

WSP ANNUAL REPORT AND ACCOUNTS 2009

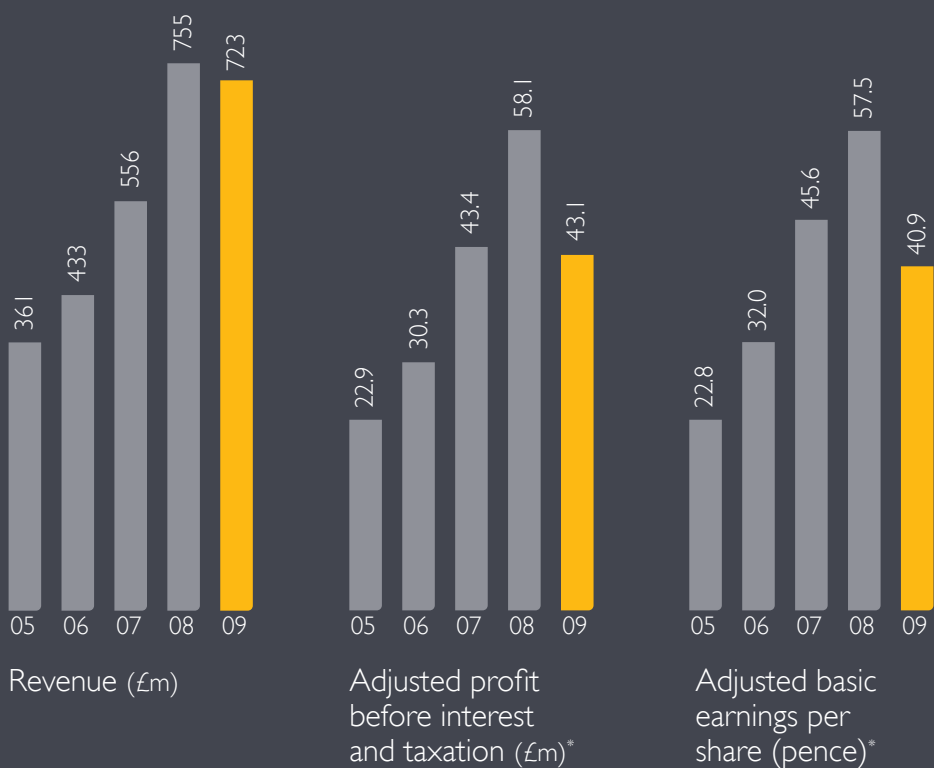
UNITED
BY OUR
DIFFERENCE



FINANCIAL HIGHLIGHTS 2009

WSP IS A GLOBAL BUSINESS
WITH A VISION TO BE THE
OUTSTANDING SUPPLIER OF
SPECIALIST AND INTEGRATED
SERVICES TO THE BUILT AND
NATURAL ENVIRONMENT.

OUR VALUES ARE PRIDE & PASSION,
TRUST, SUSTAINABILITY, SHARING &
SUPPORTING AND INNOVATION.



* Profit before interest and taxation together with basic earnings per share are adjusted to exclude amortisation of intangible assets arising on business combinations (including tax effect) and exceptional items. These adjustments are set out in the five year summary on page 106.



DIRECTORS REPORT: 01 BUSINESS REVIEW

Financial Highlights	
United by our Difference	02
WSP at a Glance	06
Our Strategy and Business Model	08
Chairman's Statement	12
Operational Review	14
Divisional Reviews	
<i>Property</i>	18
<i>Transport & Infrastructure</i>	20
<i>Environment & Energy</i>	22
<i>Management & Industrial</i>	24
<i>Our People</i>	26
Financial Review	28
Sustainability Report	34

DIRECTORS REPORT: 02 GOVERNANCE

Board of Directors	44
Performance Committee	46
Corporate Governance Report	47
Remuneration Report	52
Statutory and other Information	59
Statement of Directors' Responsibilities	65

FINANCIAL STATEMENTS 03

Independent Auditors' Report	66
Consolidated Income Statement	68
Balance Sheets	69
Statements of Comprehensive Income	70
Statements of Changes in Equity	71
Cash Flow Statements	73
Accounting Policies	74
Notes to the Financial Statements	79
Five Year Review	106

SHAREHOLDER INFORMATION 04

Shareholder Information	107
-------------------------	-----



WE ARE WSP. WE PROVIDE CONSULTING IN THE BUILT AND NATURAL ENVIRONMENT. **WE'RE BIG.** IN 35 COUNTRIES. BUT THAT'S ONLY A SMALL PART OF OUR STORY. WE'VE GROWN SIGNIFICANTLY BUT RETAINED OUR ENTREPRENEURIAL SPIRIT. THAT MEANS DOING THINGS DIFFERENTLY. **WE DON'T SUPPRESS INDIVIDUALITY.** SO THOUGH WE ARE UNITED BY OUR PROFESSIONALISM AND DESIRE TO COLLABORATE, WE OFFER VERY DIFFERENT AREAS OF EXPERTISE AND OUTLOOK.

WE CALL IT
UNITED BY OUR
DIFFERENCE



Cosmas Muroiwa, Senior Technician, Port of Ngqura, South Africa



LAST YEAR WAS DEMANDING AND UNRELENTING. BUT DESPITE THIS, THE STRATEGY THAT HAS SEEN WSP GROW TO ITS CURRENT SCALE AND STATURE HAS SERVED US WELL. **WE'VE ALWAYS BELIEVED THAT THE THINGS THAT MAKE US DIFFERENT ARE THE THINGS THAT MAKE US STRONGER.** AND THIS IS TRUER TODAY THAN EVER BEFORE. OUR BALANCED APPROACH AND OUR DIVERSITY HAVE MADE US RESILIENT AND HELPED US WEATHER THE STORM. IT'S A ROBUST STRATEGY IN A CHANGING WORLD.

United by our difference....for people

We celebrate individuality and respect the differences of our varied teams across the globe. People very different, but firmly aligned. Whether they join as individuals, or whether their like-minded firms join ours, we find our people stay, and flourish, in an environment that allows them to be their very best.

The last year has seen a market where all too often people come second. But at WSP, motivating our people is key to our future. We've continued to invest in our people, not just because it's the right thing to do, but because we need to respond effectively to the inevitable market upturn. Our philosophy is sometimes hard to live up to, but to get the balance right we can never forget that our people are our business.

United by our difference....for clients

We acknowledge that our clients and their needs are all different. But WSP offers the innovation and expertise you'd find in a small specialist, combined with the scale to deliver any size of project. So our clients can expect the best of all worlds.

2009 has given us cause to review our costs and cash management. But our sector and regional diversification, together with our public / private sector balance, have made us resilient. And we've never forgotten we are here to serve our clients, so our focus on them has remained constant and steady. Resulting in a year of flagship and high-profile projects and unwavering commitment to service. In any market, that's quite a big 'so what'.

United by our difference....tomorrow and beyond

United by our difference is our philosophy, our way of working and our message to the world. Individuality with collaboration. As we continue to get the balance right, we will win more work, deliver it better and be a better business: today, tomorrow and beyond.

Despite the rigours of the last year, we are cautious but confident. Our philosophy has seen the business grow dramatically through diversification over two decades. And our focus on the operational necessities has seen us successfully weather the last 12 months. *United by our difference* has proven to be a robust and balanced approach in a changing world. We feel it will serve us well in the years ahead.

“

United by our difference is our philosophy, our way of working and our message to the world.

”

WSP AT A GLANCE

WSP IS A DIVERSIFIED GLOBAL BUSINESS OPERATING IN FOUR CORE DIVISIONS TO OFFER FULLY-INTEGRATED OR SPECIALIST DELIVERY TEAMS FOR SERVICES TO THE BUILT OR NATURAL ENVIRONMENT. THE GROUP'S ACTIVITIES ARE WELL BALANCED BETWEEN THE PRIVATE AND PUBLIC SECTORS.

Property

An international leader with significant resources in all the engineering and environmental technical and delivery skills required to support the world's most prestigious property projects. Our leading and significant expertise covers the world's tallest buildings, corporate headquarters, healthcare, education, cultural, sports and leisure, and urban regeneration. Our projects regularly receive credits for carbon reduction.

Environment & Energy

A global consultancy specialising in identifying, evaluating and mitigating environmental, energy and sustainability issues and business risks, and shaping solutions for the environmental issues facing society. Our services include contaminated land analysis, environmental planning, energy efficiency, renewables, waste and carbon management, as well as developing strategic approaches to sustainability and corporate responsibility.

“

WSP Group has grown through strategic development into one of the world's largest international consultancy groups.

”

Transport & Infrastructure

As a world leader in transport studies, we work with governments around the world to create sustainable long-term transportation strategies. We advise at national and regional level on a wide range of major transport and infrastructure projects covering the full life cycle of a client's assets. We have particular strengths in planning, analysing, designing and managing projects in aviation, bridges, highways, intelligent traffic systems, marine and rail.

Management & Industrial

Separately identified from 2008, this division comprises businesses providing industrial process engineering consultancy, project and planning management, and front end management consulting services, including the strategic, technical, and commercial support required for complex construction projects.



1. Property £313.7m
2. Transport & Infrastructure £234.5m
3. Environment & Energy £80.5m
4. Management & Industrial £94.6m



1. United Kingdom £254.9m
2. Mainland Europe £234.3m
3. United States of America £108.6m
4. Africa, India & Middle East £73.1m
5. Far East & Australia £52.4m

1. Property

Mall of Egypt, Cairo

2. Transport & Infrastructure

Cityline, Stockholm

3. Environment & Energy

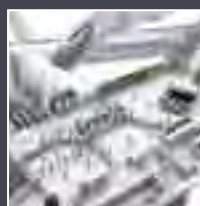
Lafarge, Russia

4. Management & Industrial

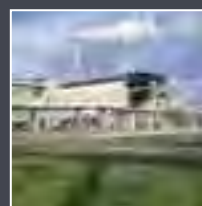
Berlin Airport, Germany



1



2



3



4

WSP Group has grown through strategic development into one of the world's largest international consultancy groups in the built and natural environment, employing over 9,000 staff worldwide. The Group has permanent offices in 35 countries, and project experience from working in over 60 countries.

UK. As one of the UK's leading multi-disciplinary consultants, we offer a comprehensive and wide-ranging portfolio of services. Our Property business, which is strongly focused on sustainability, incorporates all aspects of civil, structural, mechanical and electrical engineering across the private and public sectors. Our civils business serves the highways, rail, water and aviation sectors with a broad range of design and management services. We have a large development and transportation consultancy that specialises in all aspects of transportation strategy, planning and design. Our Environment & Energy business has a large representation across the UK providing advice on a wide range of environmental, energy, sustainability, climate change and related risk issues.

Mainland Europe. In Sweden we provide services to a range of sectors including residential, healthcare, industry, and are one of Sweden's leading road and rail consultancy. We are among the leading consultancies in Finland and have a strong presence in Germany. WSP has an established base in Romania and is also present in Russia, Poland, Estonia and France. Our associate company, Multiconsult, in which we have a 24.7% interest, is one of the leading engineering consultancies in Norway with particular strength in renewable energy and the oil and gas sectors.

USA. WSP has strong coverage across the United States. We run an internationally recognised structural engineering firm, specialising in high-rise buildings, from our New York offices, conducting a variety of projects around the world. We also enjoy a reputation as one of the industry's leading building services engineering firms delivering to clients worldwide from offices in the eastern and western states. Our transportation business offers a wide range of engineering services and is a leading bridge inspection company with a presence in the eastern and southern states. WSP Environment & Energy also has a major presence in the US.

Africa, India and Middle East. From our offices in the United Arab Emirates (UAE), we provide a range of multi-disciplinary engineering and environmental services. WSP Group Africa is based in South Africa, providing multi-disciplinary services across the African continent and Indian Ocean islands, and is a founding member of the Green Building Council SA. WSP India is based in Delhi and provides multi-disciplinary services, principally supporting inward investment and related demands for growth and development.

Far East and Australia. Oceania is a growth area for WSP. With the acquisition of WSP Lincolne Scott and the development of our Environment & Energy business, we are becoming established as one of the leading engineering and environmental consultancies in Australia. WSP Asia is based in Hong Kong, with other key offices in Bangkok, Shanghai, Beijing, Shenzhen, Singapore, Manila and Hanoi offering specialist engineering experience and technologies to all Asian business sectors and markets.

Permanent
offices in**35**
countries**9,000**Global WSP
employeesProject experience
in over**60**
countries

OUR STRATEGY AND BUSINESS MODEL

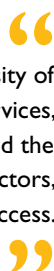
Long-term vision

We believe the diversity of our business across services, skills, geography and the public and private sectors, is critical to our success. Clearly this diversity offers resilience when certain regions or sectors face downward pressure, allowing us to adapt to changing dynamics in our markets. To this end we have, from 1999, sought to diversify internationally and in 2005 announced a five year financially-driven strategy upholding this policy.

In the past decade this led us to acquisitions in many regions of the world, developing particular strengths in the USA, northern Europe, South Africa and Australia. We have added many new services either as a result of specifically targeted acquisitions or organically, where market conditions have created opportunity. We have integrated these acquisitions into the Group and in doing so have developed our network and achieved meaningful penetration into wider geographic markets with services such as rail, fire engineering, water; international master planning, industrial engineering and project management.

As such, we are now in a strong market position – one of a very small number of international design engineering and environmental businesses capable of delivering a one-stop-shop. Our clients may choose a combination of our services, and our network of international offices enables us to respond effectively to the demands of global organisations.

We believe the diversity of our business across services, skills, geography and the public and private sectors, is critical to our success.



The strategy we have followed in pursuit of our vision of becoming the outstanding company in our sector, and the first choice for clients and staff, has resulted in our achieving and often surpassing many of our goals. Our stated 2005 strategy aimed for growth year on year and for four years we outperformed our targets, helped by good markets. However, it became clear that the world economic situation was changing, and so halfway through 2008 we drew a close on our 2005 strategic plan to concentrate fully on how to adjust to changing conditions, and prosper afterwards.



Strategy within a strategy

We were due to revise our five-year strategic plan in 2009, but instead implemented an interim plan to ensure we managed the business appropriately during difficult economic times. Accordingly, we have been protecting our position by focusing on the operational priorities of delivering quality services to clients, aligning costs to revenue, and ensuring effective cash management – what we have called our **3Cs**. Clearly relevant at all times, these priorities have a particular resonance during a downturn.

Clients. We are first and foremost a service business, built on client relationships, many of them long-standing. We do not rely on one or several major clients. In fact, our client base is as diverse as our business – contractors, end users, funds, governments, fellow professionals, companies large and small. We respond to their different and ever-evolving needs, working with them in a spirit of partnership to sort out issues

and provide the right balance of support, through good times and bad. To maintain this valuable client base we will continue to deliver services of the highest quality while concentrating on strong client relationships. Our aim remains to win new clients through intensified business development and bid activity.

Costs. To ensure our costs match our forecast revenue we aim to minimise overheads and non-essential expenditure, and have reviewed work processes for optimum efficiency. We also aim to deploy our resources creatively, transferring skills and experience across regions and sectors, and increasing investment in our own offshore centres in India and the Philippines. While the downturn has adversely affected staffing levels, we are committed to maintaining the depth of talent and skills of our people. Career development programmes will continue, as will graduate recruitment and recruitment in buoyant market sectors.

Cash. The effective management of working capital is essential to a service business and we have increased our focus on our billing and cash collection activities.

We implemented this short-term strategy in late 2008 and will continue through 2010, during which we will be outlining a renewed, long-term strategic plan for growth, the timing of which, of course, will be subject to market conditions. We now consider ourselves to be the right size and in good shape to deal with the ongoing recession, and we believe this short-term plan will help us emerge strong and appropriately positioned and resourced to grow our market share when conditions improve.

“

We are first and foremost a service business, built on client relationships, many of them long-standing.

”



Planning ahead

The main drivers for our business, and where we seek a leadership position, might be described thematically as urbanisation, transportation and sustainability – all characteristics of the development of contemporary societies. More people are moving to cities, cities are getting bigger, new cities are emerging. Clients are looking at new, modern transport links within and between these communities. And underpinning all of this development is the vital need for sustainability. The four pillars of our sustainability strategy, set out later in this document, are absolutely integral to how we will grow our business, to the way we carry out our work, and to the advice we provide our clients.

We will continue to develop these new opportunities not withstanding our short-term operational focus.

Within those broad themes, diversification of skills, sectors and regional coverage remains the cornerstone of our business, and our strategy will remain one of profitable diversified growth based on our experience in acquiring and integrating businesses. The model is proven. Therefore, when appropriate, and when stability returns to our markets, we expect to resume acquisitive growth and be proactive in the consolidation we are anticipating in our sector. For 2010, we have established a Global Leadership Team (GLT) to complement our Performance Committee in progressing these ambitions for diversified growth in collaboration with our global clients and regions.

We have identified specific areas where we wish to reinforce our multi-disciplinary service, as well as potential new markets, and three sectors in particular which we see as opportunities to grow. These are Energy, Industry, and Project Management and Planning Services. In all of these we anticipate significant demand. Our

focus on the Energy sector and the wider carbon reduction agenda is accepted as a compelling business dynamic and opportunity, particularly in the new power generation and transmission markets which are emerging. In the other two fields, we already provide services in some areas and can see the demand for a consultancy to offer these professional services across a wider geography.

Our aspiration is to be a globally-connected consultancy business, respecting and valuing the different cultures and skills within the company and our markets. This is expressed in our brand theme, *United by our difference*. We aim to ensure we are always using our wide technical and commercial knowledge on behalf of our clients and their projects, wherever that knowledge is within the Group. Therefore another task of the GLT is to continue to improve our sharing of knowledge across the Group to ensure that we maximise this potential.

We are already the most diverse UK-based business within our peer group, with around 65% of our revenue from operations outside the UK. We believe we are also one of the most diverse in the breadth of services we offer within our consultancy model of providing management, advice, design and planning services to the natural and built environments.

With our capable management team and available resources we look forward to the opportunities to diversify that will present themselves. We will continue to develop these new opportunities not withstanding our short-term operational focus. However, we will not give up the discipline we have exercised in recession.



Mark Walton, Structural Engineer, Strata, London

CHAIRMAN'S STATEMENT



I AM PLEASED TO REPORT A TRADING PERFORMANCE IN 2009 THAT MET OUR EXPECTATIONS IN WHAT HAS BEEN A PARTICULARLY TESTING YEAR.

In the private sector our business has had to contend with some of the most difficult markets we have encountered, particularly in the UK and USA. The liquidity crisis experienced by Dubai has also had a significant impact on our performance. Our regional diversification has provided some balance, with our substantial Northern European business performing strongly, as have some of our smaller businesses such as South Africa and Asia. In the public sector we have seen a much stronger performance across all of our businesses and particularly in our major markets of Sweden and the UK.

Results

The Group's revenue reduced to £723.3m a decrease of 4% from 2008. Operating profit, before exceptional items, fell to £41.3m after absorbing £6.2m of restructuring costs, resulting in an operating margin of 5.7%. The Group's financial position remains strong and we ended the year with net debt of £59.6m, only slightly higher than last year despite the difficulties faced in Dubai. We have £150m of banking facilities in place at favourable terms through to 2013.

In the UK, our Transport & Infrastructure business, which largely addresses the maintenance of public sector assets, performed well. This helped offset severe weakness in the Property sector and a downturn in our Environment & Energy business, which is also affected by the commercial property market.

Our European business is heavily weighted to the public sector with, for example, a market leading position with the Swedish Road and Rail Authorities. It had a good year with overall revenues and profits higher than in 2008, and a strong performance across the Transport & Infrastructure, Environment & Energy and Management & Industrial sectors.

In the USA our activities are weighted to private sector property and we saw a similar trading pattern to that in the UK. Our management responded vigorously to the challenge and managed to significantly mitigate the profit impact through cost reductions. Our smaller public sector business in the USA performed well.

We saw a satisfactory performance from other regions. Activities in South Africa held up well, but Australia was not as strong, although towards the end of 2009 there were signs of improvement in that market.

Our business in the Middle East had a particularly turbulent year. The unprecedented liquidity crisis and resultant slowdown in Dubai has necessitated a significant restructuring of our business in the region with headcount falling by over 40% to around 450 staff currently. We incurred a trading loss in 2009 in the region and have also made a full provision against total receivables and amounts due on contracts in Dubai from 2008 and prior years, although we are actively pursuing the money owed. We continue to monitor events and trading in that region very closely and will take any action we consider necessary to protect the Group's position.

People

As a consequence of current business conditions we have seen our employee numbers decrease over the course of 2009 to around 9,000 people from over 10,000 at the start of the year. In addition to reducing staff levels we have taken a number of cost-saving measures that have affected our remaining employees, including salary reductions and part-time working where appropriate. These carefully considered actions were taken early and we are aware of the need to be equally timely in our response as trading improves.

Despite the overall reduction in headcount there have been some areas of the business where we have recruited staff and we have maintained our investment in graduate trainees and in our staff development and training activities.

We are very grateful for the commitment, motivation and focus being shown by our staff during these difficult times.

There was one Board change during 2009 when Malcolm Paul, who served as Group Finance Director for more than 20 years, retired from the Board. On behalf of Chris Cole and the entire Board I would like to thank Malcolm for his significant contribution to the Group. I am delighted to welcome Peter Gill as Group Finance Director in his place.

Dividend

The Board is recommending a final dividend of 10.0p per share giving a maintained total dividend for the year of 15.0p. If approved by shareholders the dividend will be paid on 11 May 2010 to shareholders on the register on 9 April 2010.

Outlook

As we move into 2010 we believe our business is appropriately positioned for current market conditions following timely restructuring, and it remains well balanced between the public and private sectors in our different regions.

Trading conditions in the private sector in our major markets currently remain subdued but we are well placed to capitalise on recovery as optimism returns, particularly as we benefit from the early stage review of projects through our services such as master-planning and feasibility studies.

There is clearly increasing caution regarding the outlook for public expenditure as governments look to reduce public sector deficits, although we believe that in Northern Europe, in particular Sweden, where our business is weighted towards

the public sector, public expenditure budgets will be relatively protected.

We have been encouraged by recent project wins and our long-term order book stands at £959 million. Although this is lower than last year, it reflects a business environment where clients are wary of making long-term commitments and instead tend to award work on a shorter term, incremental basis. In this regard, our three month order book against which we manage resource is appropriately balanced.

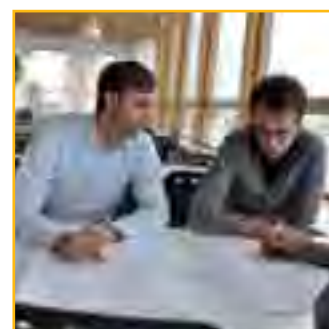
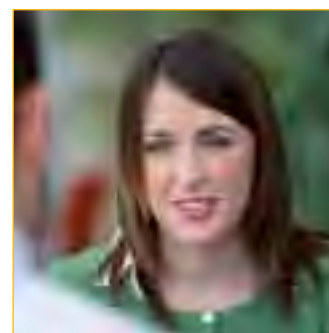
WSP today is an international group that has been built on organic growth supported by a series of strategic acquisitions. Our performance is underpinned by strong diversified businesses in our regional markets with an ability to service international projects and global clients. We believe this is the right strategy. We have a track record of successfully acquiring and integrating people businesses and we expect this activity to continue when appropriate. We have positioned the business to succeed in these challenging times and to emerge an even stronger group as markets improve.

David Turner
Chairman
8 March 2010

“

We are very grateful for the commitment, motivation and focus being shown by our staff during these difficult times.

”



OPERATIONAL REVIEW

AS EXPECTED, THE YEAR PROVED TO BE CHALLENGING FOR THE GROUP IN SOME VERY TESTING MARKETS. WE HAVE RESPONDED PROACTIVELY AND VIGOROUSLY TO THE DOWNTURN EXPERIENCED IN MANY MARKETS IN THE PRIVATE SECTOR, PARTICULARLY IN THE UK AND USA, AND TAKEN ACTION TO MATCH OUR COST BASE TO REVENUES.



The public sector has proved more resilient and we have seen a good performance across all our markets, in particular from our substantial European operations where activities are weighted towards the public sector. Thus our diversification has helped us to weather the storm. We will be monitoring carefully potential changes in the UK public sector, as well as progress in the recovery of the private sector markets. Our businesses in South Africa and the Far East have enjoyed relative stability and had a sound year, although Australia proved weaker.

The economic and financial crisis in Dubai, which began to unfold in the final quarter of 2008, has had a significant impact on our results in 2009. Our business in Dubai had grown rapidly through 2008, ending that year with over 800 employees in the region. Since then the business has undergone intensive restructuring with headcount reducing by more than 40% and with a redistribution of our skills and revenues across the wider Middle East region, where we have had some success in winning new projects. The region contributed about 5% of Group revenues in 2009.

In view of the ongoing, severe liquidity shortage in Dubai we have decided to make full provision against total receivables and amounts due on contracts in Dubai from 2008 and prior years. The related charge is shown in these accounts as an exceptional item. We continue to actively pursue our contractual entitlements to amounts due but accept this could take some time and has an uncertain final outcome. As a consequence of making this provision the Group has remaining only a very modest balance sheet exposure to Dubai in respect of our 2009 trading activities.

While our long-term strategy of diversification has provided some overall resilience, our immediate priorities in 2009 – in the face of a very difficult, global, liquidity-driven recession – have been to focus on the **3Cs**. That is, delivering quality services to clients, aligning costs to revenue and ensuring effective cash management.

We believe our success in the first of these – client relationships – is demonstrated by the projects we are working on and the clients we work with. Despite continuing challenges in our markets, we have been encouraged by some significant project wins during 2009, spanning all our geographies, market sectors and disciplines, and we have increased our public sector client base.



Tommy Graham, Bridge Inspector, Verrazano Bridge, New York

We took steps in the year to match our cost base to revenue, and our business ended the year at an appropriate size for the markets and projects with which we are involved. Despite continuing challenges in our markets, we have been encouraged by some significant project wins during 2009, spanning all our geographies, market sectors and disciplines, and we have increased our public sector client base. Notable wins include Terminal 2B at Heathrow, the National Museum of African American History and Culture in Washington DC, the Saadiyat Island Tunnel in Abu Dhabi, Ørestad school and community buildings in Copenhagen, Glasgow South Hospital, Dalian East Harbour Complex in China and, in Sweden, a major contract to laser scan more than 1,700 km of roads. These are in addition to our continuing involvement in significant projects around the world, such as the Freedom Tower in New York, the Shard in London, Masdar City in Abu Dhabi, Stockholm's City Line and two stadiums for the World Cup in South Africa. These project wins are a welcome endorsement of our strategy of sector and regional diversification, helping ensure we are positioned to benefit strongly as economic and market conditions improve.

As we are a people business, much of the cost reduction has been in staff costs, from redundancies, reduced working hours and reductions in salaries, allowing us to protect our competitive position. We made further savings through restructuring, off-shoring and renegotiating contracts with suppliers, aiming to preserve the fabric of our businesses.

The manpower reductions were substantially completed in the first half of 2009 and, with more stable markets, we have moderated the downward trend in staff numbers and enter 2010 cautious but confident that further significant downsizing is unlikely.

As businesses around the world are discovering, it is never pleasant to have to reduce manpower. However it is encouraging to see the motivation of our workforce which remains focused on delivering our business in these difficult times, and we endorse the comments of the Chairman. The upside to the hard work is that our businesses emerge fitter and well-placed for the upturn. In certain parts of our business where we have seen growth, such as Transport & Infrastructure, we have continued to recruit. Across the Group we have made key appointments and continued to recruit talented graduates to ensure the long term development of skills.

The increased focus on working capital and cash management was reflected in our closing net debt of £59.6m, only slightly higher than last year notwithstanding the challenges presented by Dubai during 2009. As a consequence we remain comfortably within our banking covenants, and well financed with a £150m syndicated credit facility available until 2013.

“
The public sector has proved more resilient and we have seen a good performance across all our markets, in particular from our substantial European operations
”



Our regions

In mainland Europe we have continued to win a good mix of public and private sector project work and have performed well. Recent wins in Sweden reflect our continuing strength in the civils and transportation sectors, and we continue to expand in the industrial market. Our business in Sweden is about 70% public sector, and while there will be some pressure on municipality budgets in Sweden, federal budgets are generally committed and we expect to maintain our public sector performance. We enjoyed relative market stability in Germany, while in Norway, our associate company, Multiconsult, continues to perform very well, working in many sectors including oil and gas and sustainable energy. We have also been working more closely with Multiconsult, supporting their projects with specialist Group services. In Finland, markets were generally more challenging, though we made further gains in rail, a sector which provides another good example of our success in diversification.

“
Our Australian-based green building services specialists continue to be appointed to major building projects in Australia as well as around the world.
”

In the UK, our private sector work was significantly reduced but we retain a fair share of the available work. Although clients remain cautious, there is some limited demand for new construction and new projects are now starting to be developed, although financial commitments are generally short term in nature, with phased front-end development and feasibility studies. Public sector spending was boosted by fiscal stimuli which has helped off-set some of the shortfall in the private sector and we have increased our diversity within infrastructure, securing significant long term awards in the rail and water sectors. While we expect a reduction in public sector spending, we have identified potential areas to increase market share, particularly in transportation and infrastructure, and our Property and Environment & Energy businesses have been successful in securing project work in the public sector.

The USA property sector has been weak, though our businesses have been developing additional

work from overseas, while major cultural and education projects have featured strongly in recent domestic wins. Environment & Energy operates here in a wide range of sectors and despite increased competition, performance has been healthy as the different sectors have responded to the various phases of the economic cycle. Our infrastructure business has performed well and the President's commitment to invest in the country's infrastructure should boost their opportunities further. The market in the USA is regional or state-related, so it is difficult to generalise, but we expect US public sector spending to be largely maintained.

We are well established in the Middle East and active in the wider region, winning major projects in locations ranging from Abu Dhabi and Qatar to Egypt and Libya. The Middle East remains very competitive and we will continue to keep our business in that region under close review. In Africa, which has been protected to some degree from the wider global economic conditions, we had a better year. Based in South Africa, we are a major player in this market and have progressively increased market share throughout the continent. With the addition of a BEE (Black Economic Empowerment) minority shareholding in 2009, we have increased capacity to work in the public sector. We are well placed to take advantage of market developments and are supporting the considerable investments in infrastructure in the region, including those associated with the 2010 World Cup.

Our Australian-based green building services specialists continue to be appointed to major building projects in Australia as well as around the world. The market is improving and the economy in reasonable shape. Our markets in Asia have proven more resilient to the economic downturn and we have seen some growth as we have developed our market position in the private and public sectors, particularly in Hong Kong and mainland China. We believe this region will become increasingly important to us.

Our divisions

In our Property segment, we believe the very difficult private markets are not getting any worse, and we are the right size to work at their existing level. There are signs of increased activity but private sector clients are taking a more cautious approach by phasing new development expenditure. This has resulted in reduced order book visibility and consequently we have increased our focus on resource planning and maintaining operational flexibility. We continue to invest in staff and seek to develop our specialist services. During the year we have secured a number of notable new projects.

Our Transport & Infrastructure businesses around the world have all performed well, with public sector expenditure supplemented by stimulus spending which has been particularly apparent in the UK. The main markets are based on the public sector and while there are concerns about reductions in some areas, our work is generally long term in nature, with roads and bridge maintenance frameworks in the UK and USA that provide visibility. We are a market leader in road and rail in Sweden and with significant momentum in rail markets worldwide, we are well positioned to work in these markets.

In Environment & Energy, external expectations are often high as the environment is seen as a growth area, and of course we believe this will be the case over the longer term. Yet this year in many of our markets we have suffered due to cutbacks in discretionary expenditure and reduced property transactions. However, the world has to be re-engineered with sustainability in mind: its buildings, industrial processes, land use and transportation. The carbon reduction agenda will present many opportunities, and we have been building our expertise in the growth markets of renewable energy, waste, and energy efficiency.

Management & Industrial has had mixed fortunes. Our UK industrial business suffered due to clients deferring capital projects, although elsewhere, including Africa, industry-based demand has been more resilient. Our project management business in mainland Europe has benefited from favourable economic conditions and public sector work with long-term appointments.

Christopher Cole
Chief Executive
8 March 2010

“
We continue to invest in staff and seek to develop our specialist services.
”

Mineta San Jose International Airport, USA



DIVISIONAL REVIEWS

PROPERTY



South Glasgow Hospital, Scotland



Melbourne Convention and Exhibition Centre, Australia



National Museum of African American History and Culture, USA

Our Property business had a difficult year, with reported revenues falling to £313.7m, a decrease of 20% from 2008 at constant exchange rates. Operating margins fell to 3.9% after absorbing £5.1m of restructuring costs. Excluding restructuring costs operating profit was £17.3m with an operating margin of 5.5%. We partly mitigated the effects of recession by increasing our work in the public sector, while international growth and diversification helped offset some of the impact in the worst affected regions.

Our businesses in the UK, USA and Middle East were particularly affected by the slowdown, with private sector projects postponed or cancelled. Our businesses in Europe, Africa and Australasia remained more stable although performance still declined.

In the UK, we acted decisively early in the year to manage costs, reducing staff numbers and incurring restructuring costs of £2.1m.

The public sector proved more resilient than the private, and we won good projects in the education, custodial, defence and healthcare sectors, as well as developing our growing expertise in the power infrastructure, aviation and data centre markets.

Construction is underway on two high profile London schemes where we provide a multidisciplinary service: The Shard at London Bridge and Castle House, a residential tower incorporating three wind turbines. We secured some significant healthcare projects including the West London Mental Health NHS Trust, the £600m South Glasgow Hospital, Frimley Park Hospital and Colchester Hospital. We have developed strong supply chain relationships in the education sector in *Building schools for the future* programmes, the national academies framework and with universities.

In mainland Europe, revenues reduced by 8% at constant exchange rates and at £81.5m represented 26% of Group property revenues. The reduction was caused by increased

competition, and lower demand in the private sector, which we have partly off-set by refocusing towards the public sector. We have reduced staff in some areas, but much of the impact has been absorbed through selective cost cutting and reduced overtime working.

We have been able to transfer staff between sectors and recently completed work on the biomass fuelled power plant in Igelsta, south of Stockholm where we delivered both structural and installation services. We have also been able to reassign staff who would usually work in our property division in Sweden to infrastructure projects such as tunnels where there is also a requirement for structural, mechanical and electrical engineering skills.

We have recently been appointed to a 30,000 seat multi-purpose stadium in Stockholm, and in Germany, high profile appointments include the Frankfurt headquarters of KfW bank and a 64,000 sq m mixed-use scheme comprising new and listed buildings in the centre of Munich. We had our first major breakthrough into the Danish market, with our Swedish business securing a multi-disciplinary appointment for a new high-profile school, library and after-school care facilities in Ørestad on the outskirts of Copenhagen. Considerable experience in the Finnish paper industry has also led to our appointment to provide structural engineering design for expansion of a paper mill in Chile.

Our property businesses in the USA shifted focus towards the more active science and technology, healthcare, and sports and entertainment sectors. The public sector provided increased opportunities, both at federal and state levels, while we have also been engaged by US clients operating internationally. We have also developed our commissioning business, which enjoys higher margins.

Order books came under pressure as long-term projects were completed and others postponed or delayed, and in response we reduced staff

	Revenue £m	2009 Adjusted Profit £m	Margin %	Revenue £m	2008 Adjusted Profit £m	Margin %	Revenue Change Headline %	Change CER %
United Kingdom	80.0	1.2	1.5 %	109.6	6.4	5.8%	(27)%	(27)%
Mainland Europe	81.5	6.7	8.2 %	87.3	7.7	8.8%	(7)%	(8)%
United States of America	67.3	5.3	7.9 %	76.2	7.4	9.7%	(12)%	(25)%
Africa, India & Middle East	48.7	(2.4)	(4.9)%	56.4	2.8	5.0%	(14)%	(26)%
Far East & Australia	36.2	1.4	3.9 %	34.2	2.1	6.1%	6 %	(6)%
	313.7	12.2	3.9 %	363.7	26.4	7.3%	(14)%	(20)%

	2009 Order Book £m	2008 Order Book £m	2009 Employee No.s	2008 Employee No.s
United Kingdom	145	184	1,123	1,466
Mainland Europe	63	88	1,079	1,133
United States of America	86	126	580	705
Africa, India & Middle East	95	99	1,037	1,420
Far East & Australia	49	58	717	744
	438	555	4,536	5,468

numbers and salaries. In pursuit of our sustainability objectives, we are increasing our cadre of "green buildings" experts.

Prestigious projects completed during the year included San Jose International Airport, the Beekman Tower, a 70 storey residential development in New York (with Frank Gehry), and MGM Mirage's City Center in Las Vegas, the largest private development ever in the USA, which achieved LEED Gold sustainability certification. Major projects secured include the National Museum of African American History and Culture in Washington DC, a new football stadium in California, and the Abu Dhabi National Oil Company headquarters in Abu Dhabi.

Our business in the Middle East was previously focused on Dubai, and as projects there were cancelled or postponed, we took action to reduce costs, incurring £1.8m of restructuring costs, and have refocused on Abu Dhabi, Oman and Qatar. This wider region has become increasingly competitive, but with our diverse range of services we are well positioned. We have secured some significant projects, including some in new areas such as Egypt, Pakistan and KSA, and now 80% of our work in the region is outside Dubai.

Africa and India were relatively resilient due to underlying growth in their economies. In South Africa we were also sustained by expenditure in advance of the 2010 soccer World Cup, where we are engaged on a number of stadia and hotels, and on other significant projects throughout Africa and the Indian Ocean. As green building consultants for the Nedbank phase II building we were pleased with its

certification as South Africa's first Green Star building. Our business in Africa is relatively diverse and we developed further our niche consultancies in refrigeration, marine and coastal engineering, green building consulting and risk management. With recent uncertainty in India, we have limited our presence, focusing mainly on multi-disciplinary projects principally to support inward investment.

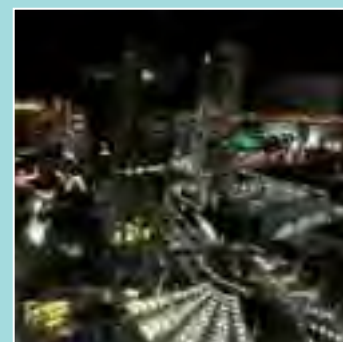
WSP Lincolne Scott in Australia is a world leader in green building design and has secured additional work in the public sector by targeting healthcare and education. We also secured some major projects in South East Asia and the Pacific.

We were appointed under the Australian Federal government's *Building the Education Revolution* programme to work in over 500 schools, and also to the prestigious Vietcombank project (with Pelli Clarke Pelli Architects) and the Cancer Research Center for the University of Hawaii. We also received the Australian Engineering Excellence Award and a six-star Green Star for Macquarie Bank's new HQ. Projects completed include the tallest residential tower in Bangkok and the six-star Green Star-rated Melbourne Convention and Exhibition Centre.

Our Asian business is principally focused on Hong Kong and China and had a better year in more resilient markets. We have grown our offices in China and increased our public sector work with appointments that include a three-year framework consultancy for properties operated by the HKSAR Government. Other new projects include mixed use towers at the Tianjin World Trade Centre and at Dalian East Harbour Complex.



The Shard at London Bridge, UK



MGM Mirage, Las Vegas, USA

DIVISIONAL REVIEWS

TRANSPORT & INFRASTRUCTURE



Public Transportation Masterplan,
Amman, Jordan

Bridge Inspections, New York State.

Our Transport & Infrastructure division is well established in our principal geographic regions, with revenue predominantly generated from the public sector. Most national and local governments continued their investment in the sector during 2009 and we continue to benefit from a highly visible order book supported by long term contracts and framework agreements. Revenue increased by 14% at constant exchange rates with profits rising to £18.2m after modest restructuring costs of £0.3m, mainly arising in the Middle East.

In the UK, revenue and profit increased significantly as we were busy on three significant highways maintenance contracts, while benefiting from generally increased activity in the public sector. Our joint ventures with Carillion and May Gurney performed well, with a full year's contribution from the Area 8 MAC and sustainable transport highways for Northamptonshire County Council, both of which were awarded in 2008. The Area 12 MAC contract, which substantially completed in September 2009, also contributed strongly during the first 9 months of the year. We will continue to see some activity on this contract during 2010. Revenue is reported before the deduction of subcontractor costs which occur extensively in our UK highways joint ventures. Excluding subcontractor costs underlying UK revenues increased by 15%.

We have designed and are managing a £22 million technology upgrade for the Highways Agency to provide automatic signalling on sections of the M6 and M54 motorways. We have a long association with the Highways Agency in the West Midlands and this latest technology scheme continues our commitment to work to provide safe roads, reliable journeys and informed travellers in line with the Highways Agency's Corporate Plan, *Customers First*.

In transportation planning we are engaged internationally and domestically, with demand for master-planning, transport planning and strategic advice maintained throughout much of the year but with increased competition in the UK domestic market which is showing signs that public spending may be starting to slow.

In rail, we have successfully taken advantage of our European expertise to develop a UK presence, with appointments on a variety of mainline stations and recently the contract to design the Crossrail Bond Street station. We have also achieved further diversification in our developing UK water business which secured the Yorkshire Water AMP5 Medium: Sewerage Networks Stream Framework in joint venture with Barhale Construction. We have a 35% interest in the joint venture which will be involved in the concept development, design and construction of sewerage renewal and sewerage new build schemes across the whole of the Yorkshire region.

	Revenue £m	2009 Adjusted Profit £m	Margin %	Revenue £m	2008 Adjusted Profit £m	Margin %	Revenue Headline %	Change CER %
United Kingdom	119.5	9.2	7.7%	90.5	6.7	7.4%	32 %	32 %
Mainland Europe	78.2	7.5	9.6%	73.6	5.5	7.5%	6 %	5 %
United States of America	21.1	1.2	5.7%	18.2	0.9	4.9%	16 %	(2)%
Africa, India & Middle East	15.0	0.1	0.7%	15.3	1.0	6.5%	(2)%	(15)%
Far East & Australia	0.7	0.2	28.6%	1.0	0.1	10.0%	(30)%	(36)%
	234.5	18.2	7.8%	198.6	14.2	7.2%	18 %	14 %

	2009 Order Book £m	2008 Order Book £m	2009 Employee No.s	2008 Employee No.s
United Kingdom	222	288	908	1,077
Mainland Europe	80	84	1,191	1,155
United States of America	36	32	221	226
Africa, India & Middle East	31	19	282	259
Far East & Australia	1	1	32	15
	370	424	2,634	2,732

We have largely maintained momentum in Scandinavia, which is the focus of our mainland European transportation and infrastructure business. The northern European economies have proven generally resilient to recessionary pressures and in Sweden, where we are a leading road and rail consultant we remain key players in many of the country's major, long-term rail and road projects. These include the City Line, a new underground line in central Stockholm where work on access tunnels is nearing completion ready for major works to begin in April, and the Northern Link, a new link road designed to connect Sweden's major freight harbours and ferry terminals.

WSP Sweden has also begun to build on its relationship with our Norwegian associate company Multiconsult to capitalise on the current rail boom in Norway. To date it has been engaged for the design of light rail in Bergen and the Central Station in Oslo.

We have also extended our footprint in the Swedish road sector with several major contract wins this year including a large scale laser scanning project. The project involves airborne and mobile laser scanning of more than 100 roads across Sweden with a total length of more than 1,700 km.

In Finland we secured further rail work including a new connection between Espoo and Salo together with the ring line connecting Helsinki-Vantaa airport to Helsinki.

We have maintained our position in the US in competitive markets, working predominantly in the public sector in the eastern and southern states. During the year significant wins included the inspection of 1,500 bridge structures for the New York State Department of Transportation and the seven-lane Walt Whitman Bridge for The Delaware River Port Authority. We continue to have responsibility for inspections on a number of New York City's critical bridges such as the Bronx Whitestone Suspension Bridge. We have expanded our bridge engineering and inspection capabilities to the southern states which has helped counteract some of the downturn in the private development sector.

In Africa we have been appointed for the feasibility study for a 600 km rail link from an iron ore mine in Guinea, to a port in Liberia. The project also includes upgrading the port. In South Africa, other transport projects have included several stations on the new 80km Gautrain line and upgrading OR Tambo airport. In the Middle East, we are gaining a reputation in transport development services and have been appointed to develop a comprehensive public transport masterplan for 12 cities in Jordan. Other recent project wins include the Saadiyat Tunnel in Abu Dhabi, a double stacked tunnel connecting Saadiyat Island to Abu Dhabi Island.

“

In rail, we have successfully taken advantage of our European expertise to develop a UK presence, with appointments on a variety of mainline stations and recently the contract to design the Crossrail Bond Street station.

”

DIVISIONAL REVIEWS

ENVIRONMENT & ENERGY



Our Environment & Energy business, which is weighted towards the private sector, had a challenging year with revenues falling by 19% at constant exchange rates and profit reducing to £4.8m after £0.3m of restructuring costs. The UK in particular suffered from reduced liquidity and activity in commercial property and construction markets although this has been partially mitigated in other markets through environmental support for longer term infrastructure projects. Our business in Sweden performed strongly as did our business in the USA where we maintained profits despite a fall in revenues.



In the UK, increasing activity in energy infrastructure upgrades protected us somewhat from the deterioration in the property sector. We supported Burcote Wind in assessing potential wind farm sites, and have entered into an agreement with AFC Energy to build and operate a 50 kW facility to demonstrate their fuel cell systems working as part of an integrated power station.

We led an Environmental Impact Assessment to support the UK's largest planning application, a 56 hectare industrial dock in the Wirral Waters scheme, and we are engaged to provide environmental monitoring data at the Olympic Park site. We also partner the UK Green Building Council in its Sustainability Training and Education Programme and continue to provide a broad range of services to BAA at their airport sites, and to the British Military in Germany and Italy. In mainland Europe, our leading position in the market and our strength in the energy consulting sector has served us well with numerous project

management assignments for onshore wind farms in Sweden and biomass plants in Finland. In Romania we have been appointed to undertake environmental assessments for two proposed wind farms in Romania for EDP Renewables, the world's fourth largest wind energy generator.

The USA performed well in a strongly legislated market, and long term service agreements on large accounts continued to support the business. Our contaminated land services for industrial and corporate clients continue to perform strongly and underpin the order book. We have also expanded our Sustainability & Energy team, with seven new specialists widening our base of expertise. The team provides technical assistance to the US Environmental Protection Agency, working with over 80 companies – including Bank of America, United Technologies, Kimberly-Clark, Citigroup and World Bank – to develop comprehensive climate change strategies. We also formed a partnership with software provider SAP to help companies measure and manage carbon footprints and establish broader sustainability strategies, and conducted research for Microsoft demonstrating the environmental benefits of electronic software distribution. Consol Energy continues to commission our e-records information management system to help meet environmental compliance obligations.

In the Middle East we have focused most of our business outside Dubai, continuing to work across the whole region, typically in strategic advisory services in the water and power sectors. Our diverse range of projects includes: the second

	2009			2008			Revenue Change	
	Revenue £m	Adjusted Profit £m	Margin %	Revenue £m	Adjusted Profit £m	Margin %	Headline %	CER %
United Kingdom	24.7	1.0	4.0 %	35.7	2.8	7.8%	(31)%	(31)%
Mainland Europe	21.3	1.9	8.9 %	19.9	1.5	7.5%	7 %	5 %
United States of America	20.2	1.4	6.9 %	22.2	1.4	6.3%	(9)%	(23)%
Africa, India & Middle East	5.0	0.6	12.0 %	5.0	0.6	12.0%	-	(15)%
Far East & Australia	9.3	(0.1)	(1.1)%	10.1	0.9	8.9%	(8)%	(16)%
	80.5	4.8	6.0 %	92.9	7.2	7.8%	(13)%	(19)%

	2009 Order Book £m	2008 Order Book £m	2009 Employee No.s	2008 Employee No.s
United Kingdom	30	35	393	435
Mainland Europe	11	14	254	288
United States of America	25	25	133	160
Africa, India & Middle East	3	5	70	70
Far East & Australia	2	4	92	107
	71	83	942	1,060

public sustainability report for aluminium producer DUBAL; comprehensive planning tools to allow effective control of development of Wadi Hanifa, the most significant and valuable natural landmark within the Riyadh region of Saudi Arabia; environmental compliance audits of 50 electrical sub-stations across Oman; and geotechnical supervision of piling for phase one of Masdar in Abu Dhabi. We have secured several projects in Qatar in 2009 and aim to establish a permanent presence there in 2010.

Through our Active Transfer process we continue to successfully remediate sites with environmental legacies and have completed major projects for clients in Mexico and Switzerland. Our contaminated land experts work collaboratively around the world. In Australia we are undertaking the remediation of xylene contamination at a fibre-glass resin plant. And we have been commissioned by IKEA to complete the remediation associated with the Tempe site in New South Wales.

In Australia and Asia our performance has generally been poor, reflecting a restructuring, a redirection of our sector focus and investment in infrastructure, but we are confident this gives us a strong platform to grow in the healthy marketplace of the wider Asia Pacific region. Here our software technology specialists deliver products to enable customers around the world to exceed environmental compliance and expectations. For example, we helped develop the online platform for calculating a household's

assessment for Green Loans, an Australian Government initiative, and our risk management specialists have created an online system to help clients review contractor performance.

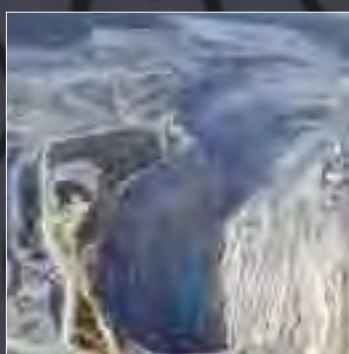
Africa has been resilient with most of our work in support of mining and infrastructure. It is also pleasing to see the emergence of specialist services in response to the threat of climate change, such as our commission to develop the Johannesburg climate change adaptation plan.



DIVISIONAL REVIEWS

MANAGEMENT & INDUSTRIAL

“
We are seeking to diversify our services more widely as clients seek to exploit global growth prospects.”



Aitik Copper Mine, Sweden

Revenue in this division fell by 7% at constant exchange rates to £94.6m, with profit falling to £6.1m after incurring £0.5m of restructuring costs, all in the UK. The division comprises businesses providing industrial process engineering consultancy, project management and front end management consulting services, including the strategic, technical, and commercial support required for complex infrastructure and construction projects. With its range of services and markets, the division has had some protection against the downturn, with our European business in particular performing well.

In the UK, our advisory services in education and health have performed exceptionally well with awards in the Building Schools for the Future programme and in support of NHS Foundation Trusts. We have also seconded project management staff to a global client for a range of projects in Europe and Africa, and have been commissioned to supervise delivery on two 'e' learning projects in Qatar. We continue to provide high level technical and commercial review projects for the major banks, and we have also been awarded knowledge-based helpdesk commissions by Hilton Hotels and Thames Water.

In industrial process engineering, it has been a much more difficult year in the UK and our target market has generally lacked momentum and funding, forcing us to reduce costs with a resultant impact on margins. However there are some encouraging signs, with the pharmaceutical and chemical sectors starting to show renewed interest.

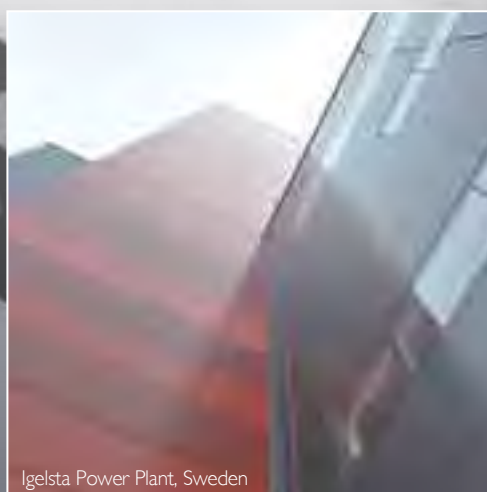
In the current climate we have also sought to identify international opportunities, and our relationship with China's third largest chemical company, China Bluestar, continued to provide excellent revenues and our Shanghai office is providing GSK with a range of services and support. With further opportunities identified in the Middle East, India and Africa where we are already involved in designing four new breweries, we are seeking to diversify our services more widely as clients seek to exploit global growth prospects.

Of particular note is our appointment by Dalkia to provide design, engineering, procurement and project management services for a new biomass to energy facility for Diageo in Scotland, to reduce their annual CO₂ emissions, the largest single investment in renewable technology by a non-utility company in the UK.

Our International Aid business continues to perform well working on a range of development projects. We were appointed to two technical assistance projects, funded by the World Bank, for the Ethiopian Roads Authority. Also through the World Bank we are helping the government of Yemen in assessing road safety and advising on national strategy. Our work in Nepal, which is part of the Rural Access Programme, was recognised with the Global Roads Achievements Award for Advocacy organised by the International Roads Federation.

	2009			2008			Revenue Change	
	Revenue £m	Adjusted Profit £m	Margin %	Revenue £m	Adjusted Profit £m	Margin %	Headline %	CER %
United Kingdom	30.7	1.3	4.2%	38.8	2.4	6.2%	(21)%	(21)%
Mainland Europe	53.3	4.2	7.9%	44.9	4.6	10.2%	19 %	17 %
Africa, India & Middle East	4.4	0.3	6.8%	9.8	1.3	13.3%	(55)%	(60)%
Far East & Australia	6.2	0.3	4.8%	6.5	0.6	9.2%	(5)%	(6)%
	94.6	6.1	6.4%	100.0	8.9	8.9%	(5)%	(7)%

	2009 Order Book £m	2008 Order Book £m	2009 Employee No.s	2008 Employee No.s
United Kingdom	30	34	352	450
Mainland Europe	37	26	411	387
Africa, India & Middle East	8	5	40	29
Far East & Australia	5	3	35	24
	80	68	838	890



Igelsta Power Plant, Sweden

In Europe, we have strengthened our position in the industrial sector by recruiting a network of consultants across Europe, and although manufacturing has been affected by the recession, with pressure on the automotive, steel, mineral, pulp and paper sectors, we have delivered good results, with some early signs of recovery. During the year, we successfully completed the biomass-fuelled power plant in Igelsta, south of Stockholm. At Aitik in northern Sweden, one of Europe's largest copper mines, a major investment programme is underway to double annual production to 36m tonnes. WSP has had a long term involvement there and has been delivering construction management

and other multi-disciplinary design services for the development which includes new dressing plant, ore beds, water recycling and ore concentrate terminal together with support facilities.

Our Analysis and Strategy team in Sweden has also seen good growth, with a number of research projects supported by EU or state funding secured during the year.

Our project management team in Germany has continued to perform well and with increasing focus on public sector projects, order book visibility remains good, supported by long term projects such as the new Berlin International Airport.

OUR PEOPLE

AS A KNOWLEDGE-BASED PEOPLE BUSINESS IN A HIGHLY COMPETITIVE SECTOR, OUR AMBITION IS TO BE REGARDED AS THE EMPLOYER OF CHOICE BOTH BY EXISTING AND PROSPECTIVE STAFF.



So while the global recession has meant a reduction in staff numbers in line with the reduced workload, attracting, retaining and developing high calibre staff remains a priority for safeguarding the long term growth of the company.

Recognising it is our staff that help set us apart, our main aims are:

- To retain staff by raising levels of motivation and satisfaction through our commitment to career development, personal development planning and talent management.
- To continue to recruit in sectors where markets remain buoyant, such as Transport & Infrastructure, and also to recruit talented graduates to ensure the long-term development of skills.
- To continue our succession planning programme to ensure we have appropriate successors for the key roles across the Group, and that they are ready to assume the roles.



Headcount and costs

In 2009 the Group's total headcount was reduced by approximately 10% to around 9,000, with the UK and the Middle East bearing the brunt of restructuring and redundancies. In other parts of the world less affected by the financial crisis, such as Sweden, numbers remained largely consistent. We have reduced agency and contract staff across many parts of the business. Voluntary staff movement is at a record low level, but we are monitoring for signs of an increase when the upturn begins.

Career development

We aim for continuous improvement in ability, and career development for staff of all levels through the following:

- New training initiatives, which for 2009 included a global version of WSP University on the Group intranet. We also developed an e-learning course on sustainability, which will be introduced for all staff in early 2010.
- Increasing our focus on all aspects of performance management including setting goals, understanding ambitions and providing constructive advice.
- Introducing a range of programmes to develop the talents of existing and future leaders to ensure that we have the right people in the right place at the right time.
- A global programme called Taskforce, which seeks to develop early career professionals through project-based learning.

Sharing knowledge

Sharing knowledge within the company is vital to developing and consolidating our existing capability, increasing opportunities for personal development, supporting our integrated service delivery and assisting in cross-selling. Experienced employees and those with specialist expertise can share their knowledge with others through our Group intranet, global staff magazine and our continually developing knowledge databases and collaboration tools.



Significant international project wins demonstrate the benefits of this collaboration. For example, rail specialists from Sweden and the UK joined forces with a local marine coastal expert to win our first rail project in Africa. Similarly a number of infrastructure project wins in Norway are the result of collaboration between our professionals in Sweden and the USA, and those from our associate company Multiconsult.

Staff survey

Our annual staff survey provides an indication of staff morale and commitment, so we can continue to improve the working environment and take corrective action where appropriate. We conducted our most recent survey in November 2009 and 81% of staff responded. Although overall satisfaction levels were down slightly, 83% of respondents said they were

satisfied at work, taking into account all factors; 89% said they would recommend WSP as an employer to their friends; and 87% said they would apply for a job with WSP again.

The WSP brand

In 2009 our brand refresh, with a new message, *United by our difference*, expressed the culture and values of WSP both internally and externally. Responses to the staff survey show that a majority go along with the updated brand.

We continue our efforts to ensure new companies are fully integrated within two years of their acquisition. In 2009 WSP Lincolne Scott in Australia and WSP CBP in Germany were the latest companies to adopt the WSP name and brand, and become fully integrated into the IT network and knowledge-sharing systems.

“

We aim for continuous improvement in ability, and career development for staff of all levels.

”

Terese Lundmark-Broander, Graphic Designer, Stockholm

FINANCIAL REVIEW

THE GROUP HAS DELIVERED RESILIENT FINANCIAL RESULTS FOR THE YEAR UNDER REVIEW IN SOME VERY TESTING MARKETS.



Headline results

The directors believe that to assist in understanding the underlying performance of the Group the statutory profit should be adjusted by excluding exceptional items. We show details of these on the Consolidated Income Statement and in the accompanying notes. Due to currency fluctuations year on year revenue change percentages have also been shown on a constant exchange rate basis (CER) to show the underlying performance.

The Group has delivered resilient financial results for the year under review in some very testing markets. Headline revenues fell by 4% to £723.3m from £755.2m. At constant exchange rates revenues fell by 10%. Operating profit, before exceptional items decreased by 27% to £41.3m after charging £6.2m of restructuring costs (2008: £3.5m). Excluding the restructuring costs, operating profit decreased by 21% to £47.5m resulting in an operating margin of 6.6%. 2009 saw a strong performance in our public sector activities with a deterioration in most private sector markets. Our Property division has been hardest hit by the downturn whereas our Transport & Infrastructure division which generates the majority of its business from the public sector, has performed strongly. The Environment & Energy and Management & Industrial divisions are weighted towards the private sectors and generally have had to respond to declining markets.

Profit before tax and exceptional items amounted to £38.5m after an increased contribution from our principal associated company, Multiconsult in Norway, and after reflecting reduced finance costs as a consequence of lower interest rates and the benefits of our bank facility refinancing in May 2008, partially offset by increased pension interest cost charged in accordance with IAS 19.

Exceptional items

The continuing and severe liquidity problems seen in Dubai have had a major impact upon the Group in 2009. As a result of the lack of progress in recovering amounts due to us, we have performed a detailed review of our receivables and unbilled work in the region and have made a full provision against these balances arising in 2008 and prior years.

Headline Results before exceptional items	2009 Revenue £m	2008 Revenue £m	Revenue change	
			Headline	CER
Property	313.7	363.7	(14)%	(20)%
Transport & Infrastructure	234.5	198.6	18 %	14 %
Environment & Energy	80.5	92.9	(13)%	(19)%
Management & Industrial	94.6	100.0	(5)%	(7)%
Revenue	723.3	755.2	(4)%	(10)%
	Profit £m	Profit £m		
Property	12.2	26.4		
Transport & Infrastructure	18.2	14.2		
Environment & Energy	4.8	7.2		
Management & Industrial	6.1	8.9		
Operating profit	41.3	56.7		
Associated undertakings, net of tax	1.8	1.4		
Profit before interest and taxation	43.1	58.1		
Net Finance Costs	(4.6)	(7.0)		
Profit before tax	38.5	51.1		
Taxation	(12.1)	(14.9)		
Profit after tax	26.4	36.2		
Adjusted basic earnings per share	40.9p	57.5p		
Adjusted diluted earnings per share	40.6p	56.6p		
Statutory Results	2009 £m	2008 £m		
Profit after tax before exceptional items	26.4	36.2		
Exceptional items (after tax)	(12.9)	0.5		
Profit for the financial period	13.5	36.7		
Basic earnings per share	20.6p	58.3p		
Diluted earnings per share	20.4p	57.4p		

The amortisation of intangible assets arising on business combinations has also been separately identified as the directors believe this would otherwise distort the financial performance of the Group.

Taxation

The tax charge for the year was £11.9m (2008: £15.4m) representing an effective corporate tax rate of 46.9% (2008: 29.6%). The adjusted tax charge, including tax on associated undertakings and excluding taxes on exceptional items, on adjusted profit before tax is £12.8m which represents an effective corporate tax rate of 32.6% compared to 29.9% in the prior year. This increase is predominantly a result of the losses and restructuring costs incurred in the Middle East business which do not attract tax relief and a higher proportion of profits relating to the US businesses where tax rates are higher than in the UK and Europe.

Earnings per share

Basic and diluted earnings per share, before exceptional items are: 40.9p and 40.6p; a decrease from 57.5p and 56.6p respectively. Basic and diluted earnings per share after exceptional items are: 20.6p and 20.4p; a decrease from 58.3p and 57.4p respectively.

Dividend

Taking account of the 2009 financial results, current market conditions and recognising the underlying strength and sound financial position of the Group, the Directors are proposing a final dividend of 10p (2008: 10p) per ordinary share making a maintained total dividend for the year of 15p (2008: 15p) which is covered 2.7 times (2008: 3.9 times) by adjusted diluted earnings per share and 1.4 times (2008: 3.8 times) by diluted earnings per share. The final dividend, if approved by shareholders, will be payable on 11 May 2010.

Financing

Despite general liquidity pressures, including the financial turmoil in Dubai, and the funding

required to reduce our cost base, our net debt only marginally increased in the year to £59.6m, up from £56.2m in 2008 reflecting the strength and resilience of our diversified business. Our £150 million syndicated banking facility remains in place until 2013 and we remain able to service our medium term needs without further need for financing.

As is commonplace with banking facilities, it is a requirement to operate within certain financial covenants, which for WSP, relate to gearing and interest cover. At the full year and half year reporting dates, the ratio of gearing, being Net debt divided by earnings before interest, tax, depreciation and amortisation ('EBITDA'), must not exceed three times and the ratio of EBITDA divided by net financing interest cost needs to remain above four times. At 31 December 2009, the ratios are 1.02 times for gearing and 30 times for interest cover and hence comfortably within the requirements on this facility.

Cash flow

Cash generated from trading activities was £39.3m in the year after absorbing the £6.2m of restructuring costs previously disclosed. Effective cash management was at the forefront of our approach during the year. Capital expenditure reduced to £9.0m from £19.4m in 2008 which was unusually high as a result of London and New York office moves. Further contractual payments relating to prior period acquisitions amounted to £11.5m during the year.

	2009 £m	2008 £m
Cash generated from operations	39.3	55.6
Capital expenditure (net)	(9.0)	(19.4)
Bank & finance lease interest	(1.9)	(5.4)
Tax paid	(10.5)	(13.9)
Currency and other movements	(0.3)	6.0
	17.6	22.9
Acquisitions/disposals	(11.5)	(11.4)
Dividends	(9.5)	(8.2)
Net cash (outflow)/inflow	(3.4)	3.3
Net debt at 1 January	(56.2)	(59.5)
Net debt at 31 December	(59.6)	(56.2)



Civil Engineers working on Cityline. Stockholm, Sweden.

Pensions

The majority of the Group's employees participate in defined contribution pension arrangements. In the UK there are a small number of defined benefit pension schemes which are closed to new members. In Sweden, the Group carries a long-term liability on its balance sheet under the multi-employer Government PRI scheme for pension entitlements accruing to employees for the period from 2003 until 2008. This arrangement is actuarially assessed annually, is unfunded, and will require the Group to make cash payments as people in the scheme retire. These cash outflows will be satisfied over the next fifty to sixty years. The current payments to pensioners are £0.1m per annum and are predicted to remain below £1m per annum for at least the next ten years, based on current assumptions. Future pension obligations to Swedish employees are accounted for as a defined contribution arrangement.

During the year the net deficit in respect of these defined benefit schemes has increased to £48.7m (2008: £36.4m). This has principally resulted from revised actuarial assumptions offset by some improvement in investment performance, as set out in Note 23 to the financial statements. The charge to the income statement was £0.5m (2008: £1.4m) in respect of employee benefit costs and £1.7m (2008: £0.5m) in respect of net finance costs. The decrease in current service cost primarily reflects the full year effect of changes made in Sweden in 2008 and this will broadly have been offset by an increase to defined contribution pension scheme costs. In 2009, employer cash contributions in respect of these schemes amounted to £3m including agreed deficit funding.

Capital structure

As at 31 December 2008, the Company had issued 63.6m (2008: 63.1m) fully paid ordinary shares.

The Group's net shareholders' equity at the end of the year was £174.6m (2008: £185.2m) which has decreased as a result of retained earnings offset by actuarial losses on the pension schemes and the dividend distribution. Net debt at 31 December 2009 amounted to £59.6m (2008: £56.2m).

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, borrowings, and accounts receivable and payable arising from normal trading activities. The committed bank facilities provide working capital and acquisition finance to meet the current and medium-term 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 we monitor this centrally 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 and Swedish Kronor. We do not consider it necessary to materially hedge our net investments in other overseas subsidiaries but keep the matter 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. During the year the Group fixed a proportion of the sterling denominated debt for the remaining duration of the current committed banking facility thereby reducing interest rate volatility, while taking advantage of the historically low interest rate levels seen during the year. This hedge took the form of an interest rate swap commencing in January 2010 for the period until April 2013 and fixed at a rate of 3.8%. The Group also manages its foreign currency interest exposure with regard to matching interest cost to earnings in particular currencies. Further detailed information may be found in note 24 to the financial statements.





Risks and Uncertainties

Globally, we monitor our businesses using high level Key Performance Indicators. We are alert to the underlying dynamics of our businesses, and the management structures we maintain are designed to be responsive both to down-side risk and opportunity. Our strategy of diversification is intended to provide protection by reducing our overall exposure to the extremes of geographic and sector risks.



In the current economic climate, certain risks may gain more prominence either individually or when taken together. Here we set out the principal risks and uncertainties we face, together with ways they may become exacerbated and mechanisms to mitigate their impact.

- **Expenditure in our markets may be affected by economic volatility or recession, leading to reduced revenues.** Our strategy of diversification aims to reduce exposure to any single market sector or geography, and we aim to develop market share and grow into new markets. We seek flexibility and diversity of resources to align with demand, and offset the impact of reduced revenue.
- **Competition can put client relationships and market share under pressure with potential long term financial consequences.** We differentiate our services through our diversity and breadth of skills. We are one of a very few consultants who compete globally and can deliver some of the world's biggest projects reliably. By ensuring excellent service and quality, we aim to develop our client relationships. We aim to attract the best people, to innovate, and be seen as leaders in our markets.
- **Effective cash management is critically important as the majority of costs, including payroll, are paid before fees are collected from clients.** We have strong relationships with a number of banks around the world who provide the finance for working capital and, where appropriate, acquisitions. We seek to ensure operations generate cash, and manage receivables effectively. We have effective financial management systems and have developed financial measurements to monitor funding requirements.

- **Having sufficient skills or resources appropriate to client requirements, or there being insufficient demand for our resources.**

We monitor secured work closely through three-monthly cycles to ensure appropriate planning and visibility, and adjust resource plans accordingly. In doing so, we may recruit, restructure, develop or downsize parts of our business. We aim to develop diversity and flexibility in our resources and where practicable to promote the efficient transfer of skills and workload between teams. Our working practices and networks support this approach and are complemented by our resource centres and outsourcing.

- **Retaining and attracting the best staff is fundamental to the future development of the business in the long term and may limit capacity and frustrate client relationships and service delivery in the short term.** We aim to motivate our staff through strong leadership and competitive performance-related remuneration. Our diversity allows us to provide unique development opportunities where people engage in high profile projects. We invest in knowledge-sharing and personal training to improve staff skills and provide for succession. Through our staff survey, we monitor staff satisfaction and respond if necessary.
- **Delivering high quality work is critical to the success of WSP. Poor delivery may mean we do not meet our own or client expectations and could lead to financial loss, claims and reputational damage.** We have management processes and quality systems designed to ensure we understand and agree our clients' requirements; that the work we produce is of the highest standard and; that if issues arise we respond as soon as they become apparent, knowing this will help alleviate the situation. As is normal in our sector, we have a well developed insurance programme that is intended to respond to such claims and where appropriate, provisions may be made for uninsured loss. We will use arbitration or mediation services to reach an amicable solution.

- **It is essential we build and maintain our reputation by delivering value and operating responsibly, so as not to undermine the confidence of our stakeholders.** Risk management procedures aim to ensure we manage all our risks effectively and that all our people act responsibly. Our sustainability strategy aims to ensure we engage with key stakeholders, recognise their sensitivities and act responsibly. Our focus on client satisfaction and delivery underpins our culture globally.

- **We operate in many jurisdictions and are subject to a wide range of rules and regulations.** Non-compliance may mean we are subject to penalties that could have significant consequences for our operations or reputation. Regional management review their operations regularly, looking at matters such as ethical conduct, competition, employment, safety, and the environment to ensure they have appropriate controls to monitor and prevent potential breaches. This is reviewed by Group management.

- **We make extensive use of technology to support our business services and back office operations, and an interruption to these could prevent operations from functioning.** Our property and IT management procedures aim to reduce the risks, and we limit our exposures to specific locations, facilities and support systems. Where we have identified key systems, we have developed security procedures and resilience into them to reduce the likelihood and potential impact of failures.

- **Decisions may be taken on the basis of incorrect or incomplete information.** We have established systems of internal control and peer review in our accounting and forecasting systems that recognise risk and uncertainty and enable it to be managed within certain parameters. We aim to establish provisions where there may be expectation of additional costs. Through our diverse operations and large number of contracts, we reduce the potential for one particular issue to have a significant impact, and have capacity to manage exposure to particular uncertainties.

Key Performance Indicators

Where appropriate we support the headline financial performance with Key Performance Indicators which are set out in this Business Review that we regard as being particularly relevant to our business. These include working capital metrics, adjusted operating profit margins, revenue changes on headline and constant exchange rate bases, order book analysis and staff numbers. While 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.

Peter Gill
Finance Director
8 March 2010

“

It is essential we build and maintain our reputation by delivering value and operating responsibly.

”



Robert F. Kennedy Bridge, New York, USA

2009

SUSTAINABILITY REPORT

“A LOW CARBON, RESOURCE-EFFICIENT ECONOMY IS NOT OPTIONAL. THE WORLD FACES FUNDAMENTAL ENVIRONMENTAL AND SOCIAL CHALLENGES THAT HAVE THE POTENTIAL TO CREATE SIGNIFICANT LONG-TERM ECONOMIC AND SOCIAL INSTABILITY. THE COPENHAGEN CLIMATE CHANGE SUMMIT (COP15) IN LATE 2009 FELL SHORT OF DELIVERING A BINDING CARBON REDUCTION AGREEMENT ACROSS NATIONS. THIS PLACES AN EVEN GREATER RESPONSIBILITY ON COMPANIES SUCH AS WSP TO TAKE URGENT ACTION.”

CHRIS COLE,
GROUP CHIEF EXECUTIVE, 8 MARCH 2010

2009 highlights:

- Delivered key sustainability business projects
- Implemented our sustainability policy and supporting Bronze, Silver and Gold standards
- Reported our global carbon footprint
- Developed our sustainability e-learning programme
- Achieved recognition for our sustainability contribution

For WSP, sustainability means doing business in a way that benefits our principal stakeholders – clients, shareholders, governments, employees and communities – by:

- enhancing our long-term financial performance
- having a positive impact on the environment and society
- contributing to good governance and corporate responsibility.

We see the world as a system where different types of capital – natural, human, social, manufactured and financial – are interdependent. Manufactured capital – buildings and tools necessary for production – and financial capital, rely on human capital, such as people's skills and health, and the social capital that promotes institutional development. Ultimately, these are dependent on natural capital, from ecosystems

and biodiversity to energy and water; that are essential for life.

Population growth means the world is under greater pressure from growing demand for resources. Sustainability is dependent upon maintaining and, where possible, enhancing the stocks of all these capital assets to improve the quality of lives. Failure to do so presents business risks. But there are significant commercial opportunities for businesses that can play a transformational role in changing the pattern of resource use we have seen historically.

At WSP, helping clients and economies transition to a lower carbon, lower resource world, and to adapt to the impact of climate change, improves our business. We encourage our staff to use their diverse skills to provide integrated sustainability solutions and advice for the benefit of everyone involved with the business.

2009: Our sustainability performance

2009 was a difficult year for our sector. However, we stepped up our efforts to achieve our sustainability strategy worldwide and have made significant progress.

In June 2009, WSP implemented its sustainability policy. To encourage tangible action to achieve our goals, we also established three progressive levels of implementation – Bronze, Silver and Gold. In 2009, seven of our 11 key businesses achieved Bronze (see Data and Facts, page 43), or 60% of our operations by headcount. In 2010, we will ensure all our key businesses meet this standard.

Here is a summary of how we performed against our 2009 goals:



Our awards

2010:

- Environmental Adviser of the Year – *Acquisitions Monthly*
- Large Consulting and Engineering Firms Award – *Environmental Business Journal*
- New Practice Areas Award – *Environmental Business Journal*
- Project Merit for carbon footprint lifecycle assessment for Microsoft – *Climate Change Business Journal Awards*
- Organizational Innovation Award for PACT – *Climate Change Business Journal Awards*

2009:

- Green Property Adviser of the Year – *Estates Gazette*
- Big Tick Award for Climate Change – *Business In The Community*
- Silver in Corporate Responsibility Index – *Business in the Community*
- FTSE4Good UK Index since 2004
- Sustainability and Green IT Category – *VIC State iAward Merit Recipient*

2009 Goals	Status	What we have done
• Implement our sustainability policy.	Completed	• Policy established in our key businesses (90% of our operations by headcount), building on our sustainability strategy launched in 2008.
• Improve the quality of global carbon data collection and report intensity for markets outside the UK.	Completed	• Measured and reported our carbon emissions (energy use and business travel) for 90% of our operations: 11 businesses, seven countries, 126 offices and over 8,000 employees.
• Businesses to achieve Bronze sustainability standard in early 2010.	Ongoing	• Seven out of 11 key businesses achieved Bronze (60% of our operations), excluding implementation of sustainability e-learning. We will complete this by June 2010.
• Consider group-wide guidance on carbon offsetting.	Ongoing	<ul style="list-style-type: none"> • WSP Lincolne Scott is 100% carbon neutral and operates Gold Standard carbon offsetting. • WSP's focus is on setting and achieving carbon reduction targets for the foreseeable future.
• Focus on sustainability in the supply chain.	Ongoing	<ul style="list-style-type: none"> • A UK end-to-end supplier improvement programme is underway, including enhanced environmental and social assessment of suppliers for consumables and technical services. It is due to be complete in 2010 and is already in place for public sector clients. • Supply chain is an area of limited risk for WSP and will not be a key focus globally.

Our sustainability goals

WSP offers a wide and diverse range of services globally, from building design to transportation, public services to land development, and investment advice through to sustainability consulting and energy and environmental advisory services. We are well placed through our skills and expertise to provide clients with bespoke solutions and services from across our global businesses.

Our four sustainability policy goals, launched in 2009, are now at the heart of our business strategy:



I. Continue development of our world class sustainability expertise and associated client offerings to open up new markets and commercial opportunities.

Despite the economic downturn, we see new and growing markets for sustainability solutions. These include climate change mitigation to support a transition to a low carbon world, adaptation to help clients adjust to the adverse impacts that some countries are already experiencing, and sustainability consultancy services.

Climate change mitigation

Our expertise includes master-planning for low and zero carbon cities.

Our stories:

Masdar City – Abu Dhabi

When complete in 2016, Masdar City will be the first zero-carbon, zero-waste and car free city, home to 40,000 residents and 50,000 daily commuters.

WSP was part of the original master-plan team with Foster + Partners, developing the city's sustainability and infrastructure strategy. We are now working on the next level of design development, construction of phase I of the city, ensuring sustainability issues and expertise are fully integrated into the core engineering expertise, including civil and mechanical engineering services, we provide. What we learn in Masdar we will apply to the transformation of existing cities.

Dalian – China

Dalian Software Park covers 680 hectares occupying areas of sea front, valley and estuary mouth, each with their own microclimate and characteristics.

For phase II of the project, we are creating a set of sustainable development principles and strategies for districts, neighbourhoods and buildings based on the LEED Neighbourhood Development framework.

Targeting LEED Gold standard, this distinctive working environment for local and multinational high-tech companies will be a landmark for sustainability. We have also provided building consultancy services.

Climate change adaptation

Adaptation is a growing area for our business and we will strengthen our services in 2010. While we must continue to work with clients to reduce carbon emissions, they are already experiencing some of the impacts of climate change. Local governments and authorities in several markets are active in adjusting to these challenges.

Our stories:

South Africa

We completed a detailed climate change adaptation plan for the City of Johannesburg, together with climatologists from The University of Cape Town. The study included a detailed risk assessment of the impacts of climate change on all aspects of the city, from physical infrastructure, natural environment, health, the economy and livelihoods, through to disaster management and community development, with a strong emphasis on the relationship between climate change and poverty.

Sweden

Working with the City of Stockholm, we identified the city's climate change adaptation needs, resulting in three studies: *Adaptation to Climate Change*, *Biodiversity Effects in a Changing Climate*, and *The Effects of Contaminated Soils in a Changing Environment*.

For Arvika town, we identified a range of flood protection options, including permanent and temporary dam structures, to prevent flooding from the adjacent Lake Vanern, the largest in Sweden.

Renewable and clean energy

In 2010, we will increase our focus on renewable and clean energy, helping clients make use of commercial alternatives to fossil-based power.

Our stories:

Wind power – Sweden

The Gunnarsvattnet project for Vattenfall Vindkraft AB will establish a 20-40 megawatt wind power facility. We are designing the wind farm layout, planning the infrastructure and electrical networks, and keeping the public informed.

Biomass – UK

In 2009, we were appointed by Dalkia to provide design, engineering, procurement and project management services for the new biomass to energy and water recovery plant at Diageo's Cameron Bridge distillery in Scotland. The combustion system uses a by-product of the distilling process, which should provide 80% of the distillery's electricity needs, previously

fossil-based; also 98% of its steam and 30% of its process water, reducing Diageo's annual CO₂ emissions by an estimated 56,000 tonnes. It is the largest single investment in renewable technology by a non-utility company in the UK. More projects are planned for 2010.

SuperGreen Power Station – UK

We are collaborating with AFC Energy plc, the developer of low cost alkaline fuel cells that generate clean electricity from hydrogen, twice as efficiently as combined heat and power turbines. The initial construction of a 50 kilowatt 'SuperGreen' power station will assess the feasibility of the technology as part of an integrated power station. The second stage will establish a 1 megawatt power station.



Sustainability consulting

Sustainable economies need strong leadership from business. We are increasingly providing new sustainability consultancy services to promote leadership, build capacity, set standards and stimulate action on climate change, as well as helping to shape legislation.

Our stories:

Promoting leadership

The **UK Green Building Council** have appointed us to provide a sustainability leadership programme for senior managers in the built environment, starting in 2010, in partnership with the University of Cambridge Programme for Sustainability Leadership.

WSP board member, Stuart McLachlan, has joined 13 industry leaders on the **Environment Leadership Team of Business in the Community** (BITC), to advise the UK business-led social and environmental organisation on the strategic direction of its environment campaign, which includes the May Day network of businesses committed to measuring and reducing their carbon emissions.

Building capacity

Our **Energy Bureau** enables the management of energy use in properties, using remote meter-reading technology. For one UK client this year it brought savings of 15-20% in combined electricity and gas, with pay back periods per site ranging from two weeks to three months. We aim to introduce Energy Bureau to the client's offices in the US, China, India, Brazil, Mexico, the UAE and Qatar.

WSP Digital combines sustainability, business process and software expertise to provide a range of products including:

- ERIMS: this reports complex environment measurements enabling clients to measure compliance with mandatory requirements in manufacturing and mining.
- Product Ecology: this online tool helps clients to develop products with improved environmental performance through life cycle modelling of the impacts of design choices graphically.

Our work with the **Climate Leaders Program** (CLP) demonstrates how we can use our expertise to improve sustainability performance. A partnership between the US Environmental Protection Agency and industry, CLP works with companies to develop climate change strategies. We have provided over 7,500 hours of technical assistance to CLP's partner companies to help them implement greenhouse gas management systems and reduce their emissions.

Setting standards

We have helped establish the **South African Green Building Council** (GBCSA). Last year, they contracted us as their technical consultant to develop their rating tool for new and refurbished commercial retail centres across South Africa to help improve the sustainability of the property sector.

We developed the **Airport Carbon Accreditation** (ACA) scheme, launched in June 2009, with the Airports Council International (ACI) Europe, and now administer it. Total CO₂ emissions from aviation account for around 2% of global emissions' impact on climate change¹, with airports accounting for less than 5% of these. As a new voluntary performance standard, ACA provides a means for airports to manage and reduce their carbon emissions to a variety of levels up to carbon neutrality.

By January 2010, the 33 participating airports in 11 countries accounted for 26% of European passenger air traffic and a total reduction of 444,000 tonnes of CO₂. Arlanda and Bromma airports, both in Sweden, have already gained neutrality through a combination of emissions reduction and offsetting.

Shaping regulation

WSP Lincolne Scott contributed to Australia's Energy Efficient Non-Residential Buildings Scheme Bill 2009, which advocates incentives for energy efficiency in commercial building. If it becomes law, property owners emitting above a given baseline will need to buy emission intensity certificates from those who emit below it.



“Our 2009 staff survey shows that 66% of our employees believe WSP is ‘a leading global supplier in the provision of specialist sustainability consultancy services’.”

¹ Intergovernmental Panel on Climate Change

2. Embed sustainability into the technical expertise, advice and solutions we provide to our clients.

The built environment accounts for up to 40% of man-made CO₂ emissions globally².

Therefore we continue to ensure sustainability becomes an integral part of our core services such as building and structural design, mechanical and electrical engineering.



Our stories:

Sustainable communities

We are planning a carbon strategy for **Graylingwell**, the UK's largest net zero carbon development, which will contain up to 800 new homes, 40% comprising affordable housing, and a range of community amenities and commercial accommodation. We anticipate carbon emissions will be reduced from base requirements by up to 44% and water consumption by up to 50%. Construction started in October 2009.

We have included many environmental considerations, such as LEED Neighbourhood Development criteria, into planning **Veridea**, a new 1,000-acre mixed-use urban community in Apex, North Carolina, hoping to attract national and international companies. When complete in 2025, this community built for pedestrians and incorporating nature, aims to eliminate the concept of waste, and incorporate sustainable practices.

Sustainable buildings

Our specialist service, Built Ecology, has led the sustainable design of many landmark projects around the world, achieving 6-Star Green Star and LEED Platinum certification. Projects include Alameda Point, a 700 acre brownfield redevelopment in the San Francisco Bay area; the MGM Studios master-plan for a 55 acre development in Las Vegas; the National Oceanic and Atmospheric Administration Pacific Regional Center in Honolulu; and One Shelley Street in Australia.

• One Shelley Street, Australia

We undertook the environmentally sustainable design for Macquarie Bank's new Sydney office, which achieved 6 Star Green Star certification for this as well as its workplace functionality.

• Süddeutscher Verlag, Germany

The new Munich headquarters of Süddeutscher Verlag, Germany's biggest newspaper publisher, will be awarded LEED Gold certification for its green building design, the first office building in Germany to receive this award. We were responsible for the whole range of engineering services as well as the creative architecture.

• Mirdif City Centre, Dubai

Covering 200,000 square metres of sales floor, Mirdif shopping centre is due to open in 2010. We carried out design and on-site supervision of all mechanical, electrical and plumbing services, including a 53 mega watt district cooling plant, also designed by us. Targeting a LEED rating, the project sets a high standard in the sustainable design of district cooling, including high efficiency hydrocarbon chillers, contra flow cooling towers with condenser water flow, and safe refrigerant with no ozone-depletion. Passive design features include natural ventilation for the main car parks.

• Road infrastructure

We designed and manage Nepal's Rural Access Programme (RAP), a successful road transport infrastructure programme to alleviate poverty in one of the world's poorest countries, where lack of road access in remote areas restricts economic development. It is a collaboration between the UK and Nepal governments.

RAP to date has employed 47,000 people to construct 1,000 km of roads, involving 13 million days' work. The programme also educates people on savings and microfinance. RAP has also influenced the Nepal government's three year plan on rural infrastructure.

“

We are well placed through our skills and expertise to provide clients with bespoke solutions and services from across our global businesses.

”

Nepal's Rural Access Programme



One Shelley Street, Sydney, Australia



² United National Environment Programme Sustainable Construction and Building Initiative, 2007



Greenpoint Stadium,
Cape Town, South Africa

3. Actively manage the environmental and social impacts of our own operations for the benefit of all our stakeholders.

Our own direct operations have a relatively small impact on the environment and society, but it is important we continue to reduce them.

Our carbon footprint

We aim to manage the impacts we can control directly. In 2009, we enhanced our approach to measuring our carbon footprint and now report emissions from energy use and business travel for 90% of our operations, based on headcount. This is a significant improvement on 2008.

In 2009, approximately half our CO₂ emissions arose from energy used in our offices and one quarter from business travel by car. Our average CO₂ emissions were 1.85 tonnes per full time employee (FTE), ranging from 0.97 tonnes/CO₂ per FTE in Sweden to 5.12 tonnes in one of our US businesses. This is to be expected given the different national energy mixes and usage patterns. (See Data and Facts on page 43).

In 2006, our Australian business became 100% carbon neutral, the first Australian company to achieve this across its entire Asia Pacific operations.

WSP falls outside of the scope of the Carbon Reduction Commitment Energy Efficiency Scheme, the UK's first mandatory carbon trading scheme that comes into effect in 2010, to focus businesses on reducing their CO₂ emissions.

In 2010, we will continue to develop and improve the quality of our data collection processes and establish carbon reduction targets for key businesses.

“

Managing our operations responsibly means we seek to maintain a safe and ethical work environment that respects human rights and the diversity of our employees.

”

Engaging our employees

We aim to educate our employees on how to integrate sustainability considerations into our client services, and encourage them to reduce their own carbon footprint, both at work and at home. In late 2009 we developed a sustainability e-learning programme, which all employees will be invited to complete in 2010. WSP's top 60 leaders were educated on our new sustainability policy and a further 40 senior managers participated in bespoke training provided by the University of Cambridge Programme for Sustainability Leadership.

Our 2009 staff survey shows that 66% of our employees believe WSP is 'a leading global supplier in the provision of specialist sustainability consultancy services', and half think WSP 'acts as a good neighbour'. We know we have more to do and will work on this in 2010.

We launched PACT (Personal Accounting Carbon Trading) in 2009, a global voluntary programme to help employees track their personal carbon footprint. Employees receive a financial reward or contribute to charity depending on how they perform against a common carbon target. We offer PACT as a commercial product to clients.

WSP Lincolne Scott offers its employees a voluntary Personal Carbon Offset Scheme which allows them to offset personal emissions using salary sacrifice.

Responsible working

As a consulting business, the skills of our employees are critical to our success. We highlight our approach to managing and developing our work force on page 26.

Managing our operations responsibly means we seek to maintain a safe and ethical work environment that respects human rights and the diversity of our employees.

We have implemented our Business Ethics, Gifts and Hospitality Policy across our businesses, with supporting systems including a confidential 'whistle blowing' channel.

The safe working of our employees is of critical importance. As a minimum, we adhere to local health and safety laws and regulations. In 2009, there were no staff fatalities. Two employees experienced fractured limbs, which we define as a major injury. We have investigated these accidents and plans are in place to reduce the likelihood of a recurrence. In 2009, we have not identified any environmental incidents.

A low ratio of females is characteristic of our sector. At WSP, a member of the Performance Committee campaigns for diversity and we seek to attract, develop and retain the best female candidates. Early stage career development is critical to creating the female business leaders of the future, but the benefits take time to be realised. Our Swedish business is focusing on the education, development and reward of

female project managers, with a view to future leadership. In 2009, women accounted for 28% of our workforce, and 16% of our senior managers, up from 14% in 2008. The eight-strong Board of WSP Group plc includes one female, and one female also sits on the Performance Committee.

Our South Africa business has received Level 4 Broad-Based Black Economic Empowerment Certification. As an international business, our human rights policy recognises the Universal Declaration of Human Rights and the International Labour Organization's fundamental conventions, and is committed to the United Nations Global Compact's fundamental principles.

4. Be an active and beneficial participant in the communities in which we operate.

Some of the countries we operate in face pressing challenges, such as disease, poverty and limited access to education. By using our core skills and talents through employee volunteering and by supporting local charities, we seek to make a real difference to peoples' lives.

Charitable donations

Our charitable contributions are shown on page 63, and amounted to £103,059 in 2009, equivalent to 0.4% of our 2009 profit before tax.



Our stories:

UK

Employees in our Environment & Energy business provide pro bono sustainability services to charities by each volunteering up to five days every year. Projects include creating recreation and educational spaces, calculating carbon footprints and reducing energy use. Resources for Autism, WasteWatch, Solar-Aid and the National Childminder's Association are some of the charities that have benefited.



South Africa

In a region where it is important to stimulate and educate young people, we offer regular job shadowing and vacation employment opportunities to students in Johannesburg and Cape Town. Our 'A Day in the Life of a Consulting Engineer' programme, hosting school students and local non-governmental organisations, provides learning opportunities about different engineering disciplines, the importance of team work, and future study options.

One student commented: "Being with such friendly and hard working people at WSP really inspires me to work hard so that I can be like them".

US

WSP Flack + Kurtz employees in New York contribute their time and skills to the Architecture, Construction and Engineering (ACE) Mentor Programme. Founded by leading design and construction firms, ACE's goal is to inspire high school students to begin careers in the integrated construction industry, particularly those who may otherwise be unaware of such opportunities. It also contributes to student education through scholarships and grants.

“

As a consulting business, the skills of our employees are critical to our success.

”

2010 : Focused commitment

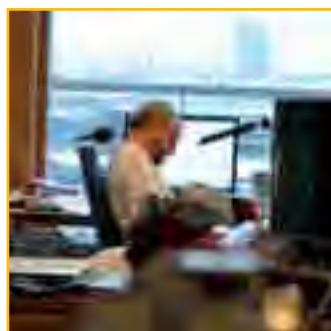
In 2010, we will maintain strong momentum in implementing our sustainability agenda.

“

49% of our operations, measured by headcount, are ISO 14001 Environmental Management Systems (EMS) certified.

”

Goal	2010 Priorities
• Businesses to achieve Bronze standard.	<ul style="list-style-type: none"> • Implement policy objectives so all key businesses achieve Bronze. • Two businesses to achieve Silver. • 65% of employees to complete our sustainability e-learning. • Act on 2009 staff survey feedback on sustainability. Increase the percentage of employees with positive perceptions.
• Continue development of our sustainability expertise and client offerings to open up new markets and commercial opportunities.	<ul style="list-style-type: none"> • Continue to identify new sustainability business opportunities. • Partner relevant bodies or institutes to enhance thinking and research. • Increase our focus on adaptation and renewable energy. • Develop sustainability measurement tools for clients. • Increase climate change and sustainability consulting to corporates and governments.
• Embed sustainability into the technical expertise, advice and solutions we provide to our clients.	<ul style="list-style-type: none"> • Build sector leading sustainability skills in our core engineering disciplines. • Enhance our leadership capacity to encourage sustainability thought leadership and change. • Work with partners to raise industry standards and expertise.
• Manage the environmental and social impacts of our own operations.	<ul style="list-style-type: none"> • Increase carbon reporting from 90% to 95% of our operations. • Establish reduction targets for our major businesses. • Implement enhanced procedures for environmental and social issues in supply chain management in the UK.
• Be an active and beneficial participant in the communities in which we operate.	<ul style="list-style-type: none"> • Develop a WSP-wide community framework. • Assess the impact of our employee volunteering activities.



Sustainability governance

Strong governance is critical to ensuring our sustainability strategy addresses the most material issues for our business and our clients. Sustainability is led at the highest level. Stuart McLachlan, an executive director of WSP, has board responsibility for sustainability. Both the Board and the executive Performance Committee review sustainability performance regularly.

Stuart leads the Primary Network, a steering group of senior managers held accountable for sustainability by the Managing Director of each business. Convening monthly, the Primary Network's role is to ensure Group objectives are implemented in a way relevant to each business and market. Implementation is supported by the Head of Sustainability.

WSP's risk management processes are designed to identify key risks arising from environmental

and social issues. Most directors have been trained in various aspects of Social, Environmental and Ethical (SEE) risk.

49% of our operations, measured by headcount, are ISO 14001 Environmental Management Systems (EMS) certified.

Conclusion

As a leading international consultancy in the built and natural environment, our own direct operations have a relatively small impact on the environment and society; it is the contribution we make to and through our clients that is material. We seek to minimise our negative and maximise our positive contributions through managing our operations responsibly, and also through our core services and innovative solutions, which help address some of the world's environmental and social challenges.

Data and facts

Sustainability Implementation – Bronze Standard

Pillar	Bronze Standards
Commitment and leadership	<ul style="list-style-type: none"> Sustainability performance is reviewed by the Executive twice a year; and by the Board annually, as a minimum. Statement on business intent to achieve Silver.
Business plan	<ul style="list-style-type: none"> A business plan covering all sustainability policy goals has been agreed at executive level.
Implementation	<ul style="list-style-type: none"> Senior sustainability champion(s) and resources appointed. Sustainability e-learning rolled out to employees. Key policies embedded: Sustainability, Health and Safety, Business Ethics, Gifts and Hospitality. Community engagement programmes in place.
Measurement	<ul style="list-style-type: none"> Direct carbon emissions (energy consumption and business travel) are measured, monitored and reported.



2009 Carbon emissions

Measure	Unit	2009
Number of offices reporting	Count	126
Number of countries covered	Count	11
Internal area of reporting offices covered	M ²	146,317
Average full-time employees (FTE) covered	FTE	8,769
Energy consumption		
Total energy consumption	kWh/year	26,097,307
Average energy intensity	kWh/ M ² /year	178
Average energy consumption per employee	kWh/FTE/year	2,976
Total CO ₂ emissions from energy	Tonnes CO ₂ /year	8,895
Business travel		
Car travel	Tonnes CO ₂ /year	3,649
Train travel	Tonnes CO ₂ /year	369
Air travel – domestic	Tonnes CO ₂ /year	1,329
Air travel – short haul	Tonnes CO ₂ /year	720
Air travel – long haul	Tonnes CO ₂ /year	1,304
Total CO ₂ emissions from transport	Tonnes CO ₂ /year	7,371
Carbon emissions		
Total carbon emissions	Tonnes CO ₂ /year	16,266
Emissions per FTE	Tonnes CO ₂ /year	1.85

CO₂ emissions per kilowatt hour of energy consumption are based on actual data or the latest available country specific conversion factors (International Energy Agency: CO₂ Emissions from Fuel Combustion, 2009 Edition). DEFRA factors (2009) were used for travel.

During 2010, we will continue to develop and improve the quality of our data collection processes and establish carbon reduction targets for key businesses.

BOARD OF DIRECTORS



01	02	03
04	05	06
07	08	09

01 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, a director of the Office of Government Commerce 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

02 Christopher Cole C Eng FCIBSE MASHRAE**Chief Executive**

Chris was first appointed to the Board in 1987 at the time of the WSP IPO. Chris spent the first ten years of his career which included initial training and education 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 Ashted Group plc. Shareholding: 1,015,446

03 Peter Gill BA (Hons), FCA**Finance Director**

Peter was appointed to the Board on 2 March 2009 and became finance director on 6 May. He is a chartered accountant and most recently was 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. Shareholding: 47,333

04 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. He sits on the Environmental Leadership Teams of BITC and the MayDay Network. Stuart has responsibility for the development of the Environment and Energy business while undertaking a wider Group role. Shareholding: 42,014

05 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 holds a number of other non-executive positions. Chris chairs the WSP Remuneration Committee. Shareholding: 14,341

06 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

07 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

08 Anders 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

09 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.



01

PERFORMANCE COMMITTEE

THE PERFORMANCE COMMITTEE COMPRISES THE EXECUTIVE DIRECTORS OF THE GROUP, TOGETHER WITH THE FOLLOWING KEY MANAGEMENT.



02

01 Rikard Appelgren MSc

Managing Director WSP Europe and 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.



03

02 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.



04

03 David Cooper P.E., CEM, LEED AP

President and 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 28 years. In 2003 he was appointed Managing Director of their New York headquarters office and has been President and CEO since July 2008.



05

05 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. From 1 April 2010, he will assume overall responsibility for the Africa, Australia and Asia regions.

06 Tom Smith BSc (Hons), MBA, CEng MIMechE

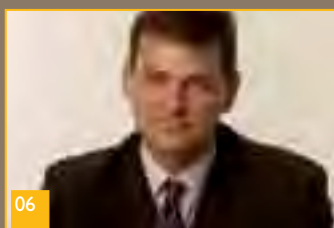
Group Global Development Director

Tom has been with WSP since 1994 and has held a number of senior positions including Managing Director 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, India and Industrial Process businesses.

07 Jason Urry BA (Hons) ACA

Group Financial Controller

Jason has been with WSP since 2007 as Group Financial Controller. Having qualified as a Chartered Accountant in 1995, he has held a variety of finance roles in the UK including Group Financial Controller of Uniq plc and Group Chief Accountant of Chubb plc. He is responsible for group financial control, reporting and treasury within WSP.



06

04 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.



07

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 across all business activities.

Corporate Governance and Compliance with the Combined Code

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

Throughout the year the Company has been in compliance with the best practice provisions set out in Section 1 of the Combined Code on Corporate Governance (June 2008). The Combined Code is issued by the Financial Reporting Council and available on the Financial Reporting Council's website, <http://www.frc.org.uk/corporate>.

This report together with the Directors' Remuneration Report on pages 52 to 58 provides details of how the Company applies the main 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 current 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 45 and 59, the Board currently comprises the non-executive chairman, three executive directors and four independent non-executive directors.

The Board considers Christopher Stephens, Marisa Cassoni and Mark Rollins to be independent non-executive directors and free from any business or other relationship that could materially interfere with their judgement. Anders Karlsson who was appointed as a non-executive director on 1 January 2009 is also determined to be independent by the Board notwithstanding that he has served as part time non-executive chairman of the supervisory board of the Group's European holding company, WSP Europe A.B., for the last three years. In considering his independence, the Board is satisfied that, he has been and continues to be robustly independent in both character and judgment. Anders Karlsson has no executive responsibilities and is not an employee of WSP Europe A.B. The Board has a process which has operated throughout the year that requires all directors to seek approval of the Board before engaging in a situation that could potentially give rise to a conflict of interest.

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

Corporate Governance Report – continued

The Board meets on a regular 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)	Number of Board meetings attended (actual / potential)	Number of Audit Committee meetings attended (actual / potential)	Number of Remuneration Committee meetings attended (actual / potential)	Number of Nomination Committee meetings attended (actual / potential)
<i>Directors serving at the year end:</i>						
David Turner	Chairman and chair of the nomination committee	No	11/11	-/-	-/-	2/2
Christopher Cole	Chief Executive	No	11/11	-/-	-/-	2/2
Peter Gill (appointed 02.03.09)	Finance Director	No	11/11	-/-	-/-	-/-
Stuart McLachlan	Executive Director	No	11/11	-/-	-/-	-/-
Christopher Stephens	Non-executive director and chair of the remuneration committee	Yes and Senior independent non-executive director	11/11	4/4	4/4	2/2
Marisa Cassoni	Non-executive director and chair of the audit committee	Yes	11/11	4/4	4/4	2/2
Mark Rollins	Non-executive director	Yes	11/11	4/4	-/-	2/2
Anders Karlsson (appointed 01.01.09)	Non-executive director	Yes	10/11	-/-	4/4	2/2
<i>Directors retiring during the year:</i>						
Malcolm Paul (retired 06.05.09)	Former Finance Director	No	4/4	-/-	-/-	-/-

The Board has a standing agenda which includes receiving reports from the chief executive and the finance director on the Group's operational performance, finances, ongoing strategy and risk profile, all of which are considered at Board meetings. The Board has regard to a range of factors which include 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 reviewed and 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. Throughout 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 annually.

The chief executive is responsible for managing the day to day conduct of the Group's business. He chairs the Performance Committee and Global Leadership Team 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 twelve 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 on page 59. Biographies of each of the directors are set out on page 45.

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 are structured to provide a balanced and objective review, using questionnaires to generate discussion of a range of matters including board processes, individual knowledge, skills and contribution, committee effectiveness and particular issues that may arise during the year. 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 Chris Stephens have both served as non-executive directors for more than six years and been subject to particularly rigorous performance evaluations.

As a result of these reviews the board and the chairman have agreed various procedures and enhancements intended to improve the effectiveness of the board, its committees and directors.

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 the chairman, David Turner, 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. As reported last year, the committee led the recruitment processes and made recommendations to the Board in connection with the appointments of Peter Gill and Anders Karlsson to the Board.

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 52 to 58.

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 statutory 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 have the recent and relevant financial experience required by the Combined Code.

Where appropriate, the committee has consulted with the chairman of the Board, the chief executive, the finance director and the head of internal audit in its deliberations and in developing recommendations. The chairman, executive directors and head of internal audit may be invited to meetings of the committee for parts of the agenda. The statutory auditors are also invited to attend meetings, and meet in private with the 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 they were presented to the Board. In doing so, it considered accounting policies, areas of judgement or estimate, reporting requirements and matters brought to their attention by management, internal and statutory auditors.

Corporate Governance Report – continued

The committee has continued to monitor and review the development and effectiveness of the internal audit function. During the year, it reviewed and approved its terms of reference, resources and audit plans which are focused on key areas of risk. It regularly reviews internal audit reports and considers management responses thereto.

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 statutory auditors. It is responsible for monitoring the independence and objectivity of the statutory auditors and for agreeing the level of remuneration and the extent of non-audit services that they may provide. 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 83. 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 they are likely to exceed a pre-determined threshold which is currently set at £50,000. Any work that falls below this threshold must be pre-approved by the 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 ensure 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 deliver shareholder value and safeguard assets. The operational and strategic direction of the Group is managed and monitored through the following bodies which provide direction, monitoring and control to businesses throughout the Group:

- The Performance Committee which 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 together with senior management from the Group's principal businesses and the Group financial controller as identified on page 46. Management from other key businesses are also invited to attend on a regular basis. The discussions of the committee are reported to the Board by the executive directors.
- Operating company boards. The Group's network of operations comprises a number of companies separately led by boards of directors who meet on a regular basis. They are charged with the development of these businesses in accordance with Group strategy and are accountable for their operations. They report to and are monitored by the Performance Committee, with collaboration and accountability maintained and developed through regional boards which are generally chaired by members of the Performance Committee. In the case of the Environment & Energy businesses, this collaboration is principally developed by the global Environment & Energy executive committee.
- The Strategy Committee (now superseded by the Global Leadership Team) met twice in 2009 to develop the strategic direction of the Group and to consider strategic proposals. The membership comprised the Performance Committee together with such other senior executives as deemed appropriate. The committee's conclusions and recommendations were reported to the Board. From 2010, the committee's remit has been developed and together with strategy it will consider proposals to develop continuous improvement, knowledge-sharing and other opportunities to enhance synergies throughout the Group. The membership is currently under review and in recognition of its repositioning the committee has been named the Global Leadership Team.

The members of the Performance Committee and operating company boards are responsible for the conduct and management of their business areas and clearly defined levels of authority have been established between the Group's executive directors, the Performance Committee and operating company boards. Operating companies 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 are implemented within the framework of Group policies and systems of reporting and control.

Management are responsible for reviewing risks locally and identifying, evaluating and managing those risks according to their significance. Businesses maintain separate 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 pages 32 and 33.

The Group has established accounting policies and procedures that are communicated throughout the Group. Reporting and consolidation processes have been developed which require all businesses to complete standard reporting templates on a monthly basis. At the year end, and also at the half year, more detailed disclosures are completed which form the basis for the Group's financial statements. The risk management and internal control procedures operated by the various businesses are kept under review by local management. The Group financial controller assesses the risks associated with the consolidation and reporting processes and is responsible for implementing appropriate controls to ensure the integrity of the Group's financial reporting.

The internal audit function reports to the audit committee and the company secretary. Working throughout the Group, the role of internal audit is to identify, test and report to the audit committee on the effectiveness of key systems of internal control and risk management operated by the businesses, using a risk based approach to selecting areas for review.

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 audit committee supports the Board in its annual review of the effectiveness of internal control. In conducting this review, it takes into account the work of internal audit and the Group financial risk manager together with the Group's organisational framework and reporting mechanisms. Where concerns have been raised about the effectiveness of controls, the committee has also considered the appropriateness of remedial actions.

As part of the review procedures, individual businesses have completed internal control questionnaires designed to address financial, operational and compliance controls together with systems of risk management. Responses were assessed using a maturity model which enabled the businesses to articulate how effective their risk management and control processes are using a standardised scale. Based on these responses, internal audit compiled a report in which the effectiveness of controls and compliance with Group policies and systems were assessed. The results of this review were considered by the audit committee and feedback was provided to the various businesses to identify priorities for improvement.

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 processes do 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.

Going concern

Based on normal business planning and control procedures, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

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 both the Chairman and senior independent director are available to meet with institutional shareholders should there be any unresolved matters that shareholders wish to bring to their attention.

Corporate and financial presentations are regularly made to fund managers, brokers and the media, including at the time 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 encouraged 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 major shareholders and are provided with regular updates on the views of institutional shareholders. They engage 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 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 further information that may be relevant to investors 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 Company. The Company has followed and complied with the requirements of the Companies Act 2006 with reference to Schedules 5 and 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and section 1 of the Combined Code on Corporate Governance in preparing this report and in designing performance-related remuneration for senior executives. The report is divided into separate sections which are identified as audited and unaudited. The audited sections have been subject to audit as required by part 3 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

As required by the Companies Act 2006, a resolution to approve the directors' remuneration report will be proposed at the Annual General Meeting and will be subject to an advisory shareholder vote.

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 2010.

2009 was a testing year in a number of the Group's markets, resulting in cost reduction measures being taken in a number of areas which included reductions in staff numbers and salaries. In recognition of these pressures, the executive directors elected to temporarily and unconditionally waive 10% of their monthly salaries. This position will continue in 2010 but will be kept under review by the committee.

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 4 times during the year, comprises three independent non-executive directors, Christopher Stephens as chairman, Marisa Cassoni and Anders Karlsson. 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' Service 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
Peter Gill (<i>appointed 02.03.09</i>)	02.03.2009	Rolling 1 year	12 months	One year's salary and contractual benefits
Stuart McLachlan	01.01.2006	Rolling 1 year	12 months	One year's salary

The terms of Christopher Cole's service contract provide for liquidated damages that extend beyond his basic salary to include bonus. His contract originally provided for him to retire in August 2011 when he would reach the Company's normal retirement age of 65. He has indicated to the Board his wish to remain in office and the Committee has approved an amendment to his service contract whereby, with effect from August 2011, he may continue his service after the age of 65 subject to 12 months' notice but without entitlement to liquidated damages. The Committee is aware that the current entitlement under liquidated damages to an element of bonus is not in line with the latest institutional investor guidance. However, as this contract provision will expire in 2011 (at which

point it will be replaced with a contract containing a 12 month notice period with no liquidated damages provisions) it is not proposed to make any changes to his service contract this year.

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	06.05.2009
Christopher Stephens	10.01.2003	06.05.2009
Marisa Cassoni	01.01.2006	06.05.2009
Mark Rollins	01.01.2006	06.05.2009
Anders Karlsson (<i>appointed 01.01.09</i>)	01.01.2009	06.05.2009

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 considers 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 the committee takes account of employment practices in UK listed companies with a similar international presence. The committee has been made aware of the remuneration of the most senior executives across 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.

In recognition of conditions elsewhere in the Group and with the agreement of the remuneration committee, the executive directors chose unconditionally to waive 10% of their salaries on a monthly basis during 2009. These waivers have continued and will be reviewed again in July 2010. Entitlements to pension and performance related elements of remuneration remain unchanged. Excluding the effect of the 10% salary waivers, the executive directors' contractual salary entitlements are set out below.

Director	2010 Salary
Christopher Cole	£390,000 per annum
Stuart McLachlan	£210,000 per annum
Peter Gill	£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. The employer contribution rates for Chris Cole, Peter Gill and Stuart McLachlan are 35%, 25% and 15% of salary respectively. 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. Half of Stuart McLachlan's maximum potential bonus is based on the performance of the Environment & Energy business and the balance based on Group performance. In 2010, the annual performance targets are based exclusively on profit before tax which recognises the challenging nature of the market and the need to focus the Group on maximising profitability.
- Share awards under the 2006 Performance Share Plan, up to a maximum of 100% of executive directors' basic salaries as at the date of the award. 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 performance over a three year performance period.

In respect of 2009 awards, the committee recognised the developing global recessionary pressures and consulted with a number of institutional shareholders to determine appropriate performance targets. Taking account of the consultation, the committee agreed to reduce the proportion of an award vesting at the initial performance threshold, from 30% to 20%. Targets were based on a range of absolute adjusted diluted earnings per share to be achieved in 2011 of between 44p and 57p for between 20% and 100%

Directors' Remuneration Report – continued

of the award to vest. For 2010 awards the committee intends to continue to set challenging targets that will be based on Earnings per Share growth in the 3 years ending December 2012.

The committee believes that adjusted diluted earnings per share remains the most appropriate measure of Group performance as it rewards long term profit performance 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 on Group performance. Subject to certain over-rides adjusted diluted earnings per share performance conditions are based on the Group's audited results information and verified by the committee.

Until now, awards made under the 2006 Performance Share Plan have provided for a 6 month exercise period following the vesting date. In respect of future awards, the committee intends to extend exercise periods as permitted by the Plan rules which will provide additional flexibility for participants as to the timing of receipt of the awards at no additional cost to the Group.

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 represent a significant proportion of remuneration. The targeted composition of directors' remuneration, based on their full entitlements to emoluments, including pension, together with maximum 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	41%	59%
Peter Gill	Finance Director	39%	61%
Stuart McLachlan	Executive Director	45%	55%
Christopher Stephens	Non-executive Director	100%	–
Marisa Cassoni	Non-executive Director	100%	–
Mark Rollins	Non-executive Director	100%	–
Anders Karlsson	Non-executive Director	100%	–

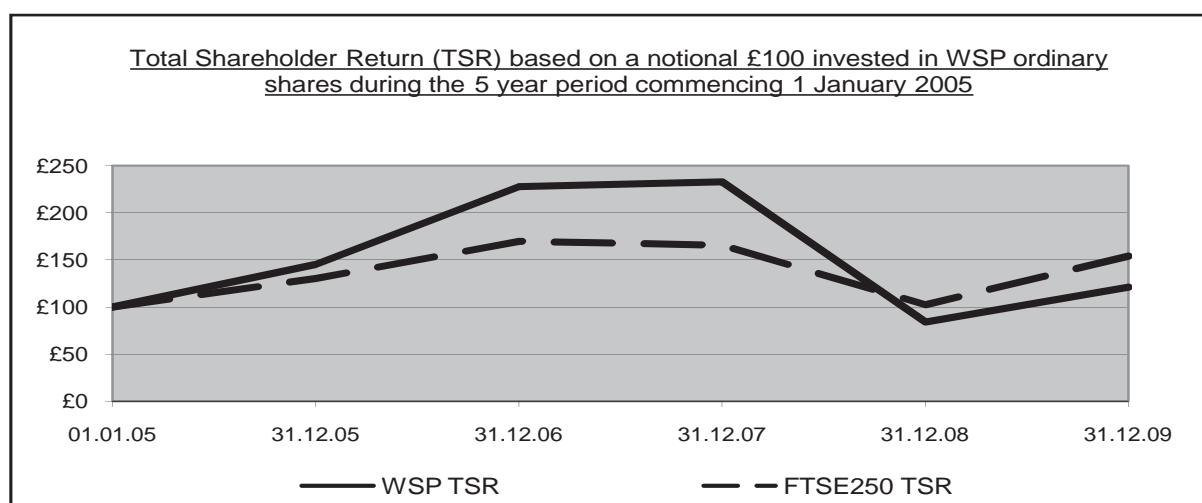
The interests of executive directors and shareholders are further aligned by requiring executive directors to build and maintain a minimum shareholding that is linked to their level of remuneration. Under this policy, it is anticipated that directors will invest a sum at least equivalent to 100 per cent of their salary by investing at least 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 58.

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 the achievement of challenging earnings per share performance targets 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 three years until December 2007, WSP Group's TSR significantly exceeded that of the FTSE 250. However, in 2008, macro economic factors and market turmoil conspired to downgrade equity prices generally. During 2008, the UK support services and property sectors to which WSP is principally aligned underperformed the markets and as the market recovered in 2009, these sectors and WSP have lagged behind the recovery in the FTSE 250 TSR.

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	Waived Performance Salary £'000	Bonus £'000	Employee Benefits ¹ £'000	Cash in lieu of Pension Contribution £'000	2009 Total £'000	2008 Total £'000	2009 Pension £'000	2008 Pension £'000
<i>Executive Directors</i>									
Christopher Cole	390	(20)	–	24	–	394	807	137	136
Peter Gill	258	(16)	124 ²	16	65	447	–	–	–
Stuart McLachlan	210	(16)	–	13	–	207	366	31	31
<i>Non Executive Directors</i>									
David Turner	80	–	–	–	–	80	60	–	–
Christopher Stephens	40	–	–	–	–	40	40	–	–
Marisa Cassoni	40	–	–	–	–	40	40	–	–
Mark Rollins	35	–	–	–	–	35	35	–	–
Anders Karlsson ³	82	–	–	–	–	82	–	–	–
<i>Former Director</i>									
Malcolm Paul	325	(16)	35	24	–	368	679	114	114
	1,460	(68)	159	77	65	1,693	2,027	282	281

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

2. Peter Gill has elected to invest his after tax bonus in WSP Group shares

3. Anders Karlsson's fees are paid to Anders C. Management A.B. and comprise £35,000 in respect of his services as a director of the Company and 560,000 SEK (£46,900) which is paid by WSP Europe A.B. being fees as chairman of the supervisory board of WSP Europe A.B.

In determining base salaries, the committee recognised the more challenging market conditions developing at the end of 2008 and determined to maintain 2009 salaries at 2008 levels. During the year, our businesses in a number of regions implemented cost reduction measures that included salary reductions. In response to the testing conditions elsewhere, the executive directors chose to unconditionally waive 10% of their monthly salary entitlements. Entitlement to pension and performance related pay remained unchanged. These waivers were effective from July 2009 in the case of Chris Cole, Peter Gill and Malcolm Paul, and April in the case of Stuart McLachlan. The waivers continue for the start of 2010 and will be subject to review from time to time.

In December 2008 Malcolm Paul notified the Board of his intended retirement at the end of December 2009. During the period of his notice, he remained in office as finance director until the 2009 Annual General Meeting in May when he stood down and was formally succeeded by Peter Gill. Thereafter he remained available for consultation and to support the hand over process. On the basis that he served his full notice no termination payments were made in relation to his contract. He participated in the 2009 bonus and retains his entitlement under the 2006 Performance Share Plan. The committee has determined that in the event that any awards vest in 2011

Directors' Remuneration Report – continued

and 2012, his entitlement should be reduced by one third and two thirds respectively to reflect his reduced service under the good leaver provisions of the Plan.

The annual profit-related bonus targets took account of the developing economic uncertainty at the end of 2008 and provided for bonuses to be paid across a relatively wide performance range. No bonus would be payable if the Group breached its banking covenants. No bonus would be payable if adjusted profit before tax ('APBT') fell below £38m. Above that level, bonus would be payable pro rata with APBT in sliding scale increments up to APBT of £51.1m when 100% bonus would become payable. This would have equated to the 2008 performance. In respect of 2009 APBT, the directors were entitled to approximately 10% of their potential bonus. A proportion of Stuart McLachlan's bonus was also payable based on the performance of the Environment & Energy business but did not accrue. Chris Cole, Peter Gill and Stuart McLachlan have elected to unconditionally waive their entitlements to profit-related bonus.

For 2009 only, 60% of Peter Gill's bonus was set on the basis of the Group profit-related target while 40% was to be based on personal objectives which were determined by the committee and designed to promote an orderly succession and critical focus on certain key issues that were deemed significant to the success of the Group. These objectives addressed a range of matters that required him to report to the board on a number of key issues; to make recommendations and implement actions where appropriate and to develop effective working relationships with key stakeholders both internally and externally. The committee has monitored Peter Gill's performance during the year and is satisfied that he has met all his objectives in full and consequently the committee has agreed that this element of his bonus which represents 40% of his annual salary should be paid in full. Peter Gill has elected to apply his after-tax bonus to acquire WSP shares in the open market.

The executive directors have defined contribution pension schemes. Instead of having his pension entitlement paid into a defined contribution pension scheme, Peter Gill has elected to receive a sum in lieu of contribution which was paid in cash through the payroll.

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 2009, Christopher Cole received remuneration of £110,000 in his capacity as non-executive chairman of Ashtead Group plc.

Long Term Incentive Share Plan (audited information)

a) The WSP Performance Share Plan

As at 31 December 2009, the following awards under the WSP Performance Share Plan remained outstanding. The vesting of all awards is dependent upon the Group's adjusted diluted earnings per share performance.

Director	Award Date	Earliest Vesting Date	Market price at Award Date	Number of shares at 01.01.2009 No.	Granted in year No.	Number of shares exercised No.	Number of shares lapsed No.	Number of shares at 31.12.2009 No.	2009 Value of entitlement £'000	2008 Value of entitlement £'000
<i>Current Directors</i>										
Christopher Cole	03.05.06	03.05.09	436.5p	32,000	–	(32,000)	–	–	–	65
	03.04.07	03.04.10	692.4p	29,000	–	–	–	29,000	80	59
	09.04.08	09.04.11	602.0p	64,750	–	–	–	64,750	178	131
	07.05.09	07.05.12	253.2p	–	153,998	–	–	153,998	424	–
				125,750	153,998	(32,000)	–	247,748	682	255
Peter Gill	07.05.09	07.05.12	253.2p	–	122,408	–	–	122,408	337	–
				–	122,408	–	–	122,408	337	–
Stuart McLachlan	03.05.06	03.05.09	436.5p	13,000	–	(13,000)	–	–	–	26
	03.04.07	03.04.10	692.4p	13,250	–	–	–	13,250	36	27
	09.04.08	09.04.11	602.0p	21,000	–	–	–	21,000	58	43
	07.05.09	07.05.12	253.2p	–	49,919	–	–	49,919	138	–
				47,250	49,919	(13,000)	–	84,169	232	96
<i>Former Director</i>										
Malcolm Paul	03.05.06	03.05.09	436.5p	26,500	–	(26,500)	–	–	–	54
	03.04.07	03.04.10	692.4p	25,000	–	–	–	25,000	69	51
	09.04.08	09.04.11	602.0p	53,950	–	–	(17,984)	35,966	99	110
	07.05.09	07.05.12	253.2p	–	128,331	–	(85,554)	42,777	118	–
				105,450	128,331	(26,500)	(103,538)	103,743	286	215

Following consultation with institutional shareholders and taking account of the underlying economic downturn, the Committee determined that for 2009 only, awards should be based on absolute earnings per share targets. No award will vest unless the Group's

adjusted diluted earnings per share exceed 44p in the year ending 31 December 2011, at which level the participant would receive 20% of any award. If the adjusted diluted earnings per share exceed 57p, 100% of awards will become due. If the adjusted diluted earnings per share is between 44p and 57p, the number of shares that vest will be calculated pro rata on a straight line basis.

Outstanding awards made in 2007 and 2008 will vest according to the increase in adjusted diluted earnings per share over three year performance periods. For 100% of these awards to vest the growth in adjusted diluted earnings per share would have to exceed 12% and 14% respectively 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 increases 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. Participants are entitled to receive cash sums equivalent to the value of dividends that would have been paid on those shares that vest to them, had they been held by the participant between the grant and vesting dates. In respect of those shares that are due to vest on 3 April 2010, the committee intends to apply its discretion in line with the rules of the 2006 Performance Share Plan and approve the vesting of share awards approximately 2 weeks early to facilitate administration and ensure participants are not unduly prevented from exercising their awards during the current tax year.

The following table shows share awards that vested and were exercised by directors during 2009 together with payments made to them in respect of notional dividend entitlements granted under the WSP Performance Share Plan.

Director	Award date	Exercise date	Market price at award date	Market price at exercise date	Number of shares exercised No.	2009 Gain on exercise £'000	2009 Notional dividend £'000	2008 Gain on exercise £'000	2008 Notional dividend £'000
Christopher Cole	03.05.06	12.05.09	436.5p	216.6p	32,000	69	11	230	–
Malcolm Paul (<i>resigned as a director 06.05.09</i>)	03.05.06	12.05.09	436.5p	216.6p	26,500	57	10	185	–
Stuart McLachlan	03.05.06	12.05.09	436.5p	216.6p	13,000	28	5	84	–
					71,500	154	26	499	–

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 2006 had increased from a base of 21.8p by at least 42.78%, representing 10% 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 22.2%, being 4% per annum plus the increase in the Retail Price Index compounded, at which point 30% of any award would have vested. The adjusted diluted earnings per share as reported in the 2008 Annual Report was 56.6p, representing an actual increase of 159.6% over the base. As a result of this performance, the awards vested in full and were satisfied by new issue shares.

b) The WSP Deferred Bonus Share Plan

At 31 December 2009, there were no outstanding awards due to directors under the Deferred Bonus Share Plan. Awards vesting and exercised during the year are set out in the table below. These final awards were made in May 2006 when participants had the option to invest up to 50% of their after tax annual bonus in shares of the Company. Subject to these shares being held for at least 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 granted 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 01.01.2009 No.	Exercised in year No.	Number of shares 31.12.2009 No.	2009 Value of entitlement £'000	2008 Value of entitlement £'000
Christopher Cole	03.05.2006	03.05.2009	436.5p	31,167	(31,167)	–	–	63
Malcolm Paul (<i>resigned as a director 06.05.09</i>)	03.05.2006	03.05.2009	436.5p	28,333	(28,333)	–	–	58

In respect of those awards that vested in 2009, participants were only entitled to receive 100% of any award if the adjusted diluted earnings per share over the three-year period from 1 January 2006 had increased from a base of 21.8p by at least 25.4%, representing 5% per annum plus the increase in the Retail Price Index compounded. In the event, adjusted diluted earnings per share grew by 159.6% and 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.	2009 Gain on exercise £'000	2008 Gain on exercise £'000
Christopher Cole	03.05.06	03.05.09	436.5p	216.6p	31,167	68	187
Malcolm Paul (<i>resigned as a director 06.05.09</i>)	03.05.06	03.05.09	436.5p	216.6p	28,333	61	187
					59,500	129	374

Directors' Remuneration Report – continued

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 2009 which was 275.5p (2008: 203.0p) and the share price range during the year was 158.7p to 370.5p.

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 2009 the beneficial and contingent interests of the directors in the 5p ordinary shares of the Company were as follow:

Director	Beneficial Shares No.	Performance Share plan No.	Deferred Bonus Share plan No.	Total Shares No.
<i>At 31 December 2009</i>				
David Turner	14,507	–	–	14,507
Christopher Cole	1,015,446	247,748	–	1,263,194
Peter Gill (<i>appointed 02.03.09</i>)	22,500	122,408	–	144,908
Stuart McLachlan	42,014	84,169	–	126,183
Christopher Stephens	14,341	–	–	14,341
Marisa Cassoni	6,225	–	–	6,225
Mark Rollins	10,000	–	–	10,000
Anders C Karlsson (<i>appointed 01.01.09</i>)	–	–	–	–
<i>At 31 December 2008</i>				
David Turner	14,507	–	–	14,507
Christopher Cole	947,477	125,750	31,167	1,104,394
Peter Gill (<i>appointed 02.03.09</i>)	–	–	–	–
Stuart McLachlan	31,014	47,250	–	78,264
Christopher Stephens	9,341	–	–	9,341
Marisa Cassoni	6,225	–	–	6,225
Mark Rollins	10,000	–	–	10,000
Anders C Karlsson (<i>appointed 01.01.09</i>)	–	–	–	–

On 1 March 2010 Peter Gill acquired a further 24,838 shares. There have been no other changes in directors' share interests since 31 December 2009.

Approved by the board of directors and signed on its behalf

Christopher Stephens
Chairman of the Remuneration Committee
8 March 2010

Statutory and other Information

Principal Activities and Business Review

WSP Group plc is a public limited company, listed on the London Stock Exchange and incorporated in England with registered number 02136404. It is the parent company of an international group supplying specialist management and integrated services in the built and natural environment. The WSP Group operates through its subsidiaries and joint ventures in the following core areas:

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

The Companies Act 2006 requires us to present a fair review of the Group's business and a description of the principal risks and uncertainties facing the Group. The information that fulfils the requirements of the business review is provided in the Business Review section of this Annual Report on pages 1 to 43.

Results and Dividends

The Group profit after tax for the financial year amounted to £13.5m (2008: £36.7m)

The directors propose a final dividend of 10.0p (2008: 10.0p) per share, which, together with the interim dividend of 5.0p (2008: 5.0p) per share paid in October 2009, would give a total dividend of 15.0p (2008: 15.0p) for the year. If approved at the Annual General Meeting, which is to be convened on 5 May 2010, the final dividend will be paid on 11 May 2010 to shareholders on the register of members at the close of business on 9 April 2010. The shares will be ex dividend from 7 April 2010.

The dividend charge included in the accounts for the year ended 31 December 2009 reflects dividends paid during the year, totalling 15.0p (2008: 13.0p) per share.

Directors

The directors who served during the year were:

David Turner	<i>Chairman</i>
Christopher Cole	<i>Chief Executive</i>
Peter Gill	<i>Finance Director (appointed 2 March 2009)</i>
Malcolm Paul	<i>Former Finance Director (retired 6 May 2009)</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>
Anders Karlsson	<i>Independent Non-executive Director (appointed 1 January 2009)</i>

Biographical details of all directors are set out on pages 44 and 45, and details of directors' interests in shares and share options are set out in the Remuneration Report on page 58.

The Company's articles of association set out the rules concerning the appointment and replacement of directors. At the Annual General Meeting, David Turner will retire in accordance with article 88. He has served on the Board for 12 years and 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.

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 organisations have occasionally procured services from the Group, and the Group has procured goods or services from them. These contracts are conducted on an arms length basis, without the involvement of the relevant director. The Company maintains directors and officers' liability insurance.

Statutory and other Information – continued

Share Capital

As at 31 December 2009, the authorised share capital of the Company was £5m, divided into 100,000,000 shares of 5 pence each. At that date, 63,585,043 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 2009			63,129,167
Shares issued during the year:			
Lincolne Scott purchase deferred consideration	220.45p	258	117,222
The WSP 1997 Share Option Plan options exercised	183p – 242p	46	23,547
The WSP Deferred Bonus Share Plan options exercised	5p	3	69,693
The WSP Performance Share Plan options exercised	5p	12	245,414
Issued / aggregate consideration during the year		319	455,876
Issued share capital at 31 December 2009			63,585,043

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 he 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

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 require 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.

Statutory and other Information – continued

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 6 May 2009 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 8 March 2010 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.

Issue of Shares

Also at the Annual General Meeting held on 6 May 2009, 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 £1,050,000 (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 £157,800 (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 in accordance with the Companies Act 2006 at the forthcoming Annual General Meeting.

Significant shareholdings

As at 8 March 2010 the Company had been notified in line with the Disclosure and Transparency Rules of the following interests in the voting rights attaching to its ordinary share capital:

Shareholder	Voting rights held through direct shareholdings	Voting rights held through indirect shareholdings	Contracts for difference and other derivatives	Total number of voting rights notified	Percentage of Total Voting Rights as notified
Black Rock Inc	–	7,054,886	1,190,183	8,245,069	12.97%
Aviva plc and its subsidiaries	1,516,564	1,632,816	–	3,149,380	4.96%
JPMorgan Asset Management Holdings Inc	–	3,124,418	–	3,124,418	4.95%
Axa S.A. and its Group of companies	447,002	2,650,375	–	3,097,377	4.87%
Standard Life Investments Ltd	1,026,141	1,964,246	–	2,990,387	4.77%
Legal & General Group plc	2,502,385	–	–	2,502,385	3.93%
Montanaro Group	2,252,530	–	–	2,252,530	3.54%
Henderson Smaller Companies Investment Trust plc	1,915,610	–	–	1,915,610	3.03%

Financial Instruments

Page 31 of the Financial Review sets out the Group's approach to financial instruments and financial risk management. Further detail is set out in note 24 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 34 to 43.

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 2008 Combined Code on Corporate Governance published by the Financial Reporting Council, details of which are set out on pages 47 to 51. 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 52 to 58, the executive directors are incentivised to ensure sustainability through share schemes and bonus arrangements that have regard to risk, sustainability issues and the longer term performance of the Group.

Donations

During the year the Group made charitable donations of £103,059 (2008: £127,153) principally to local charities and foundations serving the communities in which the Group operates. Included in the above was £7,029 (2008: £35,180) 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 and their representatives 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 Our People review on pages 26 and 27 and the Sustainability Report on pages 34 to 43 provide further details of employees and employee relationships.

Research and Development

To deliver innovative solutions and develop our market position we maintain research links in many areas that make it possible for us to 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 2009 was 56 days (2008: 59 days).

Statutory and other Information – continued

Corporate Governance

The Company's statement on Corporate Governance is included in the Corporate Governance report on pages 47 to 51 of these financial statements.

Auditors

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.

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 5 May 2010. 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.

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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or the 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 whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 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 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.

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 taken as a whole.

Each of the directors, whose names and functions are listed in page 59 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 European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In the case of each Director in office at the date the Directors' report is approved, and in accordance with Section 418 of the Companies Act 2006:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors Report on pages 1 to 65 was approved by the Board of Directors and authorised for issue.

By Order of the Board

Graham Bisset
Company Secretary
8 March 2010

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WSP GROUP PLC

We have audited the financial statements of WSP Group plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Group and Company Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 65, in relation to going concern; and
- the parts of the Corporate Governance Report, set out on pages 47 to 51, relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Bowker Andrews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	Before exceptional items 2009 £m	Exceptional items* 2009 £m	Total 2009 £m	Before exceptional items 2008 £m	Exceptional items* 2008 £m	Total 2008 £m
Continuing operations							
Revenue	1	723.3	–	723.3	755.2	–	755.2
Subcontractor costs		(95.4)	–	(95.4)	(87.4)	–	(87.4)
Employee benefit costs	6	(437.8)	–	(437.8)	(462.6)	6.4	(456.2)
Cost of sales		(533.2)	–	(533.2)	(550.0)	6.4	(543.6)
Gross profit		190.1	–	190.1	205.2	6.4	211.6
Administrative expenses		(148.8)	(13.1)	(161.9)	(148.5)	(5.4)	(153.9)
Operating profit		41.3	(13.1)	28.2	56.7	1.0	57.7
Associated undertakings							
– share of profit	2	2.5	–	2.5	2.0	–	2.0
– share of taxation		(0.7)	–	(0.7)	(0.6)	–	(0.6)
		1.8	–	1.8	1.4	–	1.4
Profit before interest and taxation		43.1	(13.1)	30.0	58.1	1.0	59.1
Finance costs	4	(5.2)	–	(5.2)	(7.8)	–	(7.8)
Finance income	4	0.6	–	0.6	0.8	–	0.8
Profit before taxation		38.5	(13.1)	25.4	51.1	1.0	52.1
Taxation	7	(12.1)	0.2	(11.9)	(14.9)	(0.5)	(15.4)
Profit for the financial year		26.4	(12.9)	13.5	36.2	0.5	36.7
Profit attributable to:							
– Equity shareholders		25.9	(12.9)	13.0	36.3	0.5	36.8
– Minority interests		0.5	–	0.5	(0.1)	–	(0.1)
		26.4	(12.9)	13.5	36.2	0.5	36.7
Basic earnings per share	9			20.6p			58.3p
Diluted earnings per share	9			20.4p			57.4p

* Exceptional items are shown in note 3.

Balance Sheets

As at 31 December 2009

	Note	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Assets					
Non-current assets					
Goodwill	10	201.8	202.6	1.4	1.4
Intangible assets	11	4.4	6.3	0.1	–
Property, plant and equipment	12	30.8	36.9	–	–
Investment in subsidiary and joint venture undertakings	13	–	–	126.5	107.3
Financial assets available for sale	13	0.9	0.6	–	–
Investments accounted for using the equity method	13	12.4	11.6	–	–
Deferred taxation asset	14	14.2	9.9	0.4	0.3
		264.5	267.9	128.4	109.0
Current assets					
Trade and other receivables	15	230.6	283.9	108.9	129.3
Cash and cash equivalents		42.6	37.5	–	2.3
		273.2	321.4	108.9	131.6
Liabilities					
Current liabilities					
Financial liabilities	16	(4.0)	(7.1)	(2.1)	–
Trade, other payables and provisions	17	(189.7)	(245.6)	(15.3)	(19.0)
Liabilities for current taxation		(5.9)	(6.0)	(5.9)	(4.3)
		(199.6)	(258.7)	(23.3)	(23.3)
Net current assets		73.6	62.7	85.6	108.3
Non-current liabilities					
Financial liabilities	16	(99.6)	(86.6)	(98.8)	(97.3)
Retirement benefit obligations	23	(48.7)	(36.4)	–	–
Deferred taxation liability	14	(11.6)	(11.1)	–	–
Provisions	18	(0.4)	(8.9)	(0.7)	(0.4)
		(160.3)	(143.0)	(99.5)	(97.7)
Net assets		177.8	187.6	114.5	119.6
Equity					
Called up share capital	19	3.2	3.2	3.2	3.2
Share premium account		81.8	81.5	81.8	81.5
Other reserves		33.5	38.3	6.8	8.2
Retained earnings		56.1	62.2	22.7	26.7
Total shareholders' equity		174.6	185.2	114.5	119.6
Minority interests		3.2	2.4	–	–
Total equity		177.8	187.6	114.5	119.6

The financial statements on pages 68 to 105 were approved by the Board of Directors on 8 March 2010 and signed on their behalf by:

CHRISTOPHER COLE, Chief Executive

PETER GILL, Group Finance Director

Statements of Comprehensive Income

For the year ended 31 December 2009

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Profit for the financial year	13.5	36.7	5.3	22.8
Other comprehensive income:				
Actuarial loss on pension schemes (net of taxation)	(9.8)	(5.9)	–	–
Loss on cash flow hedges	(1.4)	–	(1.4)	–
Foreign exchange movements (net of taxation)	(3.4)	36.8	–	–
Other comprehensive (expense)/income for the year	(14.6)	30.9	(1.4)	–
Total comprehensive (expense)/income for the year	(1.1)	67.6	3.9	22.8
Attributable to:				
– Equity shareholders	(1.6)	67.7	3.9	22.8
– Minority interests	0.5	(0.1)	–	–
Total comprehensive (expense)/income for the year	(1.1)	67.6	3.9	22.8

Statements of Changes in Equity

For the year ended 31 December 2009

Group	Share capital £m	Share premium account £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Total shareholders' funds £m	Minority interests £m	Total equity £m
At 1 January 2008	3.1	81.2	38.7	1.5	—	124.5	0.9	125.4
Comprehensive income:								
Profit for the year	—	—	36.8	—	—	36.8	(0.1)	36.7
Other comprehensive income:								
Foreign exchange movements	—	—	—	28.4	—	28.4	—	28.4
Net investment hedges (net of taxation)	—	—	—	8.4	—	8.4	—	8.4
Actuarial loss on pension schemes (net of taxation)	—	—	(5.9)	—	—	(5.9)	—	(5.9)
Total other comprehensive income	—	—	(5.9)	36.8	—	30.9	—	30.9
Total comprehensive income	—	—	30.9	36.8	—	67.7	(0.1)	67.6
Transactions with owners:								
Performance share plan adjustments	—	—	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)
Dividends	—	—	(8.2)	—	—	(8.2)	—	(8.2)
Issue of ordinary shares	0.1	0.3	—	—	—	0.4	—	0.4
Total contributions by and distributions to owners	0.1	0.3	(7.4)	—	—	(7.0)	—	(7.0)
Changes in ownership interests in subsidiaries that do not result in a loss of control:								
Minority interests created in the year	—	—	—	—	—	—	1.6	1.6
Total transactions with owners	0.1	0.3	(7.4)	—	—	(7.0)	1.6	(5.4)
At 1 January 2009	3.2	81.5	62.2	38.3	—	185.2	2.4	187.6
Comprehensive income:								
Profit for the year	—	—	13.0	—	—	13.0	0.5	13.5
Other comprehensive income:								
Foreign exchange movements	—	—	—	(2.8)	—	(2.8)	—	(2.8)
Net investment hedges (net of taxation)	—	—	—	(0.6)	—	(0.6)	—	(0.6)
Actuarial loss on pension schemes (net of taxation)	—	—	(9.8)	—	—	(9.8)	—	(9.8)
Cash flow hedges (net of taxation)	—	—	—	—	(1.4)	(1.4)	—	(1.4)
Total other comprehensive income	—	—	(9.8)	(3.4)	(1.4)	(14.6)	—	(14.6)
Total comprehensive income	—	—	3.2	(3.4)	(1.4)	(1.6)	0.5	(1.1)
Transactions with owners:								
Performance share plan adjustments	—	—	(0.2)	—	—	(0.2)	—	(0.2)
Deferred taxation related to the performance share plan adjustment	—	—	0.5	—	—	0.5	—	0.5
Current taxation related to the performance share plan adjustment	—	—	(0.1)	—	—	(0.1)	—	(0.1)
Dividends	—	—	(9.5)	—	—	(9.5)	—	(9.5)
Issue of ordinary shares	—	0.3	—	—	—	0.3	—	0.3
Total contributions by and distributions to owners	—	0.3	(9.3)	—	—	(9.0)	—	(9.0)
Changes in ownership interests in subsidiaries that do not result in a loss of control:								
Foreign exchange movements on minority interests	—	—	—	—	—	—	0.3	0.3
Total transactions with owners	—	0.3	(9.3)	—	—	(9.0)	0.3	(8.7)
At 31 December 2009	3.2	81.8	56.1	34.9	(1.4)	174.6	3.2	177.8

Statements of Changes in Equity – continued

For the year ended 31 December 2009

Company	Share capital £m	Share premium account £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Total shareholders' funds £m
At 1 January 2008	3.1	81.2	8.2	14.0	—	106.5
Comprehensive income:						
Profit for the year	—	—	—	22.8	—	22.8
Total comprehensive income	—	—	—	22.8	—	22.8
Transactions with owners:						
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)
Dividends	—	—	—	(8.2)	—	(8.2)
Issue of ordinary shares	0.1	0.3	—	—	—	0.4
Total transactions with owners	0.1	0.3	—	(10.1)	—	(9.7)
Balance at 1 January 2009	3.2	81.5	8.2	26.7	—	119.6
Comprehensive income:						
Profit for the year	—	—	—	5.3	—	5.3
Total comprehensive income	—	—	—	5.3	—	5.3
Other comprehensive income:						
Cash flow hedges (net of taxation)	—	—	—	—	(1.4)	(1.4)
Total comprehensive income	—	—	—	5.3	(1.4)	3.9
Transactions with owners:						
Dividends	—	—	—	(9.5)	—	(9.5)
Foreign exchange movements	—	—	—	—	—	—
Performance share plan adjustment	—	—	—	—	—	—
Deferred taxation related to the performance share plan adjustment	—	—	—	0.2	—	0.2
Current taxation related to the performance share plan adjustment	—	—	—	—	—	—
Issue of ordinary shares	—	0.3	—	—	—	0.3
Total transactions with owners	—	0.3	—	(9.3)	—	(9.0)
At 31 December 2009	3.2	81.8	8.2	22.7	(1.4)	114.5

In accordance with section 408 of the Companies Act 2006 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 £5.3m (2008: £22.8m).

Cash Flow Statements

For the year ended 31 December 2009

	Note	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Cash flows from operating activities					
Cash generated from/(used in) operations	20	39.3	55.6	3.0	(42.5)
Finance costs paid		(2.5)	(6.2)	(2.0)	(4.9)
Finance income received		0.6	0.8	3.5	4.7
Taxation (paid)/recovered		(10.5)	(13.9)	0.5	(0.3)
Net cash from/(used in) operating activities		26.9	36.3	5.0	(43.0)
Cash flows from investing activities					
Purchase of subsidiary undertakings (net of cash acquired)		(0.6)	(3.8)	–	–
Disposal of subsidiary undertakings (net of cash disposed)		–	4.0	–	–
Deferred consideration paid		(11.5)	(11.4)	(1.7)	(2.0)
Purchase of associates		–	(0.2)	–	–
Purchase of intangible assets		(2.6)	(2.9)	–	–
Purchase of property, plant and equipment		(7.1)	(20.0)	–	–
Sale of property, plant and equipment		0.5	3.0	–	–
Sale of intangible assets		0.2	0.3	–	–
Disposal of financial asset available for sale		–	0.1	–	–
Disposal of associates		–	0.1	–	–
Dividends received from associated undertakings		0.9	0.8	–	–
Net cash used in investing activities		(20.2)	(30.0)	(1.7)	(2.0)
Cash flows from financing activities					
Net proceeds of share issues		–	0.2	–	0.2
Drawdown of loan facilities		38.0	102.7	26.4	102.7
Repayment of loan facilities		(28.8)	(95.7)	(26.6)	(64.4)
Repayment of finance leases		(0.3)	(0.5)	–	–
Equity dividends received		–	–	2.0	17.1
Equity dividends paid		(9.5)	(8.2)	(9.5)	(8.2)
Net cash (used in)/from financing activities		(0.6)	(1.5)	(7.7)	47.4
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at 1 January		35.1	26.5	2.3	(0.1)
Exchange movements on cash and cash equivalents		0.2	3.8	–	–
Cash and cash equivalents at 31 December	22	41.4	35.1	(2.1)	2.3

Accounting Policies

For the year ended 31 December 2009

The financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and the Companies Act 2006 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, pension assets and liabilities and derivative financial instruments, all of which have been measured at fair value.

Adoption of new and revised International Financial Reporting Standards

The Group has adopted the following new and revised standards in the period:

IAS 1	<i>Presentation of financial statements.</i> The Group has made the required changes in presentation of the statements of movements in financial position for both the current year and prior period comparatives.
IFRS 2	<i>Share based payments.</i> This clarifies that vesting conditions are service conditions and performance conditions only. No material change has arisen upon the adoption of this amendment.
IFRS 7	<i>Financial instruments - disclosures.</i> The amendment requires enhanced disclosures about fair value measurement and liquidity risk. These have been included in note 25 to the financial statements.
IFRS 8	<i>Segmental reporting.</i> The new standard requires the Group to report segment information based on information that is used for internal reporting purposes. Whilst increased detail is being presented in note 1 to the financial statements, this information was already previously reported in the operating review. Prior period comparatives have been updated to reflect the new presentation.

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:

IFRS 3	<i>Business Combinations, (Amendment effective 1 July 2009).</i> 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 2010 or later as the standard will not apply retrospectively.
IAS 27	<i>Consolidated and Separate Financial Statements, (Amendment effective 1 July 2009).</i> 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.

IAS 38	<i>Intangible assets.</i> This amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. This amendment will be applied upon the adoption of IFRS 3.
IFRS 5	<i>Non-current assets held for sale and discontinued operations, (Amendment effective 1 January 2010).</i> This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. This will be applied from 1 January 2010 and is not expected to have a material effect on the financial statements.
IAS 1	<i>Presentation of financial statements.</i> This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This will be applied from 1 January 2010 and is not expected to have a material effect on the financial statements.
IFRS 2	<i>Group cash-settled share based payment transactions.</i> This amendment expands the guidance given by IFRIC 11 to address classification of group arrangements. The new guidance is not expected to have a material impact on the financial statements.

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 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. All intra-group transactions and balances are eliminated on consolidation. 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, in accordance with the net equity method.

Joint ventures

The Group accounts for the results of jointly controlled entities and operations under the proportional consolidation method in accordance with IAS 31. From the date at which the Group acquires joint control, the Group's share of each individual line item is consolidated in the income statement and balance sheet and in line with the Group's accounting policies.

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 the fair value of services provided; in the case of time charge work this is on the basis of time spent at the agreed fee rates, and in the case of fixed fee contracts, the value of services provided as a proportion of the total value of the contract. Under certain service or project management contracts the Group manages client expenditure and is obliged to purchase goods and services from third-party contractors and recharge them on to the client at cost. The amounts charged by contractors and recharged to clients are excluded from revenue and direct costs.

The Group has a number of long term contracts that span more than one financial period. In calculating revenue on such fixed fee contracts, 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. Assessment of the proportion of contract work completed is reviewed regularly by the experienced professionals assigned to the contract and is based on costs incurred to date, compared to the estimated cost required to complete the contract. Some contracts specify certain project milestones to be achieved and revenue is taken upon reaching the required milestone. Profits are only recognised where they can be reliably measured and the outcome of the contract is reasonably certain. 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 an appropriate allocation of overhead and disbursements.

Contract claims or variations are recognised only when there is reasonable certainty that economic benefits will flow to the Group.

Amounts due from clients are stated at revenue recognised to date less amounts billed on account. Amounts billed to clients are recorded in trade receivables less any provision for impairment. To the extent that fees paid on account exceed the value of work performed, they are included in trade and other payables.

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 comprehensive income.

Segmental reporting

The Group's Chief Operating Decision Maker is determined as the Performance Committee. The Performance Committee considers the business from both a business discipline and geographic perspective. The four disciplines are Property, Transport & Infrastructure, Environment & Energy and Management & Industrial and these disciplines are also reviewed as to their geographical locations.

Operating segment information is shown in note 1 to the financial statements and is disclosed in a manner consistent to the internal reporting provided to the Performance Committee.

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%

Accounting Policies – continued

For the year ended 31 December 2009

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.

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

Computer software	3-5 years
Sales order books	2-4 years
Customer lists	2-4 years
Trading names	2-4 years

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.

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as

either:

- a) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge);
- b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- c) hedges of a net investment in a foreign operation (net investment hedge).

The Group currently has one cash flow hedge, that being an interest rate swap.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are shown in note 25. Movements on the hedging reserve are shown on pages 71 and 72 in the statements of changes in equity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedge risk. The Group does not currently have any fair value hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other finance costs/income – net. The deferred amounts are ultimately recognised through the income statement as the instrument runs to maturity.

When a hedging instrument ceases to qualify for hedge accounting any cumulative deferred gain or loss existing in equity is recognised in the income statement immediately.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

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 comprehensive income 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.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Accounting Policies – continued

For the year ended 31 December 2009

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 23.

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 2009

1. Segmental analysis

The Chief Operating Decision Maker has been identified as the Performance Committee. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. The segments shown below have been determined based on this information.

The Performance Committee considers the business from both a business discipline and geographic perspective. The four disciplines assessed are Property, Transport & Infrastructure, Environment & Energy and Management & Industrial. Within each of these segments the information is reported according to geographic regions.

Performance is assessed on the basis of operating profit as disclosed in the income statement, before exceptional items. Revenue is reported and assessed excluding revenue generated from inter-segment services and is therefore consistent with revenue reported in the consolidated income statement. Finance income and expenses are not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Segment liabilities are not considered key performance indicators for the purposes of Performance Committee reporting and are not included in the segmental disclosures.

Revenue and profit by segment

Revenue

	2009 £m	2008 £m
Property		
United Kingdom	80.0	109.6
Mainland Europe	81.5	87.3
United States	67.3	76.2
Africa, India & Middle East	48.7	56.4
Far East & Australia	36.2	34.2
	313.7	363.7
Transport & Infrastructure		
United Kingdom	119.5	90.5
Mainland Europe	78.2	73.6
United States	21.1	18.2
Africa, India & Middle East	15.0	15.3
Far East & Australia	0.7	1.0
	234.5	198.6
Environment & Energy		
United Kingdom	24.7	35.7
Mainland Europe	21.3	19.9
United States	20.2	22.2
Africa, India & Middle East	5.0	5.0
Far East & Australia	9.3	10.1
	80.5	92.9
Management & Industrial		
United Kingdom	30.7	38.8
Mainland Europe	53.3	44.9
Africa, India & Middle East	4.4	9.8
Far East & Australia	6.2	6.5
	94.6	100.0
Revenue	723.3	755.2
Associated undertakings - multi-disciplined services	32.4	28.3
Revenue plus share of associates	755.7	783.5

Revenue of approximately £116m was derived from a single source and is reported within all four disciplines within the Mainland Europe segments. This revenue is all derived from the public sector in the particular country.

Notes to the financial statements – continued

For the year ended 31 December 2009

I. Segmental analysis (continued)

Profit

	Before exceptional items 2009 £m	Exceptional items 2009 £m	After exceptional items 2009 £m	Before exceptional items 2008 £m	Exceptional items 2008 £m	After exceptional items 2008 £m
Property						
United Kingdom	1.2	–	1.2	6.4	(3.8)	2.6
Mainland Europe	6.7	(0.3)	6.4	7.7	4.4	12.1
United States	5.3	(0.3)	5.0	7.4	(0.9)	6.5
Africa, India & Middle East	(2.4)	(0.1)	(2.5)	2.8	2.0	4.8
Far East & Australia	1.4	–	1.4	2.1	(0.1)	2.0
	12.2	(0.7)	11.5	26.4	1.6	28.0
Transport & Infrastructure						
United Kingdom	9.2	–	9.2	6.7	(0.8)	5.9
Mainland Europe	7.5	–	7.5	5.5	2.4	7.9
United States	1.2	–	1.2	0.9	(0.1)	0.8
Africa, India & Middle East	0.1	(0.1)	–	1.0	–	1.0
Far East & Australia	0.2	–	0.2	0.1	–	0.1
	18.2	(0.1)	18.1	14.2	1.5	15.7
Environment & Energy						
United Kingdom	1.0	–	1.0	2.8	–	2.8
Mainland Europe	1.9	–	1.9	1.5	–	1.5
United States	1.4	(0.1)	1.3	1.4	(0.1)	1.3
Africa, India & Middle East	0.6	–	0.6	0.6	–	0.6
Far East & Australia	(0.1)	(0.1)	(0.2)	0.9	(0.1)	0.8
	4.8	(0.2)	4.6	7.2	(0.2)	7.0
Management & Industrial						
United Kingdom	1.3	(0.1)	1.2	2.4	(0.5)	1.9
Mainland Europe	4.2	–	4.2	4.6	(0.2)	4.4
Africa, India & Middle East	0.3	–	0.3	1.3	(1.1)	0.2
Far East & Australia	0.3	–	0.3	0.6	(0.1)	0.5
	6.1	(0.1)	6.0	8.9	(1.9)	7.0
	41.3	(1.1)	40.2	56.7	1.0	57.7
Impairment of Dubai aged debt and work in progress	–	(12.0)	(12.0)	–	–	–
Associated undertakings - Multi- disciplined services (net of tax)	1.8	–	1.8	1.4	–	1.4
Profit before interest and tax	43.1	(13.1)	30.0	58.1	1.0	59.1

The exceptional impairment charge in 2009 related to balances arising in a prior year and has not therefore been allocated to segments for Performance Committee reporting as this would distort current underlying performance. Accordingly, the amount is presented separately in the disclosure above.

I. Segmental analysis (continued)

Total Assets

	As at 31 December 2009 £m	As at 31 December 2008 £m
Property		
United Kingdom	55.5	66.4
Mainland Europe	64.4	88.8
United States	93.2	110.9
Africa, India & Middle East	47.1	42.5
Far East & Australia	32.4	29.8
	292.6	338.4
Transport & Infrastructure		
United Kingdom	37.8	28.2
Mainland Europe	57.4	65.1
United States	16.3	18.8
Africa, India & Middle East	10.5	9.5
Far East & Australia	0.7	0.7
	122.7	122.3
Environment & Energy		
United Kingdom	13.4	15.6
Mainland Europe	17.0	16.7
United States	10.2	13.6
Africa, India & Middle East	1.3	0.2
Far East & Australia	8.6	7.6
	50.5	53.7
Management & Industrial		
United Kingdom	37.3	37.9
Mainland Europe	11.3	14.7
Africa, India & Middle East	6.4	5.9
Far East & Australia	4.5	4.8
	59.5	63.3
Reportable segment assets	525.3	577.7
Investments accounted for using the equity method	12.4	11.6
Total assets	537.7	589.3

Notes to the financial statements – continued

For the year ended 31 December 2009

2. Joint ventures and associated undertakings

	Joint ventures £m	2009 Associated undertakings £m	Joint ventures £m	2008 Associated undertakings £m
Share of revenue	64.8	32.4	46.0	28.3
Share of profit before interest and taxation	4.3	2.5	2.3	2.0
Net finance costs	0.1	–	–	–
Share of profit before taxation	4.4	2.5	2.3	2.0
Taxation	(1.2)	(0.7)	(0.7)	(0.6)
Share of profit after taxation	3.2	1.8	1.6	1.4

Share of net assets of joint ventures and associated undertakings

	Joint ventures £m	2009 Associated undertakings £m	Joint ventures £m	2008 Associated undertakings £m
Goodwill	–	2.6	–	4.0
Property, plant and equipment	0.2	0.3	0.4	1.2
Current assets	10.5	21.2	8.6	15.6
	10.7	24.1	9.0	20.8
Current liabilities	(11.1)	(12.3)	(9.8)	(1.0)
Non-current liabilities	–	(0.8)	–	(9.2)
	(0.4)	11.0	(0.8)	10.6
Group revenue with joint ventures and associated undertakings	6.7	1.2	4.8	0.5
Included in current assets are:				
Trading balances with WSP Group plc subsidiaries	2.1	1.8	1.7	0.6
Included in current liabilities are:				
Trading balances with WSP Group plc subsidiaries	2.1	0.1	1.7	4.1

The Group's balances in respect of joint ventures and associated undertakings relate mainly to its 24.7% interest in Multiconsult AS and its 20% interest in LINK Arkitektur AB and its interest in Carillion WSP and WSP May Gurney of 40% and 50% respectively.

3. Exceptional items

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

	2009 £m	2008 £m
Amortisation of business combination intangible assets	(1.1)	(2.1)
Impairment of Dubai related aged debt and work in progress	(12.0)	–
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)
	(13.1)	1.0

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.

b) Impairment of Dubai related aged debt and work in progress. Due to the significant deterioration in liquidity in Dubai and ongoing difficulties in collecting old debt, the Group has made provision against all amounts outstanding that relate to 2008 and prior. Every effort is made to collect all contractual amounts due to the Group, however, an impairment provision has been made to recognise the inherent uncertainty in collecting this debt. Since the amounts provided against relate to a prior period, and given the significant size of the charge, it has been shown separately and classified as exceptional.

4. Net finance costs

	2009 £m	2008 £m
Interest on loans and other borrowings wholly repayable within five years:		
Bank overdrafts	0.7	0.6
Bank loans	1.8	5.5
Finance leases	0.1	0.1
Bank and finance lease costs	2.6	6.2
Net finance cost on pension obligations	1.7	0.5
Unwinding of discounts	0.9	1.1
Finance costs	5.2	7.8
Finance income	(0.6)	(0.8)
Net finance costs	4.6	7.0

5. Profit before taxation

	2009 £m	2009 £m	Restated 2008 £m	Restated 2008 £m
<i>Is stated after charging:</i>				
Auditors' remuneration for the statutory audit:				
Principal statutory auditor:				
– Group audit fee	0.3		0.3	
– Audit of subsidiary accounts	0.4		0.6	
		0.7		0.9
Other auditors		0.1		0.2
Other fees paid to principal statutory auditor:				
– Taxation and other services		0.1		0.1
– Other services pursuant to legislation		0.1		–
Property lease rentals		29.9		25.4
Equipment lease rentals		4.4		3.7
Amortisation of intangible assets on business combinations		1.1		2.1
Amortisation of other intangible assets		3.0		2.7
Depreciation of owned assets		11.6		10.5
Depreciation of assets held under finance leases		0.1		0.1
Loss/(profit) on disposal of property, plant and equipment		0.4		(2.0)
Impairment of trade receivables		15.8		14.3

Notes to the financial statements – continued

For the year ended 31 December 2009

6. Directors and employees

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
<i>Staff costs, including directors, were as follows:</i>				
Wages and salaries	358.1	370.6	3.8	3.1
Social security costs	42.5	43.8	0.7	0.2
Post employment benefits	23.8	16.6	0.4	0.3
Share based payments	(0.2)	1.6	–	0.6
Contract and agency staff	13.6	23.6	–	0.3
Total staff costs	437.8	456.2	4.9	4.5

	2009 Number	Group 2008 Number	2009 Number	Company 2008 Number
<i>The monthly average number of employees, contract and agency staff, including directors, was as follows:</i>				
Engineering and technical	8,243	9,250	2	–
Administration	1,308	1,354	20	23
Total staff	9,551	10,604	22	23

	2009 £m	2008 £m
<i>Aggregate emoluments of the directors of the Company was as follows:</i>		
Salaries and benefits	1.2	1.8
Post employment benefits	0.2	0.3
Non-executive directors' fees	0.3	0.2
Aggregate emoluments	1.7	2.3

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 52 to 58.

The directors have identified 47 (2008: 50) (Company 2009: 6 ; (2008: 6)) key management personnel whose compensation was as follows:

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Short term employment benefits	10.1	11.2	1.1	2.0
Post employment benefits	1.0	1.0	0.3	0.3
Share based payments	–	1.3	–	0.6
	11.1	13.5	1.4	2.9

7. Taxation

	2009 £m	2008 £m
a) Analysis of charge in the year		
UK corporation tax on profits for the year at 28% (2008: 28.5%)	4.0	5.4
Tax attributable to exceptional items	–	(0.5)
Adjustments in respect of previous years	(0.7)	–
	3.3	4.9
Foreign taxation on profits for the year	8.5	8.4
Adjustments in respect of previous years	(0.5)	0.2
Tax attributable to exceptional items	–	(0.2)
Total current taxation	11.3	13.3
Movement in deferred taxation	0.8	0.9
Movement in deferred taxation attributable to exceptional items	(0.2)	1.2
Taxation – note 7 (b)	11.9	15.4

The directors believe that the weighted average effective rate will reduce in the next year as management expect the Group will not incur the losses seen in 2009 in the Middle East during 2010. 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 prior year than the standard rate of corporation tax in the UK which is 28% (2008: 28.5%). The differences are explained below:

	2009 £m	2008 £m
Profit before taxation	25.4	52.1
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	7.1	14.8
Effect of different taxation rates on overseas earnings		
Ongoing operating activities	1.4	0.1
Exceptional items	3.8	–
Net impact of permanent differences	0.6	1.5
Adjustment to tax in prior periods	(1.2)	0.2
Other timing differences	(0.1)	(1.5)
Unrelieved overseas losses	0.2	(0.2)
Adjustments relating to exceptional items	–	(1.2)
Taxation relating to joint ventures and associated undertakings	(0.5)	(0.4)
Total current taxation	11.3	13.3
Current year deferred taxation	–	0.8
Adjustments to deferred taxation in respect of previous years	0.8	0.1
Movement in deferred taxation attributable to exceptional items	(0.2)	1.2
Total taxation	11.9	15.4

The impairment charge shown as exceptional relating to Dubai receivables has been incurred in a subsidiary company that does not attract tax relief.

c) Taxation items charged to equity

	2009 £m	2008 £m
Corporation taxation related to the performance share plan adjustment	(0.1)	(0.1)
Corporation taxation related to foreign exchange movements	(0.4)	(1.8)
Deferred taxation asset related to the performance share plan adjustment	0.5	(0.8)
Deferred taxation related to the actuarial movement on pension scheme obligations	3.3	3.5
Taxation charged to equity	3.3	0.8

Notes to the financial statements – continued

For the year ended 31 December 2009

8. Dividends

	2009 £m	2008 £m
Dividends charged to equity in the year:		
Final dividend paid in May 2009 of 10.0p per share (2008: 8.0p)	6.3	5.0
Interim dividend paid in October 2009 of 5.0p per share (2008: 5.0p)	3.2	3.2
Total dividend paid in 2009 of 15.0p per share (2008: 13.0p)	9.5	8.2
Final dividend proposed for payment (not charged to equity) in May 2010 of 10.0p per share (2008: paid in May 2009, 10.0p)	6.4	6.3

If approved at the Annual General Meeting, which is to be convened on 5 May 2010, the proposed final dividend of 10.0p per share will be paid on 11 May 2010 to those shareholders on the register at the close of business on 9 April 2010. The shares will be ex-dividend from 7 April 2010.

9. Earnings per share

	2009 £m	2008 £m
Profit for the financial year attributable to shareholders	13.0	36.8
Exceptional items and amortisation of business combination intangible assets (net of taxation)	12.9	(0.5)
Adjusted profit for the financial year attributable to shareholders	25.9	36.3
	No.'000	No.'000
Weighted average number of shares in issue	63,371	63,012
Basic earnings per share	20.6p	58.3p
Adjusted basic earnings per share	40.9p	57.5p

Earnings per share are calculated by reference to the profit for the financial year attributable to shareholders divided by the weighted average number of shares in issue.

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	63,371	63,012
Dilution effects of share options	571	948
	63,942	63,960
Diluted earnings per share	20.4p	57.4p
Adjusted diluted earnings per share	40.6p	56.6p

10. Goodwill

	Group £m	Company £m
Cost at 1 January 2008	170.0	1.4
Additions	5.4	–
Disposals	(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 1 January 2009	202.6	1.4
Additions	0.6	–
Amendments to fair value of net assets acquired	0.5	–
Foreign exchange movements	(1.9)	–
Cost at 31 December 2009	201.8	1.4
Aggregate impairments at 1 January 2008, 1 January 2009 and 31 December 2009	–	–
Net book value		
At 31 December 2009	201.8	1.4
At 31 December 2008	202.6	1.4
At 1 January 2008	170.0	1.4

At the balance sheet date the recoverable amounts of all cash generating units (CGUs) 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 2010 as agreed by the Board used for the basis of determining cash flows.
- Cash flows were projected forward for each CGU having regard to their relative markets and risk profiles. Growth factors were applied ranging from a conservative 5% for year one (2008: 0%) and 5% for the following 2 years (2008: 3-5%) and 3% thereafter (2008: 3%) projected forward for a total of 20 years plus a discounted terminal value at 20 years (2008: same), even though past experience has shown much stronger growth.
- Maintaining margins at 2010 budgeted levels, even though long term margin targets are expected to increase.
- Applying the discount rate of 8.86% (2008: 10.7%) pre-taxation. The discount rate used in the calculations is the weighted average cost of capital of the Group. This is calculated using the capital asset pricing model according to market data and the level of debt to equity in existence. This has reduced since the prior year due to the substantial fall in interest rates. Cash flows derived for each of the cash generating units are adjusted to reflect the specific risks to the unit. Cash flows are therefore discounted at the Group's weighted average cost of capital.
- Sensitivity analysis on the discount rate and growth rates is performed to identify the level of headroom in the calculation. An increase of 2% was applied to the discount rate to identify areas where an impairment could be seen. Similarly, dropping growth rates by 1% was considered. As a result, one of the cash generating units was identified as potentially impaired on this sensitised basis by changing either of the assumptions. All other units remained unimpaired by these changes. Different factors for the marginal unit are assessed as to future performance expected that deviate from the assumptions in b) above. These include the effect of current market conditions and the likelihood of recoveries in excess of 5% in 2011, for example. The unit in question under the normal assumptions above shows headroom of £0.5m. The directors believe that the current performance, in an unusually difficult trading year, is not indicative of the long term performance potential of this business and increased profitability beyond the budget year is anticipated beyond the assumptions in b) above. No impairment charge is therefore considered necessary.

Based on the above tests, the directors do not consider that there is any impairment required at 31 December 2009.

Notes to the financial statements – continued

For the year ended 31 December 2009

10. Goodwill (continued)

The carrying values of goodwill by primary segment is as follows:

	Property £m	Transport & Infrastructure £m	Environment & Energy £m	Management & Industrial £m	Total 2009 £m
United Kingdom	3.4	0.4	0.1	19.9	23.8
Mainland Europe	45.7	36.5	8.9	7.1	98.2
United States	29.2	8.5	4.3	–	42.0
Africa & Middle East	12.4	2.0	–	–	14.4
Far East & Australia	17.3	–	6.1	–	23.4
	108.0	47.4	19.4	27.0	201.8

	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	32.5	9.5	4.8	–	46.8
Africa & 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

11. Intangible assets

Group	Computer software £m	Sales order books £m	Customer lists £m	Trading names £m	Total £m
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 1 January 2009	15.3	3.0	2.6	0.2	21.1
Additions	2.6	–	–	–	2.6
Disposals	(2.4)	–	–	–	(2.4)
Foreign exchange movements	(0.5)	–	–	–	(0.5)
Cost at 31 December 2009	15.0	3.0	2.6	0.2	20.8
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 1 January 2009	10.1	2.5	2.0	0.2	14.8
Charge for the year	3.0	0.5	0.6	–	4.1
Disposals	(2.2)	–	–	–	(2.2)
Foreign exchange movements	(0.3)	–	–	–	(0.3)
Amortisation at 31 December 2009	10.6	3.0	2.6	0.2	16.4
Net book value					
At 31 December 2009	4.4	–	–	–	4.4
At 31 December 2008	5.2	0.5	0.6	–	6.3
At 1 January 2008	4.8	1.2	1.2	–	7.2

11. Intangible assets (continued)

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.

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

There are intangible assets in the Company at 31 December 2009 of £0.1m (2008: £nil).

12. Property, plant and equipment

Group	Freehold £m	Short leasehold £m	Motor vehicles £m	Plant & equipment £m	Fixtures & fittings £m	Total £m
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 1 January 2009	0.7	14.0	1.3	47.2	21.1	84.3
On acquisition of subsidiaries	–	0.1	–	–	–	0.1
Additions	–	1.3	0.3	4.5	0.8	6.9
Disposals	–	(2.0)	(0.3)	(5.5)	(1.1)	(8.9)
Foreign exchange movements	–	(0.5)	0.1	(0.5)	–	(0.9)
Cost at 31 December 2009	0.7	12.9	1.4	45.7	20.8	81.5
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 1 January 2009	0.1	3.3	0.9	31.8	11.3	47.4
Charge for the year	–	2.4	0.2	6.7	2.4	11.7
Disposals	–	(1.7)	(0.2)	(5.1)	(1.0)	(8.0)
Foreign exchange movements	–	–	–	(0.2)	(0.2)	(0.4)
Depreciation at 31 December 2009	0.1	4.0	0.9	33.2	12.5	50.7
Net book value						
At 31 December 2009	0.6	8.9	0.5	12.5	8.3	30.8
At 31 December 2008	0.6	10.7	0.4	15.4	9.8	36.9
At 1 January 2008	0.4	3.3	0.4	14.9	7.2	26.2

The net book value of Group fixed assets includes an amount of £0.6m (2008: £1.0m) in respect of plant and equipment held under finance leases.

Depreciation is charged to administrative expenses.

Company

Cost at 1 January 2008, 1 January 2009 and 31 December 2009	–	–	–	0.1	0.2	0.3
Depreciation at 1 January 2008, 1 January 2009 and 31 December 2009	–	–	–	0.1	0.2	0.3
Net book value						
At 1 January 2008, 1 January 2009 and 31 December 2009	–	–	–	–	–	–

Notes to the financial statements – continued

For the year ended 31 December 2009

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 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 1 January 2009	0.6	11.6
Additions	0.3	–
Disposals	–	(0.1)
Share of profit for the year	–	1.9
Dividends received	–	(0.8)
Foreign exchange movements	–	(0.2)
Value at 31 December 2009	0.9	12.4

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

	Subsidiary undertakings Note 13 (c) £m
Cost at 1 January 2008 and 2009	107.3
Additions	19.2
Cost at 31 December 2009	126.5
Provision at 1 January and 31 December 2009	–
Net investment at 1 January 2008 and 2009	107.3
Net investment at 31 December 2009	126.5

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.

b) Principal joint ventures and associated undertakings

	Group's interest	Class of shares held	Country of registration	Principal activities
<i>Associated undertakings:</i>				
Multiconsult AS	24.7%	ordinary	Norway	Multi-disciplined consultancy
LINK Arkitektur AS	27.9%	ordinary	Norway	Multi-disciplined consultancy
<i>Joint ventures:</i>				
Ryan Hanley WSP Limited	50.0%	ordinary	Ireland	Civil engineering
Gifford WSP	50.0%	unincorporated	England	Civil engineering
Carillion WSP	40.0%	unincorporated	England	Civil engineering
WSP May Gurney	50.0%	unincorporated	England	Civil engineering
Barhale WSP	50.0%	unincorporated	England	Civil engineering

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.

13. Financial assets (continued)

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
WSP CBP Consulting Engineers AG*	100%	Multi-disciplined building design, registered in Germany
WSP Lincoln 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.

Notes to the financial statements – continued

For the year ended 31 December 2009

14. Deferred taxation

Deferred taxation asset

	Accelerated capital allowances £m	Temporary differences £m	Total 2009 £m	Total 2008 £m
Group				
At 1 January	0.2	9.7	9.9	8.2
Credited during the year	0.1	0.4	0.5	0.5
Movement in reserves	–	3.5	3.5	0.8
Foreign exchange movements	–	0.3	0.3	0.4
At 31 December	0.3	13.9	14.2	9.9
Company				
At 1 January	–	0.3	0.3	0.4
Movement in reserves	–	0.2	0.2	(0.4)
Charged during the year	–	(0.1)	(0.1)	0.3
At 31 December	–	0.4	0.4	0.3

Deferred taxation liability

	Work in progress £m	Temporary differences £m	Total 2009 £m	Total 2008 £m
Group				
At 1 January	10.6	0.5	11.1	7.9
On acquisition of subsidiaries	–	–	–	0.9
Charged during the year	3.0	(1.9)	1.1	3.2
Movement in reserves	–	(0.3)	(0.3)	(1.6)
Change in tax rate	–	–	–	(0.6)
Foreign exchange movements	(0.3)	–	(0.3)	1.3
At 31 December	13.3	(1.7)	11.6	11.1

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 £9.3m (2008: £5.5m) primarily relates to pension liabilities and the taxation treatment of employee share awards. In Sweden, a deferred taxation liability of £11.3m (2008: £10.6m) 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 £0.3m (2008: £1.3m) relates to short term differences on certain provisions.

15. Trade and other receivables

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Trade receivables	173.0	197.6	–	–
Less: provision for impairment of trade receivables	(30.9)	(20.2)	–	–
Trade receivables – net	142.1	177.4	–	–
Amounts recoverable on contracts	63.5	71.3	–	–
Amounts due from group undertakings (note 26)	–	–	106.3	127.1
Amounts due from joint ventures and associated undertakings	4.0	5.8	–	–
Other receivables	9.0	17.5	0.8	0.1
Prepayments and accrued income	12.0	11.9	1.8	2.1
	230.6	283.9	108.9	129.3

As at 31 December 2009, trade receivables of £69.0m (2008: £41.6m) were considered for potential impairment. The amount provided against these balances was £30.9m as at 31 December 2009 (2008: £20.2m). Factors that are considered when determining if a receivable should be impaired relate to the financial standing of the client in question, the general economic conditions in which the client is operating (particularly Dubai in 2009), the age of the outstanding amount, our past relationship and payment history with the clients and whether there are any open or current disputes or claims in existence with the client.

The allocation of the provision according to the date from issue of invoice is as follows:

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Less than 30 days	0.5	0.9	–	–
Between 30 and 60 days	0.3	1.0	–	–
Between 60 and 90 days	0.1	1.5	–	–
Between 90 and 120 days	0.2	2.8	–	–
Greater than 120 days	29.8	14.0	–	–
	30.9	20.2	–	–

As of 31 December 2009, trade receivables of £21.1m (2008: £47.7m) 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 the time overdue is as follows:

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Less than 30 days	7.4	2.1	–	–
Between 30 and 60 days	6.2	13.6	–	–
Between 60 and 90 days	2.3	12.6	–	–
Between 90 and 120 days	1.4	5.8	–	–
Greater than 120 days	3.8	13.6	–	–
	21.1	47.7	–	–

Notes to the financial statements – continued

For the year ended 31 December 2009

15. Trade and other receivables (continued)

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

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Sterling	40.2	50.0	–	–
Swedish Krona	29.3	29.1	–	–
US Dollar	30.9	46.0	–	–
Euro	10.9	13.8	–	–
UAE Dirham	9.5	17.8	–	–
South African Rand	8.3	10.5	–	–
Australian Dollar	6.0	5.7	–	–
Other currencies	7.0	4.5	–	–
	142.1	177.4	–	–

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

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
At 1 January	20.2	6.3	–	–
Provision for receivables impairment	15.8	14.3	–	0.2
Receivables written off during the year as uncollectible	(3.5)	(1.6)	–	(0.2)
Unused amounts reversed	(1.0)	(1.1)	–	–
Foreign exchange movements	(0.6)	2.3	–	–
At 31 December	30.9	20.2	–	–

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

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
<i>Current</i>				
Bank loans	2.2	3.0	–	–
Other loans	–	1.3	–	–
Bank overdrafts	1.2	2.4	2.1	–
Obligations under finance leases	0.6	0.4	–	–
	4.0	7.1	2.1	–
<i>Non-current</i>				
Bank loans	97.4	85.6	97.4	97.3
Cash flow hedges	1.4	–	1.4	–
Obligations under finance leases	0.8	1.0	–	–
	99.6	86.6	98.8	97.3

The total committed syndicated facility amounts to £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 2009 committed banking facilities amounted to £150m (2008: £150m), of which £43m (2008: £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, other payables and provisions

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Trade payables	36.5	45.1	0.4	0.3
Amounts due to group undertakings (note 26)	—	—	12.6	13.3
Amounts due to joint ventures and associated undertakings	2.2	2.3	—	—
Payments received on account	29.6	52.4	—	—
Other taxes and social security costs	21.3	24.0	—	0.3
Other payables, accruals and provisions	90.5	109.6	2.3	3.2
Deferred consideration (note 18)	9.6	12.2	—	1.9
	189.7	245.6	15.3	19.0

18. Provisions

Group	Deferred consideration £m	Property provisions £m	2009 Total £m	2008 Total £m
Current (note 17)	9.6	0.8	10.4	13.6
Non-current	0.1	0.3	0.4	8.9
Total	9.7	1.1	10.8	22.5
Movement in total provisions				
At 1 January	20.8	1.7	22.5	25.6
Created during the year	0.2	0.1	0.3	1.8
On disposal of subsidiaries	—	—	—	(0.9)
Unwinding of discounted deferred consideration	0.9	—	0.9	1.1
Amendments to fair value of consideration	—	—	—	2.0
Provisions utilised during the year	(12.0)	(0.7)	(12.7)	(12.0)
Foreign exchange movements	(0.2)	—	(0.2)	4.9
At 31 December	9.7	1.1	10.8	22.5

Company	Deferred consideration £m	Property provisions £m	2009 Total £m	2008 Total £m
Current (note 17)	—	0.5	0.5	2.3
Non-current	—	0.2	0.2	0.4
Total	—	0.7	0.7	2.7
Movement in total provisions				
At 1 January	1.9	0.8	2.7	4.4
Created during the year	—	—	—	0.2
Provisions utilised during the year	(1.9)	(0.1)	(2.0)	(1.9)
At 31 December	—	0.7	0.7	2.7

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.

Notes to the financial statements – continued

For the year ended 31 December 2009

19. Called up share capital

The share capital of the Company comprises 5p ordinary shares

	No. '000	Authorised £m	Issue price	No. '000	Allotted, called up and fully paid £m
At 1 January 2008	100,000	5.0		62,701	3.1
Issued during the year			5p to 548p	428	0.1
At 1 January 2009	100,000	5.0		63,129	3.2
Issued during the year			5p to 242p	456	–
At 31 December 2009	100,000	5.0		63,585	3.2

Details relating to the issue of shares are detailed in the statutory and other information section of the Directors' Report on page 60.

20. Reconciliation of profit to operating cash flows

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Profit for the financial year	13.5	36.8	5.3	22.8
Taxation	11.9	15.4	1.2	2.3
Depreciation	11.7	10.6	–	–
Performance share plan	(0.2)	1.7	–	0.6
Loss/(profit) on disposal of property, plant and equipment	0.4	(2.0)	–	–
Profit on disposal of businesses	–	(1.6)	–	–
Amortisation of intangible assets	4.1	4.8	–	–
Goodwill impairment	–	2.7	–	–
Pension curtailment gain	–	(6.4)	–	–
Dividend income	–	–	(2.0)	(17.1)
Finance income	(0.6)	(0.8)	(4.3)	(4.7)
Finance costs	5.2	7.8	2.2	5.1
Share of results of associates after taxation	(1.8)	(1.4)	–	–
Changes in working capital:				
Decrease/(increase) in trade and other receivables	59.8	(3.8)	2.0	(54.5)
(Decrease)/increase in trade and other payables	(62.1)	(9.7)	(1.8)	4.9
(Decrease)/increase in other provisions	(3.0)	(0.1)	–	–
Foreign exchange and non cash movements	0.4	1.6	0.4	(1.9)
Cash generated from operations	39.3	55.6	3.0	(42.5)

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

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Increase/(decrease) in cash balances in the year	4.9	0.1	(2.3)	1.9
Decrease/(increase) in bank overdrafts in the year	1.2	4.7	(2.1)	0.5
Increase/(decrease) in cash in the year	6.1	4.8	(4.4)	2.4
On disposal of subsidiaries	–	1.2	–	–
Finance lease repayments	0.1	0.5	–	–
New bank loans/drawdown on existing facilities	(9.2)	(7.0)	(0.1)	(38.3)
Movement in net debt resulting from cash flows	(3.0)	(0.5)	(4.5)	(35.9)
Foreign exchange movements	(0.4)	3.8	–	–
Movement in net debt in the year	(3.4)	3.3	(4.5)	(35.9)
Net debt at 1 January	(56.2)	(59.5)	(95.0)	(59.1)
Net debt at 31 December	(59.6)	(56.2)	(99.5)	(95.0)

22. Analysis of net debt

Group	1 January 2009 £m	Net cash flows £m	Foreign exchange £m	31 December 2009 £m
Cash balances	37.5	4.9	0.2	42.6
Bank overdrafts	(2.4)	1.2	–	(1.2)
Cash and cash equivalents	35.1	6.1	0.2	41.4
<i>Current</i>				
Bank loans	(4.3)	2.3	(0.2)	(2.2)
Finance leases	(0.4)	(0.2)	–	(0.6)
<i>Non-current</i>				
Bank loans	(85.6)	(11.5)	(0.3)	(97.4)
Finance leases	(1.0)	0.3	(0.1)	(0.8)
	(56.2)	(3.0)	(0.4)	(59.6)

Company	1 January 2009 £m	Net cash flows £m	31 December 2009 £m
Cash balances	2.3	(2.3)	–
Bank overdrafts	–	(2.1)	(2.1)
Cash and cash equivalents	2.3	(4.4)	(2.1)
<i>Current</i>			
Bank loans	–	–	–
Finance leases	–	–	–
<i>Non-current</i>			
Bank loans	(97.3)	(0.1)	(97.4)
Finance leases	–	–	–
	(95.0)	(4.5)	(99.5)

Notes to the financial statements – continued

For the year ended 31 December 2009

23. Pensions

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

	2009 £m	2008 £m
Defined benefit schemes	0.5	1.4
Curtailments and settlements	–	(6.4)
Defined contribution schemes	23.4	21.6
	23.9	16.6

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.

In Sweden, a proportion of the multi-employer Government run defined benefit plan is carried on the Group's consolidated balance sheet. Future service accrual under this arrangement ceased in 2008 where the employees became fully included in the Government plan's arrangements. 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 element of the scheme, it 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 comprehensive 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.

23. Pensions (continued)

Assumptions

UK	2009	2008
Rate of increase in pensionable salaries	nil	nil
Rate of increase in pensions in payment	3.3%	2.9%
Discount rate	5.7%	6.4%
Inflation assumption	3.7%	3.0%
Expected return on plan assets	6.3%	6.0%
Life Expectancy at age 65 (for member currently aged 65)		
– Men	87.2	87.2
– Women	89.6	89.6
Life Expectancy at age 65 (for member currently aged 50)		
– Men	88.7	88.7
– Women	91.0	91.0
Sweden		
Rate of increase in pensionable salaries	nil	nil
Rate of increase in pensions in payment	2.3%	3.0%
Discount rate	3.8%	4.0%
Inflation assumption	2.0%	2.0%
Expected return on plan assets	n/a	n/a
Life Expectancy at age 70		
– Men	86.7	84.7
– Women	89.0	87.7
Life Expectancy at age 50		
– Men	79.1	84.4
– Women	82.4	87.3

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

	2009	2008
Equities	56%	69%
Bonds	35%	19%
Property	1%	1%
Other	8%	11%
	2009	2008
	£m	£m
Fair value of plan assets	53.7	45.1
Present value of funded obligations (UK)	(83.2)	(64.6)
	(29.5)	(19.5)
Present value of unfunded obligations (Sweden)	(19.2)	(16.9)
Pension liability	(48.7)	(36.4)

Notes to the financial statements – continued

For the year ended 31 December 2009

23. Pensions (continued)

Amounts recognised in the income statement are as follows:

	2009 Total £m	2008 Total £m
Current service costs	0.5	1.4
Curtailments and settlements	–	(6.4)
Employee benefit costs	0.5	(5.0)
Finance costs	4.6	4.3
Expected return on plan assets	(2.9)	(3.8)
Net finance cost on pension liabilities	1.7	0.5

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

	2009 £m	2008 £m
Present value of obligation as at 1 January	81.5	85.4
Service cost	0.5	1.4
Curtailments and settlements	–	(6.4)
Contributions from scheme members	0.5	0.5
Benefits paid	(2.4)	(1.5)
Finance costs	4.6	4.3
Actuarial losses/(gains)	17.7	(4.3)
Foreign exchange differences	–	2.1
Present value of obligation as at 31 December	102.4	81.5

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

Fair value of plan assets as at 1 January	45.1	53.8
Expected return on plan assets	2.9	3.8
Contributions from scheme members	0.5	0.5
Contributions from employer	3.0	2.2
Benefits paid	(2.4)	(1.5)
Actuarial gains/(losses)	4.6	(13.7)
Fair value of plan assets as at 31 December	53.7	45.1

Analysis of the movement in net deficit

As at 1 January	36.4	31.6
Employee benefit costs	0.5	1.4
Net finance cost	1.7	0.5
Curtailments and settlements	–	(6.4)
Contributions from employer	(3.0)	(2.2)
Net actuarial loss recognised in the year	13.1	9.4
Foreign exchange movements	–	2.1
As at 31 December	48.7	36.4

Cumulative actuarial gains and losses recognised in equity

As at 1 January	(18.9)	(9.5)
Net actuarial losses recognised in the year	(13.1)	(9.4)
As at 31 December	(32.0)	(18.9)

23. Pensions (continued)

History of experience gains and losses

	2009	2008	2007	2006	2005
Experience adjustments arising on scheme assets:					
Amount (£m)	4.6	(13.7)	(0.3)	0.7	4.0
Percentage of scheme assets	10%	(25%)	(1%)	2%	9%
Experience adjustments arising on scheme liabilities:					
Amount (£m)	(0.1)	(0.7)	(2.7)	(0.9)	(3.9)
Percentage of scheme liabilities	0%	(1%)	(3%)	(1%)	(5%)
Changes in the assumptions underlying the value of scheme liabilities					
Amount (£m)	17.8	5.0	6.1	0.1	(10.7)
Percentage of scheme liabilities	22%	6%	7%	–	(14%)
Present value of scheme liabilities (£m)	102.4	81.5	85.4	82.4	75.9
Fair value of scheme assets (£m)	(53.7)	(45.1)	(53.8)	(49.8)	(44.9)
Deficit (£m)	48.7	36.4	31.6	32.6	31.0

Sensitivity analysis of the overall pension deficit to changes in principal assumptions is shown below:

Assumption	Change	Impact on deficit
Discount rate	+/- 0.1%	Decrease/ increase £1.8m
Inflation rate	+/- 0.1%	Increase/ decrease £1.0m
Mortality	+/- 1 year	Increase/ decrease £2.0m

The combined employee and employer contributions expected to be paid during the financial year ending 31 December 2010 amount to £3.9m.

24. 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 Financial Review on page 31.

a) Foreign currency risk

The Group is exposed to foreign exchange risk primarily with respect to the Euro 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 £42.6m and £0.0m respectively of cash and cash equivalents at the year end held in bank accounts (2008: £37.5m the Group; £2.3m 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 2009, 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 £0.7m (2008: £0.5m) 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. Comparative amounts have been restated.

At 31 December 2009, if sterling had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £0.8m (2008: £1.2m) 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. Comparative amounts have been restated.

Notes to the financial statements – continued

For the year ended 31 December 2009

24. Financial instruments (continued)

b) Liquidity and interest rate risk

The maturity of financial liabilities is as follows:

	Sterling £m	Swedish Krona £m	US Dollars £m	Other £m	Total 2009 £m
In one year or less, or on demand	0.2	–	2.2	1.6	4.0
In more than one year but not more than two years	–	–	–	0.4	0.4
In more than two years but not more than five years	91.4	1.3	6.1	0.4	99.2
	91.6	1.3	8.3	2.4	103.6

	Sterling £m	Swedish Krona £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

The Group's interest bearing financial liabilities are charged at floating rates. There are no fixed rate or non-interest bearing liabilities (2008: £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 or inter-bank offer rate. 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. A proportion of the floating rate sterling debt has been converted to fixed rates via an interest rate swap as detailed in d) below.

During 2009, 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 (2008: £0.1m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. During 2009, 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 £0.4m (2008: £0.3m) 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.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m
At 31 December 2009			
Financial liabilities (excluding cash flow hedges)	4.0	0.4	97.8
Cash flow hedges	–	–	1.4
Trade and other payables	36.5	–	–
	40.5	0.4	99.2
At 31 December 2008			
Financial liabilities	7.1	1.0	85.6
Trade and other payables	45.1	–	–
	52.2	1.0	85.6

There are no financial liabilities maturing in more than five years.

24. 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 and also net debt divided by earnings before exceptional items, interest, taxation, depreciation and amortisation ('adjusted EBITDA'). 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 2009 shareholders equity was £174.6m (2008: £185.2m) and net debt was £59.6m (2008: £56.2m) giving total capital of £234.2m (2008: £241.4m). The Group's current objective is to keep gearing below 50% and to ensure debt to EBITDA remains below 3 times. The gearing ratio at the end of the year equals 25% compared to the previous year of 23%. The ratio of debt to EBITDA is 1.02 times at the end of the year compared to 0.8.

c) Credit risk

The Group has no significant concentrations of credit risk with the exception of the Middle East, specifically Dubai. A detailed review has been carried out on all amounts due from clients in relation to our operations in the region and this resulted in the exceptional charge as shown in the income statement. Further work carried out in this region is monitored closely and judged on a case by case basis. The Group has implemented policies that require appropriate credit checks on potential customers before work commences.

d) Derivative financial instruments and hedging activities

The Group continually reviews its exposure to interest rate risk and during the year fixed the interest on a proportion of the floating rate financial liabilities drawn on the Group's banking facility. This was effected via an interest rate swap where the Group agrees to exchange, at quarterly intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated as a cash flow hedge to hedge underlying debt obligations and are accounted for at fair value. The fair value of cash flow hedges are recognised in accordance with the provisions governing fair value hedge accounting; that is at amortised cost less the fair value of the hedged interest rate risk. Their fair values are determined using valuation techniques which use data from observable markets, and assumptions are based on market conditions existing at each balance sheet date. Under IFRS 7, these fall within the fair value hierarchy of level 2. The cash flows relating to the cash flow hedges commence on 31 January 2010 and these will affect the income statement from that date.

e) Fair values

The following table shows the financial liabilities carried at fair value:

At 31 December 2009	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Cash flow hedges	—	1.4	—	1.4
	—	1.4	—	1.4

There were no outstanding currency swaps or derivatives at 31 December 2009 (2008: £nil). 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.

Notes to the financial statements – continued

For the year ended 31 December 2009

25. Guarantees, contingent liabilities and other commitments

At 31 December 2009 the Company and certain subsidiary undertakings cross guarantee the bank loans of the Group.

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.

At 31 December 2009 the Group had capital commitments amounting to £3.0m (2008: £nil).

No other commitments, either authorised or contracted for, existed in either the Group or its joint ventures at 31 December 2009 (2008: nil).

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

	2009 £m	Group 2008 £m	2009 £m	Company 2008 £m
Equipment and plant:				
Within one year	1.2	3.5	–	–
Between two and five years	4.0	6.9	–	–
After more than five years	0.1	–	–	–
	5.3	10.4	–	–
Property:				
Within one year	18.6	30.4	–	–
Between two and five years	63.1	55.9	–	–
After more than five years	41.3	27.7	–	–
	123.0	114.0	–	–

The amounts shown in property commitments for the Group have been reclassified for the comparative year.

26. 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 £1.2m (2008: £0.5m) and the Group purchased services of £1.7m (2008: £0.3m).

At 31 December 2009 a net balance of £1.7m (2008: £3.5m) 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 2009, the maximum total due to these senior employees was £9.7m (2008: £20.8m), 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 £8.6m (2008: £6.8m). During the year, the Company received interest on loans to other Group companies amounting to £3.5m (2008: £4.7m) and paid interest on loans from other Group companies of £0.0m (2008: £0.1m). The Group received dividends from subsidiary undertakings amounting to £2.0m (2008: £17.1m).

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.

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

At 31 December 2009 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 2009	Exercised	Lapsed	Awarded	At 31 Dec 2009	Exercisable at 31 Dec 2008	Exercisable at 31 Dec 2009
WSP Group plc 1997 Share Option Plan								
30.06.2002-30.06.2009	183.0p	25,753	(19,166)	(6,587)	—	—	25,753	—
26.05.2003-26.05.2010	242.0p	59,202	(4,381)	—	—	54,821	59,202	54,821
06.04.2004-06.04.2011	*429.0p	57,528	—	—	—	57,528	57,528	57,528
06.04.2005-06.04.2012	*334.0p	76,500	—	—	—	76,500	76,500	76,500
10.04.2006-10.04.2013	*75.0p	14,000	—	—	—	14,000	14,000	14,000
		232,983	(23,547)	(6,587)	—	202,849	232,983	202,849
WSP Group plc 1997 Performance Share Plan								
01.04.2008	0.0p	—	—	—	—	—	—	—
		—	—	—	—	—	—	—
WSP Group plc 1997 Deferred Bonus Share Plan								
01.04.2008	0.0p	—	—	—	—	—	—	—
01.04.2009	0.0p	69,693	(69,693)	—	—	—	—	—
		69,693	(69,693)	—	—	—	—	—
WSP Performance Share Plan 2006								
01.04.2009	216.7p	245,414	(245,414)	—	—	—	—	—
03.04.2010	0.0p	231,159	—	—	—	231,159	—	—
03.07.2010	0.0p	8,700	—	—	—	8,700	—	—
09.04.2011	0.0p	391,180	—	(17,984)	—	373,196	—	—
10.05.2012	0.0p	—	—	(90,554)	1,013,994	923,440	—	—
		876,453	(245,414)	(108,538)	1,013,994	1,536,495	—	—
		1,179,129	(338,654)	(115,125)	1,013,994	1,739,344	232,983	202,849

The weighted average share price at the date of exercise for share options exercised in the period was 238.8p. 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 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.

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 2009 in the accounts of WSP Group plc was £0.2m (2008: £1.7m) which includes a £0.4m charge (2008: £0.1m) of employers NIC, of which £0.4m (2008: £0.1m) is included in payables at the balance sheet date.

In respect of share awards granted during the period of 1,013,994, the weighted average fair value of the shares amounted to 261p calculated using the Black Scholes valuation model. The inputs to this model included, inter alia, an average yield of 1.5% 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 2009 the Trust owned no ordinary shares of the Company (2008: none). The performance conditions applicable to awards granted under the Performance Share Plan are set out in the Remuneration Committee Report.

Five Year Review

Consolidated income statements

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Revenue	723.3	755.2	556.5	432.9	360.9
Adjusted Profit before interest and taxation	43.1	58.1	43.4	30.3	22.9
Exceptional items	(12.0)	1.5	–	–	–
Profit on sale of subsidiary undertaking	–	1.6	–	–	–
Amortisation of intangible assets arising on business combinations	(1.1)	(2.1)	(1.7)	(0.4)	(0.1)
Profit before interest and taxation	30.0	59.1	41.7	29.9	22.8
Net finance costs	(4.6)	(7.0)	(3.8)	(3.2)	(2.8)
Profit before taxation	25.4	52.1	37.9	26.7	20.0
Taxation	(11.9)	(15.4)	(11.1)	(7.5)	(6.0)
Profit for the financial year	13.5	36.7	26.8	19.2	14.0
Minority interests	(0.5)	0.1	(0.1)	–	(0.3)
Profit attributable to equity shareholders	13.0	36.8	26.7	19.2	13.7
Dividend per share	15.0p	15.0p	12.0p	9.0p	6.4p
Basic earnings per share	20.6p	58.3p	43.0p	31.4p	22.8p
Basic earnings per share before operating exceptional items, profit on sale of subsidiary undertaking and amortisation of intangible assets arising on business combinations	40.9p	57.5p	45.6p	32.0p	22.8p

Consolidated balance sheets

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Non-current assets	264.5	267.9	219.1	141.3	129.5
Current assets	273.2	321.4	249.6	169.7	133.3
	537.7	589.3	468.7	311.0	262.8
Current liabilities	(199.6)	(258.7)	(215.1)	(125.0)	(96.4)
Total assets less current liabilities	338.1	330.6	253.6	186.0	166.4
Non-current liabilities	(160.3)	(143.0)	(128.2)	(91.9)	(83.5)
Net assets	177.8	187.6	125.4	94.1	82.9
Called up share capital	3.2	3.2	3.1	3.1	3.0
Share premium account	81.8	81.5	81.2	77.8	76.7
Other reserves	33.5	38.3	1.5	(2.6)	2.1
Retained earnings	56.1	62.2	38.7	15.8	0.5
Equity shareholders' funds	174.6	185.2	124.5	94.1	82.3
Minority interests	3.2	2.4	0.9	–	0.6
Total equity	177.8	187.6	125.4	94.1	82.9

Shareholder information

WSP Group plc

Registered in England.
Company number: 02136404

Company Secretary and Registered Address

Graham Bisset
WSP Group plc
WSP House
70 Chancery Lane
London
WC2A 1AF

Financial calendar

- **Annual General Meeting:**
5 May 2010
- **Results announcements:**
Full year 1 March 2010
Half year 26 July 2010
- **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, lines are open 8.30am-5.30pm Mon-Fri), 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, lines are open 8.30am-5.30pm Mon-Fri), or from overseas: +44 20 8639 3402.

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

Unsolicited mail

The Company is legally obliged to make its register of members available to other organisations. 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

Shareholder information – continued

Preference Service, FREEPOST 29 LON20771, London W1E 0ZT. Alternatively, UK shareholders may register online at www.mpsonline.org.uk or by telephone in the UK on 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 sends 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
Arenavagen 7
Stockholm
Sweden
Tel + 46 (0)8 688 6000
Fax + 46 (0)8 688 6999

GERMANY

WSP CBP Consulting Engineers
Georg-Muche-Str. 1
80807 Munich
Germany
Tel + 49 89 28633-0
Fax + 49 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
29/F, Two Landmark East
100 How Ming Street
Kwun Tong, Kowloon
Hong Kong SAR
Tel + 852 2217 2000
Fax + 852 2802 9626

AUSTRALIA

WSP 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
PO Box 7497
Convention Tower
Dubai
United Arab Emirates
Tel + 971 4 329 2399
Fax + 971 4 329 2389

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

ADVISERS

SHARE REGISTRARS

Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

SOLICITORS

Nabarro
Lacon House
Theobald's Road
London
WC1X 8RW

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

JOINT STOCKBROKERS

RBS Hoare Govett Limited
250 Bishopsgate
London
EC2M 4AA

Numis Securities Limited
The London Stock Exchange
Building
10 Paternoster Square
London EC4M 7LT

PRINCIPAL BANKERS

Barclays Bank plc
50 Pall Mall
London
SW1A 1QB

Bank of America N.A.
1185 Avenue of the Americas
New York
New York 10036

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Swedbank AB
S-105 34
Stockholm
Sweden

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

UNITED
BY OUR
DIFFERENCE

