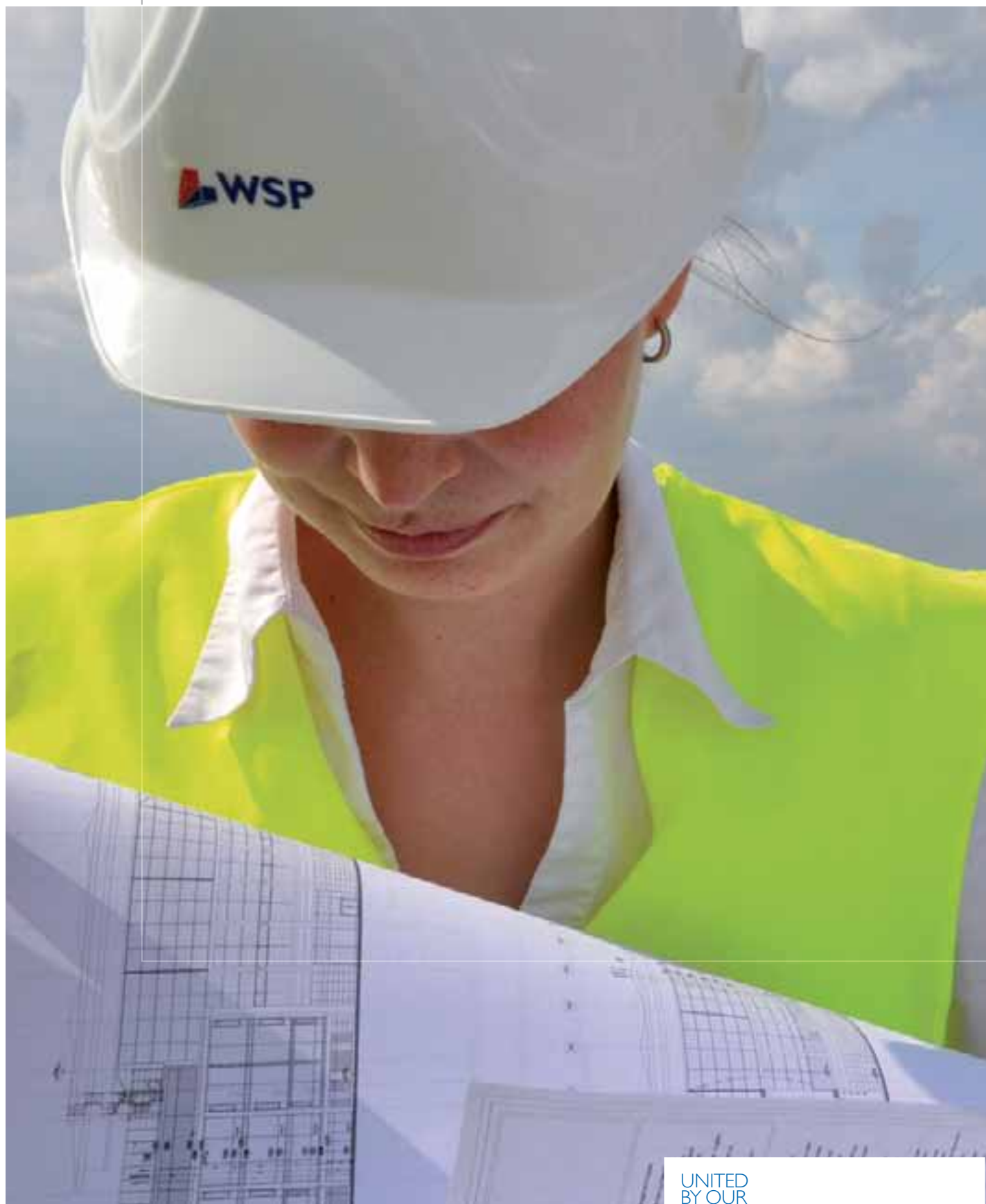


WSP ANNUAL REPORT AND ACCOUNTS 2010



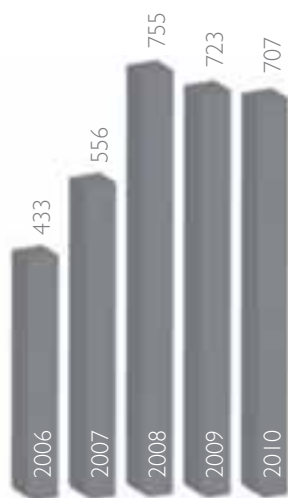
UNITED
BY OUR
DIFFERENCE



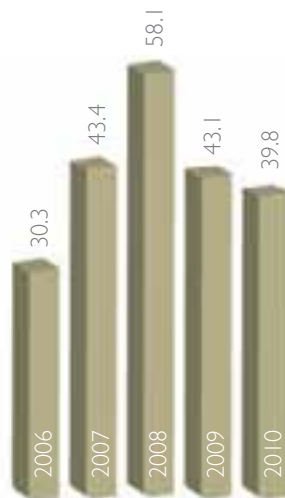
FINANCIAL HIGHLIGHTS 2010

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

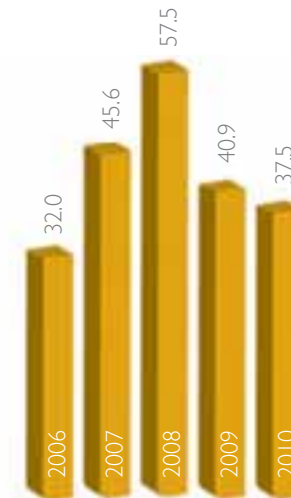
Our values are **Pride & Passion, Trust, Sustainability, Sharing & Supporting and Innovation.**



Revenue (£m)



Adjusted profit before interest and taxation (£m)*



Adjusted basic earnings per share (pence)*

* Profit before interest and taxation together with basic earnings per share are adjusted 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 100.



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WSP AT A GLANCE

WSP is one of the world's largest consultancy groups serving clients in the built and natural environment. Our diverse business has grown through strategic development across four core divisions, enabling us to deliver specialist or fully integrated services on private and public sector projects around the world.

Property

WSP is a world-leading property services firm, providing comprehensive engineering, environmental and delivery services on some of the most prestigious projects across the globe. These cover a wide range of sectors, including commercial, healthcare, education, cultural centres, sports and leisure, and major urban regeneration schemes. WSP strives to minimise the environmental impact of projects and to maximise the benefits for clients and local communities.

Environment & Energy

Our global consultancy teams specialise in identifying, evaluating and mitigating environmental and business risks across the built and natural environments, and shaping sustainable solutions for governments and corporate clients around the world. We offer a strategic approach to sustainability and corporate responsibility, alongside specialist services including contaminated land analysis, environmental planning, energy efficiency, renewables, and waste and carbon management.

Transport & Infrastructure

Our reputation as one of the foremost transport and infrastructure specialists has been developed over many successful global projects. Our expertise is sought by governments around the world to create sustainable long-term transportation strategies, and to advise on a national and regional level over the complete life cycle of a wide range of major projects. We have particular strengths in planning, analysing, designing and managing projects in aviation, bridges, highways, intelligent traffic systems, marine and rail.

Management & Industrial

WSP provides a range of management consultancy services to public and private sector clients in fields such as health, education, aviation, infrastructure, security, retail, project finance and international development. We deliver project and planning management and front end management consulting services, including the strategic, technical and commercial support required for complex construction projects. We also provide specialist advice on industrial process engineering, with major clients in the power, petrochemical, mining, manufacturing and pharmaceutical industries.

REVENUE BY DIVISION



1. Property	£324.6m
2. Transport & Infrastructure	£203.5m
3. Environment & Energy	£86.0m
4. Management & Industrial	£92.8m

REVENUE BY GEOGRAPHY



1. United Kingdom	£220.3m
2. Mainland Europe	£261.8m
3. United States of America	£104.3m
4. Africa, India & Middle East	£64.2m
5. Far East & Australia	£56.3m



Zayed National Museum, Abu Dhabi



London Bridge Station, UK



U.S. Coast Guard HQ

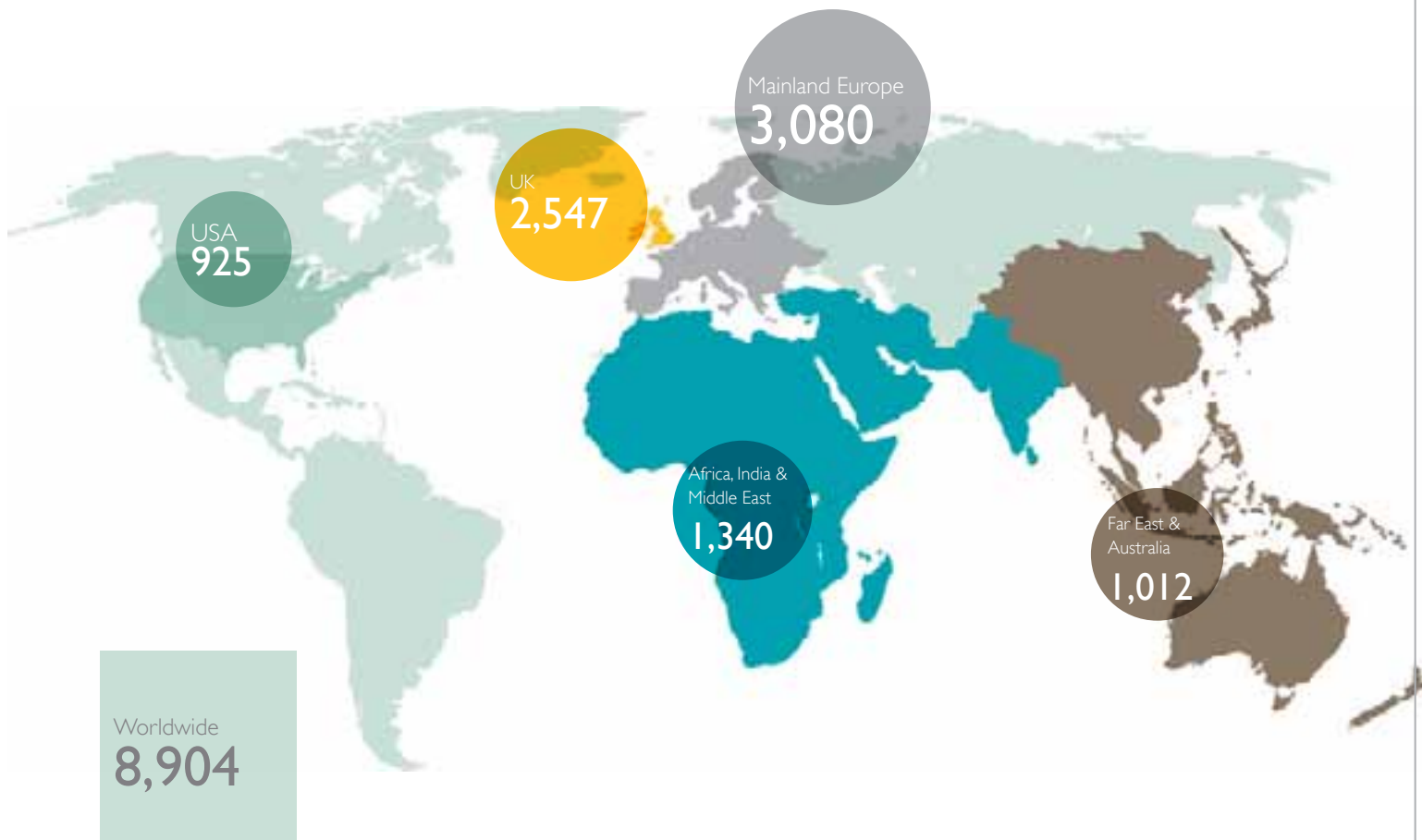


Berlin Airport, Germany

WSP is one of the world's leading engineering and design consultancies, with a global workforce of 9,000 people who are experts in their field. The group has permanent offices in 35 countries and project experience in more than 60, and we are continuing to expand in a number of key markets. We pride ourselves on offering a diverse range of skills and outlooks, while remaining united by our passion and professionalism wherever we work.

As one of the UK and Europe's leading multidisciplinary consultants, we offer a comprehensive portfolio of services throughout these regions to new and repeat clients in many sectors. We are well-established in the USA, where our internationally recognised specialists in high-rise structures are based and our transportation business continues to grow. We also have strong coverage across Africa, India, the Middle East, Australia and the Far East.

GLOBAL EMPLOYEE NUMBERS



OUR STRATEGY AND BUSINESS MODEL



OUR STRENGTH IS OUR DIVERSITY, the diversity of our people, of our markets, and of the sectors in which we operate. This diversity helped us to expand rapidly during the global construction boom. Now it will enable us to maintain sustainable growth in key markets, and to create opportunities where we are already well-established. We will continue to build our expertise and reputation worldwide: nurturing relationships with clients, offering our people varied and rewarding careers, and supporting them with innovative technologies, efficient processes and strong management. So that wherever those opportunities are, we are ready to seize them.





L-R: Åsa Hindsé, Jonas Roovete, Erica Landén and Johan Lundqvist, Civil Engineers, Stockholm, Sweden



In late 2010 we launched a clear new Strategy Plan for growth underpinned by improved performance.

It builds on the successful outcomes of our five-year strategic plan from 2005 and the subsequent interim plan designed to manage the business during difficult economic times. With our proven business model at its core our Strategy Plan 2011–2015 is a straightforward, responsible, deliverable plan, which plays to our strengths whilst recognising the varying economic environments that prevail.

Proven Business Model

In developing our Strategy Plan we reviewed our business model and are confident that it remains valid and appropriate. As a global, multidisciplinary professional services company providing design and management services to the built and natural environment, we are a business that encourages diversified growth. We have diversified our business across services, skills, geographies and the public and private sectors. This diversity has served us well in allowing us to adapt to the changing dynamics in our markets and providing us with the necessary resilience in the face of recent downward pressures in certain regions and sectors whilst being well positioned for the stronger markets.

We are a business that recognises the mutual importance of all our stakeholders – clients, staff, shareholders and society. We strive to be always client focused and to provide an appropriately scoped, excellent service from staff who feel valued and have exciting career opportunities. We intend to instil confidence in our shareholders that we are well managed, ambitious and strategic, and over the cycle provide good shareholder returns.

Stepping Up to Tomorrow's Opportunities

Throughout 2009 and 2010 we implemented our interim plan to address the challenges of global economic downturn. Its purpose was to protect our position by focusing on the operational priorities of delivering quality services to clients, aligning costs to revenue and ensuring effective cash management.

Whilst continuing to adhere strictly to this operational focus, the new Strategy Plan provides

a strategic direction for the WSP Group for the next five years. It will ensure that we are strongly and appropriately positioned for today's varied markets and tomorrow's opportunities.

Our Plan to continue delivering value for all stakeholders through diversified growth rests on five pillars:

1. Diversified Regional and Sector Growth

We will continue to diversify our regions and sectors and have identified the areas where we will concentrate our efforts. Our key focus will be on developing our existing geographies where we have established businesses and strong, proven management teams to capitalise on the opportunities that exist and to continue to build our multidisciplinary model. In addition to the UK and Sweden where we have well-developed and mature businesses, we have selected other existing regions for further development, particularly Northern Europe, North America, Australia and South East Asia.

We will also strengthen our capability in our core sectors across all our regions. We will concentrate on transportation and infrastructure, capitalising on the significant opportunities offered by the global trend for urbanisation.

We will continue to develop our rail business, aiming to retain our position as one of the leaders in Scandinavia and to progress to a top three position in the UK, as well as continuing to expand into our regions where rail development is confirmed. To complement our existing developed activities in the environmental, energy and sustainability sectors we have established WSP Future Energy to increase our share of the renewable energy market. We will also seek to further develop our industry business on both regional and international platforms taking advantage of our core industrial process skills and significant understanding of industrial markets in Scandinavia and Southern Africa.

Whilst progressing these business sectors we will continue to ensure we retain our leading position in the private real estate sector in readiness for further market improvements.

“

“Our Plan to continue delivering value for all stakeholders through diversified growth rests on five pillars.”



“““

“Our Strategy Plan and business model are underpinned by the WSP brand, our culture and our support services...”

Christine Roenisch, Project Manager, Berlin Brandenburg International Airport, Germany

2. Operational Efficiency

Accelerating efficiency and effectiveness across the business will enable us to leverage our huge global resource of knowledge, experience and expertise to better serve our clients, benefit our business and increase our margins. This will be achieved by embarking on new initiatives and developing a range of technologies, tools and processes.

This will include:

- investing in technology such as Building Information Modelling (BIM), for greater competitive advantage and cutting-edge project delivery;
- further locating parts of our design work to lower cost countries for significant cost advantages, enabling us to win more projects and more complex work;
- developing Assignment Management systems across the business to ensure lean and reliable processes that improve the quality and efficiency of the management of projects throughout their lifecycle;
- embedding sustainability in all our services, in the work we do for clients and in our internal operations; and
- increasing project management and contract controls.

3. Client Care

Client retention and repeat business are the foundation of our success. The majority of our revenues are derived from local client relationships across our five regions. We will continue to strengthen and develop these through client care programmes and we have introduced formal reporting for repeat business.

In addition we aim to leverage our global footprint to increase the amount of business that comes from global clients, which are generally major companies with operations in a number of different geographic regions.

4. Joint Ventures and Alliances

Entering into strategic alliances and joint ventures will bring new growth opportunities in markets where acquisitions are inappropriate and international opportunities, such as large global projects, are best served by partnerships that provide expertise and share risk. They will also be the appropriate route to growth in certain regions. We expect to partner with fellow professionals, contractors and clients as appropriate.

This variation to the WSP model and culture offers a way of growing in areas where we might otherwise be constrained by the financial requirements, lack of specific skills or insufficient regional presence and it is complementary to our proven acquisitive growth.

5. Optimal Support Services

Our Strategy Plan and business model are underpinned by the WSP brand, our culture and our support services including HR, Finance and IT. We are involved in a wide range of activities to support the development of the Plan, taking advantage of economies of scale and global connectivity. These include:

- embedding WSP as a distinct and recognisable brand across all our regions and sectors to support our global culture which, together with our vision and values, is integral to all parts of the Group;
- establishing efficient information systems and communications platforms based on a unified technical IT infrastructure to assist in knowledge-sharing and cooperation across the globe and thus maximise cross-selling and cross-delivery;
- continuing and developing training and development via WSP University and our talent management programme in addition to communicating clear career routes, with remuneration and benefits in line with the markets;
- ensuring smooth delivery of the Group Strategy, which will be monitored by the Global Leadership Team.

Our business is structured to enable us to benefit from the strong relationships we enjoy locally while at the same time enabling global connectivity to meet the purchasing and operating patterns of increasingly global clients.

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“...we will continue to ensure we retain our leading position in the private real estate sector in readiness for further market improvements.”

CHAIRMAN'S STATEMENT

I am pleased to report that the Group produced a 2010 trading performance in line with our expectations in what proved to be a year of varied markets. Following a strong end of year cash performance our year-end net debt level was better than expected.



Our geographic and sector diversity supported these results ensuring that we performed well in our healthier markets whilst generally trading resiliently in the more difficult markets. In particular, the strengths of our European business provided the counterweight to a challenging UK trading environment. Our activities across the Group face both the public and private sectors and whilst we saw encouraging signs of progress in some of our private sector businesses, we have yet to see a strong recovery in the UK and USA. In the public sector we continued to see a strong performance in our major Swedish market while the UK slowed, particularly in the second half of the year, as the new government confirmed its plans in the Comprehensive Spending Review (CSR).

Results

The Group's revenue reduced to £706.9m representing a decrease of 2.3% from 2009. Operating profit, before exceptional items, reduced to £38.0m from £41.3m after absorbing £1.5m of restructuring costs (2009: £6.2m), resulting in a pre-exceptional operating margin of 5.4%. Profit before tax and exceptional items was £35.0m. We are pleased with the strength of our operating cash flows given the liquidity pressures faced in a number of markets. Our year-end net debt of £59.0m is in line with the prior year and we continue to operate well within our banking covenants with £150m of banking facilities which are in place at favourable terms through to 2013.

Our strongest region in 2010 was Northern Europe where Sweden is significantly our largest market. This region contributed 37% of Group revenues in 2010 up from 33% in 2009. Our European business is weighted towards the public sector where spending remains strong but we also saw good recovery in our private sector

activities in a Swedish economy which returned GDP growth of around 5% in 2010.

In the UK, which contributed 31% of Group revenues in 2010 compared with 35% in 2009, we saw some modest recovery in the Property sector although our Transport & Infrastructure business which largely addresses the maintenance of public sector assets, saw a significant decline reflecting the impact of the CSR and the conclusion of our Area 12 Highways Agency contract as announced in 2009.

In the USA, our activities are weighted to the private sector and we saw steady revenue and continued to generate good profits and margins in that market. Our smaller public sector infrastructure business achieved a good performance in line with 2009.

We saw a mixed performance across our smaller regions. Asia showed strong growth, and in Africa we saw a strong first half performance ahead of the World Cup, but a slower second half. Our business in Australia, under new management, gained good momentum in the second half of the year after a difficult start. Performance in the Middle East was disappointing in what continues to be a very challenging market and we continue to monitor events and to keep this business under close review.

Our industrial process business in the UK, WSP CEL, has found trading challenging during the recent downturn as its industrial client base has reduced capital budgets. As previously announced we have therefore restructured this business and will integrate it into our core UK operations where we will benefit from its skills and client base. The costs associated with this restructuring including the partial write off of the goodwill associated with WSP CEL, have been reported as an exceptional item in these

accounts. We have also sold a loss-making testing laboratory in our UK Environment & Energy business and the losses associated with this disposal are reported as an exceptional item.

People

Our staff numbers remained relatively constant in 2010 at about 9,000 people. We saw a modest increase in head count in Sweden with an equivalent reduction in the UK and Middle East.

We have a well-motivated workforce that has the opportunity to work on iconic projects worldwide. We remain very appreciative of their hard work and commitment and strive through our culture and leadership to ensure we remain their employer of choice. The Group continues to make appropriate investment in graduate recruitment, staff development and training.

We have made a number of Board changes during the year to strengthen our Management team and address succession planning. I am pleased to have welcomed Paul Dollin, UK Managing Director, and Rikard Appelgren, European Managing Director, to the Board as Executive Directors. Marisa Cassoni, a Non-Executive Director, left the Board during the year and I would like to thank her for her contribution. On 1 January 2011, Huw Davies joined the Board as a Non-Executive Director. Huw will assume the Chair of the Audit Committee following completion of the Group's 2010 Accounts.

As previously announced, after serving for 14 years as a Director, of which 8 have been as Chairman, it is my intention to step down and retire from the Board once a new Chairman has been found. This search process is underway.

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 2011 to shareholders on the register on 8 April 2011.

Outlook

Whilst we are anticipating that our markets and trading patterns will be broadly maintained in 2011, the Group remains well placed both to

manage difficult market conditions and to benefit quickly from opportunities as trading conditions improve. We expect the trading environment to continue to improve, albeit slowly, in the private sector in our major markets where we are well-positioned, whereas the outlook for public expenditure is more varied, with the market in Sweden continuing to be strong but the UK weak.

We are optimistic with regard to our substantial European operations, specifically Sweden, where we are seeing strong markets and workloads across all sectors. However, the UK market is expected to remain subdued as a consequence of reduced public sector spending and without a wider compensating recovery in the private sector. Despite a challenging market, opportunities are expected to arise as our strong blend of public and private sector clients and experience uniquely positions us to support the expected marriage of private and public sector assets as evidenced by our wins at Bond Street Crossrail, and the Shard and London Bridge regeneration projects.

We are confident that our USA businesses will continue to perform resiliently and remain very well positioned to benefit from improving trading conditions. We view with optimism the progress of our operations in Australia, Africa and the Far East in sound economies. However, we remain cautious in respect of our activities in the Middle East where, although there are opportunities, these are competitive and slow to progress.

The Group recently presented its new five year Strategy Plan looking forward to 2015. This plan sets out the ambition of the Group to continue to grow both organically and through acquisition and to improve its performance, and it articulates how this can be achieved. WSP remains one of the most diversified businesses in its field with a well balanced portfolio of global and regional clients working across all sectors which provides many opportunities. The Board is therefore confident that the Group, which is well managed and financed, will maintain its momentum and performance where economies are currently strong and rapidly take advantage as the more difficult markets improve.

David Turner,
Chairman
28 February 2011

“““

“We have a well-motivated workforce that has the opportunity to work on iconic projects world-wide.”

OPERATIONAL REVIEW

The Group has achieved a resilient financial performance in line with management's expectations in a challenging year of varied but generally difficult market conditions. This has been enabled by our strategy of diversification across sectors and geographies and our continuing focus on balancing the delivery of quality with effective cost and cash management.



The strength of our substantial Northern European business, centred around Sweden, has helped to offset weakness in certain other markets. Our UK business was affected by reduced public sector spending in the second half of the year, which particularly impacted our transportation business, and a private sector market that remains relatively subdued. Globally, there are indications that the private sector has stabilised and is slowly beginning to show signs of improvement. This is most apparent at the higher quality end of the market, although more material improvement will require additional liquidity.

Performance was varied across our other regions. We delivered a solid performance in the US, despite difficult markets, and in Africa we enjoyed a good year, albeit somewhat slower in the second half after the World Cup. The Far East showed strong growth, although this is only a small region for WSP. These helped to offset continuing losses in the Middle East, where we continue to keep our business under close review, and a disappointing year in Australia, where we saw a much improved second half performance in a relatively good market under the guidance of new management.

As a result of difficult trading conditions our UK industrial process engineering business, WSP CEL, has been restructured and will be integrated into our core UK operations, where we will benefit from its skills and client base. The costs associated with the restructuring, including the partial write-off of the goodwill arising on its acquisition, have been reported as an exceptional item in these accounts. Similarly, due to a saturated market in laboratory services, a non-core activity for WSP, we sold a loss-making testing laboratory in our UK Environment & Energy business. This also is reported as an exceptional item.

Towards the end of the year we launched the Group Strategy Plan for 2011 – 2015, providing a route map for the next five years whilst ensuring flexibility to respond to opportunities and changing markets around the world. Our Strategy Plan will run in parallel with our continuing focus on the business imperatives of client delivery, cost control and cash management.

Our focus on client delivery was rewarded with some significant project wins during 2010 spanning all our geographies, market sectors and disciplines and we entered into a number

University of Frankfurt, Germany

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“Our focus on client delivery was rewarded with some significant project wins in 2010 spanning all our geographies.”

of important framework agreements with major clients in the public and private sectors. Initiatives to increase global cooperation between our businesses are enabling us to grow our share of international projects by aligning with the global outlook of clients such as Barclays Capital, Stanley Black & Decker, Federal Mogul and Microsoft.

In terms of costs we maintained a relatively stable platform throughout 2010, having undertaken significant restructuring to align our workforce to the marketplace in 2009. Worldwide staff numbers remained fairly constant, with recruitment in Sweden offsetting the drop in numbers due to the downturn of the UK transport sector and the continuing challenges in the Middle East. The restructuring costs amounted to £1.5m and have been absorbed in our trading results.

With liquidity pressures in a number of our markets, we continue to target actively the efficient management of working capital across our business. We were pleased with the final outcome, with net debt at year end of £59.0m, which leaves the Group comfortably financed within its £150.0m bank facility which runs to 2013. Our order book at the end of the year was £908m, a reduction of 5% on the same time last year. This particularly reflects the contracting markets in the UK public sector and in the Middle East.

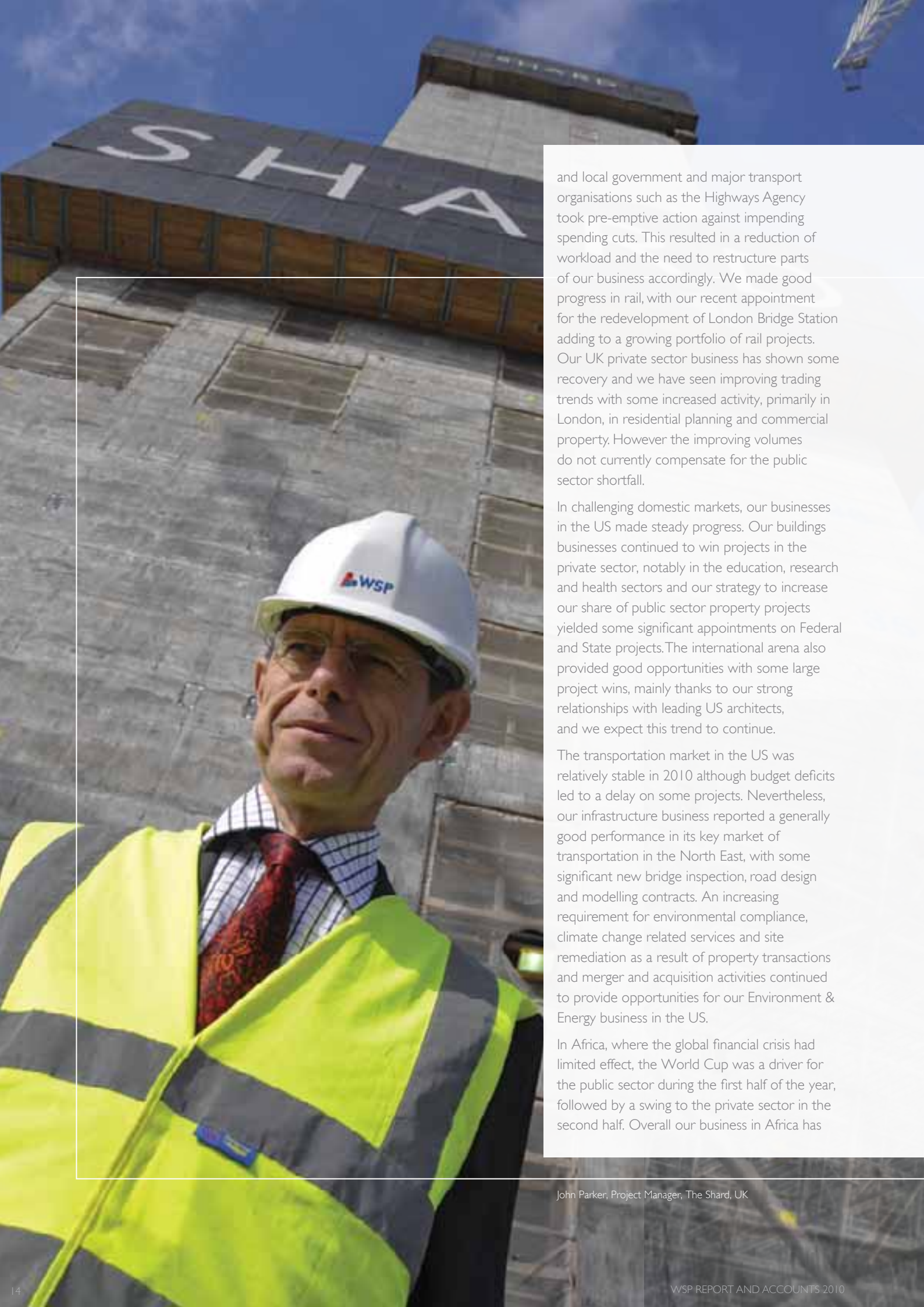
We strengthened our senior management team during the year with a number of appointments and promotions. We continue to demonstrate our commitment to motivating, developing and retaining our staff through investment in our graduate intake, WSP University, talent management programme and global Taskforces.

Our Regions

Sweden is the largest contributor to our European operations, contributing around 75% of our revenues in the region, and it continues to deliver a strong performance. As a market leader in Sweden, we enjoy high workload levels and prospects and, despite increased price competition and some pressure on margins, we are encouraged by the volume of activity across both the public and private sectors and the wider economic outlook. With some 70% of our Swedish business in the public sector, we have benefited from continued spending on major transport and infrastructure projects and from recovery in the industrial sector, particularly in minerals, steel and paper and pulp. Our Environment & Energy business in Sweden also continues to make good progress, with a high level of demand for sustainability consultancy and a good market for our expertise in all aspects of energy supply, distribution and demand.

Our other European businesses in Germany, Finland, Poland and Romania have experienced varying markets. WSP CBP achieved a strong performance underpinned by an improving German economy, while our Finnish business faced a challenging market. We are cooperating on a number of joint projects with our associate company in Norway, Multiconsult, which continues to perform well.

Market conditions in the UK remained challenging. We experienced relative stability in the first half of the year as the public sector continued to perform and the private sector responded positively. However the second half of the year became much more difficult as central



and local government and major transport organisations such as the Highways Agency took pre-emptive action against impending spending cuts. This resulted in a reduction of workload and the need to restructure parts of our business accordingly. We made good progress in rail, with our recent appointment for the redevelopment of London Bridge Station adding to a growing portfolio of rail projects. Our UK private sector business has shown some recovery and we have seen improving trading trends with some increased activity, primarily in London, in residential planning and commercial property. However the improving volumes do not currently compensate for the public sector shortfall.

In challenging domestic markets, our businesses in the US made steady progress. Our buildings businesses continued to win projects in the private sector, notably in the education, research and health sectors and our strategy to increase our share of public sector property projects yielded some significant appointments on Federal and State projects. The international arena also provided good opportunities with some large project wins, mainly thanks to our strong relationships with leading US architects, and we expect this trend to continue.

The transportation market in the US was relatively stable in 2010 although budget deficits led to a delay on some projects. Nevertheless, our infrastructure business reported a generally good performance in its key market of transportation in the North East, with some significant new bridge inspection, road design and modelling contracts. An increasing requirement for environmental compliance, climate change related services and site remediation as a result of property transactions and merger and acquisition activities continued to provide opportunities for our Environment & Energy business in the US.

In Africa, where the global financial crisis had limited effect, the World Cup was a driver for the public sector during the first half of the year, followed by a swing to the private sector in the second half. Overall our business in Africa has

John Parker, Project Manager, The Shard, UK

delivered a solid performance, with the private sector gaining strength predominantly in mixed use development, commercial office and leisure markets, although public sector spending has been restrained since the World Cup.

In the Middle East our performance was poor. Low levels of private sector investment across the region, minimal activity in Dubai and the tightening of available fees made for an extremely competitive environment and further restructuring was necessary in line with a reduced workload. The key regional driver has shifted from commercial real estate to developing the infrastructure for an increasing population and we have increased our focus on the transportation and infrastructure market where we are beginning to make some inroads.

Our performance in Australia was disappointing in the first half of the year, but following our recent management changes we saw improvements in the second half with increased momentum in a generally good market. We are supporting the health and education sectors to benefit from significant government spending and there is continuing demand for our specialist sustainability design consultancy services. We are also forming partnerships and alliances to target the lucrative mining industry. Our business in Asia has capitalised on strong economies in China and South East Asia and a good property market to exceed its revenue and profit targets.

Our Divisions

Although property markets remained subdued in most parts of the world and investment is slow, we saw a stable, slightly improving position in our Property business. We secured a number of notable new projects in both the private and public sectors during the year including high quality commercial and residential developments and projects for the healthcare, education, government and sports and leisure sectors. With a low level of new build, there is a trend towards refurbishment of existing building stock for improved operational and energy efficiency, and we are positioning our businesses accordingly.

Our Transport & Infrastructure business in Northern Europe performed very strongly throughout the year with increased revenue and good prospects. Elsewhere, change and uncertainty in challenging and competitive markets affected public spending, particularly in the UK. Our UK results also reflected the conclusion in 2009 of our Area 12 contract with the Highways Agency. Rail is highlighted in our Strategy Plan as a growth area, and with our market-leading position in Sweden and a growing reputation with some significant new assignments in the UK, we are well positioned to increase our presence in this sector. We continue to provide a broad range of water management services across the UK and in Scandinavia.

Our Environment & Energy business is weighted towards the private sector and generally operates with a short term order book across many and varied projects. In challenging markets performance was generally steady, with some significant new assignments in Europe and the US and a number of new global frameworks with leading companies. During the second half of the year we launched WSP Future Energy, which provides project management, engineering design and consultancy for clients in the renewable energy sector.

Against a background of contrasting markets, the performance of our Management & Industrial business was mixed. Our well-established project management business in Europe is involved in a number of major, long-term projects, mostly in Germany, and in the UK our management consultancy has performed well. The industrial sector in Europe and Africa remains robust, providing work and opportunities for our businesses in these regions, but our UK process engineering business has been impacted by a depressed UK industrial sector.

Christopher Cole
Chief Executive
28 February 2011

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“Initiatives to increase global cooperation between our businesses are enabling us to grow our share of international projects.”

PROPERTY

We saw some stability return to our Property business in 2010 which reported increased headline revenues of £324.6m although at constant exchange rates revenues fell by 1% from 2009. Reported profits increased to £15.6m from £12.2m after absorbing £0.5m of restructuring costs in the year.

Adjusting for restructuring costs the reported operating margin in 2010 was 5.0%. The order book fell slightly to £421m, as the trend to award work on a short term incremental basis rather than making long term commitments continued and as activity levels fell in the Middle East.

United Kingdom

The UK private sector property market stabilised in 2010, without any significant recovery, and WSP's performance was in line with expectations. We continue to enjoy strong relationships with our private sector clients such as Hammerson, Henderson Investors, Great Portland Estates, Heron International, Sellar Properties, Land Securities and Brookfield and have been appointed to several key developments, mostly in London. We recently secured the sustainability and

engineering services for Heron Plaza, a new mixed use development in the City of London; we have been appointed by Capital & Counties to provide master planning advice for the 67-acre Earls Court Regeneration area; and we continue to enjoy a high profile through our work at London Bridge Quarter; including The Shard, now the tallest building in the UK.

Despite the public sector slowdown in the second half of the year, we secured a number of projects particularly in healthcare in addition to delivering further phases of existing schemes such as New South Glasgow Hospitals and Great Ormond Street. We are also providing a full range of engineering and environmental support for the 2014 Commonwealth Games Athletes' Village in Glasgow.

A growing market for front end sustainability skills across all sectors is creating new opportunities and linked to this there is increasing demand for large refurbishment projects to improve the operational and environmental performance of existing building stock.

We have focused on further strengthening relationships with key clients such as HSBC and

Lloyds Banking Group and we continue to develop global relationships with key clients such as Tesco and Barclays Capital, with whom we have secured a global framework, taking our relationships from the UK to other geographic regions where WSP has a presence. We have also been selected for the JESSICA framework (Joint European Support for Sustainable Investment in City Areas) led by the European Investment Bank to provide urban regeneration services across 27 EU countries.

Mainland Europe

Generally investment in property in mainland Europe is improving and we saw strong revenue growth in the year with an increased order book. The Swedish market is characterised by a high volume of building projects currently reflecting only modest new build, but with a trend for refurbishment of existing property. This, coupled with a requirement for energy efficiency to reduce costs and comply with environmental legislation, has led to increased demand for WSP's expertise in this field. We are working on a number of sustainable retrofit projects including a development of 16 high and low rise 1960s apartment blocks accommodating 2,500 residents in Malmö and a 1970s apartment complex in Akalla, just outside Stockholm.

A large, high profile new build project currently underway in Sweden is the new Stockholm Arena, financed by a mix of public and private investment. The site is adjacent to WSP's Swedish headquarters, and we have a major involvement, providing both structural design and project management.

In Germany, the improved pace of business investment is giving a noticeable boost to commercial construction. This is benefitting WSP CBP, which provides engineering services in a wide range of sectors with clients including Audi, the Bielefeld University of Applied Science and Metro Asset Management.

United States of America

Our US property businesses maintained steady performances throughout the year with a stable order book. Despite funding for projects in the private sector remaining extremely tight we have some prestigious new appointments and high rise remains a key market, particularly in the commercial and residential sectors. We were appointed to the 72 storey 440 Park Avenue in New York, and saw the completion of the award-winning, 76 storey residential Beekman Tower in Lower Manhattan, for which we provided structural engineering. We continue our significant involvement in the former World Trade Center (WTC) site where there is rapid progress both at One WTC (Freedom Tower) and at the WTC Memorial.

The domestic public sector provided increased opportunities, with legislation to enforce energy efficiencies in Federal and State buildings creating added demand for the specialist sustainability consulting and building services that WSP provides. This resulted in project awards such as the 175,000 sq ft Federal Center South Building in Washington State and the \$900m Administrative Office of the Courts in California.

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“We have focused on further strengthening relationships with key clients...”

	2010			2009			Revenue Change	
	Revenue £m	Adjusted Profit/(loss) £m	Margin %	Revenue £m	Adjusted Profit/(loss) £m	Margin %	Headline %	CER %
United Kingdom	83.1	3.8	4.6 %	80.0	1.2	1.5 %	3.9 %	4.1 %
Mainland Europe	96.8	7.2	7.4 %	81.5	6.7	8.2 %	18.8 %	10.8 %
United States of America	63.4	5.4	8.5 %	67.3	5.3	7.9 %	(5.8)%	(7.0)%
Africa, India & Middle East	42.3	(1.7)	(4.0)%	48.7	(2.4)	(4.9)%	(13.1)%	(19.1)%
Far East & Australia	39.0	0.9	2.3 %	36.2	1.4	3.9 %	7.7 %	(5.1)%
	324.6	15.6	4.8 %	313.7	12.2	3.9 %	3.5 %	(1.3)%

	2010 Order Book £m	2009 Order Book £m	2010 Employee No.s	2009 Employee No.s
United Kingdom	131	145	1,059	1,073
Mainland Europe	75	63	1,129	1,079
United States of America	87	86	576	580
Africa, India & Middle East	63	95	925	1,037
Far East & Australia	65	49	818	717
	421	438	4,507	4,486



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“We continue our significant involvement in the former World Trade Center (WTC) site where there is rapid progress both at One WTC and at the WTC memorial.”

Internationally our US team, working predominantly through US architects, continues to win prestigious projects, including three buildings for the Shanghai Stock Exchange and the India Tower in Mumbai. In keeping with WSP's strategy to partner with globally focused clients, we supported Hewlett Packard's Global Workplace initiative to optimise their occupancies around the world, in partnership with Gensler. We have worked on approximately 50 projects across the USA and are now supporting the expansion of this initiative into Europe.

Africa, India & Middle East

The Middle East property market continues to be extremely challenging, with Dubai remaining at a virtual standstill, while other regions are approaching real estate development with caution. Competition for work is intense and although there are numerous prospects, particularly in Abu Dhabi, these are slow to materialise and we have become more discerning in selecting which projects to bid for. There has been a major shift in the market from commercial development to large-scale housing and community projects to accommodate the growing local population. These are funded by private and quasi-government developers and WSP has been appointed to a number of schemes including the Mariam Island development in Sharjah and the Watani Housing Development in Abu Dhabi. We continue our involvement in a number of iconic projects in the region, such as the Zayed National Museum and the Presidential Palace in Abu Dhabi.

In Africa, we are being appointed to an increasing number of property development projects, of which the majority are in Sandton, Johannesburg, where the government is actively encouraging private sector development. We are involved

in a number of mixed use schemes, including Kgoro, a new ZAR3.2bn retail and commercial development located above the new station for the Gautrain, the new high speed rail link. We have entered into a number of framework agreements with major clients such as Barclays (known as ABSA Group in South Africa) and we are working for many of the main hotel groups throughout Africa and the Indian Ocean.

Far East & Australia

In Australia, WSP continued to target health, education and the public sector, taking advantage of Government spending in these sectors. This resulted in appointments including the Queensland Police Academy, Queensland Children's Hospital Academic and Research building and Pennth Hospital, University of Wollongong in Sydney. Demand remains high for our specialist sustainability and environmental consultancy on high profile buildings such as the recently opened Museum of Modern Art in Tasmania. To benefit from favourable markets in South East Asia, we now have a presence in Vietnam, where we are providing environmental building services consultancy for the new headquarters of the Vietcombank in Ho Chi Minh City.

Strong growth in the property market in the Far East has enabled our Hong Kong business to exceed its targets and we have a strong order book for 2011. Almost half of our projects in 2010 were awarded by new clients. For example, in China we were appointed to the Great Eagle/Blackstone joint venture for a major development in Dalian. In Hong Kong we are involved in the final stages of the MEP installation for the Galaxy Casino and Resort, the flagship development of the Galaxy Entertainment Group in Macau, to be opened in early 2011. We also won a number of new Shangri-La hotel projects, one of which will be located at The Shard in London.

TRANSPORT & INFRASTRUCTURE

Our Transport & Infrastructure division, which predominantly generates its revenues from the public sector, saw a fall in headline revenues in 2010 to £203.5m from £234.5m with a commensurate fall in profits to £12.9m from £18.2m.

This was driven by a significant reduction in UK activity reflecting the Government's Comprehensive Spending Review and a contract conclusion only partially offset by increased activity in mainland Europe. This trading performance is reflected in the reduced headcount and order book when compared with the 2009 closing position.

United Kingdom

It has been a difficult year for all UK consultants in the transport and infrastructure sector, particularly in the second half when spending fell away as public organisations awaited the outcome of the Comprehensive Spending Review. This challenge, coupled with the conclusion of the Highways Agency Area 12 contract in 2009, contributed to a significant reduction in revenue and profits for WSP.

We continue our work in joint venture with Carillion for the Highways Agency in the Area 8 MAC, achieving consistently high levels of compliance which prepares us well for success in the next round of bidding in this market. In our joint venture with May Gurney to transform the highway services for Northamptonshire County Council we continue to gain excellent plaudits from our client.

We have had success in the rail sector where our reputation is growing. We were delighted to be appointed by Network Rail as lead designer for London Bridge Station to strengthen a portfolio of key overland rail and station projects including Edinburgh Waverley, and London's Victoria and Paddington Stations. We continue with the extensive development of Bond Street Station as part of the prestigious Crossrail project.

Successful diversification into the water sector continued with the award of the Yorkshire Water AMP5 Medium: Sewerage Networks Stream Framework at the end of 2009 in a joint venture with Barhale Construction. The team is co-located with Yorkshire Water in their Leeds office and substantial work commenced in the final quarter of the year.

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“We continue with the extensive development of Bond Street Station as part of the prestigious Crossrail project.”



	2010			2009			Revenue Change	
	Revenue £m	Adjusted Profit/(loss) £m	Margin %	Revenue £m	Adjusted Profit/(loss) £m	Margin %	Headline %	CER %
United Kingdom	83.3	4.8	5.8 %	119.5	9.2	7.7%	(30.3)%	(30.3)%
Mainland Europe	86.6	7.6	8.8 %	78.2	7.5	9.6%	10.7 %	3.3 %
United States of America	19.7	1.1	5.6 %	21.1	1.2	5.7%	(6.6)%	(7.9)%
Africa, India & Middle East	12.6	(0.8)	(6.3)%	15.0	0.1	0.7%	(16.0)%	(23.2)%
Far East & Australia	1.3	0.2	15.4 %	0.7	0.2	28.6%	85.7 %	85.7 %
	203.5	12.9	6.3 %	234.5	18.2	7.8%	(13.2)%	(15.8)%

	2010 Order Book £m	2009 Order Book £m	2010 Employee No.s	2009 Employee No.s
United Kingdom	215	222	806	908
Mainland Europe	86	80	1,074	1,011
United States of America	33	36	211	221
Africa, India & Middle East	20	31	274	282
Far East & Australia	2	1	40	32
	356	370	2,405	2,454

Kemin valoportti, Bridge Lighting in Kemi Highway, Photographer Kati Leinonen, Finland

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“In Sweden our work typically comprises long term assignments on large infrastructure projects.”

Our transportation planning team continues to win commissions in the public and private sectors around the UK and is also active in the Middle East, where projects include the Jordan National Bus Restructuring Project, the School Buses Strategy in Abu Dhabi and a recent appointment to the Saudi Rail Masterplan.

Mainland Europe

In Sweden, where we are one of the country's leading road and rail consultants, we continue to perform strongly, with long planning periods for road and rail providing stability and visibility for the short, medium and long term. Our work typically comprises long term assignments on large infrastructure projects. These include major road improvement projects such as the Northern Link bypass to increase road capacity in Stockholm; the continuation of the City Line, central Stockholm's

new underground line; the £2.5bn, 21km Stockholm Bypass highway and tunnel project; the E45 highway and Vänerbanan rail project in Gothenburg; and the Skuru bridge, a new road bridge in the eastern part of Stockholm.

The merging of our key clients, the Swedish Road and Rail Authorities, to create one large organisation, the Swedish Transport Administration, resulted in a drive for greater efficiency and hence greater price competition. It also led to a temporary lull in project awards towards the end of the year but investment has now resumed and WSP is tendering for a number of substantial road and rail projects starting in 2011, particularly on the west coast of Sweden.

WSP has also been involved in the development of congestion charging schemes in Stockholm and is now discussing plans for introducing it into other cities in Sweden and abroad.

The Swedish business is also collaborating with our Norwegian associate company, Multiconsult, in preparation for major investment in rail throughout Norway. Recent wins include a feasibility study for high speed rail in Norway; a new railway line from Oslo to the south and highway projects in the south of the country.

In Finland, with a number of major road and rail projects coming to an end in 2011, our focus will be on municipal engineering and city planning assignments. We were on the winning team for competitions to design the Myllysilta Bridge in Finland and the Danang and HCMC bridges in Vietnam.

United States of America

Despite continuing challenging market conditions in the USA, with public bodies suffering from low tax receipts, bridge inspection and road design, which are federally mandated and partially federally funded, remained strong during 2010. Our US infrastructure business was successful in renewing a number of key contracts and achieved some significant wins. These include a \$2m contract with a new client, the Rhode Island Turnpike and Bridge Authority, for on-call inspection services on the Newport Pell Bridge. We were also recently selected by the New York State Thruway Authority to provide design services for maintenance of the New England section of the I-95.

Our survey department has performed significantly better in 2010, with the introduction of new clients and service lines, including 3D laser scanning, allowing us to break into new markets that we have not previously served with traditional surveying.

Africa, India & Middle East

Whilst overall performance in these regions was subdued in the year, in the latter part of 2010 the Middle East saw increased activity in prequalification for major rail and roads projects and large scale industrial and housing projects around the region. Some will be procured as design-build projects and regional governments are seriously considering public/private finance for the first time. Consequently we have focused on strengthening and developing our Transport & Infrastructure business in the region. Current transportation projects include design and supervision of the Mina Tunnel and operations and maintenance management for the Emergency Roads Maintenance organisation in Abu Dhabi.

Spending on transport infrastructure in South Africa reduced following completion of the projects associated with the World Cup. With our large exposure to the public sector, this meant that 2010 was a difficult year, necessitating some down-sizing of our civils division. We are currently providing management, design and supervision of roads for the Ekurhuleni Metropolitan Municipality in Gauteng and we continue to service the N3 Toll Road Concession between Johannesburg and Durban. Our coastal engineering division was recently appointed to undertake designs for the rehabilitation of the port of the British Overseas Territory, Tristan da Cunha, to repair the harbour following severe storm damage; and we are providing marine intake and discharge works for the ZAR300m Trekkopje desalination plant in Namibia.





Norra Station, Stockholm, Sweden

ENVIRONMENT & ENERGY

Our Environment & Energy business reported headline revenue growth of almost 7% in 2010 although reported profits reduced to £4.3m from £4.8m. In 2010 we focused on evolving our business model to place greater emphasis on long-term key client development. We also made some strategic appointments of top industry experts to help us enter new sectors and to support the development of WSP Future Energy to increase our share of the renewable energy market.

United Kingdom

Revenues and profits have grown since 2009 despite the continuing challenges in the UK market. We have concentrated on developing areas that remain active, notably power generation and utilities, consultancy services relating to energy efficiency and adapting to a low carbon economy, and due diligence.

Our focus on utilities, power generation and energy from waste yielded new projects including the provision of technical support for two sites of the American-owned energy from waste specialist, Covanta Energy. We support Scottish and Southern Energy in their transmission and distribution activities and have provided environmental and wind resources consultancy for the Scottish wind power developer, Burcote Wind.

We continue to assist businesses with the management of compliance especially relating to the recently introduced Carbon Reduction Commitment Energy Efficiency Scheme regulations and in the field of health and safety. We provide energy audits and advice on efficiency improvement and have advised on the viability of a number of government feed-in tariff schemes launched in April 2010, on projects including Paddington Station in London and for properties owned by Aviva and PruPim.

Despite a slower trading environment in our core market of contaminated land and remediation, we were delighted to conclude our market leading Active Transfer solution for contaminated land risk outsourcing at a former Kodak facility in Merseyside. The difficulties presented by a highly competitive climate in laboratory services led to our decision to dispose of our testing laboratory, a non-core activity for WSP Environment & Energy

Mainland Europe

In Europe, notably Scandinavia, we have a leading position with particular strength in environmental consulting and in the delivery of services to support the supply and distribution of energy. We have a high level of expertise in renewable energy and, as one of Sweden's leading wind power consultants, we are involved in many of the country's wind power projects, including the design, permitting and distribution strategy for a 20 MW wind park for Gothenburg Energy.

Our capabilities within the energy demand sector have been acknowledged in residential and commercial projects around Sweden. We are working with the mayors of four Baltic cities to help produce guidelines to reduce carbon emissions and set strategies for energy management. We are also involved in developing environmental strategies for some large residential projects such as the 236-hectare Stockholm Royal Seaport.

Our long standing relationship with the Swedish National Energy Agency continues with an extensive Framework Agreement covering more than 30 different areas identified by the Agency for attention, including assessing 'near-zero energy buildings' in line with EU standards. Through another framework agreement we are providing environmental and energy services for the Nordic farming giant, Lantmannen.

The overall results for Europe were held back by a poor performance in our Finnish business, which has now been restructured.

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“We made some strategic appointments of top industry experts to help us enter new sectors.”

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United States of America

The majority of our North American business is in the private sector, and although clients remain cautious in their spending, we are beginning to see opportunities as they pursue M&A activities, jump-start deferred projects and start focusing on sustainability challenges. This is additional to our strong contaminated land business that continues to deliver consistently, with some prestigious appointments including a commission to investigate site contamination and develop procedures to manage the excavations for the construction of the new \$435m US Coast Guard Headquarters in Washington DC.

We advise and assist corporate organisations on meeting their environmental obligations both in the US and overseas, with clients including Vishay Intertechnology, Stanley Black & Decker and CenterPoint Energy Natural Gas. Working with Accenture we carried out a carbon emissions study for Microsoft on the benefits of 'cloud computing' over traditional on-site server facilities. As a US Consultancy Partner to the Carbon Disclosure Project we assisted several clients with their submissions, including Tiffany, Bank of America Merrill Lynch and Wells Fargo.

the Environmental Impact Assessment for the Kalahari Solar Power Project, the first concentrated solar power plant in the region to be brought to feasibility stage, on behalf of Group Five. Other key appointments included full sustainability reporting for the Illovo Group, Africa's largest sugar producer, and developing the Climate Change Strategy for the Transnet Group, covering the majority of South Africa's logistics infrastructure network.

In the Middle East our key markets are Abu Dhabi, Saudi Arabia and Qatar. For the Abu Dhabi Planning Council we are collaborating in the development and delivery of training to implement the Estidama Pearl Rating System to create more sustainable communities and buildings in Abu Dhabi. We are also supporting the development of a Corporate Sustainability Report for DUBAL (Dubai Aluminium) and for the Arriyadh Development Authority we are developing environmental guidance on the proposed rehabilitation of the wadi system in Riyadh, Saudi Arabia.

Far East & Australia

Following restructuring after a difficult period, our Australian business is now positioned to capitalise on a generally healthy economy. Our Digital team was engaged by the Department of Climate Change and Energy Efficiency to redevelopment their online system.

For our small but growing presence in Asia, the majority of our revenue stream is derived from our multinational client base operating in the region, with new clients including Tishman Speyer, Arch Capital, Applied Materials and Nivea.

Africa, India & Middle East

In Africa, our high profile in the field of contaminated land and remediation supported our appointment to develop a national framework for the management of contaminated land for South Africa's Department of Environmental Affairs. In the renewables sector our work includes

	Revenue £m	2010 Adjusted Profit/(loss) £m	Margin %	Revenue £m	2009 Adjusted Profit/(loss) £m	Margin %	Revenue Change Headline %	CER %
United Kingdom	27.1	1.3	4.8 %	24.7	1.0	4.0 %	9.7%	9.7 %
Mainland Europe	22.7	1.2	5.3 %	21.3	1.9	8.9 %	6.6%	0.4 %
United States of America	21.2	1.4	6.6 %	20.2	1.4	6.9 %	5.0%	3.4 %
Africa, India & Middle East	5.4	0.7	13.0 %	5.0	0.6	12.0 %	8.0%	1.9 %
Far East & Australia	9.6	(0.3)	(3.1)%	9.3	(0.1)	(1.1)%	3.2%	(11.4)%
	86.0	4.3	5.0 %	80.5	4.8	6.0 %	6.8%	2.4 %

	2010 Order Book £m	2009 Order Book £m	2010 Employee No.s	2009 Employee No.s
United Kingdom	23	30	327	393
Mainland Europe	11	11	269	254
United States of America	24	25	138	133
Africa, India & Middle East	3	3	76	70
Far East & Australia	3	2	90	92
	64	71	900	942

MANAGEMENT & INDUSTRIAL



“Our advisory services in education and health have performed well despite the downturn in government spending...”

Headline revenue in this division fell by 2% to £92.8m returning profits of £5.2m in 2010. Whilst we saw growth in both revenues and profits in mainland Europe the results for the division were heavily impacted by losses at our UK industrial process business, WSP CEL.

United Kingdom

In the UK we delivered a mixed performance with the overall result being disappointing. Our management consultancy, which provides advice to clients primarily in the fields of health, education, aviation, infrastructure and project finance and international development, delivered a strong financial performance in 2010 with good margins. However WSP CEL, our industrial process engineering business, continued to suffer in a very difficult market.

Our advisory services in education and health performed well despite the downturn in government spending, with success in the new Academies programme and a growing number of commissions with foundation status NHS Trusts albeit on smaller scale projects. The aviation advisory team continues to provide Government and Funder advisory services to the new Queen Alia gateway airport in Jordan as well as supporting Eastern European airport expansion.

We also achieved good results in project investment and have a solid client base with some good prospects. The infrastructure project finance team acted as vendor's technical adviser for the creation of the Lend Lease £220m infrastructure fund.

We are beginning to reap the benefits of efforts to increase the number of project/design management assignments. WSP led the design management process for the Zayed National Museum under construction in Abu Dhabi in a joint venture with Foster + Partners for the Tourism Development & Investment Company.

We have commenced the restructuring of WSP CEL and are integrating the business into our core operation. Despite the difficulties currently being experienced by UK industry, WSP CEL has been appointed to a number of projects for major clients during 2010. These include the design of a complex processing plant to extend the capacity of a factory involved in the production of flu vaccines for a blue chip client and the design and construction management to upgrade well sites for BP.

Mainland Europe

Our project management division in Germany continued its positive development during 2010, and remains WSP CBP's strongest business area, with projects throughout the country. We are involved in two major airport projects, with the continuation of work at the new Berlin International Airport due for completion in mid 2012, and a new terminal for Frankfurt Airport. Other projects include two refurbishments for Allianz in Cologne and Hamburg, and new buildings for Siemens in Bavaria and Frankfurt and for the Max Planck Institute in Erlangen and Gottingen. In addition we are providing project management alongside other technical building services for the Küppersmühle Museum at Essen.

In Sweden our project management division has extensive experience in all property sectors, working for both private and public clients. Our projects include new headquarters for the Swedish Security Services, a number of new and refurbished shopping malls and new buildings for the University of Architecture and the Royal College of Music in Stockholm. WSP is also responsible for the project management of the new Stockholm Arena, currently under construction.

We have a long heritage of work in industrial markets in Scandinavia, where traditional industries such as forestry, paper, mining and energy have

	2010			2009			Revenue Change	
	Revenue £m	Adjusted Profit/(loss) £m	Margin %	Revenue £m	Adjusted Profit/(loss) £m	Margin %	Headline %	CER %
United Kingdom	26.8	(0.1)	(0.4)%	30.7	1.3	4.2%	(12.7)%	(12.7)%
Mainland Europe	55.7	4.5	8.1 %	53.3	4.2	7.9%	4.5 %	(2.6)%
Africa, India & Middle East	3.9	0.7	17.9 %	4.4	0.3	6.8%	(11.4)%	(22.0)%
Far East & Australia	6.4	0.1	1.6 %	6.2	0.3	4.8%	3.2 %	3.2 %
	92.8	5.2	5.6 %	94.6	6.1	6.4%	(1.9)%	(6.4)%

	2010 Order Book £m	2009 Order Book £m	2010 Employee No.s	2009 Employee No.s
United Kingdom	23	30	355	402
Mainland Europe	29	37	608	591
Africa, India & Middle East	7	8	65	67
Far East & Australia	8	5	64	65
	67	80	1,092	1,125

been relatively unaffected by the global economic downturn. We have a long term involvement with two of Sweden's largest mining companies, Boliden and the global iron ore producer LKAB. The pulp and paper manufacturer Iggesund, with whom we have a 30-year relationship, has a major investment programme planned for 2011. Investment also continues in the steel industry, with WSP providing structural engineering and project management for SSAB at three steel mills. We are market leaders in the biogas sector with many municipalities and cities in Sweden planning large scale facilities for the production of biogas from waste to make transport fuel. For example, in Uppsala, WSP is involved in the extension of the biogas plant including process optimisation and gas upgrading.

Africa, India & Middle East

In South Africa our successful facilities management division continues to expand, servicing a growing number of properties in both the public and private sectors and with increasing activity in building condition and fabric assessments.

We continue our strong performance in the industrial sector, both in the provision of engineering services for projects and in specialist refrigeration

work. Many of the FMCG companies have been reassessing and upgrading their facilities, which has created further opportunities. A recently secured framework agreement with Diageo is producing an excellent flow of work.

We are also supporting the leading South African food retail group, Shoprite, with its expansion across Africa, providing multidisciplinary engineering services and refrigeration for two new distribution centres in addition to refrigeration services for Shoprite stores.

Far East & Australia

Our work in this sector in Asia primarily comprises aid related projects. Against a backdrop of increasing competition from consultants in developing and transitional countries our international aid business has delivered consistent results. We commenced a three year contract with the Islamic Development Bank to provide project management consultancy for the construction of the Fael Kahair School-cum-Shelters Program for victims of the Cyclone Sidr in four geographical zones of Bangladesh. Our work as part of the Banda Aceh Tsunami Relief Project in Indonesia was recognised with awards from the NCE magazine and the Association of Project Managers.

Harald Wüst, Director, Hamburg, Germany

OUR PEOPLE

A talented and motivated workforce is the key to achieving the goals of our strategy for the next five years. In a highly competitive sector, attracting, developing and retaining the best people with the right skills remain the key challenges.

We continue to focus on developing our people strategies to ensure that we deliver optimum operational performance as well as aiming to fulfil the career aspirations of our staff. In order to leverage the opportunities set out in the Strategy Plan 2011-2015 we will particularly look to strengthen our global culture and actively support our staff to help them work effectively in an increasingly multidisciplinary environment. We will also extend our capabilities in areas such as project management through training and strategic appointments.

Varying market conditions have continued to impact upon staff numbers in certain regions and sectors. Globally the total headcount remains largely unchanged at around 9,000, with redundancies in the Middle East and UK balanced by recruitment in Northern Europe.

We continue to make key appointments to ensure that we have the necessary leadership, skills and talent in place to continue developing the business. There continues to be a low level of voluntary staff turnover, typical of less stable markets.

We have appropriately reinstated the salaries of staff whose pay was reduced in 2009 as part of cost-saving measures and will keep staff terms and conditions under review according to market conditions.

Performance Management and Development

Responding to staff feedback in the 2009 Employee Survey a goal was set to improve performance management across the Group. In particular staff sought better feedback on their performance and the setting of clear career objectives. Significant progress was made in 2010 and we are now working with all our regions to bring them into the same performance management system with the aim of raising standards globally through more efficient and consistent processes.

In parallel with this initiative, we are now embarking on a project to identify, communicate and make available the different career routes throughout the global business to provide greater clarity, consistency and appropriate career development strategies for key roles such as line management, technical expert, project management and business development.

Talent Management

We continue to progress our Group Talent Management programmes to ensure we have the people with the appropriate skills and behaviours in place to meet the challenges of our strategy and developing businesses.

Our Personal Development Planning programme for selected senior leaders and those with perceived potential is well established in the UK and Sweden and is being rolled out to all our regions. This programme has been well received by participants who benefit from the opportunity to identify their strengths and plan their development. This experience will support the design of our future development initiatives.

We continue to implement our succession planning programme to identify and equip successors for the key roles across the Group.

Our global Taskforce programme provides early career professionals with the opportunity to develop their skills through project-based learning. This year Taskforces from across the globe worked together on a project to identify the behaviours WSP must employ to increase our appeal to 'Generation Y'.

Training

We are committed to increasing training opportunities throughout the business to assist our employees in their professional and personal development, increase job satisfaction,

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“Our global Taskforce programme provides early career professionals with the opportunity to develop their skills...”





and maintain the level of competence required for a competitive edge in the marketplace. Through our WSP University, we deliver a range of internal and external courses and e-learning to develop business, technical, personal and procedural skills. In 2010 we rolled out the first module in our global e-learning programme, a course on sustainability. Other new courses include training in BIM (Building Information Modelling) and assignment management.

Employer Branding

Although difficult market conditions in some regions have reduced the immediate need for extensive recruitment, we are keen to maintain a high level of awareness of WSP amongst prospective employees. We continue to promote WSP at the main universities, participating in careers fairs and exhibitions and holding various student activities in our offices. In the stronger Swedish market where we are actively recruiting, we recently ran a successful employer branding campaign aiming to recruit 400 people.

Knowledge Sharing

To maximise our efforts to cross-sell and to cross-deliver within and between our regions and disciplines, we are accelerating delivery of the information systems, tools and communication platforms required for efficient and effective knowledge-sharing and cooperation.

Investment in technical facilities such as video conferencing and webinars has increased our ability to work sustainably as virtual teams.

In December 2010 we launched a platform for a new global intranet which includes a range of social tools and customisation features to increase opportunities for staff to connect with their global colleagues.

Employee Engagement

It is especially important in difficult times to keep our people motivated and engaged. In most regions, Managing Directors communicate directly with their staff through regular roadshows and presentations on company matters.

Our new five-year Strategy Plan 2011-2015 has been widely communicated to our staff using a range of communication materials and activities to ensure all staff are fully informed and committed to delivering the strategy at a local level.

An integration and communication programme for acquisitions ensures staff can be integrated quickly into our vision and values, systems and processes.

Regular staff surveys inform us about staff morale and commitment so we can continue to improve the working environment and increase overall employee satisfaction.



FINANCIAL REVIEW

HEADLINE RESULTS. The Group has delivered resilient financial results for the year under review in what continue to be generally challenging markets. Headline revenues fell by 2% to £706.9m from £723.3m. At constant exchange rates revenues fell by 6%. Operating profit, before exceptional items decreased by 8% to £38.0m or by 13% at constant exchange rates. Restructuring costs in the year amounted to £1.5m (2009: £6.2m) and were charged against operating profits as incurred.



Headline Results* before exceptional items	2010	2009	Revenue change	
	Revenue £m	Revenue £m	Headline	CER
Property	324.6	313.7	3 %	(1)%
Transport & Infrastructure	203.5	234.5	(13)%	(16)%
Environment & Energy	86.0	80.5	7 %	2 %
Management & Industrial	92.8	94.6	(2)%	(6)%
Revenue	706.9	723.3	(2)%	(6)%
	Profit	Profit		
	£m	£m		
Property	15.6	12.2		
Transport & Infrastructure	12.9	18.2		
Environment & Energy	4.3	4.8		
Management & Industrial	5.2	6.1		
Operating profit	38.0	41.3		
Associated undertakings, net of tax	1.8	1.8		
Profit before interest and taxation	39.8	43.1		
Net Finance Costs	(4.8)	(4.6)		
Profit before tax	35.0	38.5		
Taxation	(10.6)	(12.1)		
Profit after tax	24.4	26.4		
Adjusted basic earnings per share	37.5p	40.9p		
Adjusted diluted earnings per share	37.2p	40.6p		
Statutory Results	2010	2009		
	£m	£m		
Profit after tax before exceptional items	24.4	26.4		
Exceptional items (after tax)	(14.4)	(12.9)		
Profit for the financial period	10.0	13.5		
Basic earnings per share	14.9p	20.6p		
Diluted earnings per share	14.8p	20.4p		

*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 year saw our private sector operations generally show some progress whilst in the public sector the year was more challenging with government spending cuts starting to impact in the UK. This is evidenced by the stabilisation seen in the Property sector and a significant downturn in Transport & Infrastructure which is geared to the public sector. Environment & Energy demonstrated signs of increased activity however selective investment in our business held back profitability. Management & Industrial had a mixed year with a good performance in Europe but a poor performance in our UK process engineering business.

Profit before tax and exceptional items amounted to £35.0m including a stable contribution from our associated company Multiconsult in Norway and with net finance charges being at a similar level to those seen last year.

Exceptional Items

The market for our UK industrial process business WSP CEL has been particularly difficult. This has led us to restructure this business and to integrate it into the wider UK operations. As a consequence the Group has reviewed the carrying value of the goodwill related to this business which was acquired in 2007, and an impairment charge of £10m has been taken. Together with related restructuring costs a total charge of £12.2m has been reflected as an exceptional item in these accounts.

In addition, the UK environmental business disposed of its laboratory testing operations. The laboratory operations had suffered from lower through-put and increased competition and had been operating at a loss. The operations have been sold for a variable consideration to be received in cash over the next five years according to the volume of business that will be placed through the purchaser of the laboratory. The exceptional charge reflects the fair value of this consideration, less onerous lease costs and asset write-downs of equipment disposed. A total exceptional charge of £3.6m is recorded in these accounts.

Taxation

The tax charge for the year was £9.2m (2009: £11.9m). The adjusted tax charge, including tax on associated undertakings and excluding taxes

on exceptional items, on adjusted profit before tax is £11.3m which represents an effective corporate tax rate of 31.6% compared to 32.6% in the prior year. This decrease represents a shift in the mix of profits earned in territories with differing tax rates

Earnings per Share

Basic and diluted earnings per share, before exceptional items are: 37.5p and 37.2p; a decrease from 40.9p and 40.6p respectively. Basic and diluted earnings per share after exceptional items are: 14.9p and 14.8p; a decrease from 20.6p and 20.4p respectively.

Dividend

Taking account of the 2010 financial results, current market conditions and the underlying prospects of the Group, the Directors are proposing a final dividend of 10p (2009: 10p) per ordinary share making a maintained total dividend for the year of 15p (2009: 15p) which is covered 2.5 times (2009: 2.7 times) by adjusted diluted earnings per share and 1.0 times (2009: 1.4 times) by diluted earnings per share. The final dividend, if approved by shareholders, will be payable on 11 May 2011.

Financing

Our net debt remained flat year on year ending at £59.0m, (2009: £59.6m), a pleasing performance given liquidity pressures seen in a number of our markets. 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 2010, the ratios are 1.06 times for gearing and 19 times for interest cover and hence comfortably within the requirements on this facility.

Cash Flow

	2010 £m	2009 £m
Cash generated from operations	47.9	39.3
Capital expenditure (net)	(12.5)	(9.0)
Bank & finance lease interest	(2.9)	(1.9)
Tax paid	(12.5)	(10.5)
Currency and other movements	(0.8)	(0.3)
	19.2	17.6
Acquisitions/disposals	(9.0)	(11.5)
Dividends	(9.6)	(9.5)
Net cash inflow/(outflow)	0.6	(3.4)
Net debt at 1 January	(59.6)	(56.2)
Net debt at 31 December	(59.0)	(59.6)

Cash generated from trading activities was £47.9m in the year; a credible performance given the tight liquidity and economic climate in many of the territories in which we operate. Effective cash management has remained at the forefront of our approach during the year. Capital expenditure amounted to £12.5m and reflects an increase over 2009 as we invest in information technology and systems to support our strategic plan. Further contractual payments relating to acquisitions amounted to £9.0m during the year and the Group has substantially satisfied its past obligations in this regard.

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 addition, in Sweden there remains an unfunded liability to a Government scheme for certain historic pension benefits.

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 £0.2m 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 total net deficit in respect of the UK and Swedish defined benefit arrangements increased to £54.4m (2009: £48.7m). This has principally resulted from revised actuarial assumptions, offset by some improvement in investment performance, and an exchange impact on the Swedish liability. The charge to the income statement was £0.6m (2009: £0.5m) with a net finance cost of £1.9m (2009: £1.7m). The slight increase to the income statement cost results from a revised actuarial valuation and the overall income statement charge is not expected to materially change in the near term. In 2010, employer cash contributions in respect of the UK schemes amounted to £3.6m including agreed deficit funding.

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“The Group has once again delivered resilient financial results for the year under review.”

Capital Structure

As at 31 December 2010, the Company had issued 63.8m (2009: 63.6m) fully paid ordinary shares.

The Group's net shareholders' equity at the end of the year was £184.2m (2009: £177.8m) which has increased as a result of retained earnings and beneficial foreign exchange movements partially offset by actuarial losses on the pension schemes and the dividend distribution. Net debt at 31 December 2010 amounted to £59.0m (2009: £59.6m).

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 seen a trend to a higher level of cross-border 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. The Group has fixed a proportion of its sterling denominated debt for the remaining duration of the current committed banking facility thereby reducing interest rate volatility, whilst taking advantage of the historically low interest rate levels seen in recent years. 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.

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 political, geo-economic 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 to mitigate their impact.

Expenditure in our markets may be affected by recession or volatility, leading to reduced revenues. Our strategy of diversified sector and regional growth 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. Client retention and repeat business are the foundation of our success. 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. We aim to attract the best people, to innovate, and to be seen as leaders in our markets. By ensuring excellent service and quality, we aim to develop our client relationships.

Having insufficient 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 downsize, restructure, recruit or develop parts of our business. We seek to improve our operational efficiency. Our working practices and networks support this and we aim to develop diversity and flexibility in our resources. Where practicable, we promote the efficient transfer of skills and workload between teams which is complemented by our use of resource centres and outsourcing.

Effective cash management is critically important as the majority of costs, including payroll, are paid before fees are collected from clients. We seek to ensure our operations generate cash, and manage receivables effectively. We have effective financial management systems and have developed financial measurements to monitor funding requirements. We have strong relationships with a number of banks who provide the finance for working capital and, where appropriate, acquisitions.

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, making them feel valued and by presenting exciting career prospects. 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 where 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 normally use arbitration or mediation services to reach an amicable solution.

It is essential that 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 set out in this Business Review that we regard as particularly relevant to our business. These include adjusted operating profit margins, revenue changes on headline and constant exchange rate bases, working capital metrics, order book analysis and staff numbers. While the future order book provides an indication of the visibility and resilience of our business, we are aware that there is a possibility that some projects may 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
28 February 2011

SUSTAINABILITY REPORT

“We recognise the important role WSP plays in working with our clients to ensure we transform our built environment to deliver better places for people to live, work and travel whilst protecting and restoring the resources of our natural environment.”

Chris Cole, Chief Executive

Sustainability is a core value to our business. The WSP Group Strategy Plan 2011-2015 commits to embedding sustainability into everything we do, which we believe is the best way of ensuring we support our clients in the sustainable delivery of their projects.

WSP Sustainability Strategy

Our strategy focuses on four goals:

- Continue development of our world class sustainability expertise and associated client offerings to open up new markets and commercial opportunities
- Embed sustainability into the technical expertise, advice and solutions we provide to clients
- Actively manage the environmental and social impacts of our own operations
- Be an active and beneficial participant in the communities in which we operate.

The first two goals help us deliver more sustainable solutions to our clients, future-proofed as far as possible against issues such as the impacts of climate change or rising energy costs. The last two ensure that we as a company are accountable for our impacts and contribute to the communities in which we engage.

Governance

Stuart McLachlan is the Board member with responsibility for sustainability and WSP's performance is reviewed by both the Board and the Performance Committee. WSP's Sustainability Strategy is managed by a Group Head of Sustainability, reporting to Stuart McLachlan and supported by a Primary Network of senior managers who, in turn, are accountable to the Managing Directors 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.

For the purpose of this report it is not practical to describe our progress against all the objectives outlined in the 2009 report. Progress against these objectives is discussed in this report and full details can be found on our website (www.wspgroup.com/sustainability) which will be updated accordingly. It is our intention for this website to be the main communication channel for disclosing our sustainability performance.

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“In 2010, 74% of all our staff worldwide participated in our e-learning sustainability programme...”

Sustainability as a Market Opportunity for WSP

We recognise that the global mega-trends of population growth and urbanisation in a world constrained by resources, energy, food and water will drive governments and business to seek more sustainable solutions. We believe we are well placed to win work in this area and have developed our service offerings accordingly. Examples include:

- Advising our clients' response to increasingly demanding building controls and regulations; for example how to go beyond compliance by designing more sustainable buildings that protect the asset value
- Sustainable retrofitting of commercial property; across all our regions we are involved in projects to refurbish commercial buildings and make them more energy efficient
- Assisting our clients in developing corporate strategies, such as climate change adaptation plans that help manage their risks associated with extreme weather events
- Helping clients at every stage of the project development cycle in the renewable energy sector through WSP Future Energy.

Delivering Sustainability for Our Clients

The biggest impact that WSP can make in sustainable development is in delivering services that help clients design, build and manage their assets in a more sustainable way. For example, WSP Lincolne Scott in Australia designs buildings with high levels of water recycling, helping reduce clients' exposure to water costs as well as managing a valuable resource.

We act both as advisor and service provider, helping our clients balance sustainability drivers with the need to meet their commercial and operational requirements and providing affordable and practical services that deliver sustainable solutions.

We ensure optimum service delivery by constantly improving and increasing the scope of our measurement and reporting, and developing staff to be leaders in their field through appropriate training in key sustainability issues such as green building design and energy modelling. For example in our African business we have more than 10% of the entire continent's SA Green Star accredited professionals.

In 2010, 74% of all our staff worldwide participated in our e-learning sustainability programme, and in 2011 we plan to introduce a global green engineering training programme where the learning needs of our engineers will be assessed and courses developed to meet them. Furthermore we will explore ways of further integrating sustainability into the operating procedures of each business and evaluate current sustainability staff training programmes. Finally, our e-learning programme will be rolled out as a mandatory part of all staff inductions.

Managing Our Carbon Emissions

The need for WSP to de-carbonise and reduce the carbon emissions that result from our operations is an important aspect of our sustainability programme. All our businesses measure and report their energy use and, where possible, business travel.

During 2010 we were able to improve and add to our 2009 data. We have taken the opportunity to update and backfill the information published in the 2009 Annual Report, and report the revised figures below. In 2010, two more business units - WSP Cantor Seinuk and WSP Finland - were included in the inventory and also four more offices in Asia and nine offices in South Africa. We improved the accuracy of information by gathering more reliable data and also capturing additional emissions not previously included in the inventory. We also improved our emissions calculations to ensure that they are more consistent and aligned with generally accepted Green House Gas (GHG) accounting principles.

We achieved our stated aim to increase our reporting coverage with an 11% increase in the number of offices reporting from 2009 to 2010. The table below shows that total emissions were similar in both years; however with a reduction in full time equivalent staff in 2010 emissions per employee were greater than 2009.

In 2010 more than half our CO₂-equivalent (CO₂e) emissions arose from energy used in our offices and one quarter from business travel by car, which is similar to 2009. Our average CO₂e emissions were 3.02 tonnes per full time employee (FTE), ranging from 1.7 tonnes CO₂e per FTE in Sweden to 7.6 tonnes in one of our US businesses. This is to be expected given the different national energy mixes and usage patterns.

In 2011 we will seek to improve further our reporting procedures, particularly in capturing data associated with smarter working, such as video and tele-conferencing.

2009 and 2010 Carbon Emissions

Measure (Unit)	2010	2009
Number of offices reporting	140	140
Number of countries covered	17	17
Internal area of reporting offices covered (M ²)	153,435	157,575
Average full time employees (FTE) covered	8,486	8,965
Energy Consumption (Unit)		
Total energy consumption (kWh/year)	30,153,988	35,009,273
Average energy intensity (kWh/m ²)	197	222
Average energy consumption per employee (kWh/FTE/year)	3,553	3,905
Total CO ₂ -equivalent emissions from energy (Tonnes CO ₂ e/year)	12,043	12,759
Business Travel (Tonnes CO₂e/Year)		
Car travel	6,766	6,380
Train travel	526	417
Air travel – domestic	3,084	2,774
Air travel – short haul	791	1,525
Air travel – long haul	2,405	1,836
Total CO ₂ e emissions from transport	13,572	12,932
Carbon Emissions (Tonnes CO₂e/year)		
Total carbon emissions	25,615	25,691
Annual emissions per FTE	3.02	2.87

Emissions factors and methodologies used for calculations are based on the Greenhouse Gas Protocol / World Business Council for Sustainable Development.

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“Across the Group numerous community based activities took place during the year - from mentoring schoolchildren to fundraising for local charities.”

Taking Action at Home

WSP's Personal Action Carbon Tracking programme (PACT) was extended to staff in Sweden, USA, Australia, the Middle East, South Africa and across the UK in 2010. This award-winning programme helps our staff monitor and reduce their personal carbon emissions resulting from their out of work travel, holidays and homes. It now has 1,500 members in seven countries, and is licensed by twelve external companies and organisations.

Being a Good Neighbour

Across the Group numerous community based activities took place during the year - from mentoring schoolchildren to fundraising for local charities. Examples include WSP Flack + Kurtz's active participation and leadership in Ace Mentor, a national programme to introduce the Architectural/Engineering profession to underprivileged high school students. In the UK we introduced the LaunchPad scheme, creating a link between local schools and our offices; and staff rode in the London to Paris Bike Ride, raising funds for the British Heart Foundation.

Our Group charitable contributions amounted to £156k in 2010, equivalent to 0.8% of 2010 profit before tax.

Business Ethics

WSP is committed to maintaining appropriate ethical standards with our clients and suppliers wherever we operate. All staff are made aware of our business ethics, gifts and hospitality policy through inductions and intranet announcements. Responding to forthcoming UK legislation, which places significant additional liabilities and responsibilities upon the Group and its staff to act against bribery and corruption, we have designed an e-learning course to help staff understand and manage their own personal responsibilities. This is being deployed across the global business in the first half of 2011 and is mandatory for all staff.



WSP staff on London to Paris Bike Ride, raising funds for British Heart Foundation

Health and Safety

The Group aims to safeguard its staff and all those stakeholders with which it interacts and to ensure that we meet or exceed the minimum standards for health and safety management that apply in those countries where we operate. The WSP approach to project health and safety management is to promote collaboration, effective communication and coordination aimed at enabling projects to be delivered safely and without risk to health.

Health and Safety reporting is the responsibility of all operating company Managing Directors, and a register of significant incidents is maintained and reviewed by the Performance Committee at least every two months. During 2010, we recorded three significant injuries to members of staff as a result of trips or slips that required medical attention. One of these incidents involved a fracture. There are no planned changes to our operations as a result of reviewing these incidents.

External Recognition

WSP's sustainability performance is independently assessed through our voluntary reporting to a number of organisations. In 2010 we maintained our listing in the FTSE4Good Index, maintained our Silver level on the Business in the Community Corporate Responsibility Index, and we disclosed our UK carbon emissions to the Carbon Disclosure Project.

In addition our performance was recognised by a number of awards in 2010, including:

- BiTC Big Tick Award for Climate Change (UK)
- The Green Business Award for Employee Engagement (UK)
- Sustainable Larger Social Housing Project of the Year Award - Sustainable Housing Magazine (UK)
- Organisational Innovation Award for PACT - Climate Change Business Journal Awards (UK)
- Second RoSPA Gold Medal Award (based on seven consecutive Gold Awards for commitment to protecting the health and well-being of employees and others) (UK)
- The Washington Business Journal Workplace Green Business Award (USA)
- San Francisco Green Business Award 2010 - Presented to WSP Flack + Kurtz by the City and County of San Francisco for setting and achieving high environmental standards (USA)
- Environmentally Sustainable Design Project Leadership Award for WSP Lincolne Scott's design of the Melbourne Conference and Exhibition Centre (Australia)
- Achiever Awards: WSP Africa won the Green Collar Skills and Training Award (Africa)
- Environmental Structure of the Year Award winner for Uutela Canal in Helsinki, designed by WSP Finland and B&M Architects (Finland)
- German Solar Award 2010 - Eurosolar (Germany).

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“WSP is a FTSE4Good Index listed company.”

Nedbank Ridgeside Office Block, Johannesburg, South Africa

Transforming the Built Environment – Green Infrastructure Design and Renewable Energy

WSP is helping the City of Stockholm transform the Royal Seaport (Norra Djurgårdsstaden) - a former industrial part of the city - into an urban waterfront development for sustainable living, business and leisure. Our efforts will reduce the energy consumption of the buildings by 30% and lower the residents' carbon footprint to 1.5 tonnes per person per year, compared with the norm of 4 tonnes.



Courtesy Aaro Design System

Green Building Office Design Accreditation in South Africa

The Nedbank Ridgeside Office Block was awarded a '4 Green Star' rating by the Green Building Council in South Africa, becoming only the second office building in South Africa to achieve the design rating. WSP was the Green Star consultant advising on how to make the building more sustainable and efficient.



Reducing Operational and Embodied Carbon in Hotels

WSP provided structural design services and mechanical engineering and plumbing services for a new five-star, 360 key hotel and apartment complex in Muscat, Oman. Our work will reduce the hotel's greenhouse gas emissions by 30%. The re-use of excavated material onsite and specification of concrete with low levels of cement have reduced the embodied carbon content of the building by 29,000 tonnes of CO₂.



Courtesy of Woods Bagot

Carbon and the ICT Sector

WSP Environment & Energy completed two important projects in the Information Communication Technology (ICT) sector in 2010. The Boston Consulting Group and WSP worked with the Global e-Sustainability Initiative (GeSI) to develop a methodology to calculate the carbon reduction potential of ICT products and services. We also partnered with Accenture to estimate the energy saving and carbon benefits of running business applications through 'cloud computing', compared to using traditional on-site server rooms, for Microsoft.



Transforming the Aviation Industry

Building on our sector-leading work in developing carbon neutral growth strategies for airport businesses, we have worked with ACI Europe to create the world's first Airport Carbon Accreditation Scheme. The scheme, designed and administered by WSP, helps airports proactively manage their emissions and those of their suppliers. Six airports have achieved the highest standard of carbon neutrality and 30% of European airport traffic is covered after just 15 months of operation. Endorsed by the global charity WWF, and with United Nations Environmental Programme on the advisory board, the scheme will have a significant impact on a key sector.



Award-winning Green Design in Newark, USA

The high-performance building modernisation of the Peter W. Rodino Federal Building in Newark, New Jersey received a 2010 Design Excellence Citation Award in Engineering from the US General Services Administration. WSP Flack + Kurtz's role included the complete renovation of the building's nine floors, plus major system upgrades in ventilation, lighting, cooling and heating and significant sustainability measures, including façade configurations. These energy-saving features will reduce utility costs by approximately 32% annually.



Image Courtesy of Dattner Architects

BOARD OF DIRECTORS

01. David Turner FRICS Non-Executive Chairman

David was first appointed to the Board in 1997 and has been Chairman since 2003. He was formerly chief executive of Barclays Property Holdings Limited between 1991 and 1997 and a divisional director of Barclays Bank. David is Chairman of the Advisory Board of City University, London and a director of a number of private companies. He has a wealth of knowledge of the property industry and broad business experience. He chairs the WSP Nomination Committee. **Shareholding: 14,507**

02. Christopher Cole CEng 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 Ashtead Group plc. **Shareholding: 895,446**

03. Peter Gill BA (Hons) FCA Finance Director

Peter was first appointed to the Board in 2009 and is a chartered accountant. He has had broad experience including roles as finance director of The Rank Group plc, the international leisure business; 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. Rikard Appelgren MSc Executive Director

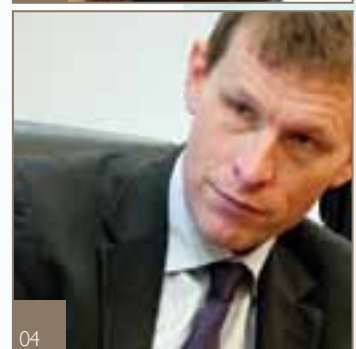
Rikard was appointed to the Board in June 2010. Following an early career in consulting and contracting working in Sweden and Germany, Rikard joined WSP Sweden in 1996. In 2002 he was appointed its Managing Director and Managing Director of WSP Europe in 2006. He is responsible for the Group's European business and also for the development of the industrial businesses across the Group. **Shareholding: 142,800**

05. Paul Dollin CEng PhD Executive Director

Paul was appointed to the Board in June 2010 and is a chartered engineer. He holds a PhD in material science and following a period with British Energy, joined Atkins in 1999 where he held a number of roles, latterly Managing Director of their Design and Engineering business, and a member of its Executive Committee. He is responsible for WSP's UK business. **Shareholding: 14,575**

06. Stuart McLachlan MSc Executive Director

Stuart was first appointed to the Board in 2006 and is responsible for WSP's Environment & Energy business. 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 Group's Environmental business. He became Managing Director of WSP Environmental UK in 1997 and Managing Director of the Group's global Environment & Energy business in 2001. He sits on the Environmental Leadership Teams of BiTC and the MayDay Network. **Shareholding: 46,272**



07. 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 and in February 2011 was appointed as Chairman of the Judicial Appointments Commission. Chris chairs the WSP Remuneration Committee.

Shareholding: 14,341

08. Mark Rollins BEng ACA

Independent Non-Executive Director

Mark was appointed to the Board in 2006. He has held the position of Chief Executive of Senior plc since 2008, having previously been its Group Finance Director for eight years. He is a chartered accountant and was formerly with the Morgan Crucible Company plc and, before that, with BDO Binder Hamlyn. He currently chairs the Audit Committee. **Shareholding: 10,000**

09. Anders Karlsson BSc

Independent Non-Executive Director

Anders was first appointed to the Board in 2009. He is an industrial advisor to the Ratons AB private equity group and has broad international experience. 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 several other board positions with private companies in Sweden and Denmark. **Shareholding: 5,000**

10. Huw Davies FCA

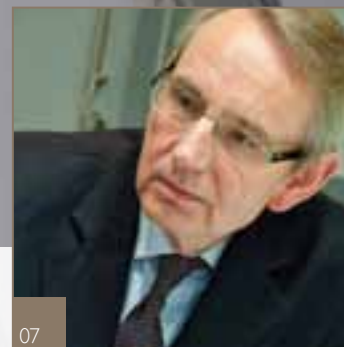
Independent Non-Executive Director

Huw was appointed to the Board in January 2011 and is a chartered accountant. He has been Chief Financial Officer of the Wates Group Limited since 2005, having previously been head of corporate finance with Taylor Woodrow. He has held key positions with KPMG, Ernst & Young and the Government of Oman and is a non-executive director of West Bromwich Building Society. **Shareholding: Nil**

11. Graham Bisset BAcc CA

Company Secretary

After qualifying as a chartered accountant with KPMG, Graham was employed in senior finance roles in the distribution and materials handling sectors before joining WSP in 1993. He has had broad responsibilities throughout the Group including financial management, systems implementation, risk management and corporate governance. He was appointed Company Secretary in 2005.



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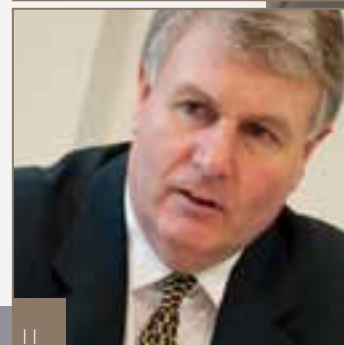
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Board of directors

PERFORMANCE COMMITTEE

The performance committee comprises the executive directors of the Group, together with the following key management:

01. 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.

02. Tom Bower, BSc
Managing Director, WSP Middle East

Tom has been with WSP since 1999 and has held various positions within the business. He joined the board of WSP UK in 2006 as Commercial Director and was appointed Managing Director of our Middle East business in 2010. He also has responsibility for our Indian business.

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 29 years. In 2003 he was appointed Managing Director of their New York headquarters office and has been President and CEO since July 2008. He reports to the Performance Committee on behalf of the Group's businesses in the USA.

04. Andrew Mather Pr Eng, BSc Eng, B Com
Managing Director, Africa, Australia and Asia

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, Andrew, who is now based in Sydney, assumed overall responsibility for the Africa, Australia and Asia regions.

05. Tom Smith BSc (Hons), MBA, CEng MIMechE
Group Global Growth 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. Since then he has been instrumental in developing our global connectivity, services and regions. He operates throughout the Group working with regional management to develop global initiatives focussed on market sectors, global clients and major project bids.

06. Jason Urry BA (Hons) ACA
Group Financial Controller

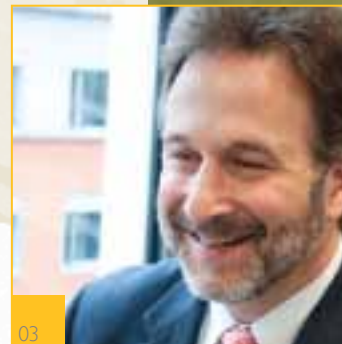
Jason has been with WSP since 2007 as Group Financial Controller. Having qualified as a Chartered Accountant in 1995, he has held a variety of finance roles in the UK including Group Financial Controller of Uniq plc and Group Chief Accountant of Chubb plc. He is responsible for Group financial control,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



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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 & Supporting, Pride & 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.

Fulfilling stakeholders' expectations is immensely important to us and WSP continues 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 is committed to maintaining the highest standards of corporate governance, which it believes are fundamental to business integrity, performance and maintaining investor and stakeholder confidence.

Throughout the year the Company has been in compliance with the provisions set out in Section I 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>. In May 2010 the Financial Reporting Council issued a new edition of the Code which is known as the UK Corporate Governance Code and applies to financial years beginning on or after 29 June 2010. WSP Group anticipates that in 2011 it will comply with the new Code to the extent that it applies to smaller companies.

This report together with the Directors' Remuneration Report on pages 50 to 57 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 to the Group within a framework of prudent and effective controls that enables risk to be assessed and managed.

A formal schedule identifies those matters specifically reserved to the Board and its Committees. Those 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. In order to lend objectivity and balance to the Board (and notwithstanding the smaller company provisions of the Combined Code) it is the Company's current policy that, excluding the chairman, at least half of the directors should be independent non-executive directors. As outlined on pages 42 and 43, the Board currently comprises the non-executive chairman, five executive directors and four independent non-executive directors. In the periods from 1 June until 31 December 2010 and from 22 February 2011 there has been a majority of executive directors on the Board. The Board has started to redress this but it is nevertheless satisfied that there has been a strong presence of non-executive directors and that the Board's composition has been balanced throughout with appropriate skills and experience. Under the auspices of the Chairman no group of individuals has been able to dominate the Board's decision-taking.

The Board considers Christopher Stephens, Mark Rollins and Huw Davies to be independent non-executive directors free from any business or other relationship that could materially interfere with their judgement. As previously reported, Anders Karlsson is also determined by the Board to continue to be independent 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 four years. 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 Board approval 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. The table below sets out details about the roles of the directors who served during the year and in the period up until the date the financial statements were approved. It also includes information about the number of Board and Committee meetings convened during the year, and attendance at these meetings.

Director	Position	Independent	Committee Chair	Number of meetings attended (actual / potential)			
				Board (9 maximum)	Audit Committee (5 maximum)	Remuneration Committee (4 maximum)	Nomination Committee (5 maximum)
David Turner	Chairman	No	Nomination	9/9	-/-	-/-	5/5
Christopher Cole	Chief Executive	No		9/9	-/-	-/-	5/5
Peter Gill	Finance Director	No		9/9	-/-	-/-	-/-
Stuart McLachlan	Executive Director	No		9/9	-/-	-/-	-/-
Rikard Appelgren (from 01.06.10)	Executive Director	No		6/6	-/-	-/-	-/-
Paul Dollin (from 01.06.10)	Executive Director	No		6/6	-/-	-/-	-/-
Christopher Stephens	Senior independent non-executive director	Yes	Remuneration	8/9	4/5	4/4	4/5
Marisa Cassoni (until 21.06.10)	Non-executive director	Yes	Audit (until 21.06.10)	3/4	2/2	2/2	2/2
Mark Rollins	Non-executive director	Yes	Audit (from 28.06.10)	9/9	5/5	2/2	5/5
Anders Karlsson	Non-executive director	Yes		9/9	3/3	4/4	5/5
Huw Davies (from 01.01.11)	Non-executive director	Yes		-/-	-/-	-/-	-/-
Tony Thorne (from 01.01.11 until 22.02.11)	Non-executive director	Yes		-/-	-/-	-/-	-/-

The Board has a standing agenda which includes reports from the executives on the Group's operational performance, finances, ongoing strategy and risk profile. 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 during the year are available on the Group's website and may be inspected 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 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 provided with clear, accurate and timely 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.

The names of those directors who will retire and submit themselves for election or re-election are detailed in the Directors' Report on page 58. Biographies of each of the directors are set out on pages 42 and 43.

Personal development, advice and performance evaluation

In addition to attending Board meetings 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 has been provided to 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 advises 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 help develop 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 served as non-executive directors for more than six years and been the subject of particularly rigorous performance evaluations.

As a consequence of these reviews the Board structure has evolved and Board and Committee processes have been developed to improve effectiveness and resilience.

Nomination Committee

The Nomination Committee leads the Board appointment process and makes recommendations to the Board thereon. It considers Board composition and balance and keeps succession plans for executive and non-executive directors under review.

The Committee currently comprises the chairman, David Turner, together with Chris Stephens, Mark Rollins and Anders Karlsson, who are independent non-executive directors, and the chief executive. Marisa Cassoni was a member of the Committee until she left the Board in June.

During the year the Committee considered plans for succession, the balance of skills, knowledge and experience within the Board, director performance and the time commitment required of non-executive directors in fulfilling their duties. Taking account of these factors, and having regard for diversity, the Committee put recommendations to the Board for the appointment of four new directors during the year.

Except in the case of Rikard Appelgren who is responsible for WSP Europe and was promoted from within the Group, an external search agency was appointed by the Committee to support the process by helping identify suitable candidates, conduct initial interviews and coordinate the process.

Selection criteria were agreed and members of the Committee participated in various rounds of interviews in order to identify preferred candidates and to develop their recommendations to the Board. The senior independent director chairs the Committee when it deals with the chairman's appointment.

Remuneration Committee

The Remuneration Committee advises the Board on directors' service contracts and remuneration. A report on executive directors' remuneration and the activities of the Remuneration Committee is set out on pages 50 to 57.

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 Mark Rollins, who succeeded Marisa Cassoni as chair of the Committee on an interim basis in June 2010, together with Christopher Stephens and Anders Karlsson who joined the Committee on 28 June 2010. All are independent non-executive directors and Mark Rollins has the recent and relevant financial experience required by the Combined Code. Huw Davies who was appointed to the Board as a non-executive director on 1 January 2011, will join the Audit Committee on 30 March 2011 and take the role of chairman of the Committee in May 2011. He has the recent and relevant financial experience required by the UK Corporate Governance Code to chair the Committee.

Where appropriate, the Committee consults 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 also be invited to Committee meetings for parts of the agenda. The statutory auditors are invited to attend all 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 the Group's accounting policies, areas of judgement or estimate, reporting requirements and matters brought to their attention by management, internal and statutory auditors. The disclosure and treatment of receivables due from Middle East clients and the carrying value of goodwill were areas given particular scrutiny by the Committee during the year.

The Committee has continued to monitor and review the performance and effectiveness of the internal audit function. During the year, it has considered and approved internal audit terms of reference, resources and audit plans. Audits generally focus on key areas of risk and the Committee regularly receives and reviews internal audit reports together with related management responses.

Corporate Governance Report – continued

The Group has a confidential multi-lingual hotline operated by an independent third party which was extended during the year to provide confidential internet reporting. The Committee has reviewed these arrangements and remains satisfied that, given the nature of the risks involved, arrangements are appropriate to allow staff to raise concerns about possible improprieties in confidence.

The Committee has primary responsibility to make recommendations to the Board in connection with the appointment of statutory auditors and for monitoring the independence and objectivity of the auditors. It approves their terms of engagement and remuneration together with the extent of non-audit services that they provide.

During the year the auditors, PricewaterhouseCoopers LLP ('PwC'), reported to the Committee on their audit strategy, the scope of audit work and the outcome of the audit. They also report to the Committee on a regular basis concerning a range of matters which include independence and the extent of their engagement in non-audit work. PwC maintain procedures designed to protect their objectivity which include periodic rotation of the audit partner and annual independence confirmations by all staff which have also been discussed with the Committee.

The Company has implemented a policy for the provision of non-audit services other than those that involve tax compliance and routine taxation advice. Under the policy any proposed PwC assignments where fees payable are likely to exceed a pre-determined threshold, currently £50,000, must be referred to the Committee. Any assignments below this level are pre-approved by the finance director and subsequently reported to the Committee. Details of fees paid to PwC during the year are set out in note 5 on page 79.

The Committee remains satisfied that adequate processes are in place to help safeguard auditor objectivity and independence.

Internal Control

The directors have ultimate responsibility for the system of internal control and 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.

Group Structure

As a decentralised group, divisional management have considerable autonomy to manage and develop their businesses in line with the Group's strategy and policies. Accordingly, the Group aims to maintain appropriate systems of internal control which are kept flexible enough to respond to prevailing conditions, operate effectively, deliver shareholder value and safeguard assets.

The Group has adopted a matrix approach to managing its operations. Together with the Board, the key bodies that are responsible for the control and direction of the Group are the Performance Committee, the Global Leadership Team and the boards of the separate operating subsidiaries.

The operational and strategic direction of the Group is determined and monitored by the Board which receives reports from the chief executive and executive directors who are members of the Performance Committee.

The Performance Committee meets on a monthly basis and has an agenda that includes the review of operational and financial performance, risk management and the development of Group policies. The Group's various business segments are represented at the Performance Committee and the members of the Committee, details of whom are provided on page 44 include senior management from the Group's key businesses. Where appropriate the Committee invites senior executives from across the Group to attend its meetings.

Market collaboration and accountability are maintained and developed through regional committees which are chaired by members of the Performance Committee although in the Environment & Energy businesses, oversight and collaboration is developed through a global Environment & Energy executive committee.

The role of the Global Leadership Team is to develop the strategic direction of the Group and consider strategic proposals. Its membership principally comprises the members of the Performance Committee together with other senior management as appropriate. The Committee's conclusions and recommendations are reported to the Board and during the year it helped develop the Group's Strategy Plan for 2011-15. The Committee's remit includes the development of proposals for continuous improvement, knowledge-sharing and other opportunities to enhance synergies throughout the Group.

The separate operating subsidiaries are led by boards of directors who meet on a regular basis and are charged with the performance and development of these businesses in accordance with Group strategy and policies. They are responsible for internal control and risk management within their businesses in line with Group policies and guidelines. Appropriate Group-level authority is required where our businesses bid for contracts that are determined to be of Group significance and we have defined mandatory procedures in this regard. Subsidiary management have primary responsibility for reviewing business risks locally and identifying, evaluating and managing them according to their significance. Businesses maintain risk registers and action plans which are summarised and reviewed on a regular basis by the Performance Committee and the Board. A summary of the key risks inherent in the Group's business is provided on pages 34 to 35.

Financial Reporting Processes

The Group has established accounting policies and procedures that are communicated throughout the Group. Reporting and consolidation processes require all businesses to report using a standardised reporting application on a monthly basis. At the year end and at the half year, more detailed disclosures are provided 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 finance director oversees the assessment of risks associated with consolidation and reporting processes and ensures the appropriate review and implementation of controls by which the integrity of the Group's financial reporting is maintained.

Internal Audit

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 Group's businesses, using a risk based approach to prioritise areas and topics to be reviewed. Where concerns are raised about the effectiveness of controls, the Audit Committee considers the appropriateness of any remedial action and monitors its implementation. Internal audit resources are supplemented by staff from BDO together with appropriate internal secondees drawn from around the Group which provides the flexibility to undertake audit work in our various areas of operation.

Internal Controls Review

The Board is satisfied that there is an ongoing process for 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 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.

During the year the Board reviewed the effectiveness of the Group's internal controls and took account of the advice of the Audit Committee and any other factors concerning internal control which may have come to its attention. The Audit Committee supported the Board in its annual review of the effectiveness of internal control and in doing so, the Committee took account of the work of internal audit and the Group financial risk manager together with the Group's organisational structure and reporting mechanisms. A key element of the annual review process is the detailed internal control review questionnaire which is completed by the separate operating subsidiaries and designed to address financial, operational and compliance controls together with systems of risk management. The responses were assessed and communicated by internal audit using a maturity model which enabled the effectiveness of controls in diverse businesses to be articulated using a standardised scale.

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, Board processes and strategy. Where it has been considered appropriate, the Board has in the past consulted with institutional shareholders on matters such as directors' remuneration and succession. Both the chairman and senior independent director are available to meet institutional shareholders should there be any unresolved matters that shareholders wish to bring to their attention.

Presentations are made to fund managers, brokers and the media at the time the Group's final and half year results are announced. A strategy workshop was also arranged in November at which the executive directors presented the Group's strategy plan for 2011-15. 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 chairmen 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 investors. 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.

Notice of annual general meetings and related papers are sent to shareholders at least 20 working days in advance of such meetings. During annual general meetings separate resolutions are proposed for each substantially different issue to allow it to receive proper consideration. Resolutions are normally dealt with on a poll, and proxy votes are announced after each resolution has been considered. Voting results, including proxy voting, are published on the WSP Group website after the meeting. Further information on the activities of the Group together with information that may be relevant to investors may also be accessed at www.wspgroup.com.

Remuneration Report

Remuneration Report

This report sets out the remuneration policy and remuneration details of the executive and non-executive directors of the Company. It 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.

Summary (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 in the form of bonus and share awards. These incentive pay arrangements are structured so as to align the interests of executive directors with those of shareholders and reward long-term performance that creates additional shareholder value, but without encouraging excessive risk-taking or promoting behaviours that might heighten social, environmental and ethical risks.

We reported last year on the testing economic conditions which led the Group to implement staff and salary reductions during 2009 in many of our businesses and that as a consequence of these pressures the executive directors at the time elected to unconditionally waive 10% of their monthly salaries. As conditions have gradually stabilised, we have been able to appropriately reinstate staff salaries to, or close to, their former levels in all but the most challenged of our markets. Throughout 2010, Christopher Cole, Peter Gill and Stuart McLachlan continued to make salary sacrifices equivalent to 10% of their monthly salaries. The Committee has now agreed that with effect from January 2011 these sacrifices should reduce to 5% of monthly salaries and to keep the matter under review.

The limits for the annual bonus plan will be broadly unchanged for 2011, with a focus on profit performance, although 20% of the potential bonus will be based on a cash conversion target to reflect operating cash flow.

In determining 2009 performance share awards, the Committee took account of economic uncertainties and difficult markets when, after consulting with major shareholders, it agreed to grant awards under the 2006 Performance Share Plan on the basis of absolute earnings per share targets. With less volatile economic conditions in 2010, the Committee reverted to earnings per share growth targets. Accordingly, awards granted during the year are conditional on the growth in adjusted earnings per share in the three years from 31 December 2009 exceeding the base level of 40.6p by at least the growth in the Retail Price Index ("RPI"), in which case 30% of awards will vest. If the growth in the same period is 4% or more per annum plus RPI, awards should vest in full.

Rikard Appelgren and Paul Dollin were appointed to the Board during the year and their remuneration has been determined in line with the Group's policy for executive directors. Rikard Appelgren, who was appointed to the Board from the Group's Europe business, receives a salary of 2.9m Swedish Kroner per annum and his entitlement to defined contribution pension is maintained at 30% of salary. Paul Dollin was recruited externally and receives an annual salary of £240,000, with defined contribution pension entitlement at the rate of 15% of salary. In 2010, both had potential annual performance bonuses of up to 80% of salary and were granted share awards under the WSP Group Performance Share Plan with a grant value equivalent to approximately 80% of their salaries. In addition, Paul Dollin received a one-off cash payment of £60,000 in lieu of incentives due from his former employer. The Company would be entitled to recover this sum should his employment terminate within the first year.

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 four times during the year, comprises three independent non-executive directors. The current members are Christopher Stephens, its chairman, Anders Karlsson and Mark Rollins who succeeded Marisa Cassoni as a member of the Committee in June. Where appropriate, the Committee consulted with the chairman of the Board and the chief executive, neither of whom take part in discussions on matters relating to their own remuneration.

The Remuneration Committee has appointed Hewitt New Bridge Street to provide independent remuneration advice to it. During the year Hewitt New Bridge Street was acquired by the Aon Corporation. Aon acts as insurance broker to some of the Group's interests outside the UK. Hewitt New Bridge Street had no 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	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
Rikard Appelgren (<i>appointed 01.06.10</i>)	01.06.2010	Rolling 1 year	12 months	One year's salary and contractual benefits
Paul Dollin (<i>appointed 01.06.10</i>)	01.06.2010	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 will reach the Company's normal retirement age of 65. He has indicated to the Board his wish to remain in office and in 2009 the Committee 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 guidance. However, as this contract provision will expire in August (at which point it will be replaced with provisions prescribing a 12 month notice period with no liquidated damages provisions) it is not proposed to make any further changes to his service contract.

Non-Executive Directors

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	05.05.2010
Christopher Stephens	10.01.2003	06.05.2009
Mark Rollins	01.01.2006	06.05.2009
Anders Karlsson	01.01.2009	06.05.2009
Huw Davies (<i>from 01.01.11</i>)	01.01.2011	Pending

The non-executive directors have letters of appointment which provide that their appointments are initially for a three year term, subject to satisfactory performance and re-election at forthcoming annual general meetings. David Turner's letter of appointment provides for a one year term. Tony Thorne resigned from the Board on 22 February 2011 for personal reasons. He had a letter of appointment that entitled the Company to six months' notice which the Company agreed to waive.

Directors' service agreements may be inspected at the Company's registered office during normal office hours.

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.

In setting remuneration, the Remuneration Committee takes account of individual performance, responsibility and skills together with the remuneration and conditions of employees across the Group. It monitors the remuneration of the Group's most senior executives and considers the remuneration levels and practices of UK listed companies with similar presence and scale.

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 encourage undue social, environmental, or ethical risk-taking.

Remuneration Report – continued

The performance-related elements of executive remuneration which comprise annual bonuses and awards under the 2006 Performance Share Plan represent a significant proportion of potential remuneration. The targeted composition of directors' remuneration, based on their full entitlements to emoluments, including pension, together with maximum potential 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%
Rikard Appelgren	Executive Director	46%	54%
Paul Dollin	Executive Director	43%	57%
Christopher Stephens	Non-executive Director	100%	–
Mark Rollins	Non-executive Director	100%	–
Anders Karlsson	Non-executive Director	100%	–
Huw Davies	Non-executive Director	100%	–

Incentives recognise profit, cash and earnings per share targets and the Committee has agreed that in the event of a significant adverse event, it may have regard to non-financial factors, such as social, environmental and ethical matters, and that bonuses may be adjusted downward on a discretionary basis if such events materially damage the reputation of the Group. The 2006 Performance Share Plan, which encourages a long-term responsible approach to developing the business by recognising sustainability, rewards the achievement of challenging earnings per share performance over three year periods. The Committee has considered additional provisions by which it may defer or reclaim performance-related bonuses in the event of misstatement or misconduct by an executive and it is satisfied that, having regard to the risks concerned, contractual arrangements and its policy requiring directors to establish minimum shareholdings, the existing arrangements regarding incentive pay remain appropriate.

The Company has adopted a policy whereby directors should build and maintain a minimum shareholding that is linked to their level of remuneration. This requires them to invest a sum at least equivalent to 100% of their annual salary by investing at least 50% of their 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 56 and currently Christopher Cole and Rikard Appelgren have established the appropriate shareholdings, while Peter Gill, Stuart McLachlan and Paul Dollin have complied by investing at least 50% of any after-tax bonuses received.

Non-executive directors' fees are determined by the Board within an overall limit of £350,000 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.

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, conditions elsewhere in the Group, and comparable evidence from other companies in the sector.

Recognising difficult trading conditions and salary reductions implemented in many parts of the Group, during 2009 Christopher Cole, Peter Gill and Stuart McLachlan elected to waive 10% of their monthly salaries which they continued throughout 2010. It has now been agreed that they should reduce their waivers to 5% of monthly salaries with effect from January 2011 and that this will be kept under review.

- Pension contributions are calculated by reference to basic salaries with neither annual bonuses nor share incentive awards taken into account in calculating amounts due. All the executive directors are members of defined contribution pension schemes. Peter Gill has elected to receive his pension contribution by way of a salary supplement and Christopher Cole has a similar option. The following table sets out details of entitlements to pension contributions.

Director	Pension contribution
Christopher Cole	35%
Peter Gill	25%
Stuart McLachlan	15%
Rikard Appelgren	30%
Paul Dollin	15%

- Performance related annual bonuses, up to a maximum of 80% of salary (100% in the case of Christopher Cole and Peter Gill), are designed to incentivise performance aligned to the Group's strategy. Bonuses are calculated by reference to challenging annual

performance targets centred on profit performance and, additionally in 2011, a cash-conversion target based on operating cash flow. The relative significance of these metrics for 2010 and 2011 is set out in the following table.

Director / Incentive Measure	2010		2011	
	On-target	Stretch	On-target	Stretch
<i>Christopher Cole and Peter Gill</i>				
On target / Maximum (% of salary)	40% / 100%		42% / 100%	
Group profit before tax	40%	100%	32%	80%
Group cash conversion	–	–	10%	20%
<i>Rikard Appelgren and Paul Dollin</i>				
On target / Maximum (% of salary)	32% / 80%		33.6% / 80%	
Group profit before tax	16%	40%	12.8%	32%
Business operating profit	16%	40%	12.8%	32%
Group cash conversion	–	–	8%	16%
<i>Stuart McLachlan</i>				
On target / Maximum (% of salary)	30% / 75%		33.6% / 80%	
Group profit before tax	15%	37.5%	12.8%	32%
Business operating profit	15%	37.5%	12.8%	32%
Group cash conversion	–	–	8%	16%

- Share awards, under the 2006 Performance Share Plan, up to a maximum of 100% of executive directors' basic salaries as at the date of 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 become exercisable is measured by reference to the growth in WSP's adjusted diluted earnings per share performance over a three-year performance period. In line with past practice, the Committee anticipates that it will grant performance share awards during 2011 with a grant value up to 80% of salary to Stuart McLachlan, Rikard Appelgren and Paul Dollin; and 100% of salary in the case of Christopher Cole and Peter Gill.

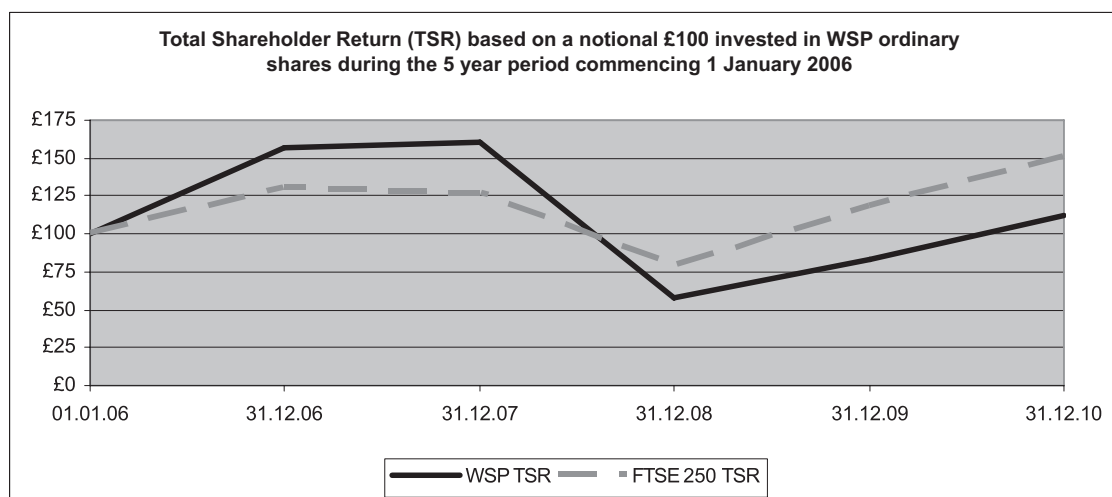
The Committee has reviewed alternative measures of performance during the year, including total shareholder return and is satisfied that adjusted diluted earnings per share remains an appropriate measure of Group performance as it recognises long-term profit performance that should be expected to flow through to enhanced long-term shareholder value. Furthermore, because typically over 40% of the executives participating in the plan are resident outside the UK, it provides them with a strong and meaningful focus on Group performance. Subject to certain overrides, adjusted diluted earnings per share performance is based on the Group's audited results information and verified by the Committee.

During the year the Committee determined in line with the rules of the 2006 Performance Share Plan that those awards that were granted on 3 April 2007 should vest ten days early to facilitate administration over the Easter period and for reasons of tax efficiency. This was completed at no additional cost to the Company. The Committee also agreed to amend the rules of the plan and permit awards that vest to be exercised up to a maximum of ten years from their date of grant. Additional provisions require participants to remain with the Group or to satisfy good leaver provisions set out in the plan otherwise their awards will lapse.

Remuneration Report – continued

Total Shareholder Return 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 any dividends over a given period. The Remuneration Committee considers that the FTSE 250 TSR index provides a broad UK equity market index against which the share performance of WSP Group may be fairly assessed.



The chart demonstrates that in the two years until December 2007, WSP Group's TSR significantly exceeded that of the FTSE 250. However, in 2008, global macro-economic factors and market turmoil caused a downgrade in equity prices generally. During 2008, the support services and property sectors to which WSP Group is principally aligned underperformed the market more generally and as the market recovered in 2009, these sectors and WSP Group have continued to lag behind the recovery in the FTSE 250.

Directors' Remuneration (audited)

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

Director	Salary and fees £'000	Waived Salary ¹ £'000	Bonus ² £'000	Employee Benefits ³ £'000	Other £'000	2010 Total £'000	2009 Total £'000	2010 Pension £'000	2009 Pension £'000
<i>Executive Directors</i>									
Christopher Cole	390	(39)	168	26	–	545	394	136	137
Peter Gill	310	(31)	133	19	77 ⁴	508	447	–	–
Stuart McLachlan	210	(21)	–	13	–	202	207	31	31
Rikard Appelgren (from 01.06.10) ⁵	148	–	139	6	–	293	–	45	–
Paul Dollin (from 01.06.10)	140	–	–	7	60 ⁶	207	–	21	–
<i>Non Executive Directors</i>									
David Turner	80	–	–	–	–	80	80	–	–
Christopher Stephens	40	–	–	–	–	40	40	–	–
Mark Rollins	38	–	–	–	–	38	35	–	–
Anders Karlsson ⁷	85	–	–	–	–	85	82	–	–
<i>Former Director</i>									
Marisa Cassoni (until 21.06.10)	19	–	–	–	–	19	40	–	–
	1,460	(91)	440	71	137	2,017	1,325	233	168

1. As set out elsewhere in this report, Christopher Cole, Peter Gill and Stuart McLachlan who have served throughout the year unconditionally waived a proportion of their monthly salaries during the year.

2. Christopher Cole, Peter Gill and Rikard Appelgren intend to invest half their after-tax bonuses in WSP Group shares.

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

4. Peter Gill has elected to receive a sum in lieu of pension contribution which was paid in cash through the payroll.

5. Rikard Appelgren's remuneration is disclosed from 1 June, when he was appointed as a director. He was promoted to the Board of WSP Group plc at that time and his bonus is calculated on the basis of his full year's salary and not pro-rated.

6. As indicated above, Paul Dollin received a one-off cash payment of £60,000 in lieu of incentives due from his former employer.

7. 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 (£50,290) which is paid by WSP Europe A.B. being his fee as chairman of the supervisory board of WSP Europe A.B.

As outlined above, 2010 profit-related bonus targets took account of Group profit before tax and, where appropriate, the operating profit of the business for which the relevant director is accountable. On an underlying basis Group performance exceeded the 2010 target and 43% of this element of bonus entitlement was achieved. In our Europe business, operating profit exceeded the bonus target and accordingly Rikard Appelgren was entitled to that portion of his bonus in full. The UK and Environment & Energy businesses did not achieve their operating profit targets and consequently no bonuses were due in respect of the performance of these businesses. Paul Dollin and Stuart McLachlan who are responsible for these businesses have also elected to waive their entitlements to the Group element of their bonuses.

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 2010, Christopher Cole received remuneration of £110,000 in his capacity as non-executive chairman of Ashted Group plc.

Long Term Incentive Share Plan (audited information)

As at 31 December 2010, 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 01.01.2010*	Granted in year No.	Number of shares exercised No.	Number of shares lapsed No.	Number of shares at 31.12.2010 No.	2010 Value of entitlement £'000	2009 Value of entitlement £'000
<i>Current Directors</i>										
<i>Christopher Cole</i>										
	03.04.07	03.04.10	692.4p	29,000	–	(15,854)	(13,146)	–	–	80
	09.04.08	09.04.11	602.0p	64,750	–	–	–	64,750	230	179
	07.05.09	07.05.12	253.2p	153,998	–	–	–	153,998	546	424
	09.04.10	09.04.13	291.0p	–	134,020	–	–	134,020	476	–
				247,748	134,020	(15,854)	(13,146)	352,768	1,252	683
<i>Peter Gill</i>										
	07.05.09	07.05.12	253.2p	122,408	–	–	–	122,408	435	337
	09.04.10	09.04.13	291.0p	–	106,529	–	–	106,529	378	–
				122,408	106,529	–	–	228,937	813	337
<i>Stuart McLachlan</i>										
	03.04.07	03.04.10	692.4p	13,250	–	(7,243)	(6,007)	–	–	36
	09.04.08	09.04.11	602.0p	21,000	–	–	–	21,000	75	58
	07.05.09	07.05.12	253.2p	49,919	–	–	–	49,919	177	138
	09.04.10	09.04.13	291.0p	–	43,443	–	–	43,443	154	–
				84,169	43,443	(7,243)	(6,007)	114,362	406	232
<i>Rikard Appelgren (from 01.06.10)</i>										
	09.04.08	09.04.11	602.0p	13,308	–	–	–	13,308	47	37
	07.05.09	07.05.12	253.2p	31,616	–	–	–	31,616	113	87
	09.04.10	09.04.13	291.0p	–	65,979	–	–	65,979	234	–
				44,924	65,979	–	–	110,903	394	124
<i>Paul Dollin (from 01.06.10)</i>										
	02.06.10	02.06.13	340.1p	–	56,453	–	–	56,453	200	–
				–	56,453	–	–	56,453	200	–
<i>Former Director</i>										
<i>Malcolm Paul (until 06.05.09)</i>										
	03.04.07	03.04.10	692.4p	25,000	–	(13,667)	(11,333)	–	–	69
	09.04.08	09.04.11	602.0p	35,966	–	–	–	35,966	128	99
	07.05.09	07.05.12	253.2p	42,777	–	–	–	42,777	152	118
				103,743	–	(13,667)	(11,333)	78,743	280	286

* Or date of appointment if later than 01.01.10.

When it determined 2010 awards, the Committee took account of economic uncertainties and subdued markets together with the need to incentivise management and position the Group appropriately for recovery. Those awards granted in 2008 and 2010 will vest

Remuneration Report – continued

conditional on the growth in adjusted diluted earnings per share over three-year performance periods. For 100% of awards to vest the growth in adjusted diluted earnings per share in each year should exceed 14% and 4% per annum respectively, plus the increase in RPI. No awards will vest unless the Group's adjusted diluted earnings per share over the same periods increase by 4% and 0% per annum respectively, plus the increase in RPI. At that level, the participants would receive 30% of their awards. 2009 awards are conditional on absolute earnings per share targets. No awards will vest unless the Group's adjusted diluted earnings per share exceed 44p in the year ending 31 December 2011. At that level 20% of awards will vest. If adjusted diluted earnings per share exceed 57p, 100% of awards will vest. Between these limits, awards will vest according to the extent to which the conditions are fulfilled. Participants are also 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.

The following table shows those share awards that vested and were exercised by directors during 2010, together with payments in respect of notional dividend entitlements.

Director	Award date	Exercise date	Market price at award date	Market price at exercise date	Number of shares exercised No.	2010 Gain on exercise £'000	2010 Notional dividend £'000	2009 Gain on exercise £'000	2009 Notional dividend £'000
Christopher Cole	03.04.07	24.03.10	692.4p	272.0p	15,854	43	6	69	11
Stuart McLachlan	03.04.07	24.03.10	692.4p	272.0p	7,243	20	3	28	5
Rikard Appelgren (<i>from 01.06.10</i>)	03.04.07	24.03.10	692.4p	272.0p	4,756	13	2	22	4
<i>Former Director</i>									
Malcolm Paul (<i>until 06.05.09</i>)	03.04.07	24.03.10	692.4p	272.0p	13,667	37	5	57	10
					41,520	113	16	176	30

In respect of those awards that vested during the year, participants would only have been entitled to receive 100% of any award had the adjusted diluted earnings per share over the three-year period from 1 January 2007 increased from the base of 31.0p by at least 49.94%, representing 12% 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 20.64%, 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 2009 Annual Report was 40.6p, representing an actual increase of 30.97% and as a result 54.67% of awards vested and were satisfied by new issue shares.

Directors' interests (unaudited)

At the year end the directors' beneficial interests in the 5p ordinary shares of the Company together with their contingent interests in share awards granted under the performance share plan were as follows:

Director	Beneficial Shares No.	Performance Share plan No.
<i>At 31 December 2010</i>		
David Turner	14,507	–
Christopher Cole	895,446	352,768
Peter Gill	47,333	228,937
Stuart McLachlan	46,272	114,362
Rikard Appelgren (<i>from 01.06.10</i>)	142,800	110,903
Paul Dollin (<i>from 01.06.10</i>)	14,575	56,453
Christopher Stephens	14,341	–
Mark Rollins	10,000	–
Anders Karlsson	5,000	–
<i>At 31 December 2009</i>		
David Turner	14,507	–
Christopher Cole	1,015,446	247,748
Peter Gill	22,500	122,408
Stuart McLachlan	42,014	84,169
Christopher Stephens	14,341	–
Mark Rollins	10,000	–
Anders Karlsson	–	–

There have been no changes in directors' share interests since 31 December 2010.

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.

As required by the Companies Act 2006, a resolution to approve the directors' Remuneration Report will be proposed at the Annual General Meeting when it will be subject to an advisory shareholder vote.

Approved by the Board of directors and signed on its behalf

Christopher Stephens
Chairman of the Remuneration Committee
28 February 2011

Statutory and other Information

Principal Activities and Business Review

The Company is a public limited company domiciled and incorporated in England with registered number 02136404 with a premium listing and admitted to trading in the main market of the London Stock Exchange. The Company is the parent company of an international group of companies supplying specialist management and integrated services in the built and natural environment. The Group operates through its subsidiaries and joint ventures in the following core areas:

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

The Companies Act 2006 requires the directors to present a fair review of the Group's business during the financial year ended 31 December 2010, including the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group (known as a "Business Review"). The information that fulfils the requirements of the Business Review is provided in the Business Review section of this Annual Report on pages 2 to 41.

Results and Dividends

The Group profit after tax for the financial year amounted to £10.0m (2009: £13.5m).

The directors propose a final dividend of 10.0p (2009: 10.0p) per share, which, together with the interim dividend of 5.0p (2009: 5.0p) per share paid in October 2010, would give a total dividend of 15.0p (2009: 15.0p) for the year. If approved at the Annual General Meeting, which is to be convened on 4 May 2011, the final dividend will be paid on 11 May 2011 to shareholders on the register of members at the close of business on 8 April 2011. The shares will be ex dividend from 6 April 2011.

The dividend charge included in the accounts for the year ended 31 December 2010 reflects dividends paid during the year, totalling 15.0p (2009: 15.0p) 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</i>
Stuart McLachlan	<i>Executive Director</i>
Rikard Appelgren	<i>Executive Director (appointed 01.06.10)</i>
Paul Dollin	<i>Executive Director (appointed 01.06.10)</i>
Christopher Stephens	<i>Senior Independent / Non-executive Director</i>
Marisa Cassoni	<i>Independent Non-executive Director (until 21.06.10)</i>
Mark Rollins	<i>Independent Non-executive Director</i>
Anders Karlsson	<i>Independent Non-executive Director</i>

The following directors were appointed to the Board following the year end:

Tony Thorne	<i>Independent Non-executive Director (appointed 01.01.11; resigned 22.02.11)</i>
Huw Davies	<i>Independent Non-executive Director (appointed 01.01.11)</i>

Biographical details of all directors at the date of this report are set out on pages 42 to 43, and details of directors' interests in shares and share options in the Group are set out in the Remuneration Report on page 56.

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 83. He has served on the Board for 13 years and will retire in line with good practice and, in doing so, will satisfy the recommendation of the UK Corporate Governance Code. Being eligible he will offer himself for re-election. Christopher Cole will retire by rotation in accordance with article 81 and, being eligible, offer himself for re-election. As required by article 75, Huw Davies, Rikard Appelgren and Paul Dollin who were appointed to the Board following the last Annual General Meeting will retire and, being eligible, offer themselves 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 Ashted Group plc, David Turner is chairman of the Advisory Board of 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 arm's-length basis, without the involvement of the relevant director. The Company maintains directors and officers' liability insurance.

Share Capital

As at 31 December 2010, the authorised share capital of the Company was £5m, divided into 100,000,000 shares of 5 pence each. At that date, 63,829,694 ordinary shares of 5 pence each had been issued, were fully paid up and were traded on the London Stock Exchange. The following table summarises the movements in the Company's share capital during the year.

	Issue Price	Consideration (£'000)	Ordinary 5p Shares
Issued share capital at 1 January 2010			63,585,043
Shares issued during the year:			
Lincolne Scott purchase deferred consideration	321.3p	236	73,370
The WSP 1997 Share Option Plan options exercised	242p	97	40,176
The WSP Performance Share Plan options exercised	5p	7	131,105
Issued / aggregate consideration during the year		340	244,651
Issued share capital at 31 December 2010			63,829,694

Rights attaching to shares

The rights attaching to the ordinary shares are set out 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 (or where relevant the shareholder for which they are a representative) 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.

The Company 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 12 years after it became due for payment will be forfeited and will then belong to the Company.

If the Company is wound up voluntarily, the liquidator can, with the authority of a special resolution passed by the shareholders, and any sanction required by law, divide among the shareholders (excluding any shareholders holding shares as treasury shares) in kind 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 shareholder can be compelled to accept any asset which would or could 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.

Statutory and other Information – continued

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 (save in the case of a transfer by a recognised person to whom no certificate was issued) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) is not in favour of a minor, infant, bankrupt or person with mental disorder;
- (iii) is in respect of only one class of shares; and
- (iv) is in favour of not more than four transferees.

The Board may refuse to register the transfer of an uncertificated share in any circumstances permitted by the UKLA, the London Stock Exchange, the Uncertificated Securities Regulations 2001 and the rules and practices of the operator of the relevant system provided that exercise of such powers does not disturb the market in the shares.

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 five days' notice to the Company.

All 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 or restrictions that might apply at that time.

Variation of rights

The Company can amend its articles of association including in respect of rights attaching to its shares if a special resolution in favour of such change is passed at a general meeting.

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 that class; or
- (ii) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

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

Repurchase of Shares

At the Annual General Meeting held on 5 May 2010 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 28 February 2011 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 section 724 of the Companies Act 2006. The Company does not currently hold shares in treasury but the Companies Act 2006 allows 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 5 May 2010, an ordinary resolution was approved to renew the directors' authority to allot relevant securities pursuant to Section 551 of the Companies Act 2006 up to an aggregate nominal amount of £2,100,000 (representing approximately two thirds 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 570 of the Companies Act 2006 in respect of any rights issue and for cash issues up to an aggregate nominal amount of £159,000 (representing approximately 5% of the ordinary shares then in issue). In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non pro-rated basis over the last three years. Similar resolutions will be proposed at the forthcoming Annual General Meeting.

Significant shareholdings

As at 28 February 2011 the Company had been notified in accordance 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	–	5,550,661	1,576,171	7,126,832	11.17%
Schroders plc	–	3,285,405	–	3,285,405	5.15%
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%
Montanaro Group	2,564,738	–	–	2,564,738	4.02%
Legal & General Group plc	2,502,385	–	–	2,502,385	3.93%
Henderson Smaller Companies Investment Trust plc	1,915,610	–	–	1,915,610	3.03%

Financial Instruments

Page 33 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 36 to 41.

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 45 to 49. The Board takes account of risk and reviews the Group's systems of internal control on a regular basis. Identified risks include those which have a potential Social, Environmental and Ethical ('SEE') impact and, where the risks are significant, controls and policies are in place to manage them. Most directors have received training on various aspects of SEE risk. As outlined in the Remuneration Report on pages 50 to 57, 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 £156,000 (2009: £103,000) principally to local charities and foundations serving the communities in which the Group operates. Included in the above was £22,000 (2009: £7,000) donated in the UK.

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 is achieved by formal and informal meetings, through intranets, the global internet and through the distribution of in-house newsletters and magazines.

Statutory and other Information – continued

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 the Group's business, it is our policy that disabled applicants should have full and fair consideration for all vacancies within the Group. It is also our policy to retain and retrain those employees who have become disabled. The Our People review on pages 28 to 29 and the Sustainability Report on pages 36 to 41 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 communications.

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 2010 was 30 days (2009: 36 days).

Corporate Governance

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

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 office of the Company at 11.00 a.m. on 4 May 2011. 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.

The Directors' Report on pages 2 to 63 was approved by the Board and signed on behalf of the Board by

Graham Bisset
Company Secretary
28 February 2011

Statement of Directors' responsibilities in respect of the Financial Statements and Auditors

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 these 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are set out below, confirms that to the best of their 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 Group; and
- the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

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

By Order of the Board

Christopher Cole
Chief Executive
28 February 2011

Peter Gill
Finance Director

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 2010 which comprise the Consolidated Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent 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 Statement of Directors' Responsibilities set out on page 63, 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 and express an opinion on 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 2010 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 49, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Bowker Andrews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 February 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	Before exceptional items 2010 £m	Exceptional items* 2010 £m	Total 2010 £m	Before exceptional items 2009 £m	Exceptional items* 2009 £m	Total 2009 £m
Continuing operations							
Revenue	1	706.9	–	706.9	723.3	–	723.3
Subcontractor costs		(80.2)	–	(80.2)	(95.4)	–	(95.4)
Employee benefit costs	6	(438.6)	–	(438.6)	(437.8)	–	(437.8)
Cost of sales		(518.8)	–	(518.8)	(533.2)	–	(533.2)
Gross profit		188.1	–	188.1	190.1	–	190.1
Administrative expenses		(150.1)	(15.8)	(165.9)	(148.8)	(13.1)	(161.9)
Operating profit		38.0	(15.8)	22.2	41.3	(13.1)	28.2
Associated undertakings							
– share of profit	2	2.5	–	2.5	2.5	–	2.5
– share of taxation		(0.7)	–	(0.7)	(0.7)	–	(0.7)
		1.8	–	1.8	1.8	–	1.8
Profit before interest and taxation		39.8	(15.8)	24.0	43.1	(13.1)	30.0
Finance costs	4	(4.9)	–	(4.9)	(5.2)	–	(5.2)
Finance income	4	0.1	–	0.1	0.6	–	0.6
Profit before taxation		35.0	(15.8)	19.2	38.5	(13.1)	25.4
Taxation	7	(10.6)	1.4	(9.2)	(12.1)	0.2	(11.9)
Profit for the financial year		24.4	(14.4)	10.0	26.4	(12.9)	13.5
Profit attributable to:							
– Equity shareholders		23.9	(14.4)	9.5	25.9	(12.9)	13.0
– Non-controlling interests		0.5	–	0.5	0.5	–	0.5
		24.4	(14.4)	10.0	26.4	(12.9)	13.5
Basic earnings per share	9			14.9p			20.6p
Diluted earnings per share	9			14.8p			20.4p

* Exceptional items are shown in note 3.

Statements of Comprehensive Income

For the year ended 31 December 2010

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Profit for the financial year	10.0	13.5	26.5	5.3
Other comprehensive income:				
Actuarial loss on pension schemes (net of taxation)	(4.0)	(9.8)	–	–
Loss on cash flow hedges	(1.0)	(1.4)	(1.0)	(1.4)
Foreign exchange movements (net of taxation)	11.1	(3.4)	–	–
Other comprehensive income/(expense) for the year	6.1	(14.6)	(1.0)	(1.4)
Total comprehensive income/(expense) for the year	16.1	(1.1)	25.5	3.9
Attributable to:				
– Equity shareholders	15.6	(1.6)	25.5	3.9
– Non-controlling interests	0.5	0.5	–	–
Total comprehensive income/(expense) for the year	16.1	(1.1)	25.5	3.9

Balance Sheets

As at 31 December 2010

	Note	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Assets					
Non-current assets					
Goodwill	10	200.5	201.8	1.4	1.4
Intangible assets	11	10.6	4.4	2.8	0.1
Property, plant and equipment	12	26.2	30.8	–	–
Investment in subsidiary and joint venture undertakings	13	–	–	139.9	126.5
Financial assets available for sale	13	0.7	0.9	–	–
Investment in associated undertakings	13	14.3	12.4	–	–
Deferred taxation asset	14	16.1	14.2	0.2	0.4
		268.4	264.5	144.3	128.4
Current assets					
Trade and other receivables	15	251.4	230.6	107.6	108.9
Current taxation receivable		2.9	–	–	–
Cash and cash equivalents (excluding bank overdrafts)		42.5	42.6	1.6	–
		296.8	273.2	109.2	108.9
Liabilities					
Current liabilities					
Financial liabilities	16	(4.2)	(4.0)	–	(2.1)
Trade, other payables and provisions	17	(205.2)	(189.7)	(22.7)	(15.3)
Liabilities for current taxation		(1.4)	(5.9)	(0.6)	(5.9)
		(210.8)	(199.6)	(23.3)	(23.3)
Net current assets		86.0	73.6	85.9	85.6
Non-current liabilities					
Financial liabilities	16	(99.7)	(99.6)	(99.1)	(98.8)
Retirement benefit obligations	23	(54.4)	(48.7)	–	–
Deferred taxation liability	14	(13.9)	(11.6)	–	–
Provisions	18	(2.2)	(0.4)	(0.3)	(0.7)
		(170.2)	(160.3)	(99.4)	(99.5)
Net assets		184.2	177.8	130.8	114.5
Equity					
Called up share capital	19	3.2	3.2	3.2	3.2
Share premium account		82.2	81.8	82.2	81.8
Other reserves		43.6	33.5	5.8	6.8
Retained earnings		51.9	56.1	39.6	22.7
Total shareholders' equity		180.9	174.6	130.8	114.5
Non-controlling interests		3.3	3.2	–	–
Total equity		184.2	177.8	130.8	114.5

The financial statements on pages 66 to 99 were approved by the Board of Directors on 28 February 2011 and signed on their behalf by:

CHRISTOPHER COLE, Chief Executive

PETER GILL, Group Finance Director

Statements of Changes in Equity

For the year ended 31 December 2010

Group	Share capital £m	Share premium account £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Total shareholders' funds £m	Non-controlling interests £m	Total equity £m
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 non-controlling interests	—	—	—	—	—	—	0.3	0.3
Total transactions with owners	—	0.3	(9.3)	—	—	(9.0)	0.3	(8.7)
At 1 January 2010	3.2	81.8	56.1	34.9	(1.4)	174.6	3.2	177.8
Comprehensive income:								
Profit for the year	—	—	9.5	—	—	9.5	0.5	10.0
Other comprehensive income:								
Foreign exchange movements	—	—	—	7.4	—	7.4	—	7.4
Net investment hedges (net of taxation)	—	—	—	3.7	—	3.7	—	3.7
Actuarial loss on pension schemes (net of taxation)	—	—	(4.0)	—	—	(4.0)	—	(4.0)
Cash flow hedges (net of taxation)	—	—	—	—	(1.0)	(1.0)	—	(1.0)
Total other comprehensive income	—	—	(4.0)	11.1	(1.0)	6.1	—	6.1
Total comprehensive income	—	—	5.5	11.1	(1.0)	15.6	0.5	16.1
Transactions with owners:								
Performance share plan adjustments	—	—	0.1	—	—	0.1	—	0.1
Deferred taxation related to the performance share plan adjustment	—	—	(0.1)	—	—	(0.1)	—	(0.1)
Current taxation related to the performance share plan adjustment	—	—	(0.1)	—	—	(0.1)	—	(0.1)
Dividends	—	—	(9.6)	—	—	(9.6)	(0.9)	(10.5)
Issue of ordinary shares	—	0.4	—	—	—	0.4	—	0.4
Total contributions by and distributions to owners	—	0.4	(9.7)	—	—	(9.3)	(0.9)	(10.2)
Changes in ownership interests in subsidiaries that do not result in a loss of control:								
Foreign exchange movements on non-controlling interests	—	—	—	—	—	—	0.5	0.5
Total transactions with owners	—	0.4	(9.7)	—	—	(9.3)	(0.4)	(9.7)
At 31 December 2010	3.2	82.2	51.9	46.0	(2.4)	180.9	3.3	184.2

Company	Share capital £m	Share premium account £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Total shareholders' funds £m
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)
Deferred taxation related to the performance share plan adjustment	–	–	–	0.2	–	0.2
Issue of ordinary shares	–	0.3	–	–	–	0.3
Total transactions with owners	–	0.3	–	(9.3)	–	(9.0)
Balance at 1 January 2010	3.2	81.8	8.2	22.7	(1.4)	114.5
Comprehensive income:						
Profit for the year	–	–	–	26.5	–	26.5
Total comprehensive income	–	–	–	26.5	–	26.5
Other comprehensive income:						
Cash flow hedges (net of taxation)	–	–	–	–	(1.0)	(1.0)
Total comprehensive income	–	–	–	26.5	(1.0)	25.5
Transactions with owners:						
Dividends	–	–	–	(9.6)	–	(9.6)
Performance share plan adjustment	–	–	–	0.1	–	0.1
Deferred taxation related to the performance share plan adjustment	–	–	–	(0.1)	–	(0.1)
Issue of ordinary shares	–	0.4	–	–	–	0.4
Total transactions with owners	–	0.4	–	(9.6)	–	(9.2)
At 31 December 2010	3.2	82.2	8.2	39.6	(2.4)	130.8

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 £26.5m (2009: £5.3m).

Cash Flow Statements

For the year ended 31 December 2010

	Note	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Cash flows from operating activities					
Cash generated from operations	20	47.9	39.3	6.8	3.0
Finance costs paid		(3.0)	(2.5)	(2.8)	(2.0)
Finance income received		0.1	0.6	0.4	3.5
Taxation (paid)/recovered		(12.5)	(10.5)	(4.3)	0.5
Net cash from operating activities		32.5	26.9	0.1	5.0
Cash flows from investing activities					
Purchase of subsidiary undertakings (net of cash acquired)		(0.2)	(0.6)	–	–
Deferred consideration paid		(8.8)	(11.5)	–	(1.7)
Purchase of intangible assets		(6.1)	(2.6)	(3.0)	–
Purchase of property, plant and equipment		(6.5)	(7.1)	–	–
Sale of property, plant and equipment		–	0.5	–	–
Sale of intangible assets		0.1	0.2	–	–
Dividends received from associated undertakings		0.9	0.9	–	–
Net cash used in investing activities		(20.6)	(20.2)	(3.0)	(1.7)
Cash flows from financing activities					
Net proceeds of share issues		0.2	–	0.2	–
Drawdown of loan facilities		24.5	38.0	23.4	26.4
Repayment of loan facilities		(24.3)	(28.8)	(24.1)	(26.6)
Repayment of finance leases		(0.2)	(0.3)	–	–
Dividend to non-controlling interests		(0.9)	–	–	–
Equity dividends received		–	–	16.7	2.0
Equity dividends paid		(9.6)	(9.5)	(9.6)	(9.5)
Net cash (used in)/from financing activities		(10.3)	(0.6)	6.6	(7.7)
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at 1 January		41.4	35.1	(2.1)	2.3
Exchange movements on cash and cash equivalents		(1.0)	0.2	–	–
Cash and cash equivalents at 31 December	22	42.0	41.4	1.6	(2.1)

Accounting Policies

For the year ended 31 December 2010

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the European Union, 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 parent Company financial statements, which have been consistently applied except for the changes in accounting policy noted below, are set out as follows:

Basis of preparation

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

Adoption of new and revised International Financial Reporting Standards

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

- IFRS 3 *Business Combinations (revised)*. The revised standard makes significant changes to the acquisition method of accounting for business combinations and is applied prospectively from 2010. There were no material acquisitions in the period and therefore there has not been any material effect on the financial statements as a result of adopting this revision.
- IAS 27 *Consolidated and Separate Financial Statements (revised)*. Specifies accounting for transactions with non-controlling interests and where control of an entity is lost. There has not been any material effect on the financial statements as a result of adopting this revision.
- IAS 36 *Impairment of assets (amendment)*. The amendment clarifies that the largest cash-generating unit that goodwill should be allocated to for the purposes of impairment testing is an operating segment. There has not been any material effect on the financial statements as a result of adopting this revision.
- IFRIC 16 *Hedges of a net investment in a foreign operation (amendment)*. This amendment states that, in a hedge of a net investment of a foreign operation, the hedging instrument may be held in any entity within the group. This has not had any impact on the Group's financial statements.
- IFRS 5 *Non-current assets held for sale and discontinued operations (amendment)*. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale. The Group does not have any assets classified as held for sale.

The following new and amended standards, and interpretations, are mandatory for the first time for the period but are not currently relevant to the Group (although they may affect the accounting for future transactions and events).

- IFRIC 17 *Distribution of non-cash assets to owners*
- IFRIC 18 *Transfers of assets from customers*
- IFRIC 19 *Reassessment of embedded derivatives (amendment)*
- IAS 1 *Presentation of financial statements (amendment)*
- IAS 38 *Intangible assets (amendment)*
- IFRS 2 *Group cash-settled share-based payment transactions (amendments)*

At the date of authorisation of these financial statements, the following standards, amendments and interpretations were in issue but not yet effective for the financial period and not early adopted

- IFRS 9 *Financial instruments*
- IAS 24 *Related party disclosures (revised)*
- IAS 32 *Classification of rights issues (amendment)*
- IFRIC 19 *Extinguishing financial liabilities with equity instruments*
- IFRIC 14 *Prepayments to a minimum funding requirement (amendments)*

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 acquisition 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. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this 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

Accounting Policies – continued

For the year ended 31 December 2010

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 Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

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

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 on the basis of time spent at the agreed fee rates, and the value of services provided as a proportion of the total value of the contract in the case of fixed fee contracts. Under certain services 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 and costs are recognised upon reaching the required milestone.

Revenue and costs are recognised on this basis where the outcome of the contract can be reliably measured and 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.

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.

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. For example, impairment of goodwill or amortisation of business combination intangible assets.

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 pounds 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%

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 six 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	3-6 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.

Accounting Policies – continued

For the year ended 31 December 2010

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 probably 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 24. Movements on the hedging reserve in shareholders' equity are shown 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 recognised income and expense as they arise. The balance sheet reflects the schemes' full surplus or deficit at the balance sheet date.

Leasing

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

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

Dividends

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

Provisions

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

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

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.

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 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 to determine the appropriate amounts of revenue and net amounts recoverable on contracts. 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 basis of the discount rate for these calculations which is adjusted for market factors relevant to the cash generating unit as described in note 10 to the financial statements. In addition, the calculations are performed using the discount rate increased by 1 percentage point to identify the level of headroom available in the calculation.
- **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 2010

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 costs 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 assets and 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

	2010 £m	2009 £m
Property		
United Kingdom	83.1	80.0
Mainland Europe	96.8	81.5
United States	63.4	67.3
Africa, India & Middle East	42.3	48.7
Far East & Australia	39.0	36.2
	324.6	313.7
Transport & Infrastructure		
United Kingdom	83.3	119.5
Mainland Europe	86.6	78.2
United States	19.7	21.1
Africa, India & Middle East	12.6	15.0
Far East & Australia	1.3	0.7
	203.5	234.5
Environment & Energy		
United Kingdom	27.1	24.7
Mainland Europe	22.7	21.3
United States	21.2	20.2
Africa, India & Middle East	5.4	5.0
Far East & Australia	9.6	9.3
	86.0	80.5
Management & Industrial		
United Kingdom	26.8	30.7
Mainland Europe	55.7	53.3
Africa, India & Middle East	3.9	4.4
Far East & Australia	6.4	6.2
	92.8	94.6
Revenue	706.9	723.3
Associated undertakings – multi-disciplined services	37.9	32.4
Revenue plus share of associates	744.8	755.7

Revenue of approximately £117m (2009: £116m) was derived from a single source and is reported within all four disciplines within the Mainland Europe segments. This revenue is derived from all public sector activity in the particular country.

I. Segmental analysis (continued)

Profit

	Before exceptional items 2010 £m	Exceptional items 2010 £m	After exceptional items 2010 £m	Before exceptional items 2009 £m	Exceptional items 2009 £m	After exceptional items 2009 £m
Property						
United Kingdom	3.8	–	3.8	1.2	–	1.2
Mainland Europe	7.2	–	7.2	6.7	(0.3)	6.4
United States	5.4	–	5.4	5.3	(0.3)	5.0
Africa, India & Middle East	(1.7)	–	(1.7)	(2.4)	(0.1)	(2.5)
Far East & Australia	0.9	–	0.9	1.4	–	1.4
	15.6	–	15.6	12.2	(0.7)	11.5
Transport & Infrastructure						
United Kingdom	4.8	–	4.8	9.2	–	9.2
Mainland Europe	7.6	–	7.6	7.5	–	7.5
United States	1.1	–	1.1	1.2	–	1.2
Africa, India & Middle East	(0.8)	–	(0.8)	0.1	(0.1)	–
Far East & Australia	0.2	–	0.2	0.2	–	0.2
	12.9	–	12.9	18.2	(0.1)	18.1
Environment & Energy						
United Kingdom	1.3	(3.6)	(2.3)	1.0	–	1.0
Mainland Europe	1.2	–	1.2	1.9	–	1.9
United States	1.4	–	1.4	1.4	(0.1)	1.3
Africa, India & Middle East	0.7	–	0.7	0.6	–	0.6
Far East & Australia	(0.3)	–	(0.3)	(0.1)	(0.1)	(0.2)
	4.3	(3.6)	0.7	4.8	(0.2)	4.6
Management & Industrial						
United Kingdom	(0.1)	(12.2)	(12.3)	1.3	(0.1)	1.2
Mainland Europe	4.5	–	4.5	4.2	–	4.2
Africa, India & Middle East	0.7	–	0.7	0.3	–	0.3
Far East & Australia	0.1	–	0.1	0.3	–	0.3
	5.2	(12.2)	(7.0)	6.1	(0.1)	6.0
	38.0	(15.8)	22.2	41.3	(1.1)	40.2
Associated undertakings – Multi-disciplined services (net of tax)	1.8	–	1.8	1.8	–	1.8
Impairment of Dubai aged debt and work in progress	–	–	–	–	(12.0)	(12.0)
Profit before interest and tax	39.8	(15.8)	24.0	43.1	(13.1)	30.0

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.

Notes to the financial statements – continued

For the year ended 31 December 2010

2. Joint ventures and associated undertakings

	Joint ventures £m	2010 Associated undertakings £m	Joint ventures £m	2009 Associated undertakings £m
Share of revenue	36.3	37.9	64.8	32.4
Share of profit before interest and taxation	2.7	2.5	4.3	2.5
Net finance costs	–	–	0.1	–
Share of profit before taxation	2.7	2.5	4.4	2.5
Taxation	(0.8)	(0.7)	(1.2)	(0.7)
Share of profit after taxation	1.9	1.8	3.2	1.8
Share of net assets of associated undertakings and joint ventures				
	Joint ventures £m	2010 Associated undertakings £m	Joint ventures £m	2009 Associated undertakings £m
Goodwill	–	3.1	–	2.6
Property, plant and equipment	0.1	1.5	0.2	0.3
Current assets	10.7	19.7	10.5	21.2
	10.8	24.3	10.7	24.1
Current liabilities	(10.0)	(9.1)	(11.1)	(12.3)
Non current liabilities	–	(2.1)	–	(0.8)
	0.8	13.1	(0.4)	11.0
Group revenue with associated undertakings and joint ventures	2.7	0.6	6.7	1.2
Included in current assets are:				
Trading balances with WSP Group plc subsidiaries	–	0.2	2.1	1.8
Included in current liabilities are:				
Trading balances with WSP Group plc subsidiaries	0.2	0.2	2.1	0.1

The Group's balances in respect of associated undertakings and joint ventures relate mainly to its 24.7% interest in Multiconsult AS and its 27.9% effective 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:

	2010 £m	2009 £m
Restructure of WSP CEL and impairment of related goodwill (a)	(12.2)	–
Disposal of environmental testing laboratory (b)	(3.6)	–
Amortisation of business combination intangible assets	–	(1.1)
Impairment of Dubai related aged debt and work in progress	–	(12.0)
	(15.8)	(13.1)

a) Restructure of WSP CEL business. During the year the Group's industrial process business in the UK found trading conditions very difficult as a consequence of its client base reducing capital budgets. It has therefore been necessary to restructure this business and integrate it in to the Group's core UK operations. In 2009 the goodwill associated with this business was disclosed as having marginal headroom, and this further decline in operations has led to a partial write down of goodwill of £10.0m. Other costs of restructuring, mainly relating to redundancy and onerous lease costs, amount to £2.2m.

b) The UK Environment & Energy business disposed of a loss making testing laboratory in November 2010. Given the one-off nature and size of the resulting loss recognised on this disposal, this has been presented as an exceptional item.

4. Net finance costs

	2010 £m	2009 £m
Interest on loans and other borrowings wholly repayable within five years:		
Bank overdrafts	0.2	0.7
Bank loans	2.7	1.8
Finance leases	0.1	0.1
Bank and finance lease costs	3.0	2.6
Net finance cost on pension obligations	1.9	1.7
Unwinding of discounts	–	0.9
Finance costs	4.9	5.2
Finance income	(0.1)	(0.6)
Net finance costs	4.8	4.6

5. Profit before taxation

	2010 £m	2010 £m	2009 £m	2009 £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	0.5		0.4	
		0.8		0.7
Other auditors		–		0.1
Other fees paid to principal statutory auditor:				
– Taxation and other services		0.2		0.1
– Other services pursuant to legislation		0.1		0.1
Operating lease rentals		35.4		34.3
Amortisation of intangible assets		3.9		4.1
Depreciation of plant, property and equipment		10.5		11.7
Loss/(profit) on disposal of property, plant and equipment		1.9		0.4

Notes to the financial statements – continued

For the year ended 31 December 2010

6. Directors and employees

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
<i>Staff costs, including directors, were as follows:</i>				
Wages and salaries	350.8	358.1	3.3	3.8
Social security costs	43.4	42.5	0.3	0.7
Post employment benefits	25.2	23.8	0.3	0.4
Share based payments	0.2	(0.2)	0.3	–
Contract and agency staff	19.0	13.6	0.1	–
Total staff costs	438.6	437.8	4.3	4.9

	2010 Number	Group 2009 Number	2010 Number	Company 2009 Number
<i>The monthly average number of employees, contract and agency staff, including directors, was as follows:</i>				
Engineering and technical	7,955	8,243	4	2
Administration	1,105	1,308	18	20
Total Staff	9,060	9,551	22	22

	2010 £m	2009 £m
<i>Aggregate emoluments of the directors of the Company was as follows:</i>		
Salaries and benefits	1.7	1.2
Post employment benefits	0.2	0.2
Non-executive directors' fees	0.3	0.3
Aggregate emoluments	2.2	1.7

Full details of the directors' emoluments, share options, long term incentive plans including gains on exercise and pension entitlements are included in the remuneration report on pages 50 to 57.

The directors have identified 50 (2009: 47 (Company 2010: 10; (2009: 10 restated)) key management personnel whose compensation was as follows:

	2010 £m	Group 2009 £m	2010 £m	Restated Company 2009 £m
Short term employment benefits	11.2	10.1	1.7	1.4
Post employment benefits	0.9	1.0	0.2	0.3
	12.1	11.1	1.9	1.7

7. Taxation

	2010 £m	2009 £m
a) Analysis of charge in the year		
UK corporation tax on profits for the year at 28% (2009: 28%)	2.1	4.0
Adjustments in respect of previous years	(0.4)	(0.7)
Tax attributable to exceptional items	(1.7)	–
	–	3.3
Foreign taxation on profits for the year	8.4	8.5
Adjustments in respect of previous years	(0.4)	(0.5)
Total current taxation	8.0	11.3
Movement in deferred taxation	0.9	0.8
Movement in deferred taxation attributable to exceptional items	0.3	(0.2)
Taxation – note 7 (b)	9.2	11.9

The directors believe that the weighted average effective rate will reduce in the next year as a result of the mix of profits earned in different locations and a reduction in the UK rate of corporation tax to 27%. Further details regarding 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% (2009: 28%). The differences are explained below:

	2010 £m	2009 £m
Profit before taxation	19.2	25.4
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	5.4	7.1
Effect of different taxation rates on overseas earnings		
– Ongoing operating activities	1.8	1.4
– Exceptional items	–	3.8
Net impact of permanent differences	3.3	0.6
Adjustment to tax in prior periods	(1.5)	(1.2)
Other timing differences	(0.6)	(0.1)
Unrelieved overseas losses	0.1	0.2
Adjustment for taxation relating to joint ventures and associated undertakings	(0.5)	(0.5)
Total current taxation	8.0	11.3
Current year deferred taxation	1.0	–
Adjustments to deferred taxation in respect of previous years	(0.1)	0.8
Movement in deferred taxation attributable to exceptional items	0.3	(0.2)
Total taxation	9.2	11.9

c) Taxation items credited to equity

Corporation taxation related to the performance share plan adjustment	(0.1)	(0.1)
Corporation taxation related to foreign exchange movements	1.2	(0.4)
Deferred taxation asset related to the performance share plan adjustment	(0.1)	0.5
Deferred taxation related to the actuarial movement on pension scheme obligations	1.2	3.3
Taxation credited to equity	2.2	3.3

Notes to the financial statements – continued

For the year ended 31 December 2010

8. Dividends

	2010 £m	2009 £m
Dividends charged to equity in the year:		
Final dividend paid in May 2010 of 10.0p per share (2009: 10.0p)	6.4	6.3
Interim dividend paid in October 2010 of 5.0p per share (2009: 5.0p)	3.2	3.2
Total dividend paid in 2010 of 15.0p per share (2009: 15.0p)	9.6	9.5
Final dividend proposed for payment (not charged to equity) in May 2011 of 10.0p per share (2009: paid in May 2010, 10.0p)	6.4	6.4

If approved at the Annual General Meeting, which is to be convened on 4 May 2011, the proposed final dividend of 10.0p per share will be paid on 11 May 2011 to those shareholders on the register at the close of business on 8 April 2011. The shares will be ex-dividend from 6 April 2011.

9. Earnings per share

	2010 £m	2009 £m
Profit for the financial year attributable to shareholders	9.5	13.0
Exceptional items and amortisation of business combination intangible assets (net of taxation)	14.4	12.9
Adjusted profit for the financial year attributable to shareholders	23.9	25.9
	No.'000	No.'000
Weighted average number of shares in issue	63,749	63,371
Basic earnings per share	14.9p	20.6p
Adjusted basic earnings per share	37.5p	40.9p

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	63,749	63,371
Dilution effects of share options	475	571
	64,224	63,942
Diluted earnings per share	14.8p	20.4p
Adjusted diluted earnings per share	37.2p	40.6p

10. Goodwill

	Group £m	Company £m
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 1 January 2010	201.8	1.4
Additions	0.2	–
Foreign exchange movements	8.5	–
Cost at 31 December 2010	210.5	1.4
Impairment at 1 January 2009 and 1 January 2010	–	–
Charge in the year	10.0	–
Impairment at 31 December 2010	10.0	–
Net book value		
At 31 December 2010	200.5	1.4
At 31 December 2009	201.8	1.4
At 1 January 2009	202.6	1.4

At the balance sheet date the recoverable amounts of all cash generating units (CGU's) or groups of CGU's 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 2011 as agreed by the Board, is used for the basis of determining projected 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 0%-5% (2009: 3%) according to the market in which the CGU operates. These cashflows were projected forward for a total of 5 years plus a discounted terminal value at 5 years (2009: 20 year projections with a terminal value at 20 years).
- Maintaining margins at 2011 budgeted levels, unless any restructuring actions already in place suggest cost savings and margin improvements are appropriate.
- Applying the discount rates ranging from 10.7% (the Group's weighted average cost of capital (WACC)) to 13.7% pre-taxation, depending on the market conditions relevant to the CGU (2009: 8.86%). The WACC is calculated using the capital asset pricing model according to market data and the level of debt to equity in existence. This has increased since the prior year due to the increase in the market risk free rate.
- WSP CEL, the CGU identified in 2009 with marginal headroom, underperformed in 2010 and this has triggered a restructuring of this business and consequently an impairment charge has arisen. A charge of £10m has been reflected as an exceptional item as part of administrative expenses as disclosed in note 3. This business forms part of the UK Management & Industrial CGU. The carrying value of the goodwill was calculated using 2011 budget expectations of break even and then increasing profitability as a result of restructuring actions taken. The overall implied revenue growth to perpetuity inherent in this calculation is 3.2%. A discount rate of 10.7% was applied to these cash flows. Other than an impairment charge of £0.1m on plant, property and equipment of WSP CEL, no other classes of asset were impaired.
- Sensitivity analysis on the discount rate and growth rates is performed to identify the level of headroom in the calculation for each CGU. An increase of 1 percentage-point was applied to the discount rate to identify CGU's where an impairment may arise. Similarly, reducing growth rates by 1 percentage-point was considered. Previous operating performance is also considered in the context of determining future cash flows. As part of this overall assessment two CGU's have been identified as being potentially impaired. Should these entities not perform in line with budgeted expectations then an impairment charge may be necessary.

Details relative to these CGU's are as follows:

- Carrying value of goodwill £7.4m at 31 December 2010 with impairment calculations reflecting headroom of £0.2m. Growth rates of 5% for three years and 2% thereafter, discounted at 12% were used in the calculations to determine carrying value.
- Carrying value of goodwill £3.0m at 31 December 2010 with impairment calculations reflecting headroom of £4.5m. A growth rate of 3% into perpetuity discounted at 11.7% was used in the calculations to determine carrying value.

Notes to the financial statements – continued

For the year ended 31 December 2010

10. Goodwill (continued)

The carrying value of goodwill by segment is as follows:

	Property £m	Transport & Infrastructure £m	Environment & Energy £m	Management & Industrial £m	Total 2010 £m
United Kingdom	3.4	0.4	–	9.9	13.7
Mainland Europe	46.4	37.0	9.0	7.2	99.6
United States of America	30.4	9.2	4.4	–	44.0
Africa & the Middle East	13.3	2.3	–	–	15.6
Far East & Australia	20.2	–	7.4	–	27.6
	113.7	48.9	20.8	17.1	200.5
	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 of America	29.2	8.5	4.3	–	42.0
Africa & the 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

Included within current year foreign exchange movements is an amount of £4.0m that relates to foreign exchange differences previously held in equity in prior periods.

11. Intangible assets

Group	Computer software £m	Sales order books £m	Customer lists £m	Trading names £m	Total £m
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 1 January 2010	15.0	3.0	2.6	0.2	20.8
Additions	9.8	–	–	–	9.8
Disposals	(1.4)	–	–	–	(1.4)
Foreign exchange movements	0.6	0.1	–	–	0.7
Cost at 31 December 2010	24.0	3.1	2.6	0.2	29.9
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 1 January 2010	10.6	3.0	2.6	0.2	16.4
Charge for the year	3.9	–	–	–	3.9
Disposals	(1.3)	–	–	–	(1.3)
Foreign exchange movements	0.2	0.1	–	–	0.3
Amortisation at 31 December 2010	13.4	3.1	2.6	0.2	19.3
Net book value					
At 31 December 2010	10.6	–	–	–	10.6
At 31 December 2009	4.4	–	–	–	4.4
At 1 January 2009	5.2	0.5	0.6	–	6.3

11. Intangible assets (continued)

Company	Computer software £m	Total £m
Cost at 1 January 2009	–	–
Additions	0.1	0.1
Cost at 1 January 2010	0.1	0.1
Additions	3.9	3.9
Cost at 31 December 2010	4.0	4.0
Amortisation at 1 January 2009 and 1 January 2010	–	–
Charge for the year	1.2	1.2
Amortisation at 31 December 2010	1.2	1.2
Net book value		
At 31 December 2010	2.8	2.8
At 31 December 2009	0.1	0.1
At 1 January 2009	–	–

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.

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 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 1 January 2010	0.7	12.9	1.4	45.7	20.8	81.5
On acquisition of subsidiaries	–	–	–	–	–	–
Additions	–	0.3	0.5	4.2	1.6	6.6
Disposals	–	(1.6)	(0.4)	(2.7)	(0.7)	(5.4)
Foreign exchange movements	0.1	0.4	0.1	2.6	1.2	4.4
Cost at 31 December 2010	0.8	12.0	1.6	49.8	22.9	87.1
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 1 January 2010	0.1	4.0	0.9	33.2	12.5	50.7
Charge for the year	–	1.6	0.2	6.1	2.6	10.5
Disposals	–	(0.7)	(0.3)	(1.9)	(0.6)	(3.5)
Foreign exchange movements	–	0.2	0.1	2.1	0.8	3.2
Depreciation at 31 December 2010	0.1	5.1	0.9	39.5	15.3	60.9
Net book value						
At 31 December 2010	0.7	6.9	0.7	10.3	7.6	26.2
At 31 December 2009	0.6	8.9	0.5	12.5	8.3	30.8
At 1 January 2009	0.6	10.7	0.4	15.4	9.8	36.9

The net book value of Group fixed assets includes an amount of £0.6m (2009: £0.6m) in respect of plant & equipment held under finance leases.

Notes to the financial statements – continued

For the year ended 31 December 2010

12. Property, plant and equipment (continued)

Depreciation is charged to administrative expenses.

Company	Freehold £m	Short leasehold £m	Motor vehicles £m	Plant & equipment £m	Fixtures & fittings £m	Total £m
Cost at 1 January 2009, 1 January 2010 and 31 December 2010	–	–	–	0.1	0.2	0.3
Depreciation at 1 January 2009, 1 January 2010 and 31 December 2010	–	–	–	0.1	0.2	0.3
Net book value						
At 31 December 2009, 1 January 2010 and 31 December 2010	–	–	–	–	–	–

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 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 1 January 2010	0.9	12.4
Disposals	(0.2)	–
Share of profit for the year	–	1.8
Dividends received	–	(0.9)
Foreign exchange movements	–	1.0
Value at 31 December 2010	0.7	14.3

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

	Subsidiary undertakings Note 13 (c) £m
Cost at 1 January 2009 and 2010	126.5
Additions	23.4
Cost at 31 December 2010	149.9
Provision at 1 January 2009 and 2010	–
Charge in the year	10.0
Provision at 31 December 2010	10.0
Net investment at 1 January 2009 and 2010	126.5
Net investment at 31 December 2010	139.9

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.

13. Financial assets (continued)

b) Principal joint ventures and associated undertakings

	Group's interest	Class of shares held	Country of Registration	Principal activities
<i>Associated undertakings:</i>				
Multiconsult AS	24.7%	ordinary	Norway	Multi-disciplined consultancy
LINK Arkitektetur 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 Kettering Venture Park, Kettering, Northamptonshire, NN15 6FD.

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

The Group holds a 40% financial interest in Carillion WSP, an entity in which no party has overall control, and which is therefore considered to be a joint venture.

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
WSP CEL International Limited	100%	Multi-disciplined industrial design
WSP Environmental Limited	100%	Environmental, energy 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 Lincolne Scott Pty Limited*	100%	Building services design, registered in Australia
SEi Engineering Inc.*	100%	Building services design, registered in U.S.A.
WSP Sells Inc.*	100%	Civil engineering, registered in U.S.A.

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

Notes to the financial statements – continued

For the year ended 31 December 2010

14. Deferred taxation

Deferred taxation asset

Group	Accelerated capital allowances £m	Temporary differences £m	Total 2010 £m	Total 2009 £m
At 1 January	0.3	13.9	14.2	9.9
Credited during the year	0.5	(0.5)	–	0.5
Movement in reserves	–	1.3	1.3	3.5
Foreign exchange movements	–	0.6	0.6	0.3
At 31 December	0.8	15.3	16.1	14.2

Company

At 1 January	–	0.4	0.4	0.3
Movement in reserves	–	(0.1)	(0.1)	0.2
Charged during the year	–	(0.1)	(0.1)	(0.1)
At 31 December	–	0.2	0.2	0.4

Deferred taxation liability

Group	Work in progress £m	Temporary differences £m	Total 2010 £m	Total 2009 £m
At 1 January	13.3	(1.7)	11.6	11.1
Charged during the year	0.7	0.5	1.2	1.1
Movement in reserves	–	0.2	0.2	(0.3)
Foreign exchange movements	1.0	(0.1)	0.9	(0.3)
At 31 December	15.0	(1.1)	13.9	11.6

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 £10.6m (2009: £9.3m) primarily relates to pension liabilities and the taxation treatment of employee share awards. In Sweden, a deferred taxation liability of £13.1m (2009: £11.3m) 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 liability of £0.8m (deferred tax asset 2009: £0.3m) relates to short term differences on certain provisions.

15. Trade and other receivables

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Trade receivables	183.1	173.0	–	–
Less: provision for impairment of trade receivables	(32.1)	(30.9)	–	–
Trade receivables – net	151.0	142.1	–	–
Amounts recoverable on contracts	74.0	63.5	–	–
Amounts due from group undertakings (note 26)	–	–	104.5	106.3
Amounts due from joint ventures and associated undertakings	0.6	4.0	–	–
Other receivables	1.7	9.0	0.6	0.8
Prepayments and accrued income	24.1	12.0	2.5	1.8
	251.4	230.6	107.6	108.9

As at 31 December 2010, trade receivables of £76.0m (2009: £69.0m) were considered for potential impairment. The amount provided against these balances was £32.1m as at 31 December 2010 (2009: £30.9m). 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.

15. Trade and other receivables (continued)

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

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Less than 30 days	0.3	0.5	–	–
Between 30 and 60 days	1.4	0.3	–	–
Between 60 and 90 days	0.5	0.1	–	–
Between 90 and 120 days	–	0.2	–	–
Greater than 120 days	29.9	29.8	–	–
	32.1	30.9	–	–

As of 31 December 2010, trade receivables of £23.2m (2009: £21.1m) 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:

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Less than 30 days	5.6	7.4	–	–
Between 30 and 60 days	7.3	6.2	–	–
Between 60 and 90 days	2.7	2.3	–	–
Between 90 and 120 days	1.2	1.4	–	–
Greater than 120 days	6.4	3.8	–	–
	23.2	21.1	–	–

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

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Sterling	34.2	40.2	–	–
Swedish Krona	35.8	29.3	–	–
US Dollar	33.8	30.9	–	–
Euro	11.5	10.9	–	–
UAE Dirham	4.7	9.5	–	–
South African Rand	9.7	8.3	–	–
Australian Dollar	6.1	6.0	–	–
Other currencies	15.2	7.0	–	–
	151.0	142.1	–	–

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

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
At 1 January	30.9	20.2	–	–
Provision for receivables impairment	1.5	15.8	–	–
Receivables written off during the year as uncollectible	(1.1)	(3.5)	–	–
Unused amounts reversed	(0.6)	(1.0)	–	–
Foreign exchange movements	1.4	(0.6)	–	–
At 31 December	32.1	30.9	–	–

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.

Notes to the financial statements – continued

For the year ended 31 December 2010

16. Financial liabilities

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
<i>Current</i>				
Bank loans	3.2	2.2	–	–
Bank overdrafts	0.5	1.2	–	2.1
Obligations under finance leases	0.5	0.6	–	–
	4.2	4.0	–	2.1
<i>Non-Current</i>				
Bank loans	96.7	97.4	96.7	97.4
Cash flow hedges	2.4	1.4	2.4	1.4
Obligations under finance leases	0.6	0.8	–	–
	99.7	99.6	99.1	98.8

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 2010 committed banking facilities amounted to £150m (2009: £150m), of which £43m (2009: £43m) 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

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Trade payables	41.4	36.5	0.1	0.4
Amounts due to group undertakings (note 26)	–	–	15.0	12.6
Amounts due to joint ventures and associated undertakings	0.7	2.2	–	–
Payments received on account	33.6	29.6	–	–
Other taxes and social security costs	30.1	21.3	0.1	–
Other payables, accruals and provisions	98.6	90.5	7.5	2.3
Deferred consideration (note 18)	0.8	9.6	–	–
	205.2	189.7	22.7	15.3

18. Provisions

	Deferred consideration £m	Property provisions £m	2010 Total £m	2009 Total £m
Group				
Current (note 17)	0.8	0.9	1.7	10.4
Non-current	–	2.2	2.2	0.4
Total	0.8	3.1	3.9	10.8

Movement in total provisions

At 1 January	9.7	1.1	10.8	22.5
Created during the year	–	2.4	2.4	0.3
Unwinding of discounting deferred consideration	–	–	–	0.9
Provisions utilised during the year	(9.1)	(0.4)	(9.5)	(12.7)
Foreign exchange movements	0.2	–	0.2	(0.2)
At 31 December	0.8	3.1	3.9	10.8

18. Provisions (continued)

Company	Property provisions £m	2010 Total £m	2009 Total £m
Current (note 17)	0.2	0.2	0.5
Non-current	0.3	0.3	0.2
Total	0.5	0.5	0.7
Movement in total provisions			
At 1 January	0.7	0.7	2.7
Provisions utilised during the year	(0.2)	(0.2)	(2.0)
At 31 December	0.5	0.5	0.7

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.

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 2009	100,000	5.0		63,129	3.2
Issued during the year			5p to 242p	456	—
At 1 January 2010	100,000	5.0		63,585	3.2
Issued during the year			5p to 321p	245	—
At 31 December 2010	100,000	5.0		63,830	3.2

Details relating to the issue of shares are detailed in the statutory and other information section of the Directors' Report on page 59.

20. Reconciliation of profit to operating cash flows

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Profit for the financial year	10.0	13.5	26.5	5.3
Taxation	9.2	11.9	(1.3)	1.2
Depreciation	10.5	11.7	—	—
Performance share plan	0.2	(0.2)	—	—
Loss on disposal of property, plant and equipment	1.9	0.4	—	—
Amortisation of intangible assets	3.9	4.1	1.3	—
Goodwill/Investment impairment	10.0	—	10.0	—
Dividend income	—	—	(31.9)	(2.0)
Finance income	(0.1)	(0.6)	(2.5)	(4.3)
Finance costs	4.9	5.2	2.8	2.2
Share of results of associates after taxation	(1.8)	(1.8)	—	—
Changes in working capital:				
– (Increase)/decrease in trade and other receivables	(0.2)	59.8	(1.8)	2.0
– Increase/(decrease) in trade and other payables	4.7	(62.1)	3.7	(1.8)
– Decrease in other provisions	(5.2)	(3.0)	—	—
– Foreign exchange and non-cash movements	(0.1)	0.4	—	0.4
Cash generated from operations	47.9	39.3	6.8	3.0

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For the year ended 31 December 2010

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

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Increase/(decrease) in cash balances in the year	1.0	4.9	1.6	(2.3)
Decrease/(increase) in bank overdrafts in the year	0.6	1.2	2.1	(2.1)
Increase/(decrease) in cash in the year	1.6	6.1	3.7	(4.4)
Finance lease repayments	0.2	0.1	–	–
New bank loans/drawdown on existing facilities	(0.2)	(9.2)	0.7	(0.1)
Movement in net debt resulting from cash flows	1.6	(3.0)	4.4	(4.5)
Foreign exchange movements	(1.0)	(0.4)	–	–
Movement in net debt in the year	0.6	(3.4)	4.4	(4.5)
Net debt at 1 January	(59.6)	(56.2)	(99.5)	(95.0)
Net debt at 31 December	(59.0)	(59.6)	(95.1)	(99.5)

22. Analysis of net debt

Group	1 January 2010 £m	Net cash flows £m	Foreign exchange £m	31 December 2010 £m
Cash balances	42.6	1.0	(1.1)	42.5
Bank overdrafts	(1.2)	0.6	0.1	(0.5)
Cash and cash equivalents	41.4	1.6	(1.0)	42.0
<i>Current</i>				
Bank loans	(2.2)	(1.1)	0.1	(3.2)
Finance Leases	(0.6)	0.1	–	(0.5)
<i>Non-current</i>				
Bank loans	(97.4)	0.9	(0.2)	(96.7)
Finance Leases	(0.8)	0.1	0.1	(0.6)
	(59.6)	1.6	(1.0)	(59.0)

Company	1 January 2010 £m	Net cash flows £m	31 December 2010 £m
Cash balances	–	1.6	1.6
Bank overdrafts	(2.1)	2.1	–
Cash and cash equivalents	(2.1)	3.7	1.6
<i>Non-current</i>			
Bank loans	(97.4)	0.7	(96.7)
	(99.5)	4.4	(95.1)

23. Pensions

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

	2010 £m	2009 £m
Defined benefit schemes	0.6	0.5
Defined contribution schemes	24.6	23.4
	25.2	23.9

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

23. Pensions (continued)

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. 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. 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.

Assumptions

UK

	2010	2009
Rate of increase in pensionable salaries	nil	nil
Rate of increase in pensions in payment	3.6%	3.3%
Discount rate	5.4%	5.7%
Inflation assumption	3.7%	3.7%
Expected return on plan assets	5.9%	6.3%
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	0.0%	2.3%
Discount rate	3.8%	3.8%
Inflation assumption	2.0%	2.0%
Expected return on plan assets	n/a	n/a
Life Expectancy at age 70		
– Men	86.7	86.7
– Women	89.0	89.0
Life Expectancy at age 50		
– Men	79.1	79.1
– Women	82.4	82.4

Notes to the financial statements – continued

For the year ended 31 December 2010

23. Pensions (continued)

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

	2010	2009
Equities	56%	56%
Bonds	31%	35%
Property	1%	1%
Other	12%	8%
	2010 £m	2009 £m
Fair value of plan assets	61.5	53.7
Present value of funded obligations (UK)	(94.5)	(83.2)
	(33.0)	(29.5)
Present value of unfunded obligations (Sweden)	(21.4)	(19.2)
Pension liability	(54.4)	(48.7)

Amounts recognised in the income statement are as follows:

	2010 Total £m	2009 Total £m
Current service costs	0.6	0.5
Employee benefit costs	0.6	0.5
Finance costs	5.4	4.6
Expected return on plan assets	(3.5)	(2.9)
Net finance cost on pension liabilities	1.9	1.7

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

	2010 £m	2009 £m
Present value of obligation as at 1 January	102.4	81.5
Service cost	0.6	0.5
Contributions from scheme members	0.4	0.5
Benefits paid	(2.2)	(2.4)
Finance costs	5.4	4.6
Actuarial losses	7.5	17.7
Foreign exchange differences	1.8	–
Present value of obligation as at 31 December	115.9	102.4

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

	2010	2009
Fair value of plan assets as at 1 January	53.7	45.1
Expected return on plan assets	3.5	2.9
Contributions from scheme members	0.4	0.5
Contributions from employer	3.6	3.0
Benefits paid	(2.0)	(2.4)
Actuarial gains	2.3	4.6
Fair value of plan assets as at 31 December	61.5	53.7

23. Pensions (continued)

Analysis of the movement in net deficit

	2010 £m	2009 £m
As at 1 January	48.7	36.4
Employee benefit costs	0.6	0.5
Net finance cost	1.9	1.7
Benefits paid	(0.2)	–
Contributions from employer	(3.6)	(3.0)
Net actuarial loss recognised in the year	5.2	13.1
Foreign exchange movements	1.8	–
As at 31 December	54.4	48.7

Cumulative actuarial gains and losses recognised in equity

As at 1 January	(32.0)	(18.9)
Net actuarial losses recognised in the year	(5.2)	(13.1)
As at 31 December	(37.2)	(32.0)

History of experience gains and losses

	2010	2009	2008	2007	2006
Experience adjustments arising on scheme assets:					
Amount (£m)	2.3	4.6	(13.7)	(0.3)	0.7
Percentage of scheme assets	4%	10%	(25%)	(1%)	2%
Experience adjustments arising on scheme liabilities:					
Amount (£m)	(0.5)	(0.1)	(0.7)	(2.7)	(0.9)
Percentage of scheme liabilities	–	–	(1%)	(3%)	(1%)
Changes in the assumptions underlying the value of scheme liabilities					
Amount (£m)	7.6	17.8	5.0	6.1	0.1
Percentage of scheme liabilities	7%	22%	6%	7%	–
Present value of scheme liabilities (£m)	115.9	102.4	81.5	85.4	82.4
Fair value of scheme assets (£m)	(61.5)	(53.7)	(45.1)	(53.8)	(49.8)
Deficit (£m)	54.4	48.7	36.4	31.6	32.6

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 £0.9m
Mortality	+/- 1 year	Increase/ decrease £2.1m

The combined employee and employer contributions expected to be paid during the financial year ending 31 December 2011 amount to £3.9m.

Notes to the financial statements – continued

For the year ended 31 December 2010

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 33.

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 £42.5m and £1.6m respectively of cash and cash equivalents at the year end held in bank accounts (2009: £42.6m the Group; £nil 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 2010, 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 (2009: £0.7m) 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.

At 31 December 2010, 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 £0.6m (2009: £0.8m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated trade receivables and foreign exchange losses/gains on Euro denominated borrowings.

b) Liquidity and interest rate risk

The maturity of financial liabilities included in notes 16 and 18 above is as follows:

	Sterling £m	Swedish Krona £m	US Dollars £m	Other £m	Total 2010 £m
In one year or less, or on demand	0.1	–	3.2	1.7	5.0
In more than one year but not more than two years	0.1	–	–	0.5	0.6
In more than two years but not more than five years	89.4	–	9.7	–	99.1
	89.6	–	12.9	2.2	104.7

	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

The Group's interest bearing financial liabilities are charged at floating rates. There are no fixed rate or non-interest bearing liabilities (2009: £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 2010, 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 (2009: £0.1m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. During 2010, if interest rates on UK sterling-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-taxation profit for the year would have been £0.3m (2009: £0.4m) 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.

24. Financial instruments (continued)

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 2010			
Financial liabilities (excluding cash flow hedges)	5.0	0.6	96.7
Cash flow hedges	–	–	2.4
Trade payables	41.4	–	–
	46.4	0.6	99.1
At 31 December 2009			
Financial liabilities (excluding cash flow hedges)	4.0	0.4	97.8
Cash flow hedges	–	–	1.4
Trade payables	36.5	–	–
	40.5	0.4	99.2

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

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 2010 shareholders' equity was £180.9m (2009: £174.6m) and net debt was £59.0m (2009: £59.6m) giving total capital of £239.9m (2009: £234.2m). 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 25%. The ratio of debt to EBITDA is 1.06 times at the end of the year compared to 1.02 at the end of the previous year.

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 an appropriate provision was made in 2009. 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 IFRS7, these fall within the fair value hierarchy of level 2. The cash flows relating to the cash flow hedges commenced on 31 January 2010.

Notes to the financial statements – continued

For the year ended 31 December 2010

24. Financial instruments (continued)

e) Fair values

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

At 31 December 2010	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Cash flow hedges	–	2.4	–	2.4
	–	2.4	–	2.4

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 2010 (2009: £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.

25. Guarantees, contingent liabilities and other commitments

At 31 December 2010 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 2010 the Group had capital commitments amounting to £nil (2009: £3.0m).

No other commitments, either authorised or contracted for, existed in either the group or its joint ventures at 31 December 2010 (2009: nil).

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

	2010 £m	Group 2009 £m	2010 £m	Company 2009 £m
Property, plant and equipment:				
Within one year	28.6	19.8	–	–
Between two and five years	71.6	67.1	–	–
After more than five years	31.1	41.4	–	–
	131.3	128.3	–	–

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 £0.6m (2009: £1.2m) and the Group purchased services of £0.2m (2009: £1.7m).

At 31 December 2010 a net balance of £0.1m was due to (2009: £1.7m due from) associated undertakings to 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 entities with which the Directors are associated by virtue of their offices or employments. These Directors have no controlling influence over these entities or a material interest in the outcome of these contracts.

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

26. Related party transactions (continued)

Company

The Company operates as a holding company for the group and, as such, receives management fees for services supplied to Group companies. Management fees received from other Group companies amounted to £6.6m (2009: £8.6m). During the year, the Company received interest on loans to other Group companies amounting to £2.5m (2009: £3.5m) and paid interest on loans from other Group companies of £0.1m (2009: £0.0m). The Company received dividends from subsidiary undertakings amounting to £31.9m (2009: £2.0m).

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 2010 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 2010	Exercised	Lapsed	Awarded	At 31 Dec 2010	Exercisable at 31 Dec 2009	Exercisable at 31 Dec 2010
WSP Group plc 1997 Share Option Plan								
26.05.2003-26.05.2010	242.0p	54,821	(40,176)	(14,645)	—	—	54,821	—
30.03.2004-30.03.2011	*429.0p	57,528	—	—	—	57,528	57,528	57,528
09.04.2005-09.04.2012	*334.0p	76,500	—	—	—	76,500	76,500	76,500
08.04.2006-08.04.2013	*75.0p	14,000	—	—	—	14,000	14,000	14,000
		202,849	(40,176)	(14,645)	—	148,028	202,849	148,028
WSP Performance Share Plan 2006								
03.04.2010	0.0p	231,159	(126,350)	(104,809)	—	—	—	—
03.07.2010	0.0p	8,700	(4,755)	(3,945)	—	—	—	—
09.04.2011	0.0p	373,196	—	(3,375)	—	369,821	—	—
10.05.2012	0.0p	923,440	—	(18,180)	—	905,260	—	—
09.04.2013	0.0p	—	—	(13,126)	775,995	762,869	—	—
02.06.2013	0.0p	—	—	—	56,453	56,453	—	—
		1,536,495	(131,105)	(143,435)	832,448	2,094,403	—	—
		1,739,344	(171,281)	(158,080)	832,448	2,242,431	202,849	148,028

The weighted average share price at the date of exercise for share options exercised in the period was 341.1p. 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 2010 in the accounts of WSP Group plc was £0.2m (2009: £0.2m credit) which includes a £0.1m charge (2009: £0.4m) of employers NIC, of which £0.1m (2009: £0.4m) is included in payables at the balance sheet date.

In respect of share awards granted during the period of 832,448, the weighted average fair value of the shares amounted to 294p calculated using the Black Scholes valuation model. The inputs to this model included, inter alia, an average yield of 0.5% 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 2010 the Trust owned no ordinary shares of the Company (2009: none). The performance conditions applicable to awards granted under the Performance Share Plan are set out in the Remuneration Committee Report.

Five Year Review (Unaudited)

Consolidated Income Statements

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue	706.9	723.3	755.2	556.5	432.9
Adjusted profit before interest and taxation	39.8	43.1	58.1	43.4	30.3
Exceptional items	(15.8)	(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)
Profit before interest and taxation	24.0	30.0	59.1	41.7	29.9
Net finance costs	(4.8)	(4.6)	(7.0)	(3.8)	(3.2)
Profit before taxation	19.2	25.4	52.1	37.9	26.7
Taxation	(9.2)	(11.9)	(15.4)	(11.1)	(7.5)
Profit for the financial year	10.0	13.5	36.7	26.8	19.2
Non-controlling interests	(0.5)	(0.5)	0.1	(0.1)	–
Profit attributable to equity shareholders	9.5	13.0	36.8	26.7	19.2
Dividend per share	15.0p	15.0p	15.0p	12.0p	9.0p
Basic earnings per share	14.9p	20.6p	58.3p	43.0p	31.4p
Basic earnings per share before operating exceptional items, profit on sale of subsidiary undertaking and amortisation of intangible assets arising on business combinations	37.5p	40.9p	57.5p	45.6p	32.0p
Consolidated balance sheets	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Non-current assets	268.4	264.5	267.9	219.1	141.3
Current assets	296.8	273.2	321.4	249.6	169.7
	565.2	537.7	589.3	468.7	311.0
Current liabilities	(210.8)	(199.6)	(258.7)	(215.1)	(125.0)
Total assets less current liabilities	354.4	338.1	330.6	253.6	186.0
Non-current liabilities	(170.2)	(160.3)	(143.0)	(128.2)	(91.9)
Net assets	184.2	177.8	187.6	125.4	94.1
Called up share capital	3.2	3.2	3.2	3.1	3.1
Share premium account	82.2	81.8	81.5	81.2	77.8
Other reserves	43.6	33.5	38.3	1.5	(2.6)
Retained earnings	51.9	56.1	62.2	38.7	15.8
Equity shareholders' funds	180.9	174.6	185.2	124.5	94.1
Non-controlling interests	3.3	3.2	2.4	0.9	–
Total equity	184.2	177.8	187.6	125.4	94.1

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:**

4 May 2011

- **Results announcements:**

Full year 28 February 2011

Half year 25 July 2011

- **Dividend payment dates:**

Final May

Interim October

Registrar

All matters relating to the administration of shareholdings should be directed to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, telephone within the UK: 0871 664 0300 (calls cost 10 pence per minute plus network extras, lines are open 8.30am–5.30pm Monday to Friday), or if calling 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. 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 a bank account
- Update their address
- Download and print shareholder forms
- Elect to receive shareholder communications electronically

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 purchase additional WSP shares. 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 Monday to Friday), or if calling from overseas: +44 20 8639 3402.

International dividend payment service

Capita Registrars has partnered with Travelex to provide you with a service that will convert your sterling dividends into your local currency at a competitive rate. You can choose to receive payment directly into your bank account, or alternatively, they can send you a currency draft. Further information may be obtained from Capita Registrars on 0871 664 0385 (UK calls cost 10p per minute plus network extras, lines are open 9.00am–5.30pm, Monday to Friday), or if calling from overseas: +44 20 8639 3405.

E-mail: ips@capitaregistrars.com

Shareholder information – continued

For the year ended 31 December 2010

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 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 some shareholders might receive unsolicited mail. UK shareholders wishing to limit the amount of such mail may register online with the Mailing Preference Service at www.mpsonline.org.uk or write to them at FREEPOST 29 LON20771, London W1E 0ZT.

Warning about unsolicited investment contacts

In recent years, 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', and these 'brokers' can be very persistent and extremely persuasive. A 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors was 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 0300 500 5000 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 CFEB 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 convenience and to reduce 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 deal only 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.

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

Full information regarding WSP office addresses may be found on our website: www.wspgroup.com

ADVISERS

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Capita Registrars

The Registry

34 Beckenham Road

Beckenham

BR3 4TU

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WC2N 6RH

FINANCIAL ADVISER

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London

EC4P 4DU

JOINT STOCKBROKERS

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EC2M 4AA

PRINCIPAL BANKERS

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

UNITED
BY OUR
DIFFERENCE

