

**AEA TECHNOLOGY GROUP PLC**  
**ANNUAL FINANCIAL RESULTS STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

AEA Technology Group plc, a leading technical, energy and sustainability consultancy, today announces its annual financial results for the year ended 31 March 2011.

## Highlights

### Strategic and operational summary

- Our strategy is delivering strong performance in the US
  - Organic growth (constant currency) c. 19% in Adjusted operating profit<sup>1</sup> in 2010/11
  - Expect to bid on c. \$1.2bn of opportunities in 2011/12
  - ERG acquisition enables scale and access to new customers
  - Strong start to this year on order intake – up 100%
  - Current forward order book<sup>2</sup> stands at \$355m
  - Good orders growth expected this year
- We remain cautious about UK Government spending
  - Major downsizing of European business workforce in 2010/11
  - c. £5.0m removed from annualised cost base
  - Headcount reduced by a third

### Financial summary

- Global order intake £80.9m (2010: £119.2m)
- Revenue £113.7m (2010: £113.2m)
- Adjusted operating profit £8.8m (2010: £12.4m)<sup>1</sup>
- Operating loss £5.9m (2010: £10.4m profit)
- Net debt of £28.3m (31 March 2010: £26.2m)

<sup>1</sup> Adjusted operating profit is defined as operating profit before amortisation of acquired intangibles and significant items

<sup>2</sup> Forward order book is management's judgment of the future value of orders

**Dr Paul Golby CBE, Chairman of AEA Technology Group plc, said:**

20 July 2011

“The last twelve months have been a challenging time for our shareholders. Like many other businesses selling to the UK Government we were severely impacted by the size and speed of the reduction in Government spending and this is continuing into the current year. Following the acquisition of ERG in November 2010, AEA has the majority of its business in the US. The Board believes that it now has a significantly larger platform from which to deliver growth.”

**Andrew McCree, CEO of AEA Technology Group plc, said:**

“In the US, AEA now has the scale to deliver growth. Management is investing in a very sizeable US bid pipeline and this year has begun well with a strong improvement in order intake. In Europe last year management took decisive action to realign the cost base with the market. We will continue to bear down on costs, whilst looking across the business for improvements in operating performance.”

**For further information:**

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Note: A presentation of the Annual Financial Results is being held at Linklaters LLP, One Silk Street, London. EC2Y 8HQ at 9.30am today.

## Chairman's Statement

The last twelve months have been a challenging time for our shareholders. Like many other businesses selling to the UK Government we were severely impacted by the size and speed of the reduction in Government spending and this is continuing into the current year. Following the acquisition of ERG in November 2010, AEA has the majority of its business in the US. The Board believes that it now has a significantly larger platform from which to deliver growth.

### Results highlights

Overall revenue from continuing operations was up to £113.7 million (2010: £113.2 million) with a first time contribution from the newly acquired ERG of £15.4 million. This broadly offset the fall in revenue in the European business following the curtailment of spending by the UK Government. Like for like revenue growth at constant currency in the existing US business was a healthy 8.5%. Adjusted operating profit was £8.8 million (2010: £12.4 million). The statutory operating loss was £5.9 million (2010: profit of £10.4 million). Within this, the Group incurred costs of some £9.2 million (2010: £1.0 million) to restructure the Group's cost base, as well as acquisition and related costs of £4.3 million (2010: £nil).

### Acquisition

On 8 November 2010 we completed the acquisition of ERG, an environmental consulting company, for approximately \$84 million satisfied through a combination of cash and shares. We believe that this acquisition will allow the Group to take advantage of the growing market opportunities in the US presented by the deepening commitment within the US Government to improve energy efficiency and reduce the country's dependence on imported oil. At this early stage progress is in line with our expectations.

### Firm Placing, Placing and Open Offer

In order to fund the acquisition of ERG the Group issued 555.8 million shares in a Firm Placing and a further 555.8 million shares in a Placing and Open Offer, in both cases at 5.0p per share. In total, this raised £51.7 million. We are grateful to our shareholders for their support in the development of the business.

### New holding company and capital reduction

At the same time as the share placing a new holding company was introduced into the Group and a court sanctioned capital reduction implemented. This created new distributable reserves, which will allow the Group to pay a dividend when the Board determines that it would be in the best interests of the Group to do so.

### Dividend

Although the Group is now in a legal position to be able to pay a dividend, the Directors have decided that it would not, at the current time, be in the best interests of the Group to do so. This decision will be kept under regular review.

### Board

We have seen substantial change to the Board during the year. Gwen Ventris and Mike Nigro stood down, and shortly after the year end, Alice Cummings resigned from the Board. On 26 November 2010 I was pleased to welcome Tim Robinson and Bernard Lord as new Non-Executive colleagues. The appointment of Kevin Higginson to the Board as Chief Financial Officer was announced on 20 April 2011. This completes the realignment of the Board and I believe it now has the right blend of skill and experience to deliver future value for the shareholders.

### People

It has been a difficult year for many of our people with a significant amount of restructuring undertaken to ensure that the business is in the right shape for the challenges ahead. I would like to thank everyone in the organisation for their skills, hard work and determination to make AEA a world leader in its chosen fields.

### Dr Paul Golby CBE, Chairman

## Business & Performance Review

### Transformational change

Over the last three years the Group has undergone dramatic change. In 2008, AEA was almost exclusively focused on the UK Government and its principal customers were DEFRA and DECC. At that time, whilst the quality of our offerings and employees were a clear differentiator from the competition, the business was far too dependent on the UK Government as a customer.

The Board decided that AEA needed to diversify and in 2008 the Group purchased PPC based in Washington, and then in late 2010, followed this up by purchasing US company ERG, based near Boston.

Both of these US businesses, like AEA in Europe, had government as their principal customer. This provided the Group with the opportunity to take its market leading skills into the US Government through businesses which were well established and highly respected but did not have the same expertise as AEA in Europe.

The combined Group is now the leading technical advisor to the US and UK Governments in energy, sustainability, emissions and waste and is also now well poised to build a new global practice based upon water, which the Board sees as a significant opportunity in the future. Going forward, around two thirds of AEA's business will be in the growing US market compared with virtually nothing in the twelve months to March 2008.

This transformation has not been achieved without pain for our shareholders and employees. Whilst performance was strong in our existing business in the US, and ERG performed as expected, the business performance last year was disappointing in Europe. The Board acknowledges this underperformance and is focused on improving trading results.

### Financial performance

A detailed review of the financial performance for the year follows this review.

### Delivering improved performance

Following a review of the European business at the start of 2010/11, the decision was taken to continue the existing 5% reduction in salaries until the end of the year. In addition action was taken in advance of the UK General Election to reduce the cost base of the business by approximately 10% as a market slowdown was expected. At that time the Board decided not to make deeper cuts because good quality technical people could have been lost, who would be difficult to replace should conditions improve.

Ultimately, however, these cuts alone proved to be insufficient and two further rounds of restructuring took place in 2010/11 in the UK, which resulted in a reduction in the UK headcount over the year of a third. Further reductions have been avoided by using the UK employees to support the growing opportunities in the US.

We have now made a number of changes to the management team across the Group. In the US a new President of PPC, Charlie Hanley, has been appointed and a number of other senior management changes have been made in order to prepare that business for the future. The acquisition of ERG further strengthened our management team in the US and we have been delighted to retain David Meyers, founder and President of ERG, and all his senior management colleagues. In the UK Robert Bell leads our European business and he too has made a number of important appointments. We were also delighted to bring Kevin Higginson on board as Group CFO. Kevin brings with him considerable operational and financial experience.

Management is focused on delivering improved performance during this year. The necessary investments have now been made and in the US there is a particular focus on winning bids and growing the forward order book. In Europe we expect the market conditions to be tough and therefore our focus is going to be to on continuing to bear down on costs and drive operating improvements at the project level.

### The investment opportunity

The scale of the US market opportunity continues to be very exciting. Last year AEA bid for over \$400 million of opportunities and this year we currently expect to bid for opportunities totalling \$1.2 billion. The US Government can take up to twelve months before announcing a winning bid and a few additional months before it feeds through to revenue and profit. Nevertheless, we would expect substantial progress on orders in the current financial year.

For our shareholders the Board believes that the significant investment opportunity is for growth in the US market.

As Federal budgets tighten, the Government in the US is placing an increasing focus on awarding business only to companies which are able to pass high standard conflict of interest tests. This now means that traditional US business consultancies are having to make a choice of working either for the Government or the private sector. This new priority gives AEA a significant advantage over other consultancies in this market as government has always been the focus of our business.

AEA's most significant advantage, however, is the depth and range of our technical skills. As the US Government looks to move the US on to a more sustainable footing, not only in terms of how much it spends on energy, other resources and how to stimulate the private sector, more opportunities open up for AEA. In these difficult times, we are able to offer solutions to our customers to help them save money, through our innovative combination of science, data and economics.

The Board believes that, despite the potential for contract delays as Congress and the President negotiate over where and when the cuts are made and the focus on the need to reduce the US Federal Government deficit, the US continues to offer AEA opportunities to grow its business significantly.

AEA is increasingly innovative and agile, its employees continually providing new ideas and approaches. I am delighted at the way management and employees have embraced the opportunity to become one company and increasingly see a high level of bidding into Government customers involving the capabilities of all our businesses.

## Outlook

In the UK market the Board remains very cautious in the outlook for Government spending and during 2011/12 is not anticipating a recovery from the current low levels.

By contrast in the US order growth in the current financial year has got off to a good start by securing both orders delayed from last year and also winning new orders.

Despite potential US Federal Government fiscal uncertainties the Group has a strong pipeline of US opportunities. We are making good progress in winning orders and, overall, the Board is confident of continued progress.

## Financial performance

### Group reorganisation, Firm Placing, Placing and Open Offer

AEA Technology Group plc ("the Company") was incorporated on 17 September 2010. Prior to 5 November 2010 the Company had not commenced trading. This Annual Financial Results Statement includes the results of the Company from its incorporation date, accordingly no comparative financial information is presented for the Company.

On 5 November 2010 the Company became the new ultimate holding company of the AEA Group, pursuant to a Scheme of Arrangement under section 899 of the UK Companies Act 2006 approved by the High Court of Justice in England and Wales and the shareholders of AEA Technology plc. The Company issued new Ordinary shares with a nominal value of 1.0 pence ("new shares"), which were exchanged on a one-for-one basis for the Ordinary shares of AEA Technology plc, with a nominal value of 12 2/9 pence ("old shares").

The Scheme of Arrangement has been accounted for using the principles of merger accounting set out in FRS 6 'Acquisitions and mergers', and UK Generally Accepted Accounting Practice ("UK GAAP"). This policy does not conflict with International Financial Reporting Standards ("IFRS"), and reflects the economic substance of the transaction. In accordance with the principles of merger accounting the comparative financial information in these consolidated Financial Statements has been extracted from the AEA Technology plc consolidated Financial Statements in the Annual Report for the year ended 31 March 2010. Those Financial Statements incorporated the results of AEA Technology plc and its subsidiaries. Earnings per share figures are unaffected by the Scheme of Arrangement.

As a result of the Scheme of Arrangement, AEA Technology plc became a wholly owned subsidiary of the Company. The new shares carry substantially the same rights as the old shares. The Scheme of Arrangement did not involve a cash payment for the old shares. Immediately after the Scheme of Arrangement became effective the Company had the same Board of Directors and corporate governance arrangements as AEA Technology plc had prior to the Scheme of Arrangement. The consolidated assets and liabilities of the Group are the same immediately before and after the Scheme of Arrangement became effective.

The new shares issued were recorded at fair value based on the closing price of the old shares on the day prior to delisting. This resulted in the creation of a share premium account of £11.7 million in the Company.

All the AEA Technology plc share options granted to Directors and employees under share option plans that were in existence immediately prior to the Scheme of Arrangement were exchanged on a one-for-one basis for share options in the Company with no change in any terms or conditions.

The fees attributable to the issue of shares as part of the Scheme of Arrangement were charged to the share premium account of the Company apart from £0.9 million that were charged directly to retained reserves. Other costs of implementing the Scheme of Arrangement have been charged to the income statement of AEA Technology plc.

On 5 October 2010 the Company announced a Firm Placing, Placing and Open Offer, which was approved by shareholders at a General Meeting on 21 October 2010. Dealings in the new shares commenced on 8 November 2010. The Firm Placing, Placing and Open Offer resulted in the issue of 1,111,581,000 new shares at 5.0 pence each raising £55.6 million before expenses (£51.7 million net of £3.9 million costs). The funds raised were used to fund the acquisition of ERG Inc.

On 8 November 2010 the Company, on behalf of a Group subsidiary, issued 113,212,319 shares to the shareholders of ERG Inc as part of the purchase consideration for 100% of its ordinary share capital. The ordinary shares issued rank pari passu with the other shares in issue.

On 17 November 2010, following confirmation by the Jersey court, a reduction of capital of £57.8 million became effective with the share premium amounts cancelled and reclassified as distributable reserves.

## Financial performance

Total orders were £80.9 million (2010: £119.2 million). Orders were impacted by both the comprehensive spending review in the UK and the impact of the well-publicised budget uncertainties in the US. Although conditions in the UK remain challenging they have become more predictable at the start of the new financial year. In the US, the resolution of the budget uncertainty has meant that we have started the new financial year with good progress on orders, recovering a substantial amount of the shortfall in the expected position at 31 March 2011.

US operations orders were £49.7 million (2010: £50.7 million), with ERG Inc (ERG) contributing orders of £16.3 million from the date of acquisition. The US continues to invest significantly in bids, however the well publicised failure of the US Government to ratify its budget until 8 April 2011 led to a temporary delay in contracts being awarded during the year ended 31 March 2011. In Europe orders were £31.2 million (2010: £68.5 million) due to the difficult UK Government market, resulting mainly from the Comprehensive Spending Review undertaken by the UK Government in October 2010.

Total Group revenue for the year increased to £113.7 million (2010: £113.2 million). In Europe, as a result of the difficult UK Government market and consequently a smaller number of UK Government contracts being awarded, the revenue reduced to £54.7 million (2010: £73.6 million). In the US revenue in the year was £59.0 million (2010: £39.6 million), an increase of 49%, with a strong performance in US Government work, notably in climate change and energy. ERG contributed revenue of £15.4 million following its acquisition in November 2010.

The impact that the difficult UK Government market had on revenue in Europe resulted in the overall Group adjusted operating profit of £8.8 million (2010: £12.4 million). However in the US the acquisition of ERG and steady organic growth for the existing US business resulted in adjusted profit in the US increasing by 76%, of which 19% was organic growth at constant currency. To ensure future 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 operating profit. In order to give a clearer analysis of the underlying operating performance of the Group these items have been excluded to derive the adjusted operating profit figures. The significant items relate mainly to the costs of redundancy, restructuring and the acquisition of ERG. The adjusting significant items are shown below the Consolidated income statement.

Net finance costs were £3.9 million (2010: £6.9 million) including interest on debt facilities of £1.7 million (2010: £1.4 million), which was up from 2009/10 due to higher levels of debt resulting from the costs of restructuring the European business during the year. Net pension finance costs were £2.0 million (2010: £5.5 million).

The overall impact of tax on the Group was a charge of £4.3 million (2010: £0.2 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. The tax charge arises from deferred income tax movements of £3.4 million (2010: £0.1 million), an overseas income tax charge of £1.0 million (2010: £0.1 million) and a current tax credit of £0.1 million (2010: £nil). As at 31 March 2011 the recognised net deferred income tax asset was £1.1 million (2010: £4.3 million). The Group has an unrecognised deferred income tax asset of £56.5 million (2010: £65.3 million). The three operating companies of the group operate in the UK and the US, where the statutory tax rates are 28% and 34% respectively.

The loss attributable to owners of the parent was £14.0 million (2010: £3.3 million profit). Adjusted profit attributable to the owners of the parent removes the impact of the significant items described above and, additionally, the net finance costs of £2.0 million (2010: £6.9 million) on the defined benefit pension scheme. Adjusted profit attributable to the owners of the parent, per note 6, is £0.4 million (2010: £10.4 million).

The adjusted earnings per share, calculated using the adjusted profit attributable to the owners of the parent, reduced to 0.0p (2010: 1.0p) as a result of the reduction in the adjusted operating profit attributable to owners of the parent. Basic earnings per share was a loss of 1.2p (2010: earnings 0.3p) as a result of both the increase in the weighted average number of Ordinary shares in issue and the

loss attributable to owners of the parent. The Group has dilutive Ordinary shares from share options, although due to the loss in the year to 31 March 2011 there was no dilution resulting from the share options.

### **Cash flows in the year**

Net cash flow generated from business operations was £10.3 million (2010: £10.2 million). In the year there has been a continued focus on working capital management, which is continuing into the new financial year.

The net cash flow generated from business operations of £10.3 million (2010: £10.2 million) has been used to fund various significant items, principally restructuring and acquisition costs as shown in the 'Statement of cash flows – alternative performance measures', resulting in cash used in operations of £3.9 million (2010: £6.0 million cash generated from operations).

In addition to these operating cash flows the Group acquired ERG in November 2010 for a cash outlay of £46.9 million, funded through the issue of new shares of £51.7 million.

Net debt increased from £26.2 million to £28.3 million.

### **Financial position**

#### **Banking facilities and net debt**

AEA has a three year bank facility expiring in November 2012, which includes a £39.0 million (2010: £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.

These banking facilities are sufficient to cover the Group's anticipated funding requirements for the foreseeable future and the Group would expect to re negotiate the banking facilities during the calendar year 2011.

Net debt at 31 March 2011 was £28.3 million (2010: £26.2 million). The detailed analysis of the Group's borrowings is shown in note 10.

#### **Capital structure**

On 5 October 2010 AEA Technology plc announced a Firm Placing, Placing and Open Offer, which was approved by shareholders at a General Meeting on 21 October 2010. Dealings in the new shares commenced on 8 November 2010. The Firm Placing, Placing and Open Offer resulted in the issue of 1,111,581,000 new shares at 5.0 pence each, raising £51.7 million, net of issue costs.

The Company would like to thank the shareholders for the injection of the additional capital resulting from the issue of the new shares.

On 8 November 2010 the Company, on behalf of a Group subsidiary, issued 113,212,319 shares to the shareholders of ERG Inc as part of the purchase consideration for 100% of its ordinary share capital. The ordinary shares issued rank pari passu with the other shares in issue.

The Company's authorised and issued share capital as at 31 March 2011, together with details of shares issued during the year are set out in note 8 to the Financial Statements. Each Ordinary share carries one vote.

At 31 March 2011 the Group's deficit on net shareholder funds amounted to £70.1 million (2010: £130.2 million).

#### **Dividends and dividend policy**

The Board is not recommending the payment of a dividend in respect of 2010/11. However, it is the Board's intention to pay dividends when it is considered to be in the best interests of the Company.

#### **Share price and market capitalisation**

The closing share price of the Group on 31 March 2011 was 4.34p (2010: 21.25p) and market capitalisation of the Group was £63.1 million (2010: £48.6 million). The high and low prices during the year were 23.00p and 3.65p respectively.

#### **Pensions**

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 £121.8 million (2010: £139.8 million). The improvement in the net liability resulted from the effect of a reduction in the assumption on future inflation and an increase in the value of Scheme assets. The discount rate remained unchanged from 31 March 2010 at 5.6%. A change of 0.5% in the discount rate will have a significant impact of approximately £40 million on the liabilities of the Scheme. AEA Technology plc agreed a schedule of contributions with the Trustee of the Scheme in

June 2009, which are agreed payments of £2.4 million per year commencing July 2010, increasing to £6.0 million per year from July 2012 through to April 2029. This has been confirmed by the Pension Regulator.

### **Accounting policies**

A description of the significant accounting policies appears in note 16 to the Financial Statements. The policies followed are in accordance with IFRS as adopted by the EU.

The preparation of the Financial Statements conforming 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. 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.

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.

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 10). As at 31 March 2011 £6.7 million (2010: £11.2 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 10 to the Financial Statements.

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 AEA Technology plc'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 use of interest rate swaps.

The net interest expense in respect of the defined benefit pension liability will fluctuate in line with market conditions and changing yields on corporate bonds. Note 11 to the Financial Statements 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.

Significant progress has been made in reducing the exposure on residual issues during the year and this will continue to be key area of focus in the new financial year.

### **Key supplier relationships**

The top 10 suppliers accounted for 24% of total Group procurement in the year and no single supplier accounted for more than 5% of total Group procurement. The Group is therefore not dependent on any single key supplier for its procurement requirement.

### **Key customer relationships**

The key customers for the Group are the UK and US Governments, which combined account for 65% of Group revenue (2010: 63%).

## **Risks & 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 UK Governance Code 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 has reviewed the material risks identified as well as the mitigating action plan. The principal risks for the Group are as follows:

#### **Changes in the competitive environment resulting from Government policy**

Future risks are likely to be dominated by a hiatus in placing contracts by both UK and US central governments, and future changes in both UK and US government policies, priorities and expenditure levels or delays in implementation of legislation which could affect the Group's business. 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 swiftly to future changes.

Investment has been made in making more complete use of the breadth of energy and environmental knowledge within and between the three business units, increasingly underpinned by sales propositions which relationship skills and senior management connections with relevant parts of the customer organisations. Risk mitigation plans have focused on the development of more integrated propositions leveraging extensive capabilities within the Group in data and information management and economics analysis. Actions to manage and mitigate risks to sales pipelines will be focused largely on maintaining and expanding sales to public sector bodies and international agencies and development of operating models to support this agenda.

#### **Recruitment and retention of sufficient high calibre people**

The risk for the business is that the sourcing of suitably qualified technical experts has become more challenging, particularly in the UK market where demand for high calibre experts has increased. The recruitment market has remained challenging as demand for high calibre technical experts has increased. However, through a combination of challenging and rewarding assignment opportunities, enhanced by the opportunities of working both in the US and the UK and through investment in development in both technical and business skills, and market competitive reward packages, the Group has successfully executed its retention strategy and expects to continue to do so.

#### **Retirement benefits**

The Group is exposed to financial risks in relation to the AEA Technology plc pension Scheme which currently has a large deficit. The amount of the deficit can vary significantly due to changes in the assumptions used to value the longevity of Scheme members, the discount rate, and the inflation rate assumptions. Consequently the Group is exposed to the risk of increases in the cash contributions payable under the recovery plan, volatility in the deficit reported in the Group's Balance sheet and gains/losses recorded in the Group's Consolidated statement of comprehensive income. The Board has appointed independent actuaries to advise AEA Technology plc on a funding strategy that is designed to address the deficit over a period of time to meet the requirements of the Pensions Regulator. The Directors have also taken steps to improve the governance of the Scheme. This includes the appointment of an independent trustee as Chairman and the adoption of a trigger based de-risking strategy.

#### **Legacy provisions**

The Group has provided for various liabilities inter alia onerous leases, warranties and indemnities in respect of disposals of companies and businesses. 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, as detailed in note 12.

All residual issues relating to the divested and closed businesses are under the control of the CFO and the Company Secretary. The Group has not become aware of any significant additional liabilities in respect of disposals. We continue actively to address and reduce the legacy risks and have reduced them considerably during 2010/11.

**Exchange risk**

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.

## Consolidated income statement

<b>For the year ended 31 March</b>	Note	<b>2011 £m</b>	2010 £m
Revenue	2	113.7	113.2
Cost of sales		<b>(69.1)</b>	(71.5)
<b>Gross profit</b>		<b>44.6</b>	41.7
Other operating income		3.2	4.3
Selling and marketing costs		<b>(7.6)</b>	(8.1)
Administrative expenses		<b>(46.1)</b>	(27.5)
<b>Operating (loss)/profit</b>		<b>(5.9)</b>	10.4
Investment income		0.1	-
Finance income	3	21.2	14.9
Finance costs	4	<b>(25.1)</b>	(21.8)
<b>(Loss)/profit before tax</b>		<b>(9.7)</b>	3.5
Income tax	5	<b>(4.3)</b>	(0.2)
<b>(Loss)/profit for the year attributable to the owners of the parent</b>		<b>(14.0)</b>	3.3
<b>Earnings per share for (loss)/profit attributable to the owners of the parent during the year<sup>1</sup></b>			
Basic (pence)	6	<b>(1.2)p</b>	0.3p
Diluted (pence)	6	<b>(1.2)p</b>	0.3p

<sup>1</sup> The earnings per share figures previously reported for the year ended 31 March 2010 have been restated. This reflects the impact of the bonus element of the Firm Placing, Placing and Open Offer in November 2010 (see notes 6 and 8).

## Consolidated income statement – alternative performance measures (note 16)

<b>Adjusted operating profit</b>	Note	<b>2011 £m</b>	2010 £m
<b>Operating (loss)/profit</b>		<b>(5.9)</b>	10.4
Amortisation of acquired intangibles		1.3	1.2
Restructuring including redundancy		9.2	1.0
Acquisition costs		4.3	-
Pension credit from curtailment	11	<b>(0.1)</b>	-
Net pension credit from scheme closure	11	-	(0.2)
<b>Adjusted operating profit</b>	2	<b>8.8</b>	12.4
<b>Adjusted profit before tax</b>			
<b>(Loss)/profit before tax</b>	Note	<b>2011 £m</b>	2010 £m
<b>(Loss)/profit before tax</b>		<b>(9.7)</b>	3.5
Amortisation of acquired intangibles		1.3	1.2
Restructuring including redundancy		9.2	1.0
Acquisition costs		4.3	-
Pension credit from curtailment	11	<b>(0.1)</b>	-
Net credit from pension scheme closure	11	-	(0.2)
Net pension finance costs	11	2.0	5.5
<b>Adjusted profit before tax</b>		<b>7.0</b>	11.0

## Consolidated statement of comprehensive income

<b>For the year ended 31 March</b>	Note	<b>2011 £m</b>	2010 £m
<b>(Loss)/profit for the year attributable to the owners of the parent</b>		<b>(14.0)</b>	3.3
<b>Other comprehensive (expense)/income:</b>			
currency translation losses – net of tax	9	<b>(1.1)</b>	(0.8)
actuarial gains/(losses) on defined benefit pension schemes – net of tax	11	<b>17.4</b>	(28.6)
<b>Other comprehensive income/(expense) recognised for the year – net of tax</b>		<b>16.3</b>	(29.4)
<b>Total comprehensive income/(expense) for the year attributable to the owners of the parent</b>		<b>2.3</b>	(26.1)

## Balance sheets

As at 31 March	Note	2011 £m	Group 2010 £m	Company <sup>1</sup> 2011 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		69.9	32.7	-
Other intangible assets		11.7	4.6	-
Property, plant and equipment		4.4	3.8	-
Investments in subsidiaries		-	-	69.0
Trade and other receivables		1.3	-	3.7
Deferred income tax assets		2.3	5.9	-
		<b>89.6</b>	<b>47.0</b>	<b>72.7</b>
<b>Current assets</b>				
Contract work in progress		0.1	0.2	-
Trade and other receivables		31.7	25.7	-
Current income tax assets		0.2	0.1	-
Available for sale financial asset		-	2.0	-
Cash and cash equivalents		4.0	6.0	-
		<b>36.0</b>	<b>34.0</b>	<b>-</b>
<b>Total assets</b>		<b>125.6</b>	<b>81.0</b>	<b>72.7</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to owners of the parent</b>				
Share capital	8	14.5	2.3	14.5
Share premium	8	-	11.7	-
Merger reserve	9	82.0	82.0	-
Other (deficit)/reserves	9	(28.1)	(44.8)	0.1
Retained (deficit)/reserves		(138.5)	(181.4)	52.4
<b>Total equity</b>		<b>(70.1)</b>	<b>(130.2)</b>	<b>67.0</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables		1.7	2.5	1.2
Borrowings	10	30.2	29.8	3.0
Retirement benefit obligations	11	121.8	139.8	-
Provisions for liabilities and charges	12	4.7	2.7	-
Deferred income tax liabilities		1.2	1.6	-
		<b>159.6</b>	<b>176.4</b>	<b>4.2</b>
<b>Current liabilities</b>				
Trade and other payables		32.0	25.1	0.9
Borrowings	10	2.1	2.4	0.6
Derivative financial instruments		0.3	0.1	-
Provisions for liabilities and charges	12	1.3	7.1	-
Current income tax liabilities		0.4	0.1	-
		<b>36.1</b>	<b>34.8</b>	<b>1.5</b>
<b>Total liabilities</b>		<b>195.7</b>	<b>211.2</b>	<b>5.7</b>
<b>Total equity and liabilities</b>		<b>125.6</b>	<b>81.0</b>	<b>72.7</b>

<sup>1</sup> The Company was incorporated on 17 September 2010 therefore no comparative figures for 2010 are presented. See note 1 for further information.

Approved by the Board on 20 July 2011.

## Statement of changes in equity

Group	Share capital (note 8) £m	Share premium (note 8) £m	Capital redemption reserve (note 9) £m	Merger reserve (note 9) £m	Other reserves (note 9) £m	Retained deficit £m	Total shareholders' equity £m
Balance as at 1 April 2009 as previously reported	27.9	67.4	0.7	-	(15.7)	(184.7)	(104.4)
Group reorganisation (note 1): cancellation of AEA Technology plc shares	(27.9)	(67.4)	(0.7)	-	-	-	(96.0)
issue of shares in AEA Technology Group plc	2.3	11.7	-	82.0	-	-	96.0
Balance as at 1 April 2009 restated after Group reorganisation	2.3	11.7	-	82.0	(15.7)	(184.7)	(104.4)
<b>Comprehensive income:</b>							
Profit for the year	-	-	-	-	-	3.3	3.3
<b>Total comprehensive income</b>	-	-	-	-	-	3.3	3.3
<b>Other comprehensive expense:</b>							
Currency translation losses	-	-	-	-	(0.8)	-	(0.8)
Actuarial losses on defined benefit pension schemes	-	-	-	-	(28.6)	-	(28.6)
<b>Total other comprehensive expense</b>	-	-	-	-	(29.4)	-	(29.4)
<b>Total comprehensive (expense)/income for the year</b>	-	-	-	-	(29.4)	3.3	(26.1)
<b>Transactions with owners:</b>							
Fair value of share option schemes	-	-	-	-	0.3	-	0.3
<b>Total transactions with owners</b>	-	-	-	-	0.3	-	0.3
Balance as at 31 March 2010	2.3	11.7	-	82.0	(44.8)	(181.4)	(130.2)
<b>Comprehensive expense:</b>							
Loss for the year	-	-	-	-	-	(14.0)	(14.0)
<b>Comprehensive expense</b>	-	-	-	-	-	(14.0)	(14.0)
<b>Other comprehensive income/(expense):</b>							
Currency translation losses	-	-	-	-	(1.1)	-	(1.1)
Actuarial gains on defined benefit pension schemes	-	-	-	-	17.4	-	17.4
<b>Total other comprehensive income</b>	-	-	-	-	16.3	-	16.3
<b>Total comprehensive income/(expense) for the year</b>	-	-	-	-	16.3	(14.0)	2.3
<b>Transactions with owners:</b>							
Shares issued under Firm Placing, Placing and Open Offer (note 8)	11.1	41.5	-	-	-	-	52.6
Consideration shares issued (note 7)	1.1	4.6	-	-	-	-	5.7
Additional costs of Firm Placing, Placing and Open Offer	-	-	-	-	-	(0.9)	(0.9)
Capital reduction (note 8)	-	(57.8)	-	-	-	57.8	-
Fair value of share option schemes	-	-	-	-	0.4	-	0.4
<b>Total transactions with owners</b>	12.2	(11.7)	-	-	0.4	56.9	57.8
<b>Balance as at 31 March 2011</b>	14.5	-	-	82.0	(28.1)	(138.5)	(70.1)

<b>Company</b>	<b>Share capital (note 8) £m</b>	<b>Share premium (note 8) £m</b>	<b>Other reserves (note 9) £m</b>	<b>Retained reserves £m</b>	<b>Total shareholders' equity £m</b>
On incorporation	-	-	-	-	-
<b>Comprehensive expense:</b>					
Loss for the year	-	-	-	(4.5)	(4.5)
<b>Total comprehensive expense</b>	-	-	-	(4.5)	(4.5)
<b>Transactions with owners:</b>					
Issue of shares in AEA Technology Group plc	2.3	11.7	-	-	14.0
Shares issued under Firm Placing, Placing and Open Offer (note 8)	11.1	41.5	-	-	52.6
Consideration shares issued (note 7)	1.1	4.6	-	-	5.7
Additional costs of Firm Placing, Placing and Open Offer costs	-	-	-	(0.9)	(0.9)
Capital reduction (note 8)	-	(57.8)	-	57.8	-
Fair value of share option schemes	-	-	0.1	-	0.1
<b>Total transactions with owners</b>	<b>14.5</b>	<b>-</b>	<b>0.1</b>	<b>56.9</b>	<b>71.5</b>
<b>Balance as at 31 March 2011</b>	<b>14.5</b>	<b>-</b>	<b>0.1</b>	<b>52.4</b>	<b>67.0</b>

## Statement of cash flows

	Note	Group		Company
		2011 £m	2010 £m	2011 £m
<b>For the year ended 31 March</b>				
<b>Cash flows (used in)/generated from operating activities</b>				
Cash (used in)/generated from operations	13	(3.9)	6.0	(3.7)
Interest paid		(1.6)	(1.7)	-
Taxes paid		(0.8)	(0.1)	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(6.3)</b>	<b>4.2</b>	<b>(3.7)</b>
<b>Cash flows used in investing activities</b>				
Deferred payment on previous year acquisition of subsidiary		-	(0.9)	-
Acquisition of subsidiary, including loan to subsidiary's previous shareholders		(48.2)	-	(49.1)
Expenditure on other intangibles		(0.2)	(0.4)	-
Purchases of property, plant and equipment		(1.5)	(0.6)	-
<b>Net cash used in investing activities</b>		<b>(49.9)</b>	<b>(1.9)</b>	<b>(49.1)</b>
<b>Cash flows (used in)/generated from financing activities</b>				
Repayment of borrowings		(17.1)	(7.4)	-
Draw-down of borrowings		20.3	11.4	3.6
Capital element of finance lease repayments		(0.5)	(0.5)	-
Issue of intra-Group loans		-	-	(2.4)
Proceeds from intra-Group loans		-	-	1.3
Capital contribution to AEA Technology plc		-	-	(1.4)
Proceeds from new equity issues	8	51.7	-	51.7
Settlement of forward contracts		-	(2.2)	-
<b>Net cash generated from financing activities</b>		<b>54.4</b>	<b>1.3</b>	<b>52.8</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1.8)</b>	<b>3.6</b>	<b>-</b>
Cash and cash equivalents at beginning of year		6.0	3.0	-
Exchange losses on cash and cash equivalents		(0.2)	(0.6)	-
<b>Cash and cash equivalents at end of year</b>		<b>4.0</b>	<b>6.0</b>	<b>-</b>

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

	Note	Group		Company
		2011 £m	2010 £m	2011 £m
<b>Movement in net debt for the year ended 31 March</b>				
Net cash flow generated from business operations	2	10.3	10.2	(0.2)
Restructuring including redundancy costs		(4.7)	(1.0)	-
Acquisition costs		(3.6)	-	(3.5)
Legacy cash flows		(4.1)	(2.1)	-
Funding of pension deficit		(1.8)	(1.1)	-
<b>Cash (used in)/generated from operations</b>	13	<b>(3.9)</b>	<b>6.0</b>	<b>(3.7)</b>
Net interest and tax paid		(2.4)	(1.1)	-
Net cash used in investing activities		(49.9)	(1.9)	(49.1)
Cancellation of debt		2.0	-	-
Proceeds from new equity issues		51.7	-	51.7
Settlement of forward contracts		-	(2.2)	-
Non-cash financing - facility fees		-	(0.3)	-
Non-cash financing - finance leases		(0.4)	(0.5)	-
Exchange gains on net debt		0.8	1.1	-
Capital contribution to AEA Technology plc		-	-	(1.4)
Net movement in Intra-Group loans		-	-	(1.1)
<b>Net (increase)/decrease in net debt</b>		<b>(2.1)</b>	<b>1.1</b>	<b>(3.6)</b>
Net debt at beginning of year		(26.2)	(27.3)	-
<b>Net debt at end of year</b>		<b>(28.3)</b>	<b>(26.2)</b>	<b>(3.6)</b>

Closing net debt comprises:

		<b>Group</b>		<b>Company</b>
	Note	<b>2011</b>	2010	<b>2011</b>
		<b>£m</b>	£m	<b>£m</b>
Cash at bank and in hand		<b>4.0</b>	6.0	-
Current borrowings	10	<b>(2.1)</b>	(2.4)	<b>(0.6)</b>
Non-current borrowings	10	<b>(30.2)</b>	(29.8)	<b>(3.0)</b>
<b>Net debt at end of year</b>		<b>(28.3)</b>	(26.2)	<b>(3.6)</b>

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 2011 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 for the Group is based on the Group's accounts for the year ended 31 March 2010, which were delivered to the Registrar of Companies and on which the auditors issued an unqualified report. The Company was incorporated on 17 September 2010 therefore no comparative figures for 2010 are presented.

The Annual Financial Results Statement has been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2011.

### Group reorganisation

The Company was incorporated on 17 September 2010. Prior to 5 November 2010 the Company had not commenced trading. This Annual Financial Results Statement includes the results of the Company from its incorporation date, accordingly no comparative financial information is presented for the Company.

On 5 November 2010 the Company became the new ultimate holding company of the AEA Group, pursuant to a Scheme of Arrangement under section 899 of the UK Companies Act 2006 approved by the High Court of Justice in England and Wales and the shareholders of AEA Technology plc. The Company issued new Ordinary shares with a nominal value of 1.0p ("new shares"), which were exchanged on a one-for-one basis for the Ordinary shares of AEA Technology plc, with a nominal value of 12 2/9p ("old shares").

The Scheme of Arrangement falls outside the scope of IFRS 3 (revised) 'Business combinations', and in the absence of a standard specifically applicable to the transaction, IAS 8 'Accounting policies, changes in accounting estimates and errors' provides guidance on the selection of an appropriate accounting policy. Accordingly the Scheme of Arrangement has been accounted for using the principles of merger accounting set out in FRS 6 'Acquisitions and mergers', and UK Generally Accepted Accounting Practice ("UK GAAP"). This policy does not conflict with International Financial Reporting Standards ("IFRS"), and reflects the economic substance of the transaction. In accordance with the principles of merger accounting the comparative financial information presented in relation to the Group in these consolidated Financial Statements has been extracted from the AEA Technology plc consolidated Financial Statements in the Annual Report for the year ended 31 March 2010. Those Financial Statements incorporated the results of AEA Technology plc and its subsidiaries. Earnings per share are unaffected by the Scheme of Arrangement.

As a result of the Scheme of Arrangement, AEA Technology plc is now a wholly owned subsidiary of the Company. The new shares carry substantially the same rights as the old shares. The Scheme of Arrangement did not involve a cash payment for the old shares. Immediately after the Scheme of Arrangement became effective the Company had the same Board of Directors and corporate governance arrangements as AEA Technology plc had prior to the Scheme of Arrangement. The consolidated assets and liabilities of the Group are the same immediately before and after the Scheme of Arrangement became effective.

The new shares issued were recorded at fair value based on the closing price of the old shares on the day prior to delisting. This resulted in the creation of a share premium account of £11.7 million in the Company and ordinary share capital of £2.3 million, with the Group's prior year balances being restated to these amounts (see note 8). Subsequent to the Scheme of Arrangement, the Company successfully placed 1,111,581,000 new Ordinary shares at a price of 5.0 pence per share raising £55.6 million before expenses of £3.9 million (see note 8), £3.0 million being charged to the share premium account of the Company and a further £0.9 million of costs charged directly to retained reserves. On 17 November 2010, following confirmation by the Jersey Court, a reduction of capital of £57.8 million became effective with the share premium amounts cancelled and reclassified as distributable reserves.

All the AEA Technology plc share options granted to Directors and employees under share option plans that were in existence immediately prior to the Scheme of Arrangement were exchanged on a one-for-one basis for share options in the Company with no change in any terms or conditions.

## 2 SEGMENTAL INFORMATION

The Group has only one service, being that of consultancy, policy support, programme and data management. The measure of reported segmental profit or loss used by the Chief Operating Decision Maker (CODM) to assess the performance of the segments is adjusted operating profit. This measure excludes the effect of amortisation of acquired intangibles and significant items, as defined in note 16 'Alternative performance measures'.

All amounts provided to the CODM are measured in accordance with the Group's significant 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 arm's 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:

	2011 £m	2010 £m
Europe	54.7	73.6
US	59.0	39.6
<b>Total revenue</b>	<b>113.7</b>	<b>113.2</b>

	2011 £m	2010 £m
Europe	1.6	8.3
US	7.2	4.1
<b>Total adjusted operating profit</b>	<b>8.8</b>	<b>12.4</b>

	2011 £m	2010 £m
Europe	1.2	0.9
US	0.6	0.5
<b>Total depreciation and amortisation charged in adjusted operating profit</b>	<b>1.8</b>	<b>1.4</b>

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

	2011 £m	2010 £m
Europe	1.7	5.4
US	8.6	4.8
<b>Net cash flow generated from business operations</b>	<b>10.3</b>	<b>10.2</b>

A reconciliation from segmental net cash flow generated from business operations to cash (used in)/generated from 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:

	2011 £m	2010 £m
Europe	9.1	13.4
US	20.7	10.6
<b>Total reportable segment assets</b>	<b>29.8</b>	<b>24.0</b>

Total reportable segment liabilities are as follows:

	2011 £m	2010 £m
Europe	14.0	14.8
US	7.8	4.2
<b>Total reportable segment liabilities</b>	<b>21.8</b>	<b>19.0</b>

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

	2011	2010
	£m	£m
Adjusted operating profit for reportable segments	8.8	12.4
Amortisation of acquired intangibles	(1.3)	(1.2)
Restructuring including redundancy	(9.2)	(1.0)
Acquisition costs	(4.3)	-
Investment income	0.1	-
Pension credit from curtailment	0.1	-
Net pension credit from Scheme closure	-	0.2
Net finance costs	(3.9)	(6.9)
<b>(Loss)/profit before tax</b>	<b>(9.7)</b>	<b>3.5</b>

Reportable segment assets are reconciled to total assets as follows:

	2011	2010
	£m	£m
Reportable segment assets	29.8	24.0
Non-current assets	89.6	47.0
Contract work in progress	0.1	0.2
Other receivables	1.9	1.7
Current income tax assets	0.2	0.1
Available for sale financial assets	-	2.0
Cash and cash equivalents	4.0	6.0
<b>Total assets per Balance sheet</b>	<b>125.6</b>	<b>81.0</b>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2011	2010
	£m	£m
Reportable segment liabilities	21.8	19.0
Non-current liabilities	159.6	176.4
Other payables	10.2	6.1
Borrowings	2.1	2.4
Derivative financial instruments	0.3	0.1
Provisions for liabilities and charges	1.3	7.1
Current income tax liabilities	0.4	0.1
<b>Total liabilities per Balance sheet</b>	<b>195.7</b>	<b>211.2</b>

### 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.

	2011	2010
	£m	£m
UK	49.0	66.0
US	58.5	39.6
Other	6.2	7.6
<b>Total revenue</b>	<b>113.7</b>	<b>113.2</b>

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

	2011	2010
	£m	£m
UK	3.9	3.0
US	83.4	38.1
<b>Non-current assets</b>	<b>87.3</b>	<b>41.1</b>

Revenues of £24.5 million (2010: £36.2 million) are derived from a single external customer attributable to the Europe segment. Revenues of £49.6 million (2010: £35.1 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.

### 3 FINANCE INCOME

	2011 £m	2010 £m
Expected return on defined benefit pension scheme assets (note 11)	21.2	14.9
	<b>21.2</b>	14.9

### 4 FINANCE COSTS

	2011 £m	2010 £m
Interest on bank overdrafts and loans	1.7	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 11)	23.2	20.4
	<b>25.1</b>	21.8

### 5 INCOME TAX

	2011 £m	2010 £m
UK corporation tax at 28% (2010: 28%)	(0.1)	-
Overseas tax charge	1.0	0.1
Deferred income tax – origination and reversal of temporary differences	3.4	0.1
<b>Income tax expense</b>	<b>4.3</b>	0.2

The tax on the Group's (loss)/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:

	2011 £m	2010 £m
<b>(Loss)/profit before tax</b>	<b>(9.7)</b>	3.5
Tax calculated at domestic tax rates applicable to profits in respective countries	(2.3)	1.2
Income not subject to tax	-	(0.4)
Expenses not deductible for tax purposes	3.0	0.7
Current tax losses for which no deferred tax asset was recognised	1.9	1.0
Utilisation of previously unrecognised other deferred tax assets	-	(0.4)
Overseas tax	0.1	0.1
Derecognition/(recognition) of previously unrecognised tax losses	1.6	(2.0)
<b>Income tax expense</b>	<b>4.3</b>	0.2

### 6 EARNINGS PER SHARE

Details of basic, diluted and adjusted earnings per share are set out below. The weighted average number of shares has been restated for all prior periods to reflect the inherent bonus element of the shares issued at below market value in the Firm Placing, Placing and Open Offer in November 2010.

#### Basic

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

	2011	2010
RNS 2011		21 of 34

		restated
(Loss)/profit attributable to owners of the parent (£ million)	<b>(14.0)</b>	3.3
Weighted average number of Ordinary shares in issue (million)	<b>1,173.6</b>	993.0
<b>Basic (loss)/earnings per share (pence per share)</b>	<b>(1.2)p</b>	0.3p

### 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 in the year ended 31 March 2010, 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 in 2010 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.

	2011	2010 restated
(Loss)/profit attributable to owners of the parent (£ million)	<b>(14.0)</b>	3.3
Weighted average number of Ordinary shares in issue (million)	<b>1,173.6</b>	993.0
Adjustment for share options (million)	-	3.8
Weighted average number of Ordinary shares for diluted earnings per share (million)	<b>1,173.6</b>	996.8
<b>Diluted (loss)/earnings per share (pence per share)</b>	<b>(1.2)p</b>	0.3p

### Adjusted – alternative performance measures (note 16)

The adjusted earnings per share is calculated as follows:

	2011	2010 restated
(Loss)/profit attributable to owners of the parent (£ million)	<b>(14.0)</b>	3.3
Amortisation of acquired intangibles (£ million)	<b>1.3</b>	1.2
Tax benefit of amortisation of acquired intangibles (£ million)	<b>(0.6)</b>	(0.4)
Restructuring costs including redundancy (£ million)	<b>9.2</b>	1.0
Tax cost related to restructuring costs (£ million)	<b>(1.7)</b>	-
Acquisition costs (£ million)	<b>4.3</b>	-
Pension credit from curtailment (£ million)	<b>(0.1)</b>	-
Net pension credit from Scheme closure (£ million)	-	(0.2)
Net pension finance costs (£ million)	<b>2.0</b>	5.5
Adjusted profit attributable to owners of the parent (£ million)	<b>0.4</b>	10.4
Weighted average number of Ordinary shares in issue (million)	<b>1,173.6</b>	993.0
<b>Adjusted earnings per share (pence per share)</b>	<b>0.0p</b>	1.0p

## 7 BUSINESS COMBINATIONS

On 8 November 2010, the Group acquired 100% of the share capital of ERG Inc, a US-based environmental consulting firm operating in the US. The primary reasons for the business combination were to allow the Group to offer customers an integrated technical and economic data driven solution, to provide the scale and market position for the Group to target more, higher value bidding opportunities within expanded US and UK customer base and to create a balanced and diversified energy and environmental consultancy business with strong positions in both the EU and US markets.

The acquired business contributed revenues of £15.4 million and profit before tax of £2.2 million to the Group for the period 8 November 2010 to 31 March 2011. If the acquisition had occurred on 1 April 2010 Group revenue would have been £137.1 million and the adjusted profit before tax would have been £8.0 million (excluding significant items).

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
Cash paid	46.9
Fair value of shares issued (note 8)	5.7
Total purchase consideration	52.6
Fair value of net assets acquired	(13.3)
<b>Goodwill acquired</b>	<b>39.3</b>

Details of cash flows are as follows:

	£m
Purchase consideration cash paid	46.9
Loan to previous shareholders of ERG Inc	1.3
<b>Total cash flow</b>	<b>48.2</b>

The goodwill is attributable to the workforce of the acquired business, the presence in the US market, favourable government relationships and synergies expected to arise after the Group's acquisition of ERG.

113,212,319 shares were issued as part consideration and the fair value of these shares was based on the published share price on 8 November 2010.

The assets and liabilities as of 8 November 2010 arising from the acquisition are as follows:

	Provisional fair value £m	Acquiree's carrying amount £m
Property plant and equipment	1.0	1.0
Intangible assets	8.8	0.1
Trade and other receivables	11.1	11.6
Trade and other payables	(7.5)	(7.5)
Provisions for liabilities and charges	(0.1)	-
<b>Net assets acquired</b>	<b>13.3</b>	<b>5.2</b>

There were no acquisitions in the year ended 31 March 2010.

## 8 SHARE CAPITAL AND SHARE PREMIUM

Group	Number of shares millions	Ordinary shares £m	Share premium £m	Total £m
At 1 April 2009 as previously reported	228.7	27.9	67.4	95.3
Issue of shares	0.1	-	-	-
Cancellation of AEA Technology plc shares	(228.8)	(27.9)	(67.4)	(95.3)
Issue of AEA Technology Group plc shares on Scheme of Arrangement effective date	228.8	2.3	11.7	14.0
At 1 April 2009 and 2010 restated <sup>1</sup>	228.8	2.3	11.7	14.0
Firm Placing, Placing and Open Offer	1,111.6	11.1	41.5	52.6
Consideration shares issued on acquisition of subsidiary (note 7)	113.2	1.1	4.6	5.7
Capital reduction	-	-	(57.8)	(57.8)
<b>31 March 2011</b>	<b>1,453.6</b>	<b>14.5</b>	<b>-</b>	<b>14.5</b>

<sup>1</sup> Restated for a 0.1 million issuance of shares since 31 March 2010 but prior to the cancellation of AEA Technology plc shares on the Scheme of Arrangement effective date 5 November 2010.

Company	Number of shares millions	Ordinary shares £m	Share premium £m	Total £m
On incorporation	-	-	-	-
Issue of shares on Scheme of Arrangement effective date	228.8	2.3	11.7	14.0
Firm Placing, Placing and Open Offer	1,111.6	11.1	41.5	52.6
Consideration shares issued on acquisition of subsidiary (note 7)	113.2	1.1	4.6	5.7
Capital reduction	-	-	(57.8)	(57.8)
<b>31 March 2011</b>	<b>1,453.6</b>	<b>14.5</b>	<b>-</b>	<b>14.5</b>

The total authorised number of Ordinary shares is 5,000,000,000 shares with a par value of 1.0 pence per share. All issued shares are fully paid.

On 5 October 2010 the Company announced a Firm Placing, Placing and Open Offer, which was approved by shareholders at a General Meeting on 21 October 2010. Dealings in the new shares commenced on 8 November 2010. The Firm Placing, Placing and Open Offer resulted in the issue of 1,111,581,000 new shares at 5.0 pence each raising £55.6 million before expenses (£51.7 million net of £3.9 million costs, of which £3.0 million were deducted from Share premium and £0.9 million taken directly to reserves). The net funds raised were used to fund the acquisition of ERG Inc (see note 7).

On 8 November 2010 the Company, on behalf of a Group subsidiary, issued 113,212,319 shares to the shareholders of ERG Inc as part of the purchase consideration for 100% of its ordinary share capital. The ordinary shares issued rank pari passu with the other shares in issue. The Company received a loan of £5.7 million from the Group subsidiary as consideration for the issue of shares.

Following approval from the Jersey Court on 17 November 2010 the Share premium of the Company was credited in full to retained earnings.

## 9 OTHER RESERVES

Group	Share option reserve £m	Actuarial pension reserve £m	Currency translation reserve £m	Other reserves £m	Capital redemption reserve £m	Merger reserve £m	Total reserves* £m
At 1 April 2009 as previously reported	2.0	(20.3)	2.6	(15.7)	0.7	-	(15.0)
Group reorganisation (see note 1): cancellation of AEA Technology plc shares	-	-	-	-	(0.7)	-	(0.7)
issue of shares in AEA Technology Group plc	-	-	-	-	-	82.0	82.0
At 1 April 2009 restated after Group reorganisation	2.0	(20.3)	2.6	(15.7)	-	82.0	66.3
Currency translation differences	-	-	(0.8)	(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)	1.8	(44.8)	-	82.0	37.2
Currency translation differences	-	-	(1.1)	(1.1)	-	-	(1.1)
Actuarial gains on defined benefit pension schemes	-	17.4	-	17.4	-	-	17.4
Fair value of share option schemes	0.4	-	-	0.4	-	-	0.4
<b>At 31 March 2011</b>	<b>2.7</b>	<b>(31.5)</b>	<b>0.7</b>	<b>(28.1)</b>	<b>-</b>	<b>82.0</b>	<b>53.9</b>

Company	Share option reserve £m	Total reserves* £m
On incorporation	-	-
Fair value of share option schemes	0.1	0.1
<b>At 31 March 2011</b>	<b>0.1</b>	<b>0.1</b>

\*Excluding retained (deficit)/reserves

#### Distributable reserves

The Company currently has £52.5 million of distributable reserves. Distributable reserves comprise retained earnings and the share option reserve.

## 10 BORROWINGS

	Group		Company
	2011	2010	2011
	£m	£m	£m
<b>Non-current borrowings</b>			
Unsecured bank and other loans	30.0	29.4	3.0
Finance lease liabilities	0.2	0.4	-
<b>Non-current borrowings</b>	<b>30.2</b>	<b>29.8</b>	<b>3.0</b>
<b>Current borrowings</b>			
Unsecured bank and other loans	1.7	2.0	0.6
Finance lease liabilities	0.4	0.4	-
<b>Current borrowings</b>	<b>2.1</b>	<b>2.4</b>	<b>0.6</b>
<b>Total borrowings</b>	<b>32.3</b>	<b>32.2</b>	<b>3.6</b>

Maturity of total borrowings is as follows:

	Group		Company
	2011	2010	2011
	£m	£m	£m
Within one year	2.1	2.4	0.6
Between one and two years	30.2	0.4	3.0
Between two and five years	-	29.4	-
<b>Total borrowings</b>	<b>32.3</b>	<b>32.2</b>	<b>3.6</b>

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		Company
	2011	2010	2011
	£m	£m	£m
Syndicated bank debt – revolving credit facility	32.3	30.8	3.6
Capitalised loan arrangement fees	(0.6)	(0.7)	-
Revaluation of bank debt	-	(0.7)	-
Non-bank debt	-	2.0	-
<b>Total non-current and current unsecured bank and other loans</b>	<b>31.7</b>	<b>31.4</b>	<b>3.6</b>

#### Syndicated bank debt

At 31 March 2011 the Company had a £39.0 million loan facility agreement (the 'facility') with Lloyds TSB Bank plc and Bank of Scotland plc (2010: £42.0 million). This facility was entered into in November 2009 for a period of three years (including an overdraft facility of £7.0 million) to manage periods of working capital fluctuation. The 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. 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 £m	2011 Utilised £m	Unutilised £m
<b>Syndicated bank debt – revolving credit facility</b>	<b>39.0</b>	<b>32.3</b>	<b>6.7</b>

#### Non-bank debt

Non-bank debt at 31 March 2010 was a cash advance from the Group's available for sale investment. This was repayable on demand and interest free. This debt was cancelled against the investment during the year.

## 11 RETIREMENT BENEFIT OBLIGATIONS

### Defined contribution plans

In Europe, AEA Technology plc and AEA Technology Group plc jointly operate 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 both AEA Technology and AEA Technology Group plc in individual accounts under the control of the pension provider. The only obligation of AEA Technology and AEA Technology Group plc with respect to the UK Plan is to make the specified contributions.

The US subsidiaries, Project Performance Corporation and ERG Inc, operate defined contribution 401(K) profit sharing plans (the US Plans) for all eligible employees. Participants may make voluntary contributions to the US Plans up to the maximum amount allowable by US law. Employer contributions to the US Plans 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 both Project Performance Corporation and ERG Inc in funds under the control of trustees and insurance companies. The only obligation of Project Performance Corporation and ERG Inc with respect to the US Plans is to make the specified contributions.

Neither Project Performance Corporation nor ERG Inc have 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 assets to the extent that a cash refund or reduction of future payment is available.

The total cost charged to the income statement of £3.2 million (2010: £2.6 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 plc 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 AEA Technology plc 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.

AEA Technology plc's Actuaries, Aon 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.

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 long-term expected rate of return on assets at 31 March 2011 and 31 March 2010 is derived by modelling the expected returns on the RNS 2011

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 2012 is £2.4 million. In addition AEA Technology plc pays a contribution equal to the Pension Protection Fund levy, which for the year to 31 March 2011 amounted to £0.6 million (2010: £0.3 million).

As at 31 March 2011 contributions of £nil (2010: £nil) due in respect of the year to 31 March have not been paid over to the Scheme.

#### Defined benefit schemes – unfunded obligations

In Europe AEA Technology plc 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 AEA Technology plc'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 Consolidated income statement and the Group Balance sheet in respect of the defined benefit scheme are summarised as follows:

	2011 £m	2010 £m
<b>Balance sheet obligation for pension benefits</b>	<b>121.8</b>	139.8
<b>Income statement charge for pension benefits</b>	<b>1.9</b>	5.7

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

	2011 £m	2010 £m
Present value of funded obligations	<b>406.0</b>	416.4
Fair value of defined benefit pension scheme assets	<b>(287.8)</b>	(280.5)
Retirement benefit obligations of the Scheme	<b>118.2</b>	135.9
Present value of unfunded obligations	<b>3.6</b>	3.9
<b>Retirement benefit obligations</b>	<b>121.8</b>	139.8

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

	2011 £m	2010 £m
Past service credit	-	(0.7)
Curtailment (gains)/losses	<b>(0.1)</b>	0.5
Net pension credit	<b>(0.1)</b>	(0.2)
Current service cost	-	0.4
Accretion of discount on defined benefit pension scheme obligations	<b>23.2</b>	20.4
Expected return on defined benefit pension scheme assets	<b>(21.2)</b>	(14.9)
<b>Amount included in employee benefit costs</b>	<b>1.9</b>	5.7

The net pension credit from the Scheme closure in 2009/10 arises from closing the Scheme to future accrual on 31 July 2009 and amending the entitlements of certain members of the Scheme. The net pension credit in 2010/11 results from a curtailment credit arising on the cessation of benefits payable to one individual in the unfunded scheme.

Current service costs of £nil million (2010: £0.4 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 £23.2 million (2010: £20.4 million) and the expected return on defined benefit pension scheme assets of £21.2 million (2010: £14.9 million) are included in 'finance costs' and 'finance income' respectively. The total of the expected return on defined benefit pension scheme

assets (£21.2 million) and the actuarial loss on defined benefit pension scheme assets (£5.8 million that is debited to the pension reserve) equates to an actual gain on defined benefit pension scheme assets of £15.4 million (2010: gain of £82.2 million).

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

	Funded Company Scheme £m	Unfunded Company Scheme £m	2011 £m	Funded Company Scheme £m	Unfunded Company Scheme £m	2010 £m
At 1 April	416.4	3.9	420.3	310.3	3.4	313.7
Accretion of discount on defined benefit obligations	23.0	0.2	23.2	20.2	0.2	20.4
Past service credit	-	-	-	(0.7)	-	(0.7)
Curtailment (gains)/losses	-	(0.1)	(0.1)	0.5	-	0.5
Current service costs	-	-	-	0.4	-	0.4
Actuarial (gains)/losses	(23.1)	(0.1)	(23.2)	95.3	0.6	95.9
Contributions paid by employer	-	-	-	-	(0.3)	(0.3)
Contributions paid by Scheme participants	-	-	-	0.1	-	0.1
Benefits paid	(10.3)	(0.3)	(10.6)	(9.7)	-	(9.7)
At 31 March	406.0	3.6	409.6	416.4	3.9	420.3

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

	Funded Company Scheme £m	Unfunded Company Scheme £m	2011 £m	Funded Company Scheme £m	Unfunded Company Scheme £m	2010 £m
At 1 April	280.5	-	280.5	205.5	-	205.5
Expected return on defined benefit pension scheme assets	21.2	-	21.2	14.9	-	14.9
Actuarial (losses)/gains	(5.8)	-	(5.8)	67.3	-	67.3
Contributions paid by employer	2.2	-	2.2	2.4	-	2.4
Contributions paid by Scheme participants	-	-	-	0.1	-	0.1
Benefits paid	(10.3)	-	(10.6)	(9.7)	-	(9.7)
At 31 March	287.8	-	287.8	280.5	-	280.5

The net pension obligation is as follows:

	Total £m
At 31 March 2011	121.8
At 31 March 2010	139.8

A £17.4 million gain (2010: £28.6 million loss) in respect of actuarial gains and losses is reported in the Consolidated statement of comprehensive income (SOC1) and the cumulative total of actuarial losses and gains reported through the SOC1 is a net £31.5 million loss (2010: £48.9 million).

The principal actuarial assumptions used are as follows:

	2011 %	2010 %
Discount rate	5.6	5.6
Inflation	3.4	3.6
Expected return on plan assets:		
Equities	8.3	8.9
corporate bonds	5.6	5.6
Infrastructure	8.3	8.9
Property	8.0	9.4
Other	0.8	0.6
Future salary increases	n/a	n/a
Future pension increases	n/a	n/a

The discount rate is based on future projected cash flows and the AA-corporate bond yield curve as at 31 March 2011, with an adjustment so that the yield relates to bonds that were AA-rated as at 31 March 2011. The assumed rate of inflation has been

calculated based on future projected cash flows and the inflation curve as at 31 March 2011, with an allowance for an inflation risk premium.

During the year to 31 March 2011 the UK Government changed the measure of inflation for the purposes of statutory minimum rates at which pensions must increase for both public and private sector workers in defined benefit schemes. This change referenced the consumer prices index as the measure of inflation rather than the retail prices index. The change in index has resulted in a 2% reduction in the Scheme liabilities (£7.5 million) as at 31 March 2011. The effect of the change has been reflected in the Comprehensive Statement of Income during the year as part of the actuarial gains on pension liabilities.

The expected rates of return on categories of the Scheme assets are determined using a building block approach. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted market principles.

Post-retirement mortality assumptions are as follows:

	<b>2011 and 2010</b>
Funded Company Scheme	<b>“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%.</b>
Unfunded Company Scheme	<b>“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.</b>

#### 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:

	<b>2011 Years</b>	2010 Years
Males retiring today	<b>27.1</b>	27.0
Females retiring today	<b>29.1</b>	29.1
Males retiring in 20 years	<b>29.2</b>	29.1
Females retiring in 20 years	<b>31.0</b>	30.9

#### Sensitivity analysis of the principal assumptions used to measure Scheme liabilities

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on Scheme liabilities</b>
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 3%

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

	<b>Expected return</b>		<b>Fair value of assets</b>	
	<b>2011 %</b>	2010 %	<b>2011 £m</b>	2010 £m
Equity instruments	<b>8.3</b>	8.9	<b>147.1</b>	173.6
Corporate bonds	<b>5.6</b>	5.6	<b>67.6</b>	44.0
Infrastructure	<b>8.3</b>	8.9	<b>27.2</b>	30.5
Property	<b>8.0</b>	9.4	<b>16.8</b>	9.8
Other assets	<b>0.8</b>	0.6	<b>29.1</b>	22.6
			<b>287.8</b>	280.5

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligations	409.6	420.3	313.7	318.4	366.9
Fair value of defined benefit pension scheme assets	(287.8)	(280.5)	(205.5)	(258.4)	(274.7)
<b>Retirement benefit obligation</b>	<b>121.8</b>	<b>139.8</b>	<b>108.2</b>	<b>60.0</b>	<b>92.2</b>

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

	2011	2010	2009	2008	2007
<b>Experience gains/(losses) on defined benefit scheme obligations</b>					
Amount (£ million)	23.2	(95.9)	15.0	57.6	(3.6)
Percentage of Scheme liabilities	5.6%	22.8%	4.8%	18.1%	1.0%
<b>Experience (losses)/gains on defined benefit pension scheme assets</b>					
Amount (£ million)	(5.8)	67.3	(68.4)	(27.3)	(11.5)
Percentage of Scheme assets	2.0%	24.0%	33.3%	10.6%	4.2%

#### Development of net retirement benefit obligation over the year to 31 March 2011

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.

## 12 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Decommissioning and waste management				Other £m	Total £m
	£m	Restructuring £m	Contracts £m			
At 1 April 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
Utilised	(3.9)	(1.1)	(0.6)		(0.5)	(6.1)
Balance sheet reclassification	-	(0.6)	0.6		-	-
Increase in provision	-	-	1.0		0.3	1.3
Money received in respect of leasehold obligation	-	-	0.8		-	0.8
Acquisition of subsidiary	-	-	0.2		-	0.2
<b>At 31 March 2011</b>	<b>0.2</b>	<b>1.2</b>	<b>3.2</b>		<b>1.4</b>	<b>6.0</b>

Provisions for liabilities and charges	Group		Company
	2011 £m	2010 £m	2011 £m
Current	1.3	7.1	-
Non-current	4.7	2.7	-
	<b>6.0</b>	<b>9.8</b>	<b>-</b>

Provisions for liabilities and charges comprise both legacy and continuing provisions. Legacy provisions relate to potential costs that result from businesses that have either been discontinued or sold by the Group.

#### Decommissioning and waste management

On 31 March 1996 certain properties, rights and liabilities of UKAEA were vested in AEA Technology plc 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 principal liabilities are now settled.

The timing of the utilisation of these provisions is uncertain and costs will be incurred as the facilities continue to be decommissioned and the waste disposed of.

### 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 Group 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, notably onerous property lease contracts. These provisions will be utilised when the costs are incurred on the long-term contracts. Where future cash flows can be predicted with reasonable certainty a discount factor has been applied to the calculation of the carrying value of the provision. Where cash flows cannot be predicted with reasonable certainty then a discount rate has not been applied. The increase in the provision during the year relates to a provision for an onerous lease in the UK. Money was received in respect of a leasehold of £0.8 million by a sub tenant in order to be released from a sub lease with AEA, the remainder of the liability on the head lease has been fully provided.

### Other

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

## 13 CASH (USED IN)/GENERATED FROM OPERATIONS

	Group		Company
	2011	2010	2011
	£m	£m	£m
(Loss)/profit for the year	<b>(14.0)</b>	3.3	<b>(4.5)</b>
Adjustments for:			
tax	4.3	0.2	-
depreciation of property, plant and equipment	1.6	1.3	-
amortisation	1.5	1.3	-
impairment losses	0.8	-	-
share option charge	0.4	0.3	-
finance costs	25.1	21.8	-
finance income	(21.2)	(14.9)	-
other	0.6	0.3	-
Changes in working capital:			
work in progress	0.3	0.1	-
trade and other receivables	4.5	1.9	-
trade and other payables	(1.0)	(5.0)	0.4
inter-Company balances	-	-	0.4
Changes in retirement benefit obligations	(2.8)	(2.5)	-
Changes in provisions for liabilities and charges	(4.0)	(2.1)	-
<b>Cash (used in)/generated from operations</b>	<b>(3.9)</b>	6.0	<b>(3.7)</b>

## 14 POST BALANCE SHEET EVENTS

There were no post Balance sheet events.

## 15 ANNUAL ACCOUNTS AND ANNUAL GENERAL MEETING

Copies of the Annual Report and Accounts will be available in electronic format on [www.aeat.com](http://www.aeat.com) and will be sent to shareholders in August 2011. Copies will also be available from the Company's registered office, [6 New Street Square, London EC4A 3BF](#).

The Annual General Meeting will be held at [6 New Street Square, London EC4A 3BF](#).

## 16 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The consolidated Financial Statements have been prepared in accordance with IFRS and IFRIC interpretations, as adopted for use within the European Union and the Companies Act 2006 and Jersey law applicable to companies reporting under IFRS. These consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss.

The preparation of Financial Statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

### Application of new standards and interpretations

The following new standard is mandatory for the first time for the financial year ending 31 March 2011:

- IFRS 3 (revised), 'Business combinations' and IAS 27 (revised) 'Consolidated and separate Financial Statements', effective for annual periods beginning on or after 1 July 2009.

As a result transaction costs of £4.3 million for the acquisition of ERG have been recognised in the Consolidated income statement and have not been included as part of the acquisition cost. All consideration has been recorded at fair value as at the date of acquisition.

The following new standards, amendments to existing standards or interpretations are mandatory for the first time for the financial year ending 31 March 2011, but either have no significant impact or are not currently relevant for the Group:

- IFRS 2 amendment, 'Share-based payment – Group cash-settled share-based payment transactions', effective for annual periods beginning on or after 1 January 2010;
- IAS 32 amendment, 'Financial instruments: Presentation and classification of rights issues', effective for annual periods beginning on or after 1 February 2010;
- IAS 39 amendment, 'Eligible hedged items', effective for annual periods beginning on or after 1 July 2009;
- 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
- Annual improvements to IFRSs (2009), effective for annual periods beginning on or after 1 January 2010.

The following new standards, amendments to existing standards or interpretations have been issued, but are not effective for the financial year ending 31 March 2011 and have not been adopted early:

- IFRS 7 amendment, 'Financial instruments: Disclosures on de recognition', effective for annual periods beginning on or after 1 July 2011, subject to EU endorsement;
- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IFRS 11, 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;

- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- IFRS 13, 'Fair value measurements', 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;
- IAS 12 amendment, 'Income taxes on deferred tax', effective for annual periods beginning on or after 1 January 2012, subject to EU endorsement;
- IFRIC 14 amendment, 'Prepayments of a minimum funding requirement', effective for annual periods beginning on or after 1 January 2011;
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010; and
- Annual improvements to IFRSs (2010), effective for annual periods beginning on or after 1 January 2011, subject to EU endorsement.

These standards will require additional disclosures but otherwise will not have a material impact on the Group 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 Annual Financial 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 includes acquisition, group restructuring and redundancy costs. 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 generated from business operations**

Beneath the Statement of cash flows the 'Cash (used in)/generated from operations' is split into its component parts, representing cash flow from business operations; restructuring including redundancy costs, acquisition costs, legacy cash flows (note 12) and the funding of the pension deficit.

## **17. RESPONSIBILITY STATEMENT OF THE DIRECTORS**

To the best of the knowledge of the Directors (whose names and functions are set out below), the Annual Financial Results Statement which has been prepared using accounting policies and methods of computation consistent with those used in the Group's annual report for the year ended 31 March 2011 and to be adopted for the financial year ended 31 March 2011, gives a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation taken as a whole; and

Pursuant to Disclosure and Transparency Rules, Chapter 4, the Directors' Report of the Company's annual report will include a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

Paul Golby Chairman

Andrew McCree Chief Executive Officer

Kevin Higginson Group Chief Financial Officer

Rodney Westhead Non Executive Director

Tim Robinson Non Executive Director

Bernard Lord Non Executive Director