed	(0.4)
	4.0
Net movement in cash and cash equivalents	4.0
Add: debt assumed by purchaser	1.2
	5.2

23. Reconciliation of profit to operating cash flows

	2008 £m	Restated Group 2007 £m	2008 £m	Company 2007 £m
Profit for the financial year	36.8	26.8	22.8	13.1
Taxation	15.4	11.1	2.3	0.8
Depreciation	10.6	7.5	–	–
Performance share plan	1.7	1.2	0.6	0.4
Profit on disposal of property, plant and equipment	(2.0)	(0.9)	–	–
Profit on disposal of businesses	(1.6)	–	–	–
Amortisation of intangible assets	4.8	4.1	–	–
Goodwill impairment	2.7	–	–	–
Pension curtailment gain	(6.4)	–	–	–
Dividend income	–	–	(17.1)	(11.2)
Finance income	(0.8)	(0.7)	(4.7)	(3.5)
Finance costs	7.8	4.5	5.1	2.7
Share of results of associates after taxation	(1.4)	(1.4)	–	–
Changes in working capital:				
Increase in trade and other receivables	(3.8)	(33.1)	(54.5)	(13.8)
(Decrease)/increase in trade and other payables	(9.7)	28.9	4.9	0.3
(Decrease)/increase in other provisions	(0.1)	0.1	–	0.3
Foreign exchange and non-cash movements	1.6	2.0	(1.9)	0.8
Cash generated from operations	55.6	50.1	(42.5)	(10.1)

24. Reconciliation of net cash flow to movement in net debt

	2008 £m	Restated Group 2007 £m	2008 £m	Company 2007 £m
Increase/(decrease) in cash balances in the year	4.5	12.5	1.9	(4.3)
Decrease/(increase) in bank overdrafts in the year	4.1	(4.0)	0.5	(0.5)
Increase/(decrease) in cash in the year	8.6	8.5	2.4	(4.8)
On acquisition of subsidiaries	–	(1.6)	–	–
On disposal of subsidiaries	1.2	–	–	–
Finance lease repayments	0.5	0.4	–	–
Other non-cash movements	–	(0.7)	–	–
New bank loans/drawdown on existing facilities	(7.0)	(31.8)	(38.3)	(23.5)
Movement in net debt resulting from cash flows	3.3	(25.2)	(35.9)	(28.3)
Foreign exchange movements	–	–	–	–
Movement in net debt in the year	3.3	(25.2)	(35.9)	(28.3)
Net debt at 1 January	(59.5)	(34.3)	(59.1)	(30.8)
Net debt at 31 December	(56.2)	(59.5)	(95.0)	(59.1)

Notes to the financial statements – continued

For the year ended 31 December 2008

25. Analysis of net debt

Group

	Restated 1 January 2008 £m	Net cash flows £m	On disposal of subsidiary £m	Other non-cash movements £m	Foreign exchange £m	31 December 2008 £m
Cash balances	33.0	0.1	–	–	4.4	37.5
Bank overdrafts	(6.5)	4.7	–	–	(0.6)	(2.4)
Cash and cash equivalents	26.5	4.8	–	–	3.8	35.1
<i>Current</i>						
Bank loans	(11.0)	–	–	6.7	–	(4.3)
Finance Leases	(0.8)	0.4	–	–	–	(0.4)
<i>Non-current</i>						
Bank loans	(73.1)	(7.0)	1.2	(6.7)	–	(85.6)
Finance Leases	(1.1)	0.1	–	–	–	(1.0)
	(59.5)	(1.7)	1.2	–	3.8	(56.2)

Company

	1 January 2008 £m	Net cash flows £m	31 December 2008 £m
Cash balances	0.4	1.9	2.3
Bank overdrafts	(0.5)	0.5	–
Cash and cash equivalents	(0.1)	2.4	2.3
<i>Current</i>			
Bank loans	(5.0)	5.0	–
<i>Non-current</i>			
Bank loans	(54.0)	(43.3)	(97.3)
	(59.1)	(35.9)	(95.0)

26. Pensions

Pension costs included in employee benefit costs consist of the following:

	2008 £m	2007 £m
Defined benefit schemes	1.4	2.7
Curtailments and settlements	(6.4)	–
Defined contribution schemes	21.6	15.8
	16.6	18.5

The Group operates both defined contribution and defined benefit pension schemes. Defined contributions are charged to the income statement as they are incurred.

In the UK, there are six separate defined benefit schemes, all of which are closed to new members. The assets of the schemes are held separately from those of the Group in independently administered funds. In 2004, pensionable salaries were frozen following consultation with staff.

26. Pensions (continued)

In Sweden, a proportion of the multi-employer Government run plan is treated as a defined benefit scheme. This liability is unfunded and is carried in the Group's balance sheet. The multi-employer Government plan retains substantial other assets to meet the balance of pension liabilities. As the directors are unable to identify the underlying assets and liabilities of this portion of the scheme, this portion is treated as a defined contribution scheme for the purposes of IAS 19 'Employee Benefits'.

For funded and unfunded defined benefit plans, any deficit of the fair value of plan assets over the present value of the defined benefit obligation is recognised as a liability in the balance sheet. Actuarial gains and losses are recognised in full as they arise in the statement of recognised income and expense. These reflect changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred.

The actuarial cost charged to the income statement in respect of defined benefit plans consists of current service costs, interest costs, expected return on plan assets, past service costs and costs of curtailments.

The liabilities of the Group arising from defined benefit obligations and their related current service cost are determined using the projected unit credit method. Valuations are performed annually for the largest plans and on a regular basis for other plans. Actuarial advice is provided both by external consultants and actuaries. The actuarial assumptions used to calculate the benefit obligations vary according to the economic conditions of the country in which the plan is located and are set out below. To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily UK government bonds) and the historical level of risk premium associated with the other asset classes in which the portfolio is invested. The expected return for each asset class was then applied to the schemes' asset allocations to develop the overall expected long-term rate of return on assets for the combined portfolios.

	2008	2007
UK		
Rate of increase in pensionable salaries	nil	nil
Rate of increase in pensions in payment	2.9%	3.3%
Discount rate	6.4%	5.8%
Inflation assumption	3.0%	3.4%
Expected return on plan assets	6.0%	7.2%
Life Expectancy at age 65 (for member currently aged 65)		
– Men	87.2	84.9
– Women	89.6	88.1
Life Expectancy at age 65 (for member currently aged 50)		
– Men	88.7	85.9
– Women	91.0	89.2
Sweden		
Rate of increase in pensionable salaries	nil	3.0%
Rate of increase in pensions in payment	3.0%	3.0%
Discount rate	4.0%	4.5%
Inflation assumption	2.0%	2.0%
Expected return on plan assets	n/a	n/a
Life Expectancy at age 70		
– Men	84.7	84.7
– Women	87.7	87.7
Life Expectancy at age 50		
– Men	84.4	84.4
– Women	87.3	87.3

Notes to the financial statements – continued

For the year ended 31 December 2008

26. Pensions (continued)

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

	2008	2007
Equities	69%	63%
Bonds	19%	25%
Property	1%	1%
Other	11%	11%
	2008 £m	2007 £m
Fair value of plan assets	45.1	53.8
Present value of funded obligations	(64.6)	(67.8)
	(19.5)	(14.0)
Present value of unfunded obligations	(16.9)	(17.6)
Pension liability	(36.4)	(31.6)

Amounts recognised in the income statement are as follows:

	2008 £m	2007 £m
Current service costs	1.4	2.7
Curtailments and settlements	(6.4)	–
Employee benefit costs	(5.0)	2.7
	4.3	4.0
Finance costs	(3.8)	(3.5)
Expected return on plan assets	0.5	0.5
Net finance cost on pension liabilities		

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

	2008 £m	2007 £m
Present value of obligation as at 1 January	85.4	82.4
Service cost	1.4	2.7
Curtailments and settlements	(6.4)	–
Contributions from scheme members	0.5	0.5
Benefits paid	(1.5)	(1.6)
Finance costs	4.3	4.0
Actuarial gains	(4.3)	(3.4)
Foreign exchange movements	2.1	0.8
Present value of obligation as at 31 December	81.5	85.4

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

	2008 £m	2007 £m
Fair value of plan assets as at 1 January	53.8	49.8
Expected return on plan assets	3.8	3.5
Contributions from scheme members	0.5	0.5
Contributions from employer	2.2	1.9
Benefits paid	(1.5)	(1.6)
Actuarial losses	(13.7)	(0.3)
Fair value of plan assets as at 31 December	45.1	53.8

26. Pensions (continued)

Analysis of the movement in net deficit

	2008 £m	2007 £m
As at 1 January	31.6	32.6
Employee benefit costs	1.4	2.7
Net finance cost	0.5	0.5
Curtailments and settlements	(6.4)	–
Contributions from employer	(2.2)	(1.9)
Net actuarial (loss)/gain recognised in the year	9.4	(3.1)
Foreign exchange movements	2.1	0.8
As at 31 December	36.4	31.6

Cumulative actuarial gains and losses recognised in equity

	2008 £m	2007 £m
As at 1 January	(9.5)	(12.6)
Net actuarial losses/(gains) recognised in the year	(9.4)	3.1
As at 31 December	(18.9)	(9.5)

History of experience gains and losses

	2008	2007	2006	2005
Experience adjustments arising on scheme assets:				
Amount (£m)	(13.7)	(0.3)	0.7	4.0
Percentage of scheme assets	(25%)	(1%)	2%	9%
Experience adjustments arising on scheme liabilities:				
Amount (£m)	(0.7)	(2.7)	(0.9)	(3.9)
Percentage of scheme liabilities	(1%)	(3%)	(1%)	(5%)
Changes in the assumptions underlying the value of scheme liabilities:				
Amount (£m)	5.0	6.1	0.1	(10.7)
Percentage of scheme liabilities	6%	7%	–	(14%)
Present value of scheme liabilities (£m)	81.5	85.4	82.4	75.9
Fair value of scheme assets (£m)	(45.1)	(53.8)	(49.8)	(44.9)
Deficit (£m)	36.4	31.6	32.6	31.0

The combined employee and employer contributions expected to be paid during the financial year ending 31 December 2009 amount to £2.6m.

27. Financial instruments

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, liquidity and interest rates. An explanation of the Board's objectives, policies and strategies for holding and issuing financial instruments to manage these risks is set out in the Operating and Financial Review on page 27.

a) Foreign currency risk

The Group is exposed to foreign exchange risk primarily with respect to the Swedish Kronor and the US Dollar. Most trading activity is denominated in the currencies relevant to the local subsidiaries, thus matching the currency with its cost base.

The Group and the Company have £37.5m and £2.3m respectively of cash and cash equivalents at the year end held in bank accounts (2007: £33.0m the Group; £0.4m the Company) which is immediately available for use. Cash surplus to short term requirements is usually invested overnight on the money market to earn interest at rates close to the prevailing local base rates.

At 31 December 2008, if sterling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-taxation profit for the year would have been £3.1m (2007: £0.2m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade receivables and foreign exchange losses/gains on US dollar denominated borrowings.

Notes to the financial statements – continued

For the year ended 31 December 2008

27. Financial instruments (continued)

At 31 December 2008, if sterling had weakened/strengthened by 10% against the Euro with all other variables held constant, post-taxation profit for the year would have been £2.3m (2007: £0.8m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated trade receivables and foreign exchange losses/gains on Euro denominated borrowings.

b) Liquidity and interest rate risk

The maturity of financial liabilities is as follows:

	Sterling £m	Swedish Kronor £m	US Dollars £m	Other £m	Total 2008 £m
In one year or less, or on demand	0.4	0.4	3.0	3.3	7.1
In more than one year but not more than two years	–	–	–	1.0	1.0
In more than two years but not more than five years	58.3	19.1	8.0	0.2	85.6
	58.7	19.5	11.0	4.5	93.7

	Sterling £m	Swedish Kronor £m	US Dollars £m	Other £m	Total 2007 £m
In one year or less, or on demand	6.2	6.0	1.6	4.5	18.3
In more than one year but not more than two years	–	11.3	–	2.5	13.8
In more than two years but not more than five years	54.0	–	1.0	5.4	60.4
	60.2	17.3	2.6	12.4	92.5

The Group's financial liabilities are floating rate in nature. There are no fixed rate or non-interest bearing liabilities (2007: £nil). The floating rate liabilities apply to short and medium-term bank overdrafts and loans with interest rates falling within the range 0.8% to 2.0% above the relevant country national bank base rates. The Group's banking facilities are secured by fixed and floating charges over a variety of the Group's assets including cross-guarantees from subsidiaries. Finance lease obligations are secured on the assets to which they relate.

During 31 December 2008, if interest rates on currency-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-taxation profit for the year would have been £0.1m (2007: £0.1m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. During 31 December 2008, if interest rates on UK sterling-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-taxation profit for the year would have been £0.3m (2007: £0.2m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Financial assets are non interest bearing with the exception of cash and cash equivalents as detailed in (a) above.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2008

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m
Financial liabilities	7.1	1.0	85.6
Trade and other payables	45.1	–	–
	52.2	1.0	85.6

At 31 December 2007

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m
Financial liabilities	18.3	13.8	60.4
Trade and other payables	35.0	–	–
	53.3	13.8	60.4

27. Financial instruments (continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Details of the financial covenants with which the Group must comply are stated in the Operating and Financial Review and this shows the Group is in compliance with those requirements.

The Group monitors capital on the basis of the gearing ratio which is calculated as net debt divided by total capital. Net debt is defined as total current and non-current borrowings less cash and cash equivalents. Total capital is calculated as shareholders' equity as shown in the consolidated balance sheet plus net debt. At 31 December 2008 shareholders equity was £185.2m (2007: £124.5m) and net debt was £56.2m (2007: £59.5m) giving total capital of £241.4m (2007: £184.0m). The gearing ratio at the end of the year equals 23% compared to the previous year of 32%.

c) Credit risk

The Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

d) Derivative financial instruments and hedging activities

There were no outstanding currency swaps or derivatives at 31 December 2008 (2007: £nil) and no designated hedges as defined by IAS 39, 'Financial Instruments: Recognition and Measurement'. In accordance with IAS 39, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements. No such arrangements have been identified.

e) Fair values

The fair value of financial assets and liabilities of the Group are considered to be materially equivalent to their book value.

28. Guarantees, contingent liabilities and other commitments

At 31 December 2008 the Company and certain of its subsidiary undertakings cross guarantee the bank loans of the Group. At 31 December 2008 the Group had guaranteed to repay the proceeds (52m South African Rand) arising on the sale of its 26% stake in WSP Group Africa (pty) Ltd, in the event that the purchaser does not secure its own financing by 31 March 2009, at which date the guarantee will lapse.

In common with other professional firms, the Group maintains professional indemnity insurance against claims for professional negligence which in the ordinary course of business have been, or may in the future be, received. The directors assess each claim and make provision for legal and settlement costs where, on the basis of advice received, it is considered that a liability may exist.

No other commitments, either authorised or contracted for, existed in either the group or its joint ventures at 31 December 2008 (2007: nil).

At 31 December there existed the following commitments under operating leases which expire:

	2008 £m	Group 2007 £m	2008 £m	Company 2007 £m
Equipment and plant:				
Within one year	3.5	0.5	–	–
Between two and five years	6.9	5.0	–	–
	10.4	5.5	–	–
Property:				
Within one year	9.3	6.9	–	0.2
Between two and five years	40.8	33.0	–	0.5
After more than five years	63.9	34.2	–	0.3
	114.0	74.1	–	1.0

Notes to the financial statements – continued

For the year ended 31 December 2008

29. Related party transactions

Group

During the year the Group entered into arm's length transactions with its associated undertakings. Turnover with these companies amounted to £0.5m (2007: £0.5m) and the Group purchased services of £0.3m (2007: £0.2m).

At 31 December 2008 a net balance of £3.5m (2007: £1.6m) was due from associated undertakings by the Group.

As disclosed in the Directors' Report, the Group has entered into arm's length transactions in the normal course of its business with companies with which the non-executive Directors are associated by virtue of their employments. These Directors have no controlling influence over these companies or a material interest in the outcome of these contracts.

Certain senior employees are entitled to receive deferred consideration payable in cash and shares in respect of the acquisition of businesses in which they formerly held equity interests. At 31 December 2008, the maximum total due to these senior employees was £20.8m (2007: £23.4m), subject to meeting performance and other requirements.

Details of the aggregate remuneration of key management employees of the Group are set out in note 6.

Company

The Company operates as a holding company for the Group and, as such, receives management fees for services supplied to Group companies. Management fees received from other Group companies amounted to £6.8m (2007: £9.2m). During the year, the Company received interest on loans to other Group companies amounting to £4.7m (2007: £3.5m) and paid interest on loans from other Group companies of £0.1m (2007: £nil). The Group received dividends from subsidiary undertakings amounting to £17.1m (2007: £11.2m).

The Company has outstanding balances with other Group companies that are disclosed in notes 15 and 17, and has investments in group companies as detailed in note 13(c).

Compensation of the Company key management personnel is detailed in note 6 to the accounts.

30. Share options, the performance share plan and the bonus share plan

At 31 December 2008 outstanding options and awards to subscribe for ordinary shares of 5p each in the Company, granted in accordance with the rules of the relevant share option schemes, the bonus share plan and the performance share plan were as follows:

Exercise or vesting date	Exercise price	At 1 Jan 2008	Exercised	Lapsed	Awarded	At 31 Dec 2008	Exercisable at 31 Dec 2007	Exercisable at 31 Dec 2008
WSP Group plc 1997 Share Option Plan								
08.04.2001-08.04.2008	91.0p	13,701	(13,701)	–	–	–	13,701	–
30.06.2002-30.06.2009	183.0p	38,359	(8,222)	(4,384)	–	25,753	38,359	25,753
26.05.2003-26.05.2010	242.0p	79,971	(13,097)	(7,672)	–	59,202	79,971	59,202
06.04.2004-06.04.2011	*429.0p	75,064	(17,536)	–	–	57,528	75,064	57,528
06.04.2005-06.04.2012	*334.0p	94,000	(17,500)	–	–	76,500	94,000	76,500
10.04.2006-10.04.2013	*75.0p	14,000	–	–	–	14,000	14,000	14,000
		315,095	(70,056)	(12,056)	–	232,983	315,095	232,983
WSP Group plc 1997 Performance Share Plan								
01.04.2008	0.0p	240,000	(240,000)	–	–	–	–	–
WSP Group plc 1997 Deferred Bonus Share Plan								
01.04.2008	0.0p	78,929	(78,929)	–	–	–	–	–
01.04.2009	0.0p	69,693	–	–	–	69,693	–	–
		148,622	(78,929)	–	–	69,693	–	–
WSP Performance Share Plan 2006								
01.04.2009	0.0p	251,500	–	(6,086)	–	245,414	–	–
03.04.2010	0.0p	234,150	–	(2,991)	–	231,159	–	–
03.07.2010	0.0p	8,700	–	–	–	8,700	–	–
09.04.2011	0.0p	–	–	(6,720)	397,900	391,180	–	–
		494,350	–	(15,797)	397,900	876,453	–	–
		1,198,067	(388,985)	(27,853)	397,900	1,179,129	315,095	232,983

30. Share options, the performance share plan and the bonus share plan (continued)

The weighted average share price at the date of exercise for share options exercised in the period was 578.7p. In accordance with the rules of the various WSP Share Option Schemes the number and price of options have been subject to appropriate adjustment to reflect the impact of the rights issue in June 2001.

* Options under the 1997 Share Option Plan awarded in 2001, 2002 and 2003 were awarded to Group employees in the USA. On the date of the award the equivalent US\$ value of the option was \$6.16, \$4.75 and \$1.16 respectively. During the year options were exercised at these US\$ rates equating to 308.6p – 310.4p, 237.8p – 242.4p and 58.1p for awards in 2001, 2002 and 2003 respectively.

Performance Share Plan and Deferred Bonus Share Plan – The WSP Employee Benefit Trust

The Group operates the WSP Performance Share Plan and the WSP Deferred Bonus Share Plan for the benefit of its executive directors and senior management.

The cost of the potential future awards of the two schemes is accrued over the 3-year performance periods of each plan. The cost of future awards charged in 2008 in the accounts of WSP Group plc was £1.7m (2007: £1.2m) which includes £0.1m (2007: £0.4m) of employers NIC, of which £0.1m (2007: £0.4m) is included in payables at the balance sheet date.

In respect of share awards granted during the period of 397,900, the weighted average fair value of the shares amounted to 595p calculated using the Black Scholes valuation model. The inputs to this model included, inter alia, an average yield of 7.0% from British government securities and an average dividend yield of 0%. The volatility has been calculated as the annualised standard deviation of the continuously compounded historic rates of return on WSP shares.

As at 31 December 2008 the WSP Employee Benefit Trust owned no ordinary shares of the Company (2007: none). The performance conditions applicable to awards granted under the Performance Share Plan are set out in the Remuneration Committee Report. The market value of each share held at 31 December 2008 was 203p per share (2007: 577p). All shares held are reserved to meet existing commitments under the employee incentive schemes.

Five Year Review

Consolidated income statements

	2008 £m	Restated 2007 £m	Restated 2006 £m	Restated 2005 £m	Restated 2004 £m
Revenue	755.2	556.5	432.9	360.9	312.3
Adjusted Profit before interest and taxation	58.1	43.4	30.3	22.9	17.4
Exceptional items	1.5	–	–	–	7.0
Profit on sale of subsidiary undertaking	1.6	–	–	–	–
Amortisation of intangible assets arising on business combinations	(2.1)	(1.7)	(0.4)	(0.1)	–
Profit before interest and taxation	59.1	41.7	29.9	22.8	24.4
Net finance costs	(7.0)	(3.8)	(3.2)	(2.8)	(2.8)
Profit before taxation	52.1	37.9	26.7	20.0	21.6
Taxation	(15.4)	(11.1)	(7.5)	(6.0)	(6.9)
Profit for the financial year	36.7	26.8	19.2	14.0	14.7
Minority interests	0.1	(0.1)	–	(0.3)	(0.2)
Dividends	(8.2)	(6.2)	(4.3)	(3.4)	(3.1)
Retained profit for the year	28.6	20.5	14.9	10.3	11.4
Basic earnings per share	58.3p	43.0p	31.4p	22.8p	24.1p
Basic earnings per share before operating exceptional items, profit on sale of subsidiary undertakings and amortisation of intangible assets arising on business combinations	57.4p	42.3p	30.4p	22.8p	15.9p

Consolidated balance sheets

	2008 £m	Restated 2007 £m	Restated 2006 £m	Restated 2005 £m	Restated 2004 £m
Non-current assets	267.9	219.1	141.3	129.5	123.7
Current assets	321.4	249.6	169.7	133.3	109.1
	589.3	468.7	311.0	262.8	232.8
Current liabilities	(258.7)	(215.1)	(125.0)	(96.4)	(75.0)
Total assets less current liabilities	330.6	253.6	186.0	166.4	157.8
Non-current liabilities	(143.0)	(128.2)	(91.9)	(83.5)	(77.3)
Net assets	187.6	125.4	94.1	82.9	80.5
Called up share capital	3.2	3.1	3.1	3.0	3.0
Share premium account	81.5	81.2	77.8	76.7	76.5
Shares to be issued	–	–	–	–	0.2
Retained earnings	100.5	40.2	13.2	2.6	0.5
Equity shareholders' funds	185.2	124.5	94.1	82.3	80.2
Minority interests	2.4	0.9	–	0.6	0.3
Total equity	187.6	125.4	94.1	82.9	80.5

In the above table, 2004, 2005, 2006, 2007 and 2008 figures reflect results and the state of affairs of the Group, reporting in accordance with International Financial Reporting Standards (IFRS).

Shareholder Information

WSP Group plc

Registered in England.

Company number: 2136404

Company Secretary and Registered Address

Graham Bisset

WSP Group plc

WSP House

70 Chancery Lane

London

WC2A 1AF

Financial calendar

- **Annual General Meeting:**
6 May 2009
- **Results announcements:**
Full year 2 March 2009
Half year 27 July 2009
- **Dividend payments:**
Final May
Interim October

Registrar

All matters relating to the administration of shareholdings should be directed to Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, W. Yorkshire, HD8 0LA, telephone within the UK: 0871 664 0300 (calls cost 10 pence per minute plus network extras), or from overseas: +44 20 8639 3399. Email: ssd@capitaregistrars.com.

Shareholders can also register online to view their WSP Group plc shareholding details using the Share Portal, a service offered by Capita Registrars. This service can be accessed at www.capitaregistrars.com/shareholders. Shareholders registering for the Share Portal will require their investor code which is shown on share certificates and on the form of proxy accompanying this Report. The service enables shareholders to do all of the following 24 hours a day:

- View holdings and indicative share price and valuation
- View movements on holdings and dividend payment history
- Register a bank mandate to have dividends paid directly into their bank account
- Change address
- Download and print shareholder forms

Beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

Dividend Reinvestment Plan (DRIP)

The Company has a DRIP provided by Capita IRG Trustees Limited. The DRIP allows eligible shareholders to use the whole of their cash dividend to buy additional shares in the Company, increasing their shareholding. Additional information, including details of how to sign up, can be obtained from Capita IRG Trustees Limited, telephone within the UK: 0871 664 0381 (calls cost 10 pence per minute plus network extras), or from overseas: +44 20 8639 3402. Email: shares@capitaregistrars.com.

ShareGift

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. The relevant stock transfer form may be obtained from the Company Registrars. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information about ShareGift may be obtained on +44 (0)20 7930 3737 or from www.ShareGift.org

Shareholder Information – continued

Unsolicited mail

The Company is legally obliged to make its register of members available to the public. As a consequence of this some shareholders might have received unsolicited mail. UK shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, FREEPOST 29 LON20771, London W1E 0ZT. Alternatively, UK shareholders may register online at www.mpsonline.org.uk or request an application form by calling from within the UK: 0845 703 4599.

Warning about unsolicited investment contacts

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml. Details of any share dealing facilities that the company endorses will be included in company mailings. More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk

Protecting investments from identity theft

Criminals may steal shareholders' personal information, putting a holding at risk. Suggestions for protecting shareholdings:

- Ensure certificates are kept in a safe place or hold shares electronically in CREST via a nominee.
- Keep all correspondence from the Registrar which shows a shareholder investor code in a safe place, or destroy correspondence by shredding.
- When changing address, inform the Registrar. If a letter from the Registrar is received regarding a change of address and there has been no recent move, contact the Registrar immediately. The shareholder concerned may be a victim of identity theft.
- Know when the dividends are paid. Shareholders may wish to consider having their dividends paid directly into their bank or building society account, both for the convenience and the resulting reduction in the risk of the cheque being intercepted or lost in the post. To take advantage of this dividend mandate facility, contact the Registrar, telephone within the UK: 0871 664 0300 (calls cost 10 pence per minute plus network extras), or from overseas: +44 20 8639 2157; or alternatively complete a form online using the Share Portal service at www.capitaregistrar.com/shareholders.
- If using electronic means to access investor information passwords and log in details should be kept secure.
- On changing bank or building society account, inform the Registrar of the details of the new account and respond to any letters the Registrar send about this.
- When buying or selling shares, shareholders should seek to only deal with brokers registered in their country of residence or the UK.

Website

The WSP Group website, www.wspgroup.com, includes an investor relations section www.wspgroup.com/ir which provides access to a wide range of information about the Company and information for investors, including share price data and regulatory news.



Principal Offices

UK and Registered Office

WSP Group plc

WSP House
70 Chancery Lane
London
WC2A 1AF
UK
Tel +44 (0)20 7314 5000
Fax +44 (0)20 7314 5111

WSP Group plc is registered in England.
Company Number: 02136404

SWEDEN

WSP Sweden AB

121 88 Stockholm-Globen
Arenavägen 7
Stockholm
Sweden
Tel +46 (0)8 688 6000
Fax +46 (0)8 688 6999

GERMANY

CBP Consulting Engineers

Georg-Muche-Strasse 1
80807 Munich
Germany
Tel +49 (0)89 28633-0
Fax +49 (0)89 28633-380

FINLAND

WSP Finland Ltd

Heikkiläntie 7
FIN-00210
Helsinki
Finland
Tel +358 207 864 11
Fax +358 207 864 800

USA

WSP Flack + Kurtz

13th Floor
512 Seventh Avenue
New York
NY 10018
USA
Tel +1 212 532 9600
Fax +1 212 689 7489

WSP Cantor Seinuk

3rd Floor
228 East 45th Street
New York
NY 10017
USA
Tel +1 212 687 9888
Fax +1 646 487 5501

WSP Environment & Energy

9th Floor
11911
Reston
Virginia 20190
USA
Tel +1 703 709 6500
Fax +1 703 709 8505

WSP Sells

555 Pleasantville Road
South Building
Briarcliff Manor
NY 10510
USA
Tel +1 914 747 1120
Fax +1 914 747 1956

AFRICA

WSP Africa

WSP House
Bryanston Place
199 Bryanston Drive
Johannesburg
South Africa
Tel +27 (0)11 361 1300
Fax +27 (0)11 361 1301

ASIA

WSP Asia

1/F, K. Wah Centre
191 Java Road
North Point
Hong Kong
Tel +852 2217 2000
Fax +852 2802 9626

AUSTRALIA

Lincolne Scott Pty Ltd

Level 1, 41 McLaren Street
PO Box 6245
North Sydney
New South Wales 2060
Australia
Tel +61 2 8907 0900
Fax +61 2 9957 4127

MIDDLE EAST

WSP Middle East

Monarch Tower
1 Sheikh Zayed Road
PO Box 7497
Dubai
United Arab Emirates
Tel +971 4 706 5111
Fax +971 4 706 5112

Further information regarding WSP office addresses can be found on our website: www.wspgroup.com

Advisors

SHARE REGISTRARS

Capita IRG plc

The Registry
34 Beckenham Road
Beckenham
BR3 4TU

SOLICITORS

Nabarro LLP

Lacon House
Theobald's Road
London
WC1X 8RW

AUDITORS

Pricewaterhouse Coopers LLP

1 Embankment Place
London
WC2N 6RH

STOCKBROKERS

RBS Hoare Govett Limited

250 Bishopsgate
London
EC2M 4AA

PRINCIPAL BANKERS

Barclays Bank plc

50 Pall Mall
London
SW1A 1QB

HSBC Bank plc

70 Pall Mall
London
SW1Y 5EZ

Bank of America N.A.

1185 Avenue of the Americas
New York
New York 10036

Swedbank AB

S-105 34
Stockholm
Sweden

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WSP Group plc

WSP House
70 Chancery Lane
London
WC2A 1AF
UK

Tel +44 (0)20 7314 5000

Fax +44 (0)20 7314 5111

www.wspgroup.com