ATKINS FACILITIES MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

COMPANY REGISTRATION NUMBER: 2574887

ATKINS FACILITIES MANAGEMENT LIMITED

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Contents

ATKINS FACILITIES MANAGEMENT LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010

The directors present their annual report on the affairs of the Company (registration number 2574887), together with the audited financial statements, for the year ended 31 March 2010

Principal activities, business review and future developments
Nature of the business
Atkins Facilities Management Limited provides professional, technology-based consultancy and support services The principal activity of the Company is facilities management

The directors have prepared the Company's financial statements to reflect an arrangement with Atkins Limited to transfer the collection of all debtors, and responsibility for paying all creditors, in exchange for an intercompany balance The Company retains the risk of non-payment of the debt by the external party

Business review
The Company's results for the year were favourably impacted by the exit from one of its long-term legacy PFI maintenance contracts

Operating margin increased to 6 8% (2009 -15 6%) principally as a result of the release of residual provisions held on this poor performing PFI maintenance contract

The remainder of the contracts are performing in line with expectations

Objectives of the business and future developments
The Company is well placed in both the public and private sectors to continue to help clients lower their cost base

Atkins Facilities Management Limited is a component of the WS Atkins plc Group (the "Atkins Group" and "the Group") The outlook for the Atkins Group remains positive and demand for the Group's services remains good in most markets Further details of the objectives and future developments for the Group are disclosed in the WS Atkins plc financial statements

Results and dividends
Revenue
Total revenue for the year ended 31 March 2010 was £50,486k (2009 £49,840k), an increase of £646k

Operating profit
Operating profit for the year was £3,446k compared with an operating loss of £7,781k reported in 2009

Profit after tax
The profit after tax for the year of £2,021k (2009 £8,171k) is shown in the income statement on page 7

Cash flow
Net cash inflow from operating activities was £13k (2009 £4k outflow)

Dividends
The directors do not recommend a dividend for the year (2009 £nil)

Charitable and political donations
During the year the Company made charitable donations of £2,583 (2009 £4,825)

In accordance with Atkins Group policy, the Company's continuing policy is that it does not make contributions in cash or in kind to political organisations and has no intention to do so in the future

Share capital
Full details of the Company's authorised and issued share capital can be found in note 15 to the financial statements

ATKINS FACILITIES MANAGEMENT LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

Key performance indicators
Management uses a range of performance measures to monitor and manage the business Certain of these are particularly important in the generation of shareholder value and are considered key performance indicators (KPIs) The KPIs measure past performance and also provide information to allow the business to be managed into the future Revenue and operating profit indicate the volume of work done and its profitability KPIs for 2010 are shown in the table below, along with prior year comparatives

	2010	2009	% change in year
Financial metrics			
Revenue	**£50,486k**	£49,840k	1 3%
Operating profit/(loss)	**£3,446k**	£(7,781)k	144 3%
Operating margin	**6 8%**	(15 6)%	+22 4pp

Critical accounting policies
The Company's principal accounting policies are described in note 1 to the financial statements The financial statements for the years ended 31 March 2010 and 31 March 2009 have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union

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

The accounting policy that requires the most significant estimates and judgements to be used in the preparation of the financial statements is in relation to contract accounting

Contract accounting
Profit is recognised on contracts on a percentage completion basis, provided the outcome of the project can be reasonably foreseen Full provision is made for estimated losses Where contracts span two or more accounting periods profit is not generally recognised until the project is 50% complete

The projected outcome of any given contract is necessarily based on estimates of revenues and costs to completion Whilst the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove inaccurate, with a consequent effect on the reporting of results

Principal risks and uncertainties
There are a number of potential risks and uncertainties which could have a material impact on the Company's long-term performance To enable the Company to deliver value to all stakeholders we endeavour to mitigate these risks where possible Effective risk management is embedded into the Atkins Group's governance framework, which is explained in the Corporate Governance Report on page 58 and the Business Review section on page 34 of the of the WS Atkins plc Group consolidated accounts for the year ended 31 March 2010

ATKINS FACILITIES MANAGEMENT LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

Treasury policies and objectives
WS Atkins plc's Group Treasury function manages and monitors external funding and investment requirements and financial risks in support of the Atkins Group corporate objectives Details of the policies and procedures are set out in the WS Atkins plc annual report Details of the Company's financial risks and management policies are set out in note 2 to the financial statements

The Company funds its ongoing activities through cash generated from its operations and by intercompany balances with Atkins Limited

Supplier payment policy
The Company's policy is to agree terms and conditions for its business transactions with suppliers and to endeavour to abide by these terms and conditions, subject to the supplier performing their obligations It is not reasonable to state specific details of creditor days due to the arrangement mentioned above with Atkins Limited, a fellow subsidiary company of WS Atkins plc, where Atkins Limited has the responsibility for paying all UK-based creditors in exchange for an inter-company balance

Corporate responsibility
The Company is committed to acting responsibly towards all its stakeholders The Atkins Group is committed to taking a leadership position within its sector The Group's corporate responsibility strategy and performance is published on its website at www atkinsglobal com/cr A summary of the major issues and developments for the Atkins Group during the year is included in the WS Atkins plc annual report, which is publicly available on the Atkins Group website at www atkinsglobal com/investors

Directors
The directors who served during the year and up to the date of signing these financial statements were as follows

Name	Appointed	Resigned
K E F Clarke	-	-
H S Drewett	19 June 2009	-
A H Griffiths	-	-
R W Hall	-	-
R J MacLeod	-	19 June 2009
I R Purser	-	-
M A Sowerby	-	-

Directors and officers of the Company have the benefit of a directors' and officers' liability insurance policy which provides appropriate cover in respect of legal actions brought against its directors The Company's practice has always been to indemnify its directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law Neither insurance nor the indemnities provide cover where the director has acted fraudulently or dishonestly

Directors' remuneration and interests
Directors' remuneration is disclosed in note 5 to the financial statements

ATKINS FACILITIES MANAGEMENT LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and 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 elected to prepare the 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 Company and of the profit or loss of the Company 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 the 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 enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Each of the directors who are in office at the date the Directors' Report is approved confirms that

a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
b) 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

Going concern
The balance sheet on page 8 of the financial statements shows that the Company's financial position is in a net liabilities position at the year end The Company continues to receive support from the ultimate parent entity

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts

Approved by the Board of directors and signed on its behalf by

Helen Baker
Company Secretary
15 December 2010

ATKINS FACILITIES MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ATKINS FACILITIES MANAGEMENT LIMITED

We have audited the financial statements of Atkins Facilities Management Limited for the year ended 31 March 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity 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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view
Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the 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 Company's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on matter prescribed by the Companies Act 2006
In our opinion 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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

Sarah Banham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 December 2010

ATKINS FACILITIES MANAGEMENT LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £000	2009 £000
Revenue		**50,486**	49,840
Cost of sales		**(30,804)**	(42,459)
Gross profit		**19,682**	7,381
Administrative expenses		**(16,236)**	(15,162)
Operating profit/(loss)	3	**3,446**	(7,781)
Finance cost	6	**(567)**	(517)
Profit/(loss) before taxation		**2,879**	(8,298)
Income tax (expense)/credit	7	**(858)**	127
Profit/(loss) for the year attributable to owners of the parent		**2,021**	(8,171)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £000	2009 £000
Profit/(loss) for the year		**2,021**	(8,171)
Other comprehensive income		-	-
Total comprehensive income and expense for the year attributable to owners of the parent		**2,021**	(8,171)

The notes on pages 11 to 26 are an integral part of these financial statements

ATKINS FACILITIES MANAGEMENT LIMITED

BALANCE SHEET
AS AT 31 MARCH 2010

	Notes	2010 £000	2009 £000
Assets			
Non-current assets			
Investments	8	**-**	-
Deferred income tax	9	**103**	40
		103	40
Current assets			
Trade and other receivables	10	**29,308**	30,152
Cash and cash equivalents	11	**19**	6
		29,327	30,158
Liabilities			
Current liabilities			
Trade and other payables	12	**(26,886)**	(21,029)
Current income tax liabilities		**(920)**	-
Provisions for other liabilities and charges	13	**(611)**	(9,634)
		(28,417)	(30,663)
Net current assets/(liabilities)		**910**	(505)
Non-current liabilities			
Provisions for other liabilities and charges	13	**(3,740)**	(4,266)
Other non-current liabilities	14	**(492)**	(509)
		(4,232)	(4,775)
Net liabilities		**(3,219)**	(5,240)
Capital and reserves			
Ordinary shares	15	**11,495**	11,495
Accumulated deficit		**(14,714)**	(16,735)
Equity shareholder's deficit		**(3,219)**	(5,240)

Company registration number 2574887

The financial statements on pages 7 to 26 were approved by the Board of directors on 15 December 2010 and signed on their behalf by

Heath Drewett
Director

ATKINS FACILITIES MANAGEMENT LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £000	2009 £000
Cash flows from operating activities			
Cash generated from operations	16	6,875	-
Interest paid		(3)	(4)
Net cash generated from/(used in) operating activities		6,872	(4)
Net increase/(decrease) in cash and cash equivalents		6,872	(4)
Cash and cash equivalents at beginning of year	11	6	10
Cash and cash equivalents at end of year	11	6,878	6

The notes on pages 11 to 26 are an integral part of these financial statements

ATKINS FACILITIES MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010

	Ordinary shares	Accumulated deficit	Equity shareholder's (deficit)/ funds
	£000	£000	£000
Balance at 1 April 2008	11,495	(8,564)	2,931
Total comprehensive expense for the financial year	-	(8,171)	(8,171)
Balance at 31 March 2009	11,495	(16,735)	(5,240)
Total comprehensive income for the financial year	-	**2,021**	**2,021**
Balance at 31 March 2010	**11,495**	**(14,714)**	**(3,219)**

The notes on pages 11 to 26 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

1 Accounting policies

Atkins Facilities Management Limited is a limited company registered in England and Wales Its registered office is Woodcote Grove, Ashley Road, Epsom, Surrey, KT18 5BW, England

Basis of preparation

The financial statements of Atkins Facilities Management Limited have been prepared in accordance with EU-adopted International Financial Reporting Standards (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on page 33 of the Business Review of the WS Atkins plc Group consolidated financial statements for the year ended 31 March 2010 as well as in the Directors' Report of Atkins Facilities Management Limited

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

The balance sheet on page 8 of the financial statements shows that the Company's financial position is in a net liabilities position at the year end The Company continues to receive support from the ultimate parent entity The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the forseeable future and therefore continue to adopt the going concern basis in preparing the accounts

Basis of consolidation

The Company is a wholly-owned subsidiary of WS Atkins plc and is included in its consolidated financial statements which are publicly available Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under section 400 of the Companies Act 2006 and IAS27, *Consolidated and Separate Financial Statements*

Functional and presentation currency

Items included in the financial statements of Atkins Facilities Management Limited are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The financial statements are presented in Pounds Sterling thousands ('£000'), which is the Company's functional and presentation currency

Revenue

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

Under certain services contracts, the Company manages customer expenditure and is obliged to purchase goods and services from third party contractors and recharge them on to the customer at cost The amounts charged by contractors and recharged to customers are excluded from revenue and cost of sales Receivables, payables and cash relating to these transactions are included in the Company balance sheet

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

1 Accounting policies (continued)

Revenue recognition and contract accounting

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

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

Revenue recognition on outsourcing contracts is determined by reference to the proportion of the annual service delivered to date Where the costs of obligations in relation to the non-renewal or termination of a contract are higher in the final period of the contract a proportion of revenue is deferred each period to meet these anticipated costs Full provision is made for losses on outsourcing contracts if the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable

Dividend income

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

Pre-contract costs

The Company accounts for all pre-contract costs in accordance with IAS 11, *Construction contracts* Costs incurred before it becomes probable that a contract will be obtained are charged to expenses Directly attributable costs incurred after that point are recognised in the balance sheet and charged to the income statement over the duration of the contract

Bid recovery fees are deferred and credited to the income statement over the duration of the contract

Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

1 Accounting policies (continued)

Impairment

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

Investments in subsidiaries

Investments in subsidiaries and associates are stated at cost less impairment

Financial assets

The Company classifies its financial assets into the category of loans and receivables

Loans and receivables

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired Any impairment is charged to the income statement

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand

Trade payables

Trade payables are recognised at original invoice amount

Provisions for other liabilities and charges

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable The provision is calculated based on discounted cash flows to the end of the contract

Ordinary shares

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

1 Accounting policies (continued)

Application of new IFRS standards and interpretations

(a) The following standards, amendments and interpretations are effective in the current financial year but not relevant for the Company's operations

• IFRS 8, *Operating segments* (effective 1 January 2009) – IFRS 8 replaces IAS 14, Segment reporting It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes

• Amendment to IFRS 7, *Financial instruments Disclosures* (effective 1 January 2009) – The amendment requires enhanced disclosures about fair value measurement and liquidity risk In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy

(b) The following standards, amendments to standards and interpretations are effective in the current financial year and have been adopted by the Company.

• IAS 1 (revised), *Presentation of financial statements* (effective 1 January 2009) – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income As a result the Company presents in the Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Statement of Comprehensive Income Comparative information has been re-presented so that it is also in conformity with the revised standard

(c) The following standards, amendments to standards and interpretations are effective in the current financial year but have not had a material impact on the financial statements of the Company.

• IAS 23 (revised), *Borrowing costs* (effective 1 January 2009)

• Amendment to IAS 32, *Financial instruments Presentation* (effective 1 January 2009)

• Amendment to IFRS 2, *Share based payments* (effective 1 January 2009)

• Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective 1 July 2008)

• IFRIC 13, *Customer loyalty programmes* relating to IAS 18, *Revenue* (effective 1 July 2008)

• IFRIC 14, IAS 19, *The limit on defined benefit assets, minimum funding requirements and their interaction* (effective 1 January 2008, but EU endorsed for use 1 January 2009)

• IFRIC 15, *Agreements for construction of real estates* (effective 1 January 2009, but EU endorsed for use 1 January 2010)

• IFRIC 16, *Hedges of a net investment in a foreign operation* (effective 1 October 2008, but EU endorsed for use 1 July 2009)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

1 Accounting policies (continued)

Application of new IFRS standards and interpretations (continued)

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

• IFRS 3 (revised), *Business combinations* (effective 1 July 2009)

• IAS 27 (revised), *Consolidated and separate financial statements* (effective 1 July 2009)

• Amendment to IAS 39, *Financial Instruments Recognition and measurement on eligible hedged items* (effective 1 July 2009)

• Amendments to IFRS 2, *Share based payments* (effective 1 January 2010)

• Amendments to IFRS 1, *First time adoption – additional exemptions* (effective 1 January 2010)

• Amendment to IAS 32, *Financial instruments Presentation* (effective 1 February 2010)

• Amendment to IFRS 1, *First time adoption – financial instrument disclosures* (effective 1 July 2010)

• Amendment to IAS 24, *Related party disclosures* (effective 1 January 2011)

• IFRS 9, *Financial instruments – classification and measurement* (effective 1 January 2013)

• IFRIC 17 *Distributions of non-cash assets to owners* (effective 1 July 2009)

• IFRIC 18 *Transfer of assets from customers* (effective 1 July 2009)

• IFRIC 19 *Extinguishing financial liabilities with equity instruments (effective 1 July 2010)*

• Amendments to IFRIC 14, *Prepayments of a minimum funding requirement* (effective 1 January 2011)

2 Financial risk management

Risk factors

The Company's activities expose it to a variety of financial risks market risk (including interest rate risk and price risk), credit risk and liquidity risk The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance

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

These policies are further described within the Treasury Policies and Objectives section on page 33 of the Business Review of the WS Atkins plc Group consolidated financial statements for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

2 Financial risk management (continued)

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

a) Market risk
i) Foreign exchange risk
The Company operates in the UK only and all its transactions are denominated in its functional currency There is therefore no foreign exchange risk

ii) Interest rate risk
The Company's exposure to interest rate risk arises from cash and cash equivalents which are all interest bearing, offset in part by interest bearing borrowings The majority of items included in the above are at floating rates of interest or fixed deposits for periods of less than six months, changes in the interest rate result in changes in interest related cash flow No interest rate hedging is currently undertaken by the Company as the risk is not considered to be material

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

b) Credit risk
Credit risk is the risk that the Company will suffer financial loss as a result of counterparties defaulting on their contractual obligations The risk arises on cash and cash equivalents and trade and other receivables, with the maximum exposure to risk equivalent to 100% of the carrying value disclosed in the Company's balance sheet at 31 March The Company does not hold any collateral as security

For trade and other receivables, transferred to Atkins Limited in exchange for an intercompany balance, an assessment of credit quality of the customer is made where appropriate using a combination of external rating agencies, past experience and other factors In circumstances where credit information is unavailable or poor, the risk is mitigated by use of advance payments and, by exception, through credit risk insurance Company policy is not to apply individual credit limits, although exposure and payment performance are monitored closely both at individual project and client level, with a series of escalating debt recovery actions taken where necessary The Company's customer base is broad and dispersed, there are no concentrations of credit risk that would cause concern

c) Liquidity risk
The Company funds its activities through cash generated from its operations, intercompany balances and, where necessary, bank borrowings and finance leases The Company's banking facilities are part of a wider Group facility and include cash facilities and bank guarantees Cashflow forecasts are prepared covering various periods from short to long term to ensure that sufficient funds are available to meet the Company's commitments as they fall due

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

2 Financial risk management (continued)

c) Liquidity risk (continued)

The table below analyses the maturity profile of the Company's non-derivative financial liabilities Figures shown are undiscounted on a worst case basis

2010	On demand or within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Discount £000	Carrying value £000
Accruals and deferred income	**9,014**	-	-	-	-	**9,014**
Other payables	**1,558**	-	-	-	-	**1,558**
Amounts due to fellow group undertakings	**9,916**	-	-	-	-	**9,916**

2009	On demand or within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Discount £000	Carrying value £000
Accruals and deferred income	6,385	-	-	-	-	6,385
Other payables	1,603	-	-	-	-	1,603
Amounts due to fellow group undertakings	8,143	-	-	-	-	8,143

The Company has no derivative financial instruments

Capital risk management

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

For capital management purposes, the Company monitors the ratio of its net debt to EBITDA This policy is unchanged from the prior year

3 Operating profit/(loss)

	2010 £000	2009 £000
Operating profit/(loss) is stated after charging		
Employee benefit costs (note 4)	-	-
Impairment of trade receivables		
- increase in provisions	**3,908**	671

Services provided by the Company's auditor

The audit fee of £68k for the year ended 31 March 2010 (2009 £68k) was borne by Atkins Limited, a fellow subsidiary undertaking

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

4 Employee benefit costs

No salanes or wages have been paid directly by the Company to employees, including directors, dunng the year Salanes and related staff costs are included in the financial statements of Atkins Limited and recharged to the Company by way of a service charge amounting to £18,224k (2009 £25,204k)

The Company did not employ any staff dunng the year

5 Directors' remuneration

None of the directors received any emoluments in respect of their qualifying services to the Company dunng the year (2009 none) The emoluments of all directors are borne by another Group company, Atkins Limited

K E F Clarke, H S Drewett and A H Gnffiths are directors of WS Atkins plc, the ultimate parent company, and also directors of a number of other subsidiary companies in the Group, as was R J MacLeod until his resignation The services provided by these four directors to this Company and to a number of other subsidianes are of a non-executive nature and therefore their emoluments are deemed to be wholly attnbutable to their services provided to WS Atkins plc

R W Hall, I R Purser and M A Sowerby are directors of a number of other subsidiary companies in the Group and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the subsidianes

Accordingly, no emoluments have been included in respect of the above directors

Key management compnses only the directors

Three directors exercised share options in the ultimate parent undertaking dunng the year to 31 March 2010 (2009 three)

On 30 September 2007 the pnncipal defined benefit scheme was closed to future accrual of benefits and therefore none of the directors accrued pension benefits under a defined benefit scheme dunng the year (2009 none) Five directors received contnbutions to a money purchase scheme (2009 six)

6 Finance cost

	2010	2009
	£000	£000
Unwinding of discount (note 13)	564	513
Other finance costs	3	4
Net finance cost	**567**	517

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

7 Income tax

a) Analysis of charge/(credit) for year	2010 £000	2009 £000
Current income tax		
- Current year	921	-
- Adjustment in respect of prior years	-	(126)
Deferred income tax		
- Current year	71	1
- Adjustment in respect of prior years	(134)	(2)
Income tax on profit/(loss) per income statement	858	(127)
Profit/(loss) before income tax per income statement	2,879	(8,298)
Effective income tax rate	29 8%	1 5%

b) Factors affecting income tax expense

The income tax expense for the year is higher (2009 higher) than that would be expected using the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 %	2009 %
UK statutory income tax rate	28.0	28 0
Increase/(decrease) resulting from		
Expenses not deductible for tax purposes	6 4	(1 1)
Other	-	(2 6)
Losses surrendered for nil consideration	-	(24 3)
Adjustment in respect of prior periods	(4 6)	1 5
Effective income tax rate	29.8	1 5

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

8 Investments

	Subsidiaries £000	Associates £000	Total £000
Cost at 1 April 2008 and 31 March 2009	4,000	3	4,003
Disposals	-	(3)	(3)
Cost at 31 March 2010	4,000	-	4,000
Impairment at 1 April 2008 and 31 March 2009	(4,000)	(3)	(4,003)
Disposals	-	3	3
Impairment at 31 March 2010	(4,000)	-	(4,000)
Net book value at 31 March 2010	**-**	**-**	**-**
Net book value at 31 March 2009	-	-	-

The Company holds 100% of the ordinary shares of WS Atkins Property Services Limited, a company registered in England and Wales, which remains dormant At 31 March 2009 the Company also held 25% of the ordinary shares of Primary Management (Aldershot) Limited, a company registered in England and Wales, which previously provided facilities management at Aldershot Garrison under a contract with the Ministry of Defence Primary Management (Aldershot) Limited was dissolved on 11 August 2009

9 Deferred income tax

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

	2010 £000	2009 £000
Deferred tax assets		
- Deferred tax asset to be recovered within 12 months	**103**	40
Deferred tax liabilities	**-**	-
Total deferred tax asset	**103**	40

a) Deferred tax assets

	2010 £000	2009 £000
Accelerated depreciation	**10**	5
Other temporary differences	**93**	35
Total deferred income tax	**103**	40

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

9 Deferred income tax (continued)

b) Analysis of movements dunng the year

	2010 £000	2009 £000
Deferred tax asset at 1 Apnl	**40**	39
Deferred tax credited to the income statement (note 7)	**63**	1
Deferred tax asset at 31 March	**103**	40

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement, including the reduction in the main rate of corporation tax from 28% to 24% over a penod of four years As these changes had not been substantially enacted at the balance sheet date, they have not been reflected in these financial statements

10 Trade and other receivables

	2010 £000	2009 £000
Current assets		
Amounts recoverable on contracts	**1,436**	1,126
Other receivables	**995**	785
Prepayments and accrued income	**205**	134
Amounts due from fellow Group undertakings	**26,672**	28,107
	29,308	30,152

Trade receivables are held by a representative of the Company, Atkins Limited The Company bears the nsk of non-payment of trade receivables by the external party The cost of uncollectable trade receivables and the provisions for impairment are charged to the Company The directors consider that the carrying amount of trade and other receivables approximates their fair value

At 31 March 2010 £4,083k (2009 £5,115k) of trade receivables were within normal payment terms and considered to be fully performing A futher £1,572k (2009 £2,597k) were past due date and aged up to six months from invoice date, which carned a provision for impairment of £nil (2009 £nil) Trade receivables aged beyond six months of invoice date totalled £860k (2009 £2,226k) and carned a provision for impairment of £367k (2009 £1,277k)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

10 Trade and other receivables (continued)

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

	2010 £000	2009 £000
Provision for impairment at 1 April	**(1,277)**	(894)
Increase in provisions	**(6,516)**	(1,340)
Release of provisions	**2,608**	669
Receivables written off as uncollectable	**4,818**	288
Provision for impairment at 31 March	**(367)**	(1,277)

The creation and release of the provision have been included within revenue in the income statement Receivables written off as uncollectable are included in administrative expenses in the income statement

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

11 Cash and cash equivalents

	2010 £000	2009 £000
Cash at bank and in hand	**19**	6

12 Trade and other payables

	2010 £000	2009 £000
Current liabilities		
Fees invoiced in advance	**6,381**	4,881
Deferred PFI/PPP bid costs recovered and development fees (note 14)	**17**	17
Accruals and deferred income	**9,014**	6,385
Other payables	**1,558**	1,603
Amounts due to fellow Group undertakings	**9,916**	8,143
	26,886	21,029

Trade payables are held by a representative of the Company, Atkins Limited

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

13 Provisions for other liabilities and charges

Provisions for onerous contracts

	2010 £000	2009 £000
Current	611	9,634
Between one and two years	253	380
Between two and five years	372	525
Over five years	3,115	3,361
Non-current	3,740	4,266
Total	4,351	13,900

	2010 £000	2009 £000
Balance at 1 April 2009	13,900	7,325
Charge to income statement	-	8,009
Provisions utilised	(6,413)	(1,947)
Provisions released	(3,700)	-
Unwinding of discount	564	513
Balance at 31 March 2010	4,351	13,900

The onerous contracts provisions primarily relate to PFI schools and hospital facilities management contracts

The onerous contracts provisions are discounted No provision has been released or utilised for any purpose other than for which it was established The provision is expected to be utilised over the next 20 years

14 Other non-current liabilities

Deferred PFI/PPP bid costs recovered and development fees

	2010 £000	2009 £000
Maturing between one and two years	17	17
Maturing between two and five years	50	50
Maturing after more than five years	425	442
	492	509

Included in the above are deferred bid costs recovered on the Colchester Garrison project which are being credited to income over the 35-year life of the contract

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

15 Ordinary shares

	2010		2009	
	No. of Shares	£000	No of Shares	£000
Authorised				
Authorised at 1 April ordinary shares of £1 each	**11,495,002**	**11,495**	11,495,002	11,495
Authorised at 31 March ordinary shares of £1 each	**N/a** [1]	**N/a** [1]	11,495,002	11,495
Issued, allotted and fully paid ordinary shares of £1 each				
At 1 April	**11,495,002**	**11,495**	11,495,002	11,495
At 31 March	**11,495,002**	**11,495**	11,495,002	11,495

[1] On 22 December 2009 the Company passed a resolution adopting new articles of association of the Company From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital and, hence, the Company's new articles of association do not include an authorised share capital

16 Cash generated from continuing operations

	2010	2009
	£000	£000
Profit/(loss) for the year	**2,021**	(8,171)
Adjustments for		
Income tax (note 7)	**858**	(127)
Finance cost (note 6)	**567**	517
Release of deferred income (note 12)	**17**	(17)
Movement in provisions (note 13)	**10,114**	6,062
Increase in working capital	**(6,701)**	1,736
Cash generated from operations	**6,875**	-

17 Analysis of net funds

	At 31 March 2009	Cash flow	At 31 March 2010
	£000	£000	£000
Cash and cash equivalents	6	6,872	**6,878**
Net funds	6	6,872	**6,878**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

18 Contingent liabilities

The Company is included in a Group Registration for Value Added Tax purposes and is, therefore, joint and severally liable for all other group undertakings' unpaid debts in this connection The Company has given a cross guarantee in respect of fellow subsidiaries overdraft facilities in the ordinary course of business

19 Related party transactions

a) Sales and purchases of goods and services

	2010 £000	2009 £000
Sales of goods and services to		
- Fellow Group undertakings	**10,627**	4,168
Purchases of goods and services from		
- Fellow Group undertakings	**1,840**	1,830

b) Year-end balances arising from sales/purchases of goods and services

	2010 £000	2009 £000
Receivables from		
- Fellow Group undertakings	**26,672**	28,107
Payables to		
- Fellow Group undertakings	**9,916**	8,143

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

Details of the Company's principal subsidiaries are shown in note 8

Details of directors' emoluments and payments to key management personnel are disclosed in note 5

Key management comprises the directors

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (continued)

20 Ultimate parent undertaking and controlling party

WS Atkins plc, which is registered in England and Wales, is the Company's immediate and ultimate parent undertaking and controlling party WS Atkins plc heads the largest and smallest group of undertakings for which Group accounts are drawn up and of which the Company is a member

WS Atkins plc has its registered office at
Woodcote Grove
Ashley Road
Epsom
Surrey
KT18 5BW

Copies of the accounts for WS Atkins plc are available at www atkinsglobal com/investors or from the Company Secretary at the above address