



24th June 2010

**AEA TECHNOLOGY PLC
PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2010**

Highlights

Financial summary

- Orders up 41% to £119.2 million (2009: £84.3 million)
- Revenue up 21% to £113.2 million (2009: £93.7 million)
- Adjusted operating profit up to £12.4 million (2009: £12.0 million) ¹
- Operating profit £10.4 million (2009: £10.4 million)
- Adjusted profit before tax up to £11.0 million (2009: £10.6 million) ¹
- Profit before tax decreased to £3.5 million (2009: £7.5 million)
- Secure sales for the coming year £59.5 million (2009: £57.5 million) ²
- Strong cash generated from operations of £6.0 million (2009: £1.1 million)
- Net debt £26.2 million (31 March 2009: £27.3 million)

Strategic and operational summary

- Successful entry to large US Federal energy and climate change market whilst maintaining leading position in Europe
- Forward order book reaches record level of \$300 million, including first significant win (\$45.7 million) from the US Department of Energy ³
- Pipeline of further opportunities growing as the US deepens its commitment to progressive environmental policies
- Agreement from the Pensions Regulator cements strategy to address pension deficit

Dr Paul Golby, Chairman of AEA Technology plc, said:

“AEA is delivering on its strategy of transferring its expertise in public sector environmental consultancy into the US, whilst maintaining its leading position in Europe. With the successful integration and further growth of Project Performance Corporation, our management team has shown that it can identify and secure the right acquisitions and integrate the businesses to deliver on this strategy. We look forward to building upon this successful track record, securing other opportunities and creating shareholder value.”

Andrew McCree, CEO of AEA Technology plc, said:

“The combined and enlarged Group has quickly established itself with the US Department of Energy and other Federal agencies, winning significant contracts, whilst maintaining our position as a primary supplier to the UK and Europe despite tighter market conditions.

“The Obama Administration’s commitment to delivering a progressive environmental and energy policy is greater than ever. The successful acquisition of Project Performance Corporation has created a Group able to support the development and implementation of such policies. With a strong pipeline of further opportunities, coupled with our compelling business proposition, AEA is well positioned for growth.”

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¹ Reconciliation of adjusted operating profit and adjusted profit before tax

	2010	2009
	£m	£m
For the year ended 31 March		
Operating profit	10.4	10.4
Amortisation of acquired intangibles	1.2	0.7
Integration and restructuring costs	1.0	0.9
Net pension credit from Scheme closure	(0.2)	-
Adjusted operating profit	12.4	12.0
	2010	2009
	£m	£m
Profit before tax	3.5	7.5
Amortisation of acquired intangibles	1.2	0.7
Integration and restructuring costs	1.0	0.9
Net pension credit from Scheme closure	(0.2)	-
Net pension finance costs	5.5	1.5
Adjusted profit before tax	11.0	10.6

² Secure sales are the element of orders to date that the Group expects to be delivered in the coming financial year.

³ Forward order book is signed contracts where the related revenue is expected to occur over a number of years plus an estimate of future revenue under framework agreements.

Business review

Strategic overview

Our strategy is delivering. The acquisition of Project Performance Corporation has been very successful. In our first full year together we have achieved a major contract win, US DOE's Save Energy Now Programme, with a value to AEA of up to \$45.7 million. We have also delivered orders growth year on year of 145% in the US and built up a forward order book of \$300 million. As we anticipated, there is a strong demand inside US Federal Government for the extensive experience and capability that have been built up in Europe over many years. Importantly, we have also improved the operating performance of our US operation, particularly in the collection of cash, which will continue to be a priority for us in both the US and Europe.

President Obama's Administration's deepening commitment to reducing the US's dependence on foreign oil is driving a significant market opportunity across Federal Government in energy efficiency. This is one of our core capabilities and we are able to offer our customers an integrated technical and economic data-driven solution, which draws upon our extensive experience in advising government in this area. The US Government is also looking to create jobs through investment in clean technology and priority is being given to strengthen the regulatory environment so that the economy is able to develop on a more sustainable basis. Our extensive experience in working with government on policy and regulatory frameworks means that we can see significant opportunity for us in the US. Over the next three years we have identified an orders opportunity pipeline for the Group of around \$3 billion. We will be selective in pursuing these opportunities, and the prospects are there from which we can build a solid and reliable growth platform for our shareholders. In the medium term in the US our plan is to leverage the experience and reputation built up by being a trusted advisor to the US Government, into the private sector. We believe that the opportunities for us in the private sector will be very significant once the policy and regulatory framework has been put in place by the Federal Government. The US private sector will offer us good organic growth with good margins.

Our role as a trusted advisor to the UK Government has stood the business in good stead during these challenging economic times and the European management continues to deliver a much improved business performance. The investment made in developing a new business model and capability framework has meant that we are able to be very flexible and competitive in our pursuit of business. This has also been underpinned by a significant investment in technology so that we can approach the resourcing of projects in a global context. As a result, we have been able to bring new skills from the US successfully into our European customer base and transform our offering so that we can now help our customers meet their objectives at a much reduced cost.

As energy and climate change priorities increasingly drive business and government strategy, the challenge is to operate beyond environmental management and energy efficiency services. Customers expect leadership and innovation and often recognise the need for transformational change to put climate change and sustainability at the core of their business strategy.

Highlights in the European Operations include:

- Our European Operation's solid track record in delivering major UK Government projects has meant that we have continued to enjoy considerable success in winning new business with Defra and its associated delivery agencies. In particular, an important new contract has been won with WRAP to deliver a contact centre which will provide free, confidential and independent advice on all aspects of resource efficiency and key environmental issues to individuals and businesses within the UK.
- We successfully retained a contract from the Department of Energy and Climate Change to provide technical and policy support for the UK's Climate Change Agreements. This is a key policy for reducing industrial energy use and carbon emissions. We will support negotiations on sectoral targets, audit results and advise on policy interactions.
- The Department for Transport commissioned our sustainable transport team to carry out research on Greenhouse Gas (GHG) emissions from the international aviation and shipping sectors, with a particular focus on examining current levels of emissions, future emission trends out to 2050, and abatement potential. This work also examined the possible use of emissions trading schemes and other market-based measures to control emissions from these two sectors. One of our key experts was invited to present this research at the United Nations' climate negotiations, which took place in Bonn in June 2009, and the study findings were used by the UK Government to help inform their position on possible emissions reduction trajectories for the international aviation and shipping sectors in the lead up to COP-15 negotiations in Copenhagen in December 2009.
- AEA undertook an important research gap analysis for the Department for Transport as part of DfT's biofuels research programme, to help the UK Government develop a strategic approach to biofuels research and development. We are also helping DfT assess the cost-effectiveness of biofuel deployment options and investigate the possible displacement of agriculture in response to the increased production of biofuels, together with the practical steps that could be taken to minimise it. AEA has also provided support for UK representatives in international discussions on bioenergy sustainability.
- As Public Procurement Partners for the Carbon Disclosure Project (CDP) we recently delivered a review of the UK Government's supply chain. This involved developing an appraisal approach to enable the UK Government to map each supplier's carbon maturity. Our 'organisational carbon appraisal' is a pioneering tool which assesses each organisation on a range of issues including its awareness of the risks associated with climate change.
- Our Climate Change Index model was used in the Greenhouse-gas Observatory Service, the world's first model which calculates human GHG emissions in real-time. The information produced on daily UK CO₂ emissions is broadcast on Sky News each week. The service also provides satellite images to the TV company and other media partners and is financed by the European Space Agency. The model will soon be extended to other European Union (EU) countries.
- We also won a new framework contract from the European Environment Agency. Our initial tasks include writing its 2010 Energy & Environment report and reviewing countries' progress towards achieving the goals set out in the European Union's Renewable Energy Directive.

Highlights in the US Operations include:

- Our biggest win in the US was the Department of Energy's (US DOE) Save Energy Now Programme. This was a joint award with a national laboratory and our proportion of it is worth up to \$45.7 million over five years. This is a very significant win because it not only proves the strategy of taking our UK expertise into the US, it also gives us an important connection with the US private sector into which we can leverage other AEA skills. Through this contract we will work directly with Fortune 100 US manufacturing companies such as Dow Chemical, United Technologies Corporation, and Proctor & Gamble to assist them in achieving major energy efficiency improvements in their

manufacturing operations. We will also manage the training, performance evaluation and IT infrastructure elements of this nation-wide programme.

- Another big win at the US DOE was a contract of \$15.0 million to improve and integrate all of the software tools used to identify energy savings opportunities in US industries. This “Tools Integration” contract places us at the centre of delivering best practices in energy efficiency to the entire US manufacturing base.
- We received \$2.7 million in support contracts to collect and track the American Recovery and Reinvestment Act economic stimulus money spent by the US DOE.
- For the US DOE Environmental Management Division (EM) we won nearly \$10 million in new orders last year. This work included high-end IT strategy, planning, programming and budget control for the US DOE’s nuclear clean-up programmes. Our work was recognised with an award from the US DOE for “significant contributions to the vision and future role of IT throughout EM” at the annual Information Management Conference in San Antonio, Texas.
- We won a number of strategic projects to advise the US Federal Government on how to achieve President Obama’s target of 28% GHG emission reductions.
- We were successful in starting and building a Sustainable Transportation practice, which is very closely aligned with the Transportation practice in the UK. The team is working on a major contract to study the air quality impacts of alternative fuels at US airports and is bidding on more than \$40.0 million of related transportation work in the coming year.
- At the Environmental Protection Agency (EPA) we were awarded approximately \$4.4 million in contracts to support five major offices, including the Office of Water and the Office of Research Development. The work includes long term strategic planning, high level policy support, and building business case justification and alternative analyses for key technology investments. We also act as a trusted advisor in providing architectural design services that support the EPA’s mission critical systems.
- Another important win was the \$7.1 million contract for the Department of Justice Alcohol Tobacco and Firearms office. The work includes ensuring that the data and information available to the agents in the field is of the highest quality. This is critical for the agents’ ability to perform their duties.
- Last year we were awarded contracts with ten new private sector customers, primarily in the Healthcare and Financial Services industries. New accounts in Healthcare include: Medimmune, Independent Health Associates, Johnson & Johnson, and ESAI Pharmaceuticals. For Financial Services, we won new work at TD Bank, Safeco Insurance, Crown Castle, and Inter-American Development Bank. This, combined with the 30 current private sector customers we have, gives us a base upon which we can leverage our other capabilities in energy and climate change.
- At the Nuclear Regulatory Commission (NRC) we were awarded a \$4.8 million contract to design, build and operate the Emergency Response Data System. This mission critical system provides the NRC with nuclear power plant data supporting their incident response role in assessing plant conditions during emergencies.

Outlook

Our strategy is delivering. We have made real progress in the year and are now established as an important advisor to the US Government in climate change and energy. We can also see there is a deepening commitment in the US towards reducing its dependency on foreign oil as well as creating jobs through investment in clean technologies. This is becoming a very exciting market opportunity for us. Our priority will be to continue to win business in the US with the Federal Government and help them deliver a policy and regulatory environment which transforms the US economy onto a more sustainable basis.

In Europe, we anticipate market conditions will be challenging, particularly in the UK where the Central Government is looking to reduce the extent of Government borrowing by cutting back on expenditure. Despite this, we have developed a robust business model, which together with our enhanced capability, means that we are very well placed to help our Government customers meet their objectives at a much reduced cost. In addition, the investment that we have made in

technology and people over the last two years has enabled us to have a very flexible approach to winning business opportunities throughout the globe.

We will continue to invest in the business and over the medium term will be looking to strengthen our capabilities in water and economics. We see water as particularly important because of its interconnectivity with energy.

The Board looks forward to the future with confidence.

Key performance indicators (KPIs)

To measure performance against strategy the following KPIs have been adopted:

Financial measures:

- Top line growth is measured by growth in secure sales – the element of orders to date that the Group expects to be delivered in the coming financial year. Secure sales increased by £2.0 million to £59.5 million (2009: £57.5 million) and revenue grew 21% to £113.2 million (2009: £93.7 million).
- Profitability is measured by adjusted operating profit, which is up from £12.0 million to £12.4 million.
- Financial stability and the management of working capital are measured by net debt of £26.2 million (2009: £27.3 million).

Strategic measures:

- Extending and growing the business with UK Government, Devolved Administrations, regional and local government is measured by revenues in the UK public sector of £58.5 million (2009: £55.3 million).
- Growing and globalising the Group's commercial business is measured by the Group's private sector revenue of £13.5 million (2009: £14.0 million).
- Growing the Group's EU, US and international government work and globalising the business in the overseas public sector is measured by overseas government revenue of £41.2 million (2009: £23.5 million).

Financial performance

Current year performance

AEA Group made good progress in the year in the context of a challenging global recessionary climate. There has been a strong performance in orders, which are up by 41% to £119.2 million (2009: £84.3 million), reflecting both a strong performance and a full year of trading for the US Operation following the acquisition of Project Performance Corporation in August 2008. The US Operation continued to perform strongly, with orders up 145% to £50.7 million (2009: £20.7 million). The Group continues to invest significantly in bids in the US as demand for AEA's climate change and energy expertise continues to run at a high level. In Europe there was good orders growth of 8% to £68.5 million (2009: £63.6 million), demonstrating resilience in challenging market conditions. Despite ongoing demand for AEA's core services, the UK Government sector continued to be slow, affected by a reduced level of spend in the final weeks of the financial year and a change in purchasing practice to the awarding of larger framework contracts.

Total Group revenue for the year increased by 21% to £113.2 million (2009: £93.7 million). In Europe, despite difficult market conditions and a smaller number of UK Government contracts awarded towards the end of the year, the revenue increased by 4% to £73.6 million (2009: £70.6 million), with strong growth in waste and resource efficiency, air and the transport areas. In the US, revenue in the year was £39.6 million (2009: £23.1 million) with a strong performance in US Government work, notably in climate change and energy.

AEA has made good progress on its major investment in both strengthening its IT platform, which has enabled the effective targeting of market opportunities within the area of US energy efficiency and climate change, and in bidding for further opportunities in the US. As a result of these investments, adjusted operating profit rose by 3% to £12.4 million (2009: £12.0 million), resulting in a reduction in the adjusted operating margin from 13% to 11%. To enable further orders growth within the business the Group continues to invest in infrastructure, talent and bidding for future opportunities.

Amortisation of acquired intangibles and certain significant items are included within the reported operating profit. In order to give a clearer analysis of the underlying operating performance these items have been excluded to derive the adjusted operating profit figures. The adjusting items in 2009/10 are £1.2 million (2009: £0.7 million) amortisation of acquired intangibles, £1.0 million (2009: £0.9 million) of integration and restructuring costs and a net pension credit from Scheme closure of £0.2 million (2009: £nil). Operating profit was £10.4 million (2009: £10.4 million). This includes adjusting items of £2.0 million (2009: £1.6 million), as noted above.

Net finance costs were £6.9 million (2009: £2.9 million). One of the key components of this is the interest on debt facilities of £1.4 million (2009: £1.4 million), which was unchanged from 2008/09 as falling interest rates were offset by an increased margin on the new facility and higher amortised facility set up costs. Net pension finance costs in respect of accounting for the defined benefit pension scheme of £5.5 million (2009: £1.5 million) have increased due to changes in actuarial assumptions (see note 10).

The overall impact of tax on the Group was a charge of £0.2 million (2009: £0.5 million). AEA's taxable profits continue to be largely offset by brought forward losses in the UK and additionally by tax losses arising on the acquisition of Project Performance Corporation within the US in 2008/09. The tax charge arises from deferred income tax movements of £0.1 million (2009: £0.3 million) and an overseas income tax charge of £0.1 million (2009: £0.1 million). As at 31 March 2010 the recognised net deferred income tax asset was £4.3 million (2009: £4.4 million). Deferred income tax assets are recognised for tax losses carried forward and other timing differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. In addition the Group has an unrecognised deferred income tax asset of £65.3 million (2009: £58.8 million). If conditions permit, the tax losses will be recognised and utilised in future periods.

The increased net finance costs on the defined benefit pension scheme, offset partially by the reduced tax charge, resulted in a reduction in profit attributable to the owners of the parent to £3.3 million (2009: £7.0 million). Adjusted profit attributable to the owners of the parent removes the impact of the amortisation of acquired intangibles, certain significant items described above, and the net finance costs on the defined benefit pension scheme. Adjusted profit attributable to the owners of the parent increased by 7% to £10.8 million (2009: £10.1 million).

The adjusted earnings per share, calculated using the adjusted profit attributable to the owners of the parent, reduced to 4.7p (2009: 5.0p) as a result of an increase in the weighted average number of Ordinary shares in issue. Basic earnings per share reduced to 1.4p (2009: 3.5p) as a result of both the increase in the weighted average number of Ordinary

shares in issue and the decrease in profit attributable to the owners of the parent. The Group has two categories of potential dilutive Ordinary shares, namely share options and warrants. The diluted earnings per share declined to 1.4p (2009: 3.5p). These movements are shown in more detail in note 6.

Cash flows in the year

Net cash flow generated from business operations of £10.2 million (2009: £16.2 million) converted 82% of adjusted operating profit into cash (2009: 135%). The reduction was mainly due to higher payments to subcontractors in Europe in April 2009 and receipts related to the working capital improvements post acquisition in the US in 2008/09. In the year there has been an increased focus on working capital management that has resulted in the improved performance in debtor days in both businesses. Debtor days in the US improved to 32 days (2009: 41 days) and in Europe improved from an excellent base to 16 days (2009: 17 days).

The net cash flow generated from business operations of £10.2 million (2009: £16.2 million) has been used to fund various significant items including cash outflow on integration and restructuring costs of £1.0 million (2009: £1.3 million), spend on legacy cash flows of £2.1 million (2009: £7.8 million) with a number of payments delayed into the new financial year by other contracting parties and funding the pension deficit of £1.1 million (2009: £6.0 million) related to the first two months of the financial year before the new schedule of contributions came into effect in June 2009. These items, including the net cash flow from business operations, resulted in cash generated from operations of £6.0 million (2009: £1.1 million).

In addition to these operating cash flows the Group has invested in business continuity improvements resulting in the purchase of IT equipment and development assets with total capital expenditure of £1.0 million (2009: £1.0 million).

Net debt decreased from £27.3 million to £26.2 million. The net decrease of £1.1 million (2009: £7.9 million increase) reflects the £5.0 million (2009: £0.1 million) cash generated from operations (after capital expenditure), net interest payments of £1.0 million (2009: £1.3 million), tax payments of £0.1 million (2009: £0.2 million), other investing activities of £0.9 million (2009: £36.4 million, financed by £36.2 million from the proceeds of new equity issues in 2008/09), the net settlement of forward contracts of £2.2 million (2009: £nil), non-cash financing movements of £0.8 million (2009: £nil) and cash inflows in respect of exchange movements on foreign currency borrowings of £1.1 million (2009: £6.3 million outflow).

Financial position

Sources of funding

The funding requirements of AEA are met through three main sources: internally generated cash flows from operations, bank funding and new issues of equity.

Banking facilities and net debt

To ensure the availability of funds when required, the Company renegotiated a new three year bank facility in November 2009, which includes a £42.0 million revolving credit facility (including an overdraft facility of £7.0 million to manage periods of working capital fluctuation) and a £5.0 million bonding facility to support the obligations of members of the Group arising in the ordinary course of business. The new facility will mature in November 2012, save for the overdraft facility, which is renewable annually. Annual extensions are expected as the overdraft facility forms part of the revolving credit facility.

These banking facilities are sufficient to cover the Group's anticipated funding requirements for the foreseeable future.

Net debt at 31 March 2010 was £26.2 million (2009: £27.3 million), which comprised cash balances of £6.0 million (2009: £3.0 million) less bank loans, other loans and finance lease creditors of £32.2 million (2009: £30.3 million). The detailed analysis of the Group's borrowings is shown in note 9.

Capital structure

The Company's authorised and issued share capital as at 31 March 2010, together with details of shares issued during the year, are set out in note 7. Each Ordinary share carries one vote.

At 31 March 2010 the Group's net shareholder deficit amounted to £130.2 million (2009: £104.4 million).

Dividends and dividend policy

Given the Company's deficit in distributable reserves the Board is not recommending the payment of a dividend in respect of 2010. It is the Board's intention to pay dividends in the future commensurate with the Group's overall profitability and when distributable reserves are available.

Share price and market capitalisation

The closing share price of the Group on 31 March 2010 was 21.25p (2009: 12.75p) and market capitalisation of the Group was £48.6 million (2009: £29.2 million). The high and low share prices during the year were 34.75p and 11.00p respectively.

Pension accounting

The Group assesses pension scheme funding with reference to actuarial valuations and for reporting purposes uses IAS 19. Under IAS 19 the Group's post retirement benefit net liability is £139.8 million (2009: £108.2 million). The assumptions used in the IAS 19 valuation and the sensitivities regarding the key assumptions are detailed in note 10. The Company agreed a schedule of contributions with the Trustees of the Scheme in June 2009. This has now been confirmed by the Pension Regulator.

Accounting policies

A description of the principal accounting policies is set out in the Annual Financial Report as explained in note 1. The policies followed are in accordance with IFRS as adopted by the European Union (EU).

The preparation of the Financial statements conforming to 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. Any revisions to estimates are recognised prospectively.

The accounting policies and areas that require the most significant estimates and judgments to be used in the preparation of the Financial statements are in relation to assessment of provisions, contract accounting and defined benefit pension schemes.

Treasury policies and objectives

The Group's finance team manages and monitors external funding and financial risks in support of the CFO, who operates within written policies approved by the Board and within the internal control framework.

The Group uses various financial instruments in order to manage the exposures that arise in its business operations as a result of movements in financial markets. The Group does not undertake speculative foreign exchange or interest rate dealings for which there is no underlying exposure. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions. All treasury activities are focused on the management of risk. The main risks arising from the Group's financial instruments are market risk (including foreign exchange risk and cash flow and interest rate risk), credit risk and liquidity risk.

All entities within the Group are required by the Group's treasury function to maintain and regularly update detailed cash forecasting models. The treasury function supports the cash flow needs of the underlying businesses and maintains financial flexibility through utilising the available funds under the Group's revolving credit facility (note 9). As at 31 March 2010 £11.2 million (2009: £14.2 million) of this revolving credit facility remains unutilised and provides sufficient headroom to cover the Group's expected operating cash flow needs over the period of the facility. The Group's banking facilities are described in detail in note 9.

There have been no significant changes in the Group's policies in the last year.

Net finance costs

Changing finance costs have a significant impact on AEA's profits. There are two main elements to finance costs: interest expense in respect of bank borrowings (impacting the Group's cash flow) and net interest expense on the Company's defined benefit pension liability (not directly impacting the Group's cash flow).

The interest expense on bank borrowings will fluctuate in line with the level of borrowings and with changes in interest rates. The interest rate risk is reduced through the Company's use of interest rate swaps.

The net interest expense in respect of the Company's defined benefit pension liability (being the net of the expected return on defined benefit pension scheme assets and the accretion of discount on defined benefit pension scheme obligations) will fluctuate in line with market conditions and changing yields on corporate bonds. Note 10 details the assumptions used in calculating the pension liability and the sensitivity analysis on changes to the key assumptions.

Outstanding legacy issues

The Group has residual issues relating to divested and closed businesses. Settlement of such issues at amounts differing to the estimates provided for will have an impact on the Group's future cash flows and net borrowings requirement. The risks and uncertainties associated with these issues are discussed in the section entitled Risks and uncertainties.

Key supplier relationships

Our top ten suppliers accounted for 25% of total Group procurement in the year and no single supplier accounted for more than 8% of total Group procurement. The Group is therefore not dependent on any single key supplier for its procurement requirement.

Risks and uncertainties

To achieve AEA's strategic objectives the Group must respond effectively to the associated risks.

AEA has a well established risk management process that complies with the FSA's Combined Code on Corporate Governance and addresses strategic risks and risks specific to individual businesses and contracts including operational risks, financial risks, strategic risks, environmental and safety risks.

The Board reviews material risks identified and the mitigating action plan. The principal risks for the Group are as follows:

Achieving organic growth

AEA recognises that at present it is a leading expert in energy and climate change, specifically within UK central Government. In order to expand organically in the future, and to build upon the opportunities within the US Federal Government brought to the Group by the acquisition of Project Performance Corporation in 2008, the strategy is to leverage this energy and climate change expertise into the US Federal Government and to expand from the Group's current US Department of Energy (DOE) base into the Environmental Protection Agency (EPA). In this way, by expanding the Group's successful track record within the US Federal Government, the strategy is then to leverage this success and diversify into the higher margin US private sector.

Changes in the competitive environment resulting from Government policy

Work for the UK Government and the US Federal Government will remain a significant component of AEA's business. Future changes in both UK and US government policies, priorities and expenditure levels or delays in implementation of legislation could affect the Group's business. Climate change and environmental priorities are clearly increasingly high priorities for all governments, but AEA will not be complacent. At the very least internal government reorganisation could mean AEA finds itself working with new customers who have different priorities. AEA must therefore maintain ongoing links with senior officials in key UK and US government departments and anticipate and be able to react to future changes. Investment has been made in enhancing customer relationship skills and senior management connections with relevant parts of the customer organisations.

Recruitment and retention of sufficient high calibre people

During the year recruitment activities focused on enhancing skills in key technical areas. In addition, the Group strengthened its sales capability and engaged a number of industry renowned experts with strong technical and consulting backgrounds.

The recruitment market remained very challenging as demand for high calibre technical experts increased. However, through a combination of challenging and rewarding assignment opportunities, investment in development in both technical and business skills, and market competitive reward packages, the Group has successfully executed its retention strategy.

Retirement benefits

The Group operates both defined contribution and defined benefit pension schemes. The Group has no further payment obligations to the defined contribution schemes in Europe and the US once the contributions have been paid.

The UK defined benefit pension scheme (the Scheme) continues to present significant risks to the Group. However, a major de-risking measure during the year was the closure of the Scheme to future accruals by employees after 31 July 2009.

Defined benefit pension schemes in the UK are subject to a scheme-specific funding requirement in respect of their ongoing obligation to provide benefits for scheme members. The actuarial valuation as at 31 March 2008 was the first valuation of the Scheme, which was undertaken on a scheme-specific funding basis and indicated that the Scheme had an actuarial funding shortfall of £152.7 million.

For calculating the balance sheet retirement benefit obligation the Group uses IAS 19. Full details of the Scheme are disclosed in note 10. Over the year the total net retirement benefit obligation under IAS 19 has increased to £139.8 million (2009: £108.2 million). The current year increase in the net retirement benefit obligation substantially reflects an increase in the assumption on future inflation to 3.6% (2009: 3.2%) and a drop in the discount rate to 5.6% (2009: 6.6%).

During the year, the Company agreed a new schedule of contributions with the Scheme Trustee that allowed the Group to spread the cash contributions into the Scheme over approximately 20 years. The Pensions Regulator reviewed the Scheme funding, valuation summary, recovery plan and schedule of contributions and confirmed at the end of March 2010 that it does not propose to take any action in respect of the recovery plan and schedule of contributions. This removes a significant area of uncertainty in the Group's future cash flows.

The risk that the value of Scheme assets may not match liabilities is inherent in defined benefit schemes. At present, the Scheme's assets comprise a mixture of return seeking and income producing assets.

Factors outside the Company's control may increase the Scheme's past service deficit at future actuarial valuations, which would require the Company either to increase its contributions or to take further steps to control costs. These factors might include changes in actuarial assumptions for example, regarding longevity of Scheme members, changes to interest, inflation and discount rates, the level of pension increases, changes in the investment strategy of the Trustee of the Scheme and fluctuations in world markets as a result of generic economic conditions. If the assumptions made regarding these prove inaccurate, a material difference between the Scheme's assets and liabilities could persist.

Work is on-going to put in place a trigger based approach to a dynamic de-risking strategy on the asset investments and liability management.

Legacy provisions

As detailed in note 11 the Group has provided for various liabilities comprising onerous leases, warranties and indemnities in respect of disposals of companies and businesses and in respect of retained decommissioning and waste management obligations relating to discontinued operations. Uncertainty exists around the potential for claims under warranties and indemnities in respect of these disposals, with a number of indemnities continuing for five or more years post divestment, and there is uncertainty in estimating the future costs of decommissioning nuclear facilities. The total liability is predominantly represented by provisions, detailed in note 11, with the majority of the associated cash outflow expected to take place over the next two years.

All residual issues relating to the divested and closed businesses are under the control of the CFO. The Group has not become aware of any significant additional liabilities in respect of disposals.

Exchange risk

Following the acquisition of Project Performance Corporation in 2008/09 the Group has operations denominated in US Dollars and also maintains a US Dollar loan. As a result, the Group's profit and net debt is impacted by exchange rate fluctuations, which could have a negative or positive impact on the Group results.

Preparedness for Climate Change

Following the Group's preliminary assessment of the non regulatory risks posed to the business by climate change, the Group continues to review the status and reports quarterly on progress.

The results of the initial assessment, which includes physical infrastructure, supply chain, reputation, market and people, showed that the Group has low exposure and sensitivity to climate impacts, as the business is highly flexible and has high adaptive capacity.

AEA's proactive approach ensures the business has a more comprehensive approach than is required by regulation. Through a combination of the Group's ISO14001 accreditation, health and safety and environment management system, and its Environmental Leadership Programme (ELP), AEA continues to mitigate and manage environmental and climate change risks effectively.

AEA is not presently subject to the forthcoming UK Carbon Reduction Commitment (CRC) scheme. However, the Group will continue to reduce its energy consumption to manage any potential future costs from compliance.

Consolidated income statement

For the year ended 31 March	Notes	2010 £m	2009 £m
Revenue from continuing operations	2	113.2	93.7
Cost of sales		(71.5)	(59.5) ¹
Gross profit		41.7	34.2
Other operating income		4.3	4.3
Selling and marketing costs		(8.1)	(8.1)
Administrative expenses		(27.5)	(20.0) ¹
Operating profit		10.4	10.4
Finance income	3	14.9	19.2
Finance costs	4	(21.8)	(22.1)
Profit before tax		3.5	7.5
Income tax	5	(0.2)	(0.5)
Profit for the year attributable to the owners of the parent		3.3	7.0
Earnings per share for profit attributable to the owners of the parent during the year			
Basic (pence)	6	1.4p	3.5p
Diluted (pence)	6	1.4p	3.5p

Consolidated income statement – alternative performance measures (note 16)

Adjusted operating profit	Notes	2010 £m	2009 £m
Operating profit		10.4	10.4
Amortisation of acquired intangibles		1.2	0.7
Integration and restructuring costs		1.0	0.9
Net pension credit from Scheme closure	10	(0.2)	-
Adjusted operating profit		12.4	12.0

Adjusted profit before tax	Notes	2010 £m	2009 £m
Profit before tax		3.5	7.5
Amortisation of acquired intangibles		1.2	0.7
Integration and restructuring costs		1.0	0.9
Net credit from pension Scheme closure	10	(0.2)	-
Net pension finance costs		5.5	1.5
Adjusted profit before tax		11.0	10.6

Consolidated statement of comprehensive income

For the year ended 31 March	Notes	2010 £m	2009 £m
Profit for the year attributable to the owners of the parent		3.3	7.0
Other comprehensive (expense)/income:			
currency translation differences – net of tax	8	(0.8)	2.6
actuarial losses on defined benefit pension schemes – net of tax	10	(28.6)	(53.4)
Other comprehensive expense recognised for the year – net of tax		(29.4)	(50.8)
Total comprehensive expense for the year attributable to the owners of the parent		(26.1)	(43.8)

¹ Restated on a consistent basis

Balance sheets

As at 31 March	Notes	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
ASSETS					
Non-current assets					
Goodwill		32.7	34.6	-	-
Other intangible assets		4.6	5.8	0.5	0.2
Property, plant and equipment		3.8	4.0	2.5	2.2
Investments in subsidiaries		-	-	34.5	34.5
Available for sale financial assets		-	2.0	-	2.0
Trade and other receivables		-	-	34.5	38.8
Deferred income tax assets		5.9	6.5	4.8	4.8
		47.0	52.9	76.8	82.5
Current assets					
Contract work in progress		0.2	0.3	0.2	0.3
Trade and other receivables		25.7	28.5	14.5	15.4
Current income tax assets		0.1	0.1	-	-
Available for sale financial assets		2.0	-	2.0	-
Cash and cash equivalents		6.0	3.0	3.2	-
		34.0	31.9	19.9	15.7
Total assets	2	81.0	84.8	96.7	98.2
EQUITY					
Capital and reserves attributable to owners of the parent					
Share capital and share premium	7	95.3	95.3	95.3	95.3
Capital redemption reserve	8	0.7	0.7	0.7	0.7
Currency translation reserve	8	1.8	2.6	-	-
Fair value and other reserves	8	(46.6)	(18.3)	(46.6)	(18.3)
Retained deficit		(181.4)	(184.7)	(181.5)	(216.8)
Total equity		(130.2)	(104.4)	(132.1)	(139.1)
LIABILITIES					
Non-current liabilities					
Trade and other payables		2.5	2.6	0.1	-
Borrowings	9	29.8	0.4	29.8	0.4
Retirement benefit obligations	10	139.8	108.2	139.8	108.2
Provisions for liabilities and charges	11	2.7	3.6	2.7	3.6
Deferred income tax liabilities		1.6	2.1	-	-
		176.4	116.9	172.4	112.2
Current liabilities					
Trade and other payables		25.1	31.3	46.8	84.3
Borrowings	9	2.4	29.9	2.4	29.9
Derivative financial instruments		0.1	2.6	0.1	2.6
Provisions for liabilities and charges		7.1	8.4	7.1	8.3
Current income tax liabilities		0.1	0.1	-	-
		34.8	72.3	56.4	125.1
Total liabilities		211.2	189.2	228.8	237.3
Total equity and liabilities		81.0	84.8	96.7	98.2

Approved by the Board on 23 June 2010.

Statement of changes in equity

Group

Attributable to owners of the parent

	Share capital (note 7) £m	Share premium (note 7) £m	Fair value and other reserves (note 8) £m	Capital redemption reserve (note 8) £m	Currency translation reserve (note 8) £m	Retained deficit £m	Total shareholders' equity £m
Balance as at 1 April 2008	15.2	40.4	35.0	0.7	-	(190.5)	(99.2)
Profit for the year	-	-	-	-	-	7.0	7.0
Currency translation differences	-	-	-	-	2.6	-	2.6
Actuarial losses on defined benefit pension schemes	-	-	(53.4)	-	-	-	(53.4)
Total comprehensive (expense)/income for the year	-	-	(53.4)	-	2.6	7.0	(43.8)
Fair value of share option schemes	-	-	0.1	-	-	-	0.1
Loss on issue of shares between Group companies	-	-	-	-	-	(1.2)	(1.2)
Shares issued (note 7)	12.7	27.0	-	-	-	-	39.7
Balance as at 31 March 2009	27.9	67.4	(18.3)	0.7	2.6	(184.7)	(104.4)
Profit for the year	-	-	-	-	-	3.3	3.3
Currency translation differences	-	-	-	-	(0.8)	-	(0.8)
Actuarial losses on defined benefit pension schemes	-	-	(28.6)	-	-	-	(28.6)
Total comprehensive (expense)/income for the year	-	-	(28.6)	-	(0.8)	3.3	(26.1)
Fair value of share option schemes	-	-	0.3	-	-	-	0.3
Balance as at 31 March 2010	27.9	67.4	(46.6)	0.7	1.8	(181.4)	(130.2)

Company

	Share capital (note 7) £m	Share premium (note 7) £m	Fair value and other reserves (note 8) £m	Capital redemption reserve (note 8) £m		Retained deficit £m	Total shareholders' equity £m
Balance as at 1 April 2008	15.2	40.4	35.0	0.7		(224.0)	(132.7)
Profit for the year	-	-	-	-		7.2	7.2
Actuarial losses on defined benefit pension schemes	-	-	(53.4)	-		-	(53.4)
Total comprehensive (expense)/income for the year	-	-	(53.4)	-		7.2	(46.2)
Fair value of share option schemes	-	-	0.1	-		-	0.1
Shares issued (note 7)	12.7	27.0	-	-		-	39.7
Balance as at 31 March 2009	27.9	67.4	(18.3)	0.7		(216.8)	(139.1)
Profit for the year	-	-	-	-		35.3	35.3
Actuarial losses on defined benefit pension schemes	-	-	(28.6)	-		-	(28.6)
Total comprehensive (expense)/income for the year	-	-	(28.6)	-		35.3	6.7
Fair value of share option schemes	-	-	0.3	-		-	0.3
Balance as at 31 March 2010	27.9	67.4	(46.6)	0.7		(181.5)	(132.1)

Statement of cash flows

For the year ended 31 March	Notes	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Cash flows from/(used in) operating activities					
Cash generated from/(used in) operations	12	6.0	1.1	1.3	(5.6)
Interest paid		(1.7)	(1.5)	(1.7)	(1.5)
Interest received		-	0.2	0.7	0.9
Taxes paid		(0.1)	(0.2)	-	-
Net cash generated from/(used in) operating activities		4.2	(0.4)	0.3	(6.2)
Cash flows from/(used in) investing activities					
Deferred payment on prior year acquisition of subsidiary		(0.9)	-	-	-
Acquisition of subsidiary		-	(36.4)	-	(0.1)
Expenditure on product development costs		(0.4)	-	(0.4)	-
Purchases of property, plant and equipment		(0.6)	(1.0)	(0.6)	(0.8)
Net cash used in investing activities		(1.9)	(37.4)	(1.0)	(0.9)
Cash flows from/(used in) financing activities					
Repayment of borrowings		(7.4)	(34.4)	(7.4)	(34.4)
Draw-down of bank facilities		11.4	37.9	11.4	37.9
Capital element of finance lease repayments		(0.5)	-	(0.5)	-
Issue of inter-company loans		-	-	-	(33.5)
Proceeds from inter-company loans		-	-	2.6	-
Proceeds from new equity issues	7	-	36.2	-	36.2
Settlement of forward contracts		(2.2)	-	(2.2)	-
Net cash generated from financing activities		1.3	39.7	3.9	6.2
Net increase/(decrease) in cash and cash equivalents		3.6	1.9	3.2	(0.9)
Cash and cash equivalents at beginning of year		3.0	1.0	-	0.9
Exchange (losses)/gains on cash and cash equivalents		(0.6)	0.1	-	-
Cash and cash equivalents at end of year		6.0	3.0	3.2	-

Statement of cash flows – alternative performance measures (note 16)

Movement in net debt for the year ended 31 March	Notes	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Net cash flow generated from business operations		10.2	16.2	5.4	8.6
Integration and restructuring costs		(1.0)	(1.3)	(0.9)	(0.4)
Legacy cash flows		(2.1)	(7.8)	(2.1)	(7.8)
Funding of pension deficit		(1.1)	(6.0)	(1.1)	(6.0)
Cash generated from/(used in) operations	12	6.0	1.1	1.3	(5.6)
Net interest and tax paid		(1.1)	(1.5)	(0.3)	(0.6)
Net cash used in investing activities		(1.9)	(37.4)	(1.0)	(0.9)
Proceeds from new equity issues		-	36.2	-	36.2
Settlement of forward contracts		(2.2)	-	(2.2)	-
Non-cash financing - facility fees		(0.3)	-	(0.3)	-
Non-cash financing - finance leases		(0.5)	-	(0.5)	-
Exchange losses on net debt		1.1	(6.3)	1.7	(6.4)
Inter-company loans		-	-	2.6	(33.5)
Net decrease/(increase) in net debt		1.1	(7.9)	1.3	(10.8)
Net debt at beginning of year		(27.3)	(19.4)	(30.3)	(19.5)
Net debt at end of year		(26.2)	(27.3)	(29.0)	(30.3)

Closing net debt comprises:

	Notes	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Cash at bank and in hand		6.0	3.0	3.2	-
Current borrowings	9	(2.4)	(29.9)	(2.4)	(29.9)
Non-current borrowings	9	(29.8)	(0.4)	(29.8)	(0.4)
Net debt at end of year		(26.2)	(27.3)	(29.0)	(30.3)

These supplementary disclosures do not form part of the Statement of cash flows and these tables are not included in the notes to the Financial statements.

Notes to the Financial statements

1 GENERAL INFORMATION

The financial information set out above and below for the year ended 31 March 2010 does not constitute the statutory accounts for the year but is derived from those accounts. The statutory financial statements for the year, on which the auditors issued an unqualified report, will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The comparative financial information is based on the Group's accounts for the year ended 31 March 2009, which were delivered to the Registrar of Companies and on which the auditors issued an unqualified report.

The Preliminary Announcement has been prepared on the basis of the accounting policies set out in the Annual Financial Report for the year ended 31 March 2010.

2 SEGMENTAL INFORMATION

The Group has only one product or service, being that of consultancy, policy support, programme management and data management. The measure of reported segmental profit or loss used by the CODM (see note 16, IFRS 8) to assess the performance of the segments is adjusted operating profit. This measure excludes the effect of amortisation of acquired intangibles and significant items.

All amounts provided to the CODM are measured in accordance with the Group's accounting policies as stated in note 16 and are therefore consistent with the amounts presented in the Financial statements. Any sales between segments are carried out at arms length.

The revenue and adjusted operating profit generated by each of the Group's segments, together with the depreciation and amortisation charge for each segment, are summarised as follows:

	2010 £m	2009 £m
Europe	73.6	70.6
US	39.6	23.1
Total revenue	113.2	93.7

	2010 £m	2009 £m
Europe	8.3	8.5
US	4.1	3.5
Total adjusted operating profit	12.4	12.0

	2010 £m	2009 £m
Europe	0.9	0.7
US	0.5	0.4
Total depreciation and amortisation charged in adjusted operating profit	1.4	1.1

Net cash flow generated from business operations by segment is as follows:

	2010 £m	2009 £m
Europe	5.4	9.6
US	4.8	6.6
Net cash flow generated from business operations	10.2	16.2

A reconciliation from segmental net cash flow generated from business operations to cash generated from/(used in) operations is given within the alternative performance measures, movement in net debt shown beneath the Statement of cash flows.

Reportable segment assets and liabilities represent the operational working capital balances of each of the reportable segments.

Total reportable segment assets are as follows:

	2010 £m	2009 £m
Europe	13.4	13.6
US	10.6	11.7
Total reportable segment assets	24.0	25.3

Total reportable segment liabilities are as follows:

	2010 £m	2009 £m
Europe	14.8	19.2
US	4.2	5.0
Total reportable segment liabilities	19.0	24.2

A reconciliation of adjusted operating profit for reportable segments to profit before tax is as follows:

	2010 £m	2009 £m
Adjusted operating profit for reportable segments	12.4	12.0
Amortisation of acquired intangibles	(1.2)	(0.7)
Integration and restructuring costs	(1.0)	(0.9)
Net pension credit from Scheme closure	0.2	-
Net finance costs	(6.9)	(2.9)
Profit before tax	3.5	7.5

Reportable segment assets are reconciled to total assets as follows:

	2010 £m	2009 £m
Reportable segment assets	24.0	25.3
Non-current assets	47.0	52.9
Contract work in progress	0.2	0.3
Other receivables	1.7	3.2
Current income tax assets	0.1	0.1
Available for sale financial assets	2.0	-
Cash and cash equivalents	6.0	3.0
Total assets per Balance sheet	81.0	84.8

Reportable segment liabilities are reconciled to total liabilities as follows:

	2010 £m	2009 £m
Reportable segment liabilities	19.0	24.2
Non-current liabilities	176.4	116.9
Other payables	6.1	7.1
Borrowings	2.4	29.9
Derivative financial instruments	0.1	2.6
Provision for liabilities and charges	7.1	8.4
Current income tax liabilities	0.1	0.1
Total liabilities per Balance sheet	211.2	189.2

Entity-wide disclosures

The Group is domiciled in the UK. The following table shows external revenue by country based on the destination of service. Revenues are disclosed for the country of domicile, the US and other countries in total.

	2010 £m	2009 £m
UK	66.0	62.7
US	39.6	23.3
Other	7.6	7.7
Total revenue	113.2	93.7

Revenues of £36.2 million (2009: £34.6 million) are derived from a single external customer attributable to the Europe segment. Revenues of £35.1 million (2009: £18.1 million) are derived from a single external customer attributable to the US segment. These revenues are considered to be from single customers as they are from numerous departments and agencies under the control of the UK or US national governments.

The locations of non-current assets, other than deferred income tax assets, are as follows:

	2010 £m	2009 £m
UK	3.0	4.4
US	38.1	42.0
Non-current assets	41.1	46.4

3 FINANCE INCOME

	2010 £m	2009 £m
Interest income on short term bank deposits	-	0.1
Fair value gains on financial instruments at fair value through profit or loss:		
interest rate swaps	-	0.1
Expected return on defined benefit pension scheme assets (note 10)	14.9	19.0
	14.9	19.2

4 FINANCE COSTS

	2010 £m	2009 £m
Interest on bank overdrafts and loans	1.4	1.4
Interest on finance leases	-	0.1
Fair value losses on financial instruments at fair value through profit or loss:		
interest rate swaps	-	0.1
Accretion of discount on defined benefit pension scheme obligations (note 10)	20.4	20.5
	21.8	22.1

5 INCOME TAX

	2010 £m	2009 £m
UK corporation tax at 28% (2009: 28%)	-	0.1
Overseas tax charge	0.1	0.1
Deferred income tax – origination and reversal of temporary differences	0.1	0.3
Income tax expense	0.2	0.5

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	2010 £m	2009 £m
Profit before tax	3.5	7.5
Tax calculated at domestic tax rates applicable to profits in respective countries	1.2	2.1
Income not subject to tax	(0.4)	(0.9)
Expenses not deductible for tax purposes	0.7	2.4
Utilisation of previously unrecognised tax losses	-	(0.2)
Current tax losses for which no deferred tax asset was recognised	1.0	0.5
Utilisation of previously unrecognised other deferred tax assets	(0.4)	(3.4)
Overseas tax	0.1	0.1
Recognition of previously unrecognised tax losses	(2.0)	(0.1)
Income tax expense	0.2	0.5

6 EARNINGS PER SHARE

Details of basic, diluted and adjusted earnings per share are set out below:

Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent by the weighted average number of Ordinary shares in issue during the year.

	2010	2009
Profit attributable to the owners of the parent (£ million)	3.3	7.0
Weighted average number of Ordinary shares in issue (million)	228.7	200.9
Basic earnings per share (pence per share)	1.4p	3.5p

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares in issue to assume conversion of all potential dilutive Ordinary shares. The Company has two categories of potential dilutive Ordinary shares; share options and warrants. The calculation is performed for the share options and warrants to determine the number of shares that could have been acquired at fair value determined as the average annual market share price of the Company's shares based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options and warrants to give the number of shares deemed to be issued at nil consideration. These dilutive shares are added to the weighted average number of Ordinary shares in issue.

	2010	2009
Profit attributable to the owners of the parent (£ million)	3.3	7.0
Weighted average number of Ordinary shares in issue (million)	228.7	200.9
Adjustment for share options (million)	3.8	0.6
Weighted average number of Ordinary shares for diluted earnings per share (million)	232.5	201.5
Diluted earnings per share (pence per share)	1.4p	3.5p

Adjusted – alternative performance measures (note 16)

The adjusted earnings per share is calculated as follows:

	2010	2009
Profit attributable to the owners of the parent (£ million)	3.3	7.0
Amortisation of acquired intangibles (£ million)	1.2	0.7
Integration and restructuring costs (£ million)	1.0	0.9
Net pension credit from Scheme closure (£ million)	(0.2)	-
Net pension finance costs (£ million)	5.5	1.5
Adjusted profit attributable to owners of the parent (£ million)	10.8	10.1
Weighted average number of Ordinary shares in issue (million)	228.7	200.9
Adjusted earnings per share (pence per share)	4.7p	5.0p

7 SHARE CAPITAL AND SHARE PREMIUM

Group and Company	Number of shares millions	Ordinary shares £m	Share premium £m	Total £m
At 1 April 2008	124.1	15.2	40.4	55.6
Rights issue	99.3	12.1	24.1	36.2
Consideration shares issued on acquisition of subsidiary	5.3	0.6	2.9	3.5
At 31 March 2009 and 31 March 2010	228.7	27.9	67.4	95.3

The total authorised number of Ordinary shares is 315,000,000 shares (2009: 315,000,000 shares) with a par value of 12.22p per share (2009: 12.22p per share). All issued shares are fully paid.

Warrants

The Company has in issue 5,633,252 warrants (2009: 8,047,502 warrants) giving the holders the right to subscribe in cash for shares in the Company. During the year 2,414,250 warrants expired.

Holders of these warrants may subscribe for one Ordinary share in the Company at a price of 65.00p per share and these warrants may be exercised at any time prior to 8 July 2010. The fair value of these warrants as at 31 March 2010, calculated by reference to a closing market price of 21.25p per share is £nil (2009: £nil, calculated by reference to the closing market price of 12.75p per share).

8 OTHER RESERVES

Group	Share option reserve £m	Actuarial pension reserve £m	Total fair value and other reserves £m	Capital redemption reserve £m	Currency translation reserve £m	Total other reserves £m
At 1 April 2008	1.9	33.1	35.0	0.7	-	35.7
Currency translation differences	-	-	-	-	2.6	2.6
Actuarial losses on defined benefit pension schemes	-	(53.4)	(53.4)	-	-	(53.4)
Fair value of share option schemes	0.1	-	0.1	-	-	0.1
At 31 March 2009	2.0	(20.3)	(18.3)	0.7	2.6	(15.0)
Currency translation differences	-	-	-	-	(0.8)	(0.8)
Actuarial losses on defined benefit pension schemes	-	(28.6)	(28.6)	-	-	(28.6)
Fair value of share option schemes	0.3	-	0.3	-	-	0.3
At 31 March 2010	2.3	(48.9)	(46.6)	0.7	1.8	(44.1)

Company	Share option reserve £m	Actuarial pension reserve £m	Total fair value and other reserves £m	Capital redemption reserve £m	Total other reserves £m
At 1 April 2008	1.9	33.1	35.0	0.7	35.7
Actuarial losses on defined benefit pension schemes	-	(53.4)	(53.4)	-	(53.4)
Fair value of share option schemes	0.1	-	0.1	-	0.1
At 31 March 2009	2.0	(20.3)	(18.3)	0.7	(17.6)
Actuarial losses on defined benefit pension schemes	-	(28.6)	(28.6)	-	(28.6)
Fair value of share option schemes	0.3	-	0.3	-	0.3
At 31 March 2010	2.3	(48.9)	(46.6)	0.7	(45.9)

Distributable reserves

The Company currently has a £228.1 million deficit of distributable reserves (2009: £235.1 million). Distributable reserves comprise retained earnings, the share option reserve and the actuarial pension reserve.

9 BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Non-current borrowings				
Unsecured bank and other loans	29.4	-	29.4	-
Finance lease liabilities	0.4	0.4	0.4	0.4
Non-current borrowings	29.8	0.4	29.8	0.4
Current borrowings				
Unsecured bank and other loans	2.0	29.6	2.0	29.6
Finance lease liabilities	0.4	0.3	0.4	0.3
Current borrowings	2.4	29.9	2.4	29.9
Total borrowings	32.2	30.3	32.2	30.3

Maturity of borrowings is as follows:

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Within one year	2.4	29.9	2.4	29.9
Between one and two years	0.4	0.4	0.4	0.4
Between two and five years	29.4	-	29.4	-
	32.2	30.3	32.2	30.3

The fair values of current and non-current borrowings are not materially different from the carrying values stated above.

Unsecured bank and other loans excluding finance leases

Group and Company	2010	2009
	£m	£m
Syndicated bank debt – revolving credit facility	30.8	27.8
Capitalised loan arrangement fees	(0.7)	(0.2)
Revaluation of bank debt	(0.7)	-
Non-bank debt	2.0	2.0
Total non-current and current unsecured bank and other loans	31.4	29.6

Syndicated bank debt

At 31 March 2010 the Company had a £42.0 million loan facility agreement (the 'facility') with Lloyds TSB Bank plc and Bank of Scotland plc. This facility was entered into in November 2009 for a period of three years. The same banks also provide a £5.0 million bonding facility. The facility is denominated in Sterling, although borrowings under the facility are in Sterling and US Dollars. The utilised amounts bear interest at LIBOR plus 2.75% or US Dollar-LIBOR plus 2.75%. The agreement contains financial covenants in relation to the ratio of net borrowings to PBITDA and the ratio of PBITDA to net interest payable.

At 31 March the following amounts were outstanding under the facility:

	Available	2010	Unutilised	Available	2009	Unutilised
	£m	Utilised	£m	£m	Utilised	£m
		£m			£m	
Syndicated bank debt – revolving credit facility	42.0	30.8	11.2	42.0	27.8	14.2

In the current year these amounts are shown in non-current borrowings. In the prior year these amounts were shown in current borrowings.

Non-bank debt

Non-bank debt is a cash advance from the Company's available for sale investment. This is repayable on demand and bears no interest.

10 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

In Europe, the Company operates a defined contribution stakeholder plan (the UK Plan) for all qualifying employees. Participants may make voluntary contributions to the UK Plan up to the maximum amount allowable by UK law. The assets of the UK Plan are held separately from those of the Company in individual accounts under the control of the pension provider. The only obligation of the Company with respect to the UK Plan is to make the specified contributions.

The US subsidiary, Project Performance Corporation, operates a defined contribution 401(K) profit sharing plan (the US Plan) for all eligible employees. Participants may make voluntary contributions to the US Plan up to the maximum amount allowable by US law. Employer contributions to the US Plan are at the discretion of management and vest to the participants over a five-year period. The assets of the US Plan are held separately from those of Project Performance Corporation in funds under the control of trustees and insurance companies. The only obligation of Project Performance Corporation with respect to the US Plan is to make the specified contributions.

Project Performance Corporation has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction of future payment is available.

The total cost charged to the income statement of £2.6 million (2009: £0.9 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined benefit schemes – funded obligations

The AEA Technology Pension Scheme (the Scheme), a defined benefit pension scheme, was closed to future accrual on 31 July 2009 and no further benefits will be built up with effect from that date.

The funding of the Scheme is based on long-term trends and assumptions relating to market growth, as advised by the Scheme Actuary. The calculations for the Scheme are based on the liabilities determined at the funding valuation as at 31 March 2008 in accordance with the requirements of the Pensions Act 2004. The Scheme's past service funding deficit is expected to be cleared over approximately 20 years under a schedule of contributions agreed by the Company and Trustees in June 2009.

International Accounting Standard 19 'Employee Benefits' (IAS 19) requires the Group to include in the Balance sheet the surplus or deficit on the Scheme calculated as at the balance sheet date. The method used for the calculation is as prescribed by IAS 19. It is a snapshot view that can be significantly influenced by short-term market factors. The calculation of the surplus or deficit is, therefore, dependent on factors which are beyond the control of the Group – principally the value at the balance sheet date of the assets in which the Scheme has invested and long-term interest rates, which are used to discount future liabilities.

The Company's Actuaries, Hewitt Associates Limited, carried out the valuation. The results are then adjusted by the Actuaries each year, allowing for the IAS 19 financial and demographic assumptions and rolling forward the liabilities to the balance sheet date in an approximate manner.

AEA Technology plc employs a building block approach in determining the long-term rate of return on pension scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets at 31 March 2009 was derived aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the start of the accounting year. The overall long-term expected rate of return on assets at 31 March 2010 is derived by modelling the expected returns on the agreed strategic asset allocation at the start of the accounting year, taking into account the interactions between asset classes to derive an expected return for the portfolio as a whole.

The estimated amount of contributions expected to be paid to the Scheme during the financial year to 31 March 2011 is approximately £1.8 million. In addition the Company pays a contribution equal to the Pension Protection Fund levy that for the year to 31 March 2010 amounted to £0.3 million (2009: £0.4 million).

As at 31 March 2010 contributions of £nil (2009: £0.1 million) due in respect of the year to 31 March have not been paid over to the Scheme.

Defined benefit schemes – unfunded obligations

In Europe the Company operates a formal, employer financed retirement benefit scheme to provide benefits in excess of the HMRC earnings cap for a former director and also has unfunded top-up arrangements in place to provide benefits to certain former directors and employees (the Unfunded Company Scheme).

The value of the pensions reserve required to be recognised under IAS 19 is calculated by the Company's actuaries using the same assumptions as used for the Scheme, with the exception of post-retirement mortality. The post-retirement mortality assumption, given

within this note, adopted for the unapproved reserves is less pessimistic than that adopted for the mixed population of the Scheme. This reflects the lower mortality rates typically experienced by individuals with above average levels of personal wealth.

Pension benefits

The amounts recognised in the Balance sheet and the Consolidated income statement in respect of the defined benefit scheme are summarised as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Balance sheet obligation for pension benefits	139.8	108.2	139.8	108.2
Income statement charge for pension benefits	5.7	2.7	5.7	2.7

The amounts recognised in the Balance sheet are determined as follows:

	2010 £m	2009 £m
Present value of funded obligations	416.4	310.3
Fair value of defined benefit pension scheme assets	(280.5)	(205.5)
Retirement benefit obligations of the Scheme	135.9	104.8
Present value of unfunded obligations	3.9	3.4
Retirement benefit obligations	139.8	108.2

The amounts recognised in the Consolidated income statement are as follows:

	2010 £m	2009 £m
Past service credit	(0.7)	-
Curtailment loss	0.5	-
Net pension credit from the Scheme closure	(0.2)	-
Current service cost	0.4	1.2
Accretion of discount on defined benefit pension scheme obligations	20.4	20.5
Expected return on defined benefit pension scheme assets	(14.9)	(19.0)
Amount included in employee benefit costs	5.7	2.7

The net pension credit from the Scheme closure arises from closing the Scheme to future accrual on 31 July 2009 and amending the entitlements of certain members of the Scheme.

Current service costs of £0.4 million (2009: £1.2 million) are included in the Consolidated income statement. These costs are split between cost of sales and administrative expenses. The accretion of discount on defined benefit pension scheme obligations of £20.4 million (2009: £20.5 million) and the expected return on defined benefit pension scheme assets of £14.9 million (2009: £19.0 million) are included in 'finance costs' and 'finance income' respectively. The total of the expected return on defined benefit pension scheme assets (£14.9 million) and the actuarial gain on defined benefit pension scheme assets (£67.3 million that is credited to the pension reserve) equates to an actual gain on defined benefit pension scheme assets of £82.2 million (2009: loss of £49.4 million).

The movement in the pension obligation recognised in the Balance sheet is as follows:

	Funded Company Scheme £m	Unfunded Company Scheme £m	2010 £m	Funded Company Scheme £m	Unfunded Company Scheme £m	2009 £m
At 1 April	310.3	3.4	313.7	315.0	3.4	318.4
Accretion of discount on defined benefit obligations	20.2	0.2	20.4	20.5	-	20.5
Past service credit	(0.7)	-	(0.7)	-	-	-
Curtailement loss	0.5	-	0.5	-	-	-
Current service costs	0.4	-	0.4	1.2	-	1.2
Actuarial losses/(gains)	95.3	0.6	95.9	(15.2)	0.2	(15.0)
Contributions paid by employer	-	(0.3)	(0.3)	-	(0.2)	(0.2)
Contributions paid by Scheme participants	0.1	-	0.1	0.2	-	0.2
Benefits paid	(9.7)	-	(9.7)	(11.4)	-	(11.4)
At 31 March	416.4	3.9	420.3	310.3	3.4	313.7

The movement in the pension asset recognised in the Balance sheet is as follows:

	Funded Company Scheme £m	Unfunded Company Scheme £m	2010 £m	Funded Company Scheme £m	Unfunded Company Scheme £m	2009 £m
At 1 April	205.5	-	205.5	258.4	-	258.4
Expected return on defined benefit pension scheme assets	14.9	-	14.9	19.0	-	19.0
Actuarial gains/(losses)	67.3	-	67.3	(68.4)	-	(68.4)
Contributions paid by employer	2.4	-	2.4	7.7	-	7.7
Contributions paid by Scheme participants	0.1	-	0.1	0.2	-	0.2
Benefits paid	(9.7)	-	(9.7)	(11.4)	-	(11.4)
At 31 March	280.5	-	280.5	205.5	-	205.5

The net pension obligation is as follows:

	Total £m
At 31 March 2010	139.8
At 31 March 2009	108.2

A £28.6 million loss (2009: £53.4 million) in respect of actuarial losses and gains is reported in the Consolidated statement of comprehensive income (SOCl) and the cumulative total of actuarial losses and gains reported through the SOCl is a net £48.9 million loss (2009: £20.3 million).

The principal actuarial assumptions used are as follows:

	2010 %	2009 %
Discount rate	5.6	6.6
Inflation	3.6	3.2
Expected return on plan assets:		
equities	8.9	8.4
corporate bonds	5.6	5.8
infrastructure	8.9	8.4
property	9.4	n/a
other	0.6	1.6
Future salary increases	n/a	2.7
Future pension increases	n/a	3.2

The discount rate is based on future projected cash flows and the AA-corporate bond yield curve as at 31 March 2010, with an adjustment so that the yield relates to bonds that were AA-rated as at 31 March 2010. The assumed rate of inflation has been calculated based on future projected cash flows and the inflation curve as at 31 March 2010, with an allowance for an inflation risk premium.

Post-retirement mortality assumptions are as follows:

	2010	2009
Funded Company Scheme	“S1PxA” Year of Use tables. Improvements in line with 80% of the Long Cohort for males and 60% of the Long Cohort for females, subject to a minimum annual improvement of 1.0%. Scaling factor of 95%.	“S1PxA” Year of Use tables. Improvements in line with 80% of the Long Cohort for males and 60% of the Long Cohort for females, subject to a minimum annual improvement of 1.0%. Scaling factor of 95%.
Unfunded Company Scheme	“S1PxA Light” Year of Use tables. Improvements in line with 80% of the Long Cohort for males and 60% of the Long Cohort for females, subject to a minimum annual improvement of 1.0%. No scaling factor.	“S1PxA Light” Year of Use tables. Improvements in line with 80% of the Long Cohort for males and 60% of the Long Cohort for females, subject to a minimum annual improvement of 1.0%. No scaling factor.

Demographic assumptions (post-retirement mortality)

Based on the mortality assumptions adopted, the following table shows the expected future lifetime of a Scheme member on retirement at age 60:

	2010 Years	2009 Years
Males retiring today	27.0	26.9
Females retiring today	29.1	29.0
Males retiring in 20 years	29.1	28.9
Females retiring in 20 years	30.9	30.9

Sensitivity analysis of the principal assumptions used to measure Scheme liabilities

Assumption	Change in assumption	Impact on Scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 9%
Rate of mortality	Increase by 1 year	Increase by 2%

The analysis of the Scheme assets and expected rate of return at 31 March is as follows:

	Expected return		Fair value of assets	
	2010 %	2009 %	2010 £m	2009 £m
Equity instruments	8.9	8.4	173.6	157.9
Corporate bonds	5.6	5.8	44.0	22.1
Infrastructure	8.9	8.4	30.5	23.8
Property	9.4	-	9.8	-
Other assets	0.6	1.6	22.6	1.7
			280.5	205.5

The five-year history of defined benefit pension scheme obligations and defined benefit pension scheme assets is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	420.3	313.7	318.4	366.9	537.6
Fair value of defined benefit pension scheme assets	(280.5)	(205.5)	(258.4)	(274.7)	(430.0)
Retirement benefit obligation	139.8	108.2	60.0	92.2	107.6

The five-year history of experience adjustments is as follows:

	2010	2009	2008	2007	2006
Experience (losses)/gains on defined benefit scheme obligations					
Amount (£ million)	(95.9)	15.0	57.6	(3.6)	(2.9)
Percentage of Scheme liabilities	22.8%	4.8%	18.1%	1.0%	0.5%
Experience gains/(losses) on defined benefit pension scheme assets					
Amount (£ million)	67.3	(68.4)	(27.3)	(11.5)	57.6
Percentage of Scheme assets	24.0%	33.3%	10.6%	4.2%	13.4%

Development of net retirement benefit obligation over the year to 31 March 2010

The pension cost recognised in the Consolidated income statement is calculated based on assumptions made at the beginning of the year. If experience over the year is in line with the assumptions made at the start of the year, the retirement benefit obligation would reduce by the excess of the cash contributions made over the income statement charge. Actuarial gains and losses due to differences between actual experience and the assumptions made at the start of the year are recognised in full in the SOCI.

11 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Decommissioning and waste management				Total £m
	£m	Restructuring £m	Contracts £m	Other £m	
At 1 April 2008	4.8	8.1	5.2	1.6	19.7
Balance sheet reclassifications	0.1	(0.4)	0.6	-	0.3
Acquired with subsidiary	-	-	0.1	0.1	0.2
Charged to the Consolidated income statement	-	-	-	0.1	0.1
Utilised	(0.6)	(4.5)	(3.1)	(0.1)	(8.3)
At 31 March 2009	4.3	3.2	2.8	1.7	12.0
Utilised	(0.2)	(0.3)	(1.5)	(0.1)	(2.1)
Foreign exchange	-	-	(0.1)	-	(0.1)
At 31 March 2010	4.1	2.9	1.2	1.6	9.8

Company	Decommissioning and waste management				Total £m
	£m	Restructuring £m	Contracts £m	Other £m	
At 1 April 2008	4.8	8.1	5.2	1.6	19.7
Balance sheet reclassifications	0.1	(0.4)	0.6	-	0.3
Charged to the income statement	-	-	-	0.1	0.1
Utilised	(0.6)	(4.5)	(3.1)	-	(8.2)
At 31 March 2009	4.3	3.2	2.7	1.7	11.9
Utilised	(0.2)	(0.3)	(1.5)	(0.1)	(2.1)
At 31 March 2010	4.1	2.9	1.2	1.6	9.8

Provisions for liabilities and charges	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current	7.1	8.4	7.1	8.3
Non-current	2.7	3.6	2.7	3.6
	9.8	12.0	9.8	11.9

Decommissioning and waste management

On 31 March 1996 certain properties, rights and liabilities of UKAEA were vested in the Company in accordance with the Transfer Scheme made pursuant to section 1 of the Atomic Energy Authority Act 1995.

A supplemental agreement entered into pursuant to the Transfer Scheme provides that liabilities for decommissioning any nuclear facility in existence as at 31 March 1996 and for any waste transferred to UKAEA ("the Authority") for disposal prior to 31 March 1996 are to remain with the Authority. All new or incremental decommissioning, waste management and clean up liabilities arising after 1 April 1996 were assumed by the Group except for certain liabilities, which have been transferred to, or assumed by, third parties.

Provisions for these costs were made in full once facilities became contaminated and were calculated on the latest technical assessments of the processes and methods likely to be used in the future and represent estimates derived from a combination of the technical knowledge available, existing legislation and regulations and commercial agreements.

The majority of the provision is expected to be utilised within one year of the balance sheet date.

Restructuring

In the two years to 31 March 2007 the Group completed the transformation of its business from a diverse Group to a single mission company focused on climate change and energy consultancy. Provisions related to this restructuring are held for associated warranties and indemnities given under business sale agreements. These provisions are expected to be utilised within the next one to two years.

Contracts

Contract provisions are in respect of projected losses or commitments on long-term contracts. These provisions will be utilised when the costs are incurred on the long-term contracts. Applying a risk-adjusted discount rate does not give a result materially different from the undiscounted provision and no adjustment for the effect of discounting has been made.

Other

The remainder of the provisions are primarily dilapidations and wear and tear provisions on the Company's property assets. These provisions will be utilised as dilapidation repairs are carried out.

12 CASH GENERATED FROM/(USED IN) OPERATIONS

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Profit for the year	3.3	7.0	35.3	7.2
Adjustments for:				
tax	0.2	0.5	-	(0.1)
depreciation of property, plant and equipment	1.3	1.0	0.8	0.7
amortisation and impairment	1.3	0.8	0.1	0.2
share option charge	0.3	0.1	0.3	0.1
finance interest expense	21.8	22.1	22.2	24.9
finance interest income	(14.9)	(19.2)	(16.5)	(20.4)
dividends receivable from subsidiaries	-	-	(32.6)	-
waiver of payables to subsidiaries	-	-	(0.8)	(2.8)
reversal of impairment of receivables from subsidiaries	-	-	-	(0.2)
costs cross-charged to subsidiaries	-	-	(0.5)	(1.3)
other	0.3	-	0.7	-
Changes in working capital:				
work in progress	0.1	(0.1)	0.1	(0.1)
trade and other receivables	1.9	1.5	0.7	0.8
trade and other payables	(5.0)	2.0	(4.6)	(0.3)
inter-company balances	-	-	0.7	0.2
Changes in retirement benefit obligations	(2.5)	(6.7)	(2.5)	(6.7)
Changes in provisions for liabilities and charges	(2.1)	(7.9)	(2.1)	(7.8)
Cash generated from/(used in) operations	6.0	1.1	1.3	(5.6)

13 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

14 ANNUAL ACCOUNTS AND ANNUAL GENERAL MEETING

Copies of the Annual Financial Report will be available in electronic format on www.aeat.com and will be sent to shareholders in June 2010. Copies will also be available from the Company's registered office, 329 Harwell, Didcot, Oxfordshire OX11 0QJ.

The Annual General Meeting will be held at Linklaters, One Silk Street, London EC2Y 8HQ in September 2010.

15 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of contracts entered into in the normal course of business and in respect of the disposal of businesses and subsidiaries. It is not expected that these will have a material effect on the financial position of the Group.

16 SIGNIFICANT ACCOUNTING POLICIES

The following new standards, amendments to existing standards or interpretations are mandatory for the financial year ending 31 March 2010:

- IFRS 2 amendment, 'Share based payment – vesting conditions and cancellations', effective for periods beginning on or after 1 January 2009. The amendment addresses the definition of, and accounting for, non-vesting conditions. The amendment is fully retrospective and the impact on the Group has been that for the equity-settled share-based employee compensation plans in place, a review of the fair value of the awards has been made to take into account the effect of non-vesting conditions. The accounting policy for share-based payments has been revised so that if there is a failure to meet a non-vesting condition the IFRS 2 expense is recognised immediately rather than being spread over future periods.

The impact of this change on the current year results was immaterial. The prior year impact of these changes was immaterial and therefore no prior year adjustment has been made.

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. This new standard requires a management approach to be taken to segmental reporting where information is presented on the same basis as that used for internal reporting purposes. This has had no effect on the segments previously reported under IAS 14, which were Europe and the US. This is consistent with the way in which information is reported internally to the Chief Operating Decision Maker (CODM), which has been identified as the body of Executive Directors who consider the allocation of resources between operating segments. The requirements of IFRS 8 have been applied retrospectively.
- IAS 1 (revised), 'Presentation of Financial statements: a revised presentation', effective for annual periods beginning on or after 1 January 2009. The Financial statements have been prepared under the revised disclosure requirements. The Group has elected to present two statements (the Consolidated income statement and the Consolidated statement of comprehensive income). The revised standard also requires that, in some situations, an additional statement of financial position is required as at the beginning of the earliest period presented. Such a situation would be the retrospective application of a new accounting policy, such as the amendment to IFRS 2 or IAS 1 (revised). This additional comparative information has not been included as it is considered immaterial and does not affect any statement of financial position.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial year ending 31 March 2010, but either have no significant impact on the Group or are not currently relevant for the Group:

- IFRS 1 and IAS 27 amendment, 'Cost of an investment in a subsidiary, jointly controlled entity or associate', effective for periods beginning on or after 1 January 2009;
- IFRS 7 amendment, 'Improving disclosures about financial instruments', effective for periods beginning on or after 1 January 2009;
- IAS 23, 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009;
- IAS 32 and IAS 1 amendment, 'Puttable financial instruments and obligations arising on liquidation', effective for annual periods beginning on or after 1 January 2009;
- IFRIC 9 and IAS 39, 'Embedded derivatives', effective for annual periods beginning on or after 1 July 2008 but EU endorsed for use from 27 November 2009;
- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008 but EU endorsed for use 1 January 2009; and
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', effective for annual periods beginning on or after 1 January 2008 but EU endorsed for use from 1 January 2009.

The following new standards, amendments to existing standards or interpretations have been issued, but are not effective for the financial year ending 31 March 2010 and have not been adopted early:

- IFRS 2 amendment, 'Share-based payment – Group cash-settled share-based payment transactions', effective for annual periods beginning on or after 1 January 2010;
- IFRS 3 (revised), 'Business combinations' and related amendments to IAS 27 'Consolidated and separate Financial statements', effective for annual periods beginning on or after 1 July 2009;

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IAS 24 (revised), 'Related party disclosures', effective for annual periods beginning on or after 1 January 2011, subject to EU endorsement;
- IAS 39 amendment, 'Eligible hedged items', effective for annual periods beginning on or after 1 July 2009;
- IFRIC 14 amendment, 'Prepayments of a minimum funding requirement', effective for annual periods beginning on or after 1 January 2011, subject to EU endorsement;
- IFRIC 15, 'Agreements for the construction of real estate', effective for annual periods beginning on or after 1 January 2009 but EU endorsed for use from 1 January 2010;
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008 but EU endorsed for use from 1 July 2009;
- IFRIC 17, 'Distribution of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009;
- IFRIC 18, 'Transfers of assets from customers', effective from 1 July 2009 but EU endorsed for use from 31 October 2009; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010, subject to EU endorsement.

IFRS 3 (revised) may have an impact on the Group's Financial statements when implemented, depending upon future acquisition activity by the Group. Some of the other statements will require additional disclosures but otherwise will not have a material impact on the Group's Financial statements when they are adopted.

Alternative performance measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measures, which are not defined by IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this report:

a) Adjusted operating profit and adjusted profit before tax

Beneath the Consolidated income statement adjusted operating profit is separately disclosed. This is defined as operating profit before amortisation of acquired intangibles and significant items which include the cost of restructuring the Group to enable it to focus on the delivery of the strategy as set out in the Business review and the cost of restructuring the IT function. Profit before tax is also adjusted in the same way with the additional adjustment to exclude net pension finance costs. A reconciliation of profit before tax to adjusted profit before tax is shown beneath the Consolidated income statement.

b) Movement in net debt

Beneath the Statement of cash flows a Statement of movement in net debt is shown being the movement between opening and closing net debt. An analysis of net debt by Balance sheet heading is also shown.

c) Adjusted earnings per share

Adjusted earnings per share as shown in note 6 is calculated by dividing the adjusted profit attributable to owners of the parent by the weighted average number of Ordinary shares in issue during the year.

d) Net cash flow from business operations

Beneath the Statement of cash flows the 'Cash generated from/(used in) operations' is split into its component parts, representing cash flow from business operations; integration and restructuring costs, legacy cash flows and the funding of the pension deficit.