

**AEA TECHNOLOGY PLC**  
**PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009**

## Highlights

### Financial summary

- Revenue up 16% to £93.7 million (2008: £80.9 million)
- Adjusted operating profit up 9% to £12.0 million (2008: £11.0 million) <sup>1</sup>
- Operating profit increased by 5% £10.4 million (2008: £9.9 million)
- Adjusted profit before tax increased 13% to £10.6 million (2008: £9.4 million) <sup>1</sup>
- Profit before tax decreased 6% to £7.5 million (2008: £8.0 million)
- Secure sales for the coming year £57.5 million (2008: £50.5 million) <sup>2</sup>
- Strong underlying operating cash performance of £16.2 million (2008: £8.2 million)
- European debtor days significantly reduced to 17 days (2008: 23 days)
- Net debt £27.3 million (31 March 2008: £19.4 million)

### Strategic and operational

- Significant UK / US Government wins
- Strong orders opportunity pipeline > \$2bn
- Integration of PPC now complete
- International diversification improves resilience
- Pension funding deal agreed with Trustees

#### **Dr Bernie Bulkin, Chairman of AEA Technology plc, said:**

“Even in these difficult market conditions, I am pleased to announce that the AEA Group has delivered a sound financial performance. I am also proud of the mission critical work we are doing for our government and private sector customers throughout the world.”

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

“The successful acquisition and integration of PPC in the United States means that AEA is now in a strong position to benefit from President Obama’s stimulus package on energy efficiency and climate change.

“With a new pension deal and much stronger cash generation, the AEA Group is now well positioned for growth.”

<sup>1</sup> Reconciliation of adjusted operating profit and adjusted profit before tax

	2009 £m	2008 £m
<b>Operating profit</b>	<b>10.4</b>	9.9
Amortisation of acquired intangibles	0.7	-
Integration costs	0.9	-
Acquisition and Rights Issue costs	-	1.1
<b>Adjusted operating profit</b>	<b>12.0</b>	11.0
	<b>2009 £m</b>	<b>2008 £m</b>
<b>Profit before taxation</b>	<b>7.5</b>	8.0
Amortisation of acquired intangibles	0.7	-
Integration costs	0.9	-
Acquisition and Rights Issue costs	-	1.1
Net pension finance costs	1.5	0.3
<b>Adjusted profit before taxation</b>	<b>10.6</b>	9.4

<sup>2</sup> Secure sales are the element of orders to date that the Group expects to be delivered in the coming financial year

## **Business review**

AEA Technology is one of the world's leading energy, climate change and data management consultancies. The Group's mission is to capture, analyse and advise on energy and climate change data thereby enabling its clients, both government and private sector, to make the most cost effective business decisions. AEA has been a leading advisor to the UK Government on emissions and energy efficiency since the 1970's. In 2008 the Group acquired Project Performance Corporation (PPC), a major Washington based data management business, whose principal clients include the Environmental Protection Agency (EPA), Department of Energy (DOE) and the US Patent and Trademark Office (USPTO).

### **AEA's view of the market**

These are exciting times for AEA. In the last twelve months we have substantially strengthened our financial base, made and successfully integrated a major acquisition and for the first time brought our energy and climate change capabilities into the US market.

The move into the US had been carefully planned. When AEA bought Project Performance Corporation in August 2008 not only did AEA acquire a company with an excellent reputation and the necessary contract vehicles through which AEA could sell its capabilities into the Federal market, but it also acquired a very strong management team led by Mike Nigro, who has become the Group's COO in the US and sits on the plc main Board.

The Group now has a \$2bn pipeline of order opportunities. Many of these opportunities are to help support the US EPA and DOE with the development of the policies and procedures that will shape the future of climate change programmes. A number of these opportunities are also with the private sector, providing consultancy and technical services that enable companies to make return on investment decisions, while helping them to reduce cost in their operations. President Obama's plan to make the US economy much more energy efficient and to create jobs from technology developed to minimise the US' impact on climate change creates a very exciting opportunity for the AEA Group.

For many years we have pioneered major programmes in the UK, for the UN, European Bank of Reconstruction and Development (EBRD) and the EU. We have, for example, been:

- The prime contractor for China's leading Carbon Reduction Programme.
- The prime contractor for the UK's largest CO<sub>2</sub> and resources reduction programme.
- The leading advisor to the UK's Climate Change Committee identifying the key actions and measures necessary for the UK to meet its emissions targets.
- A leading advisor to UK Government and the EU on energy efficiency and security.
- A leading advisor on knowledge transfer and data management to both US and UK Governments.
- A world-leading expert on emissions and responsible for a number of governments' submissions to the UN.
- A recognised specialist and leading advisor to UK Government on transport and emissions policy and programme management.
- The leading environmental advisor to EBRD and other leading banks on the \$27bn Sakhalin project with responsibility for advising the banks on release of monies to finance this project.
- Pioneering a leading agricultural adaptation programme in China.

The majority of these programmes have been multi-year, multi-million pound contracts, which we won through competitive tender because of our outstanding technical base.

We believe that in these tough economic times both governments and the private sector will need to make difficult choices about what to prioritise and where to invest. For Government to do that will require much more information about which policy works, what technology to invest in, what return can be expected, what overall package of measures can best achieve the most significant reduction of emissions at the least cost and create most jobs. For the CEO there will be similar decisions to be taken: where will the best return on investment be achieved, what technology to choose, what impacts will this increasingly complex reporting and regulatory regime have on the long-term viability of my business?

Our mission is to help our customers, both government and private sector, to decide on the most cost effective approach to achieve these objectives. We do that by capturing, organising and analysing data. From there, we can give confident advice on the actions that need to be taken to accomplish our customer's goals. The combination of internationally respected emissions and energy efficiency skills and highly respected data management capability puts us in a very strong position to take advantage of the future market around the world.

### **Strategy**

Our strategy in the UK is to take PPC's data management capabilities and align them with AEA's core skills to provide our customers with a data driven solution to challenges set out by the Climate Change Bill and the reporting

requirements of the Environment Agency as identified by the Climate Change Committee. The first step will be to target companies and public sector institutions that are covered by the CRC reporting regime.

In the US our strategy will be to take AEA's policy and programme management skills into Federal Government, focusing particularly on the Environmental Protection Agency and DOE, both of which are large customers of ours. In the US our programme management experience of projects like Envirowise, Knowledge Transfer Partnership (KTP), Sustainable Products and Materials (SPM), as well as the National Air Emissions Inventory management (NAEI), gives us a very strong corporate c.v. when competing in that market.

### **Business highlights**

The UK Government accepted key recommendations from the Committee on Climate Change report in December 2008, and from its interim report, and the UK has now committed to an 80% reduction of greenhouse gases (GHG) by 2050 with a shorter-term target of a 34% reduction by 2020. A combination of measures will be used to achieve these targets including significant investment in infrastructure to improve energy efficiency and incentives towards investing in new technologies. Underpinning all of these measures will be the requirement for Government to get data on which policies and measures are working most effectively. The UK private sector in return will have to provide, for the first time, data on its emissions and consumption of energy. This will create significant market opportunity for the AEA Group.

There were many highlights in the year. In Europe:

- We provided substantial analysis of the costs and effectiveness of measures to reduce greenhouse gas emissions effectiveness for the Committee on Climate Change's seminal report in December 2008, recommending the level of the UK's legally binding GHG carbon reduction targets. This included marginal abatement cost curves for industry, housing, non-domestic buildings, road transport and shipping.
- We were appointed as Defra's principal technical consultant on the development of the ground-breaking Carbon Reduction Commitment, a UK CO<sub>2</sub> trading system that will affect 15,000 private and public sector medium energy users. April 2009 also marked the ten-year anniversary of AEA's deep and continuing support to UK Government on the UK Climate Change Agreements that affect larger private sector energy users.
- The Scottish Government published two major AEA reports on Scottish energy supply and use: The Scottish Energy Study and Scottish Change Policy Options.
- We won a further three-year contract to maintain and develop the UK's National Atmospheric Emissions and Greenhouse Gas Inventories, and other extensions for Defra on our projects for UK pollution mapping, air quality forecasting and communications, acidification, ozone and UV measurements, and support to Local Authorities.
- Road transport technology: We provided the analysis for Department for Transport's influential Gallagher report on the 'Indirect Effects of Biofuels'; won contracts to support the EC on new regulations on CO<sub>2</sub> emissions from cars and the sulphur content of marine fuels; were contracted to analyse the market outlook for electric vehicles and plug-in hybrids for the Committee on Climate Change, to inform its first annual report to Government and Parliament on the carbon budgets (expected in September 2009).
- Aviation: We won the Environment Agency contract to develop the EU Emissions Trading System database for aviation submissions, and later to train the representatives of up to 150 airline operators to facilitate submissions.
- We grew our large Knowledge Transfer Partnership Programme for the Technology Strategy Board, including piloting a new stream of 'shorter KTPs' aimed at micro companies and SME's.
- We won the contract to run the Energy Saving Trust's two-year programme of field trials for domestic smart thermostats, using web-based data collection, and
- Won a major contract for the EC to promote increased efficiency and environmental protection measures in the oil and gas industry in six Central Asian republics.

We now have access to the US market via the strong platform provided by PPC, which has in place the necessary contract vehicles with key Government departments like Environmental Protection Agency, the Departments of Energy, Transportation, Interior and Defense, National Oceanic and Atmospheric Administration and National Aeronautics and Space Administration. The inauguration of President Obama in January 2009 has heralded a significant shift in the US approach towards energy efficiency and climate change. The President believes that climate change represents an opportunity for the American economy and he has set out a number of demanding targets, which will require a structural shift in the economy in terms of technology and jobs. This new 'stimulus money' will take time to come through but it represents a very significant increase in the size of the accessible market available to the Group.

In the US:

- We continued to be a leading contributor to EPA's Office of Water as they design and build information systems to support new regulations to enforce safe drinking water and surface water requirements. We have also supported the Office as they assess critical new issues including the impact of climate change on water quality and quantity.
- We won new work for EPA's Office of Pesticide Programmes as they work to evaluate the environmental and public health impacts of new pesticides and ensure the continued safety of existing pesticides. We assist in the development of new information management systems that will ensure continued protection of human health and the environment through streamlined regulatory review processes.

- Numerous contracts were awarded to us to perform multiple IT security risk assessments on critical EPA mission systems. We successfully analysed vulnerabilities and provided actionable recommendations to EPA for security risk mitigation.
- We assisted EPA achieve a “green” rating from the Office of Management and Budget for its enterprise architecture. Our consultants successfully helped EPA manage IT governance processes and conduct reviews of the IT investments it was making through our support of its Capital Planning and Investment Control processes.
- Additional funding was achieved to collect and track the American Recovery and Reinvestment Act economic stimulus dollars for the Department of Energy-Environmental Management through enhancement of our enterprise-wide planning and budgeting system to allow for Recovery Act reporting and public website development. In addition, we deployed the Environmental Liability Module to the system, which was a significant improvement in data review resulting in a clean audit opinion for the agency’s project operations.
- The Data Center Energy Profiler for the DOE Industrial Technologies Programme was developed. This online software tool helps industries worldwide identify how energy is being purchased and consumed by their data centres and provides next steps in identifying opportunities for savings and helping reduce environmental emissions.
- We were awarded a contract for the PayltGreen Alliance (a coalition of US financial services companies) that needed data on real environmental benefits to educate consumers and businesses about the positive impacts of electronic transactions. We quantified consumption data, applied proven greenhouse gas emission protocols and developed an interactive online calculator to allow consumers and businesses to calculate the climate change and other environmental benefits associated with making the switch from paper bills, payments, and statements.
- The contract to build a membership management portal for one of the largest health plans in Massachusetts was won. This involved building a portal that provides extensive self-service capabilities for the plan members.
- In the financial services sector we were awarded a multi-year contract by the Overseas Private Investment Corporation and Tokio Millennium Re., to build an enterprise business reporting and data warehouse system. We also won an award to provide architecture services to TD Bank and in addition we continued to provide data management, consulting services to the Inter-American Development Bank for the fifth year in a row.
- We were retained for another five-year contract with the USPTO to provide infrastructure, design, engineering architecture, and integration services. Having successfully competed with some of the IT industry’s largest integrators we retained our status as one of USPTO’s premier contractors on this multi-million dollar contract.
- A significant, first of its kind, assignment was won with the General Services Administration’s Office of Government-wide Policy. Our consultants designed a process framework under a multi-million, multi-year contract for determining how effectively IT policy was being followed across the Federal Government. That framework has been used to meet with Federal IT policy authors as well as agencies subject to these policies and, in the end, was able to not only report on policy usage but also on best practice improvements that could be used by the agencies.

Overall we have made good progress during the year. The Board would like to take this opportunity to thank all it’s people for their outstanding contribution throughout the year.

## **Key performance indicators (KPI’s)**

To measure performance against strategy the following KPI’s have been adopted:

### Financial measures:

- Top line growth is measured by growth in secure sales – the element of orders to date that expect to be delivered in the coming financial year. Secure sales increased by £7.0 million to £57.5 million (2008: £50.5 million) and revenue grew 16% (2008: 8%) to £93.7 million (2008: £80.9 million).
- Profitability is measured by adjusted operating profit up from £11.0 million to £12.0 million.
- Financial stability and the management of working capital are measured by net debt of £27.3 million (2008: £19.4 million).

### Strategic measures:

- Extending and growing the business with UK Government, Devolved Administrations, regional and local government is measured by revenues in the UK public sector of £55.3 million (2008: £63.5 million).
- Growing the Group’s private sector business in the UK and globalising the business in the private sector is measured by the Group’s consulting business’s private sector revenue of £14.0 million (2008: £9.3 million).
- Growing the Group’s EU, US and international work and globalising the business in overseas government is measured by overseas government revenue of £23.5 million (2008: £4.0 million).

## Financial performance

The Annual Financial Report 2009, of which this is an extract (see note 1), has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

On 22 August 2008 the Group acquired 100% of the share capital of PPC, enabling AEA to enter the US market and transfer its strong technical knowledge to the US. Further details can be found in note 7. PPC contributed £23.1 million of revenue, £3.5 million of adjusted operating profit and £6.6 million of cash from operations to the Group's performance this year.

### Current year performance

AEA Group made good progress in the year in the context of a very difficult recessionary climate. There has been a strong performance in orders, which are up by 7% over the period to £84.3 million (2008: £78.6 million), driven by the acquisition of PPC. Importantly, and in line with our strategy, growth in private sector orders rose by 18% as demand for the Group's consulting abilities grew, particularly with the launch of Ecopath, a product which enables private sector businesses to reduce their energy costs and CO<sub>2</sub> emissions. In the US, post acquisition, we won an important five-year framework contract with the US Federal Government for approximately \$60 million despite strong competition from many of the major US multinational corporations. By contrast the UK Government sector continued to be slow and, as anticipated, a number of our major programmes, including Envirowise and SPM, were significantly reduced, which impacted Group revenue.

Total revenue for the year increased by 16% to £93.7 million (2008: £80.9 million) following expansion into the US market with the acquisition of PPC and with strong double-digit growth in other international operations. The reduction in the scope of major government programmes resulted in a significant reduction in subcontractor through costs, which impacted revenue but had no impact on the Group's profit. Excluding the subcontractor through costs on those contracts, revenue was up 30% to £83.8 million (2008: £64.7 million), driven by the acquisition of PPC and underlying growth in Europe. As a result of the implementation of Group strategy and growth in international revenue, UK Government work now represents only 59% (2008: 78%).

AEA has now completed its major investment in strengthening its marketing and sales capabilities, which added an additional £2.2 million to the European cost base in the year. This is the main reason why adjusted operating profit only rose by 9% to £12.0 million (2008: £11.0 million), resulting in a marginal reduction in the adjusted operating margin from 14% to 13%. This investment enabled AEA to transfer its knowledge of energy and climate change regulation and advice from government into the private sector, in advance of the growing pressures on businesses to reduce CO<sub>2</sub> emissions through a reduction of energy and consumption of resources as a result of the Climate Change Bill. The Group continues to invest, specifically in its talent base, to enable future growth.

Amortisation of acquired intangibles and certain significant items of a one-off nature are included within the reported operating profit. In order to give a clearer analysis of the underlying operating performance these items have been excluded to derive adjusted operating profit figures.

The adjusting items in 2009 related to £0.9 million of integration costs following the acquisition of PPC and £0.7 million amortisation of acquired intangibles. The 2008 adjusting items related to £1.1 million of due diligence and advisors costs on the acquisition and related fundraising.

Operating profit was £10.4 million (2008: £9.9 million). This includes £1.6 million of adjusting items, as noted above (2008: £1.1 million).

Net finance costs were £2.9 million (2008: £1.9 million). The key components of this are the interest on debt facilities and interest in respect of accounting for the defined benefit pension scheme, together with minor fair value adjustments in respect of interest rate swaps. These are analysed in notes 3 and 4.

The net finance cost in respect of the Group's debt facilities has reduced from £1.5 million to £1.4 million, primarily due to falling interest rates. The net finance cost on the defined benefit pension scheme has increased from £0.3 million last year to £1.5 million in 2009, due to changes in actuarial assumptions.

The overall impact of tax on the Group was a charge of £0.5 million (2008: £0.5 million credit). 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 PPC within the US. The tax charge arises from deferred tax movements of £0.3 million and an income tax charge of £0.2 million. As at 31 March 2009 the recognised net deferred tax asset was £4.4 million (2008: £4.6 million). Deferred tax assets are recognised for tax losses carried forward and other timing differences, to the extent that the realisation of the related tax benefit through future taxable profits is probable. In addition the Group has an unrecognised deferred tax asset of £58.8 million (2008: £46.5 million). If conditions permit, the tax losses will be recognised and utilised in future periods.

Adjusted profit after tax removes the impact of the amortisation of acquired intangibles, certain one-off items and the net finance costs on the defined benefit pension scheme. This metric increased by 2% to £10.1 million (2008: £9.9 million). The increased net finance costs on the defined benefit pension scheme and the increased tax charges result in a reduction in profit after tax to £7.0 million (2008: £8.5 million).

Adjusted earnings per share declined to 5.0p (2008: 6.8p) as a result of the increase in the weighted average number of shares following the Rights Issue in the year. Basic earnings per share reduced to 3.5p (2008: 5.8p) as a result of the increased number of shares and the reduction in profit after tax noted above. The Group has two categories of potential dilutive ordinary shares: share options and warrants. The diluted earnings per share reduced from 5.7p to 3.5p. These are shown in more details in note 6.

### **Cash inflows/outflows in the year**

Increased focus on working capital management and the acquisition of PPC has resulted in an improved performance with net cash flow from business operations from £8.2 million to £16.2 million. Conversion of profit into cash continued at a good level and over 100% of operating profit was converted into cash. The rate of conversion into cash improved. Debtor days in Europe were reduced to 17 days (2008: 23 days).

The net cash flow from business operations has been used to fund various one-off items, including integration and restructuring following the acquisition of PPC, with costs of £1.3 million (2008: £1.1 million adjusting items as noted above), payments to reduce the pension deficit of £6.0 million (2008: £1.2 million) and payments to settle legacy issues £7.8 million (2008: £9.1 million). These items, including the net cash flow from business operations, result in an operating cash inflow of £1.1 million (2008: £2.6 million outflow).

In addition to these operating cash flows the Group has invested in business continuity improvements resulting in the purchase of IT equipment increasing capital expenditure to £1.0 million (2008: £0.4 million).

Net debt increased from £19.4 million to £27.3 million. The net movement of £7.9 million (2008: £2.0 million inflow) reflects the £0.1 million (2008: £3.0 million outflow) net operating cash inflow after capital expenditure detailed above, net interest paid of £1.3 million (2008: £1.6 million), tax payments of £0.2 million (2008: £0.2 million inflow) and the net proceeds of £36.2 million from new equity issues (2008: £6.4 million), offset by cash outflows in respect of the PPC acquisition of £36.4 million and exchange movements on foreign currency borrowings of £6.3 million (2008: nil).

## **Financial position**

### **Sources of funding**

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

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

To ensure the availability of funds when required, the Company has negotiated bank facilities, which include a revolving credit facility to manage periods of working capital fluctuation and a bonding facility to support the obligations of members of the Group arising in the ordinary course of trading.

Bank funding is available to the Company under existing facilities comprising a revolving credit facility of £42.0 million (including an overdraft facility of £7.0 million), an additional bonding facility of £5.0 million and various other ancillary facilities. The facilities are due to mature in November 2010, save for the overdraft facility, which is renewable annually. Annual extensions are expected as the overdraft facility forms part of the revolving credit facility.

These banking facilities are sufficient to cover the Group's anticipated funding requirements for the new financial year.

Net debt at 31 March 2009 was £27.3 million (2008: £19.4 million), which comprised cash balances of £3.0 million less bank loans, other loans and finance lease creditors of £30.3 million.

Refer to note 10 for detailed analysis of the Group's borrowings.

### **Capital structure**

The Company's authorised and issued share capital as at 31 March 2009, together with details of shares issued during the year is set out in note 8. Each ordinary share carries one vote.

There was a key change to the capital structure during the year. On 5 August 2008 the Company issued 99,302,000 shares in a Rights Issue at a price of 40 pence per share. The Rights Issue raised £36.2 million net of expenses, which

was used in funding the acquisition of PPC. On 22 August 2008 the Company issued 5,323,019 shares to the shareholders of PPC at 47.5 pence per share as part of the purchase consideration.

At 31 March 2009 the Group's net shareholder deficit amounted to £104.4 million (2008: £99.2 million).

### **Dividends and dividend policy**

Given the Group's current financial position the Board is not recommending a dividend in respect of 2009. It is the Board's intention to pay dividends in the future commensurate with the Group's overall profitability and when distributable reserves are available.

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

The closing share price of the Group on 31 March 2009 was 12.75 pence (2008: 58.33 pence (70.00p unadjusted for the Rights Issue)) and market capitalisation of the Group was £29.2 million (2008: £86.9 million). On an adjusted basis the high and low prices during the year were 67.91 pence and 12.75 pence respectively.

### **Pension accounting**

The Group assesses pension scheme funding with reference to actuarial valuations and for reporting purposes uses IAS 19. Under IAS 19 the Group's post retirement benefit liability is £108.2 million (2008: £60.0 million). The assumptions used in the IAS 19 valuation are detailed in note 11. The sensitivities regarding the key assumptions are also detailed in note 11.

### **Accounting policies**

A description of the principal accounting policies is set out in the Annual Financial Report as explained in note 1. The policies followed are in accordance with IFRS as adopted by the 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 judgements to be used in the preparation of the financial statements are in relation to assessment of provisions, contract accounting and defined benefit pension schemes.

### **Treasury policies and objectives**

The Group's finance department manages and monitors external funding and financial risks in support of the Chief Finance Officer (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 2009 £14.2 million (2008: £23.6 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.

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

### **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 on the Group's cash flow) and interest expense on the Company's defined benefit pension liability (not impacting on 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 impact due to changes in interest rates is reduced through the Company's use of interest rate swaps.

The interest expense in respect of the pension liability will fluctuate in line with market conditions and changing yields on corporate bonds. Refer to note 11 for details of the assumptions used in calculating the pension liability and for 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 requirements. The risks and uncertainties associated with these issues are discussed in the section entitled Risks and uncertainties.

### **Key supplier relationships**

The Group has a long-term contract with Steria for the provision of IT services to operations in the UK. During the year we continued to review our information technology infrastructure and invest where necessary to maintain secure and robust arrangements to achieve improved efficiency and effectiveness, and to take advantage of advances in technology. A detailed IT strategy has been developed and during 2009 progress was made in implementing this strategy, which includes technologies to enable more flexible working arrangements, including those to improve efficiency, enable strong links with Group companies and strengthen business continuity arrangements.

## **Risks and uncertainties**

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

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

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

### **Achieving organic growth**

AEA recognises that at present it is dominant in one part of its market and that is UK Government. Whilst we intend to grow this core work further, it is of strategic importance that the Group diversifies and it is doing this in three ways:

Firstly, we continue to seek acquisitions in other economic areas and in August 2008 the Group completed the acquisition of PPC in the US.

Secondly, to diversify the customer base within the UK public sector; during 2009 new senior management and marketing and sales professionals have been recruited to help increase the number of individuals AEA works for within Government departments; to reduce dependence on narrow areas and to expand work outside Westminster to the Devolved Administrations, Regional Development Agencies and Local Authorities. Good progress is being made in these areas.

Thirdly, to seek organic growth, outside the UK public sector, for the private sector, from aid agencies on international projects. In 2009 revenue from overseas governments, excluding US, increased by 35% to £5.4 million.

In addition the current economic climate means the Group is more likely to be impacted, in the short term, by any delay in Government orders and by delays in orders and pressures on budgets in the private sector.

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

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

### **Exchange risk**

Following the acquisition of PPC the Group now 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.

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

During the year AEA continued with recruitment programmes to enhance the management team and targeted recruitment of individuals with key skills and experience in management and consulting. This was combined with developing future plans to implement appropriate reward and retention arrangements. The risks associated with absorbing new people, rewarding and retaining them and managing the subsequent business changes in order to respond to market opportunities are regularly under review. Additions in the sales and marketing areas will also strengthen the business outlook. It is planned to add further senior, high calibre people during 2009/10.

### **Retirement benefits**

The Group operates both defined contribution and defined benefit pension schemes. The defined benefit scheme was closed to new members in 2003 and a defined contribution scheme has been operating since that date for new employees. The risk that the scheme assets may not match liabilities is inherent in defined benefit schemes.

The Group assesses pension scheme funding with reference to actuarial valuations.

The most recent actuarial valuation was carried out as at 31 March 2008 and indicated that the scheme had an actuarial funding shortfall of £152.7 million. A pension funding deal has been agreed with the Trustees of the Scheme and a recovery plan has been put in place to eliminate the deficit in just less than twenty years.

For calculating the balance sheet liability the Group uses IAS 19. Full details of the defined benefit scheme are disclosed in note 11. Over the year the total net retirement benefit obligation under IAS 19 has increased to £108.2 million (2008: £60.0 million). The current year increase in the net deficit substantially reflects reductions in the value of the equity investments and an increase in longevity assumptions.

Since September 2005, defined benefit pension schemes in the UK have become progressively subject to a scheme-specific funding requirement in respect of their ongoing obligation to provide benefits for scheme members. The actuarial valuation as at 31 March 2008 has been the first valuation of the AEA Pension Scheme (the Scheme), which has been undertaken on a scheme-specific funding basis.

At present, the Scheme's assets largely comprise equities and the value of the Scheme's assets is directly affected by the performance of the equity market. Factors outside AEA's control may increase the Scheme's past service deficit at future actuarial valuations, which would require AEA either to increase its contributions or to take further steps to control costs or increase contributions by active members. These factors might include changes in actuarial assumptions for example, regarding longevity of Scheme members, changes to interest, inflation and discount rates, the level of salary and pension increases, changes in the investment strategy of the trustee of the Scheme and fluctuations in world equity markets as a result of generic economic conditions. If the assumptions made regarding these prove inaccurate, a material difference between the Scheme's assets and liabilities could persist.

Although the Scheme is closed to new entrants, existing members in service continue to build up benefits for future service. The cost of funding these benefits depends on a number of factors including the real returns that can be obtained on the assets and also the longevity of the members. If real returns fall or allowance needs to be made for assumptions of average increased longevity, then the participating employers may be required to increase their contributions. This could have a material adverse effect on the enlarged Group's business, financial condition and / or results of operations.

### **Legacy provisions**

As detailed in note 12, the Group has provided for various liabilities comprising onerous leases, warranties and indemnities in respect of disposals of companies and businesses and in respect of retained decommissioning and waste management obligations relating to discontinued operations. Uncertainty exists around the potential for claims under warranties and indemnities in respect of these disposals, with a number of indemnities continuing for five or more years post divestment, and there is uncertainty in estimating the future costs of decommissioning nuclear facilities. The total liability is predominantly represented by provisions, detailed in note 12, with the majority of the associated cash outflow expected to take place over the next two years.

All residual issues relating to the divested and closed businesses are under the control of an experienced senior manager specifically appointed to the task of resolving these issues. The Group has not become aware of any significant additional liabilities in respect of disposals.

### **Preparedness for Climate Change**

The Group has made a preliminary assessment of the non-regulatory risks posed by climate change to its business. This includes physical infrastructure, supply chain, reputation, market and its people. The results indicate that the Group has low exposure and sensitivity to climate impacts, as the business is highly flexible and has high adaptive capacity.

AEA remains ahead of environmental and climate change regulatory risk through the Group's ISO14001 accredited SHE management system and its Environmental Leadership Programme.

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

## **Outlook**

The Group continues to see significant opportunities for growth, particularly in the US. President Obama's new 'stimulus money' for energy efficiency and climate change projects will ensure that the market for AEA's skills in the medium term remains very active. In the UK, however, the public and private sector market is significantly impacted by the economic downturn and the Group expects that trend to continue. However, in these difficult times both government and the private sector will need to make decisions on where best to invest in energy efficiency and climate change areas and AEA's data, technical skills and consultancy offering means the Group is well placed to deliver the Board's expectations for the current year and beyond.

## Consolidated income statement

<b>For the year ended 31 March</b>	<b>Notes</b>	<b>2009</b>	<b>2008</b>
		<b>£m</b>	<b>£m</b>
Revenue	2	93.7	80.9
Cost of sales		(57.9)	(52.8)
<b>Gross profit</b>		<b>35.8</b>	<b>28.1</b>
Other operating income		4.3	5.7
Selling and marketing costs		(8.1)	(4.9)
Administrative expenses		(21.6)	(19.0)
<b>Operating profit</b>		<b>10.4</b>	<b>9.9</b>
Finance income	3	19.2	18.8
Finance costs	4	(22.1)	(20.7)
<b>Profit before taxation</b>		<b>7.5</b>	<b>8.0</b>
Income tax (expense)/credit	5	(0.5)	0.5
<b>Profit for the year entirely attributable to the equity holders of the Company</b>		<b>7.0</b>	<b>8.5</b>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>			
Basic (pence)	6	3.5p	5.8p
Diluted (pence)	6	3.5p	5.7p

The earnings per share figures previously published for the year ended 31 March 2008 have been restated. This reflects the impact of the bonus element of the Rights Issue in August 2008 (see notes 6 and 8).

### Consolidated income statement – alternative performance measures (note 2.2)

<b>Adjusted operating profit</b>	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
<b>Operating profit</b>	<b>10.4</b>	<b>9.9</b>
Amortisation of acquired intangibles	0.7	-
Integration costs	0.9	-
Acquisition and Rights Issue costs	-	1.1
<b>Adjusted operating profit</b>	<b>12.0</b>	<b>11.0</b>
<b>Adjusted profit before taxation</b>		
	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
<b>Profit before taxation</b>	<b>7.5</b>	<b>8.0</b>
Amortisation of acquired intangibles	0.7	-
Integration costs	0.9	-
Acquisition and Rights Issue costs	-	1.1
Net pension finance costs	1.5	0.3
<b>Adjusted profit before taxation</b>	<b>10.6</b>	<b>9.4</b>

## Statements of recognised income and expense

	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>For the year ended 31 March</b>					
Exchange differences arising on translation		2.6	-	-	-
Actuarial (losses)/gains on defined benefit pension schemes	11	(53.4)	30.3	(53.4)	30.3
<b>Net (expense) / income recognised directly in equity</b>		<b>(50.8)</b>	30.3	<b>(53.4)</b>	30.3
Profit for the year		7.0	8.5	7.2	3.3
<b>Total recognised income and expense</b>		<b>(43.8)</b>	38.8	<b>(46.2)</b>	33.6
<b>Attributable entirely to:</b>					
Equity holders of the Company		(43.8)	38.8	(46.2)	33.6

## Balance sheets

As at 31 March	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill		34.6	-	-	-
Other intangible assets		5.8	0.2	0.2	0.2
Property, plant and equipment		4.0	2.1	2.2	2.1
Investment in subsidiaries		-	-	34.5	34.6
Available for sale financial assets		2.0	2.0	2.0	2.0
Trade and other receivables		-	-	38.8	-
Deferred income tax assets		6.5	4.6	4.8	4.6
		<b>52.9</b>	<b>8.9</b>	<b>82.5</b>	<b>43.5</b>
<b>Current assets</b>					
Contract work in progress		0.3	0.2	0.3	0.2
Trade and other receivables		28.5	16.1	15.4	16.2
Current income tax assets		0.1	-	-	-
Cash and cash equivalents		3.0	1.0	-	0.9
		<b>31.9</b>	<b>17.3</b>	<b>15.7</b>	<b>17.3</b>
<b>Total assets</b>		<b>84.8</b>	<b>26.2</b>	<b>98.2</b>	<b>60.8</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital and share premium	8	95.3	55.6	95.3	55.6
Capital redemption reserve	9	0.7	0.7	0.7	0.7
Currency translation reserve	9	2.6	-	-	-
Other reserves	9	(18.3)	35.0	(18.3)	35.0
Retained deficit	9	(184.7)	(190.5)	(216.8)	(224.0)
<b>Total equity</b>		<b>(104.4)</b>	<b>(99.2)</b>	<b>(139.1)</b>	<b>(132.7)</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Trade and other payables		2.6	0.1	-	0.1
Borrowings	10	0.4	0.1	0.4	0.1
Retirement benefit liabilities	11	108.2	60.0	108.2	60.0
Provisions for liabilities and charges	12	12.0	19.7	11.9	19.7
Deferred income tax liabilities		2.1	-	-	-
		<b>125.3</b>	<b>79.9</b>	<b>120.5</b>	<b>79.9</b>
<b>Current liabilities</b>					
Trade and other payables		31.3	25.1	84.3	93.2
Borrowings	10	29.9	20.3	29.9	20.3
Derivative financial instruments	11	2.6	0.1	2.6	0.1
Current income tax liabilities		0.1	-	-	-
		<b>63.9</b>	<b>45.5</b>	<b>116.8</b>	<b>113.6</b>
<b>Total liabilities</b>		<b>189.2</b>	<b>125.4</b>	<b>237.3</b>	<b>193.5</b>
<b>Total equity and liabilities</b>		<b>84.8</b>	<b>26.2</b>	<b>98.2</b>	<b>60.8</b>

Approved by the Board on 10 June 2009

## Cash flow statements

For the year ended 31 March	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>Cash flows from operating activities</b>					
Cash from / (used in) operations	13	1.1	(2.6)	(5.6)	(2.4)
Interest paid		(1.5)	(1.7)	(1.5)	(1.7)
Interest received		0.2	0.1	0.9	0.1
Taxes (paid) / received		(0.2)	0.2	-	0.2
<b>Net cash used in operating activities</b>		<b>(0.4)</b>	<b>(4.0)</b>	<b>(6.2)</b>	<b>(3.8)</b>
<b>Cash flows from investing activities</b>					
Investments in subsidiary		-	-	-	(0.1)
Acquisition of subsidiary	7	(36.4)	-	(0.1)	-
Expenditure on product development		-	(0.1)	-	(0.1)
Purchases of property, plant and equipment		(1.0)	(0.3)	(0.8)	(0.3)
<b>Net cash used in investing activities</b>		<b>(37.4)</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>(0.5)</b>
<b>Cash flows from financing activities</b>					
Repayment of borrowings		(34.4)	(24.6)	(34.4)	(24.6)
Draw-down of bank facilities		37.9	20.0	37.9	20.0
Issue of intra-Group loans		-	-	(33.5)	(0.2)
Proceeds from new equity issues	8	36.2	6.4	36.2	6.4
<b>Net cash generated from financing activities</b>		<b>39.7</b>	<b>1.8</b>	<b>6.2</b>	<b>1.6</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1.9</b>	<b>(2.6)</b>	<b>(0.9)</b>	<b>(2.7)</b>
Cash and cash equivalents at beginning of year		1.0	3.6	0.9	3.6
Exchange gains on cash and cash equivalents		0.1	-	-	-
<b>Cash and cash equivalents at end of year</b>		<b>3.0</b>	<b>1.0</b>	<b>-</b>	<b>0.9</b>

### Cash flow statement – alternative performance measures

Movement in net debt for the year ended 31 March:

	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Net cash flow from business operations		16.2	8.2	8.6	8.4
Acquisition and integration costs		(1.3)	(0.5)	(0.4)	(0.5)
Legacy cash flows		(7.8)	(9.1)	(7.8)	(9.1)
Funding of pension deficit		(6.0)	(1.2)	(6.0)	(1.2)
<b>Cash from / (used in) operations</b>	13	<b>1.1</b>	<b>(2.6)</b>	<b>(5.6)</b>	<b>(2.4)</b>
Net interest and tax paid		(1.5)	(1.4)	(0.6)	(1.4)
Net cash used in investing activities		(37.4)	(0.4)	(0.9)	(0.5)
Proceeds from new equity issues		36.2	6.4	36.2	6.4
Exchange losses on net debt		(6.3)	-	(6.4)	-
Intra-Group loans		-	-	(33.5)	(0.2)
<b>Net (increase) / decrease in net debt</b>		<b>(7.9)</b>	<b>2.0</b>	<b>(10.8)</b>	<b>1.9</b>
Net debt at beginning of year		(19.4)	(21.4)	(19.5)	(21.4)
<b>Net debt at end of year</b>		<b>(27.3)</b>	<b>(19.4)</b>	<b>(30.3)</b>	<b>(19.5)</b>

Closing net debt comprises:

	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Cash at bank and in hand		3.0	1.0	-	0.9
Current borrowings	10	(29.9)	(20.3)	(29.9)	(20.3)
Non-current borrowings	10	(0.4)	(0.1)	(0.4)	(0.1)
<b>Net debt at end of year</b>		<b>(27.3)</b>	<b>(19.4)</b>	<b>(30.3)</b>	<b>(19.5)</b>

These supplementary disclosures do not form part of the cash flow statement and these tables are not included in the notes.

# Notes to the financial statements

## 1 GENERAL INFORMATION

The financial information set out above and below for the year ended 31 March 2009 does not constitute the statutory accounts for the year but is derived from those accounts. The statutory financial statements for the year, on which the auditors issued an unqualified report, will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The comparative financial information is based on the Group's accounts for the year ended 31 March 2008, which were delivered to the Registrar of Companies and on which the auditors issued an unqualified report.

The Preliminary Announcement has been prepared on the basis of the accounting policies set out in the Annual Financial Report for the year ended 31 March 2009.

## 2 SEGMENTAL INFORMATION

### Primary reporting format - geographical segments

Based on the risks and returns and the basis on which the Group is managed the Directors consider that the primary reporting format is by geographic segment based on location of assets.

Revenue by primary (geographic) segment is as follows:

	2009 £m	2008 £m
Europe	70.6	80.9
United States	23.1	-
<b>Total revenue</b>	<b>93.7</b>	<b>80.9</b>

Revenue from the provision of services is £91.8 million (2008: £79.0 million) and from licence income is £1.9 million (2008: £1.9 million).

Revenue by destination is as follows:

	2009 £m	2008 £m
United Kingdom	62.7	76.4
Europe	6.5	4.2
United States	23.3	-
Rest of World	1.2	0.3
<b>Total revenue</b>	<b>93.7</b>	<b>80.9</b>

Operating profit by primary (geographic) segment is as follows:

	2009 £m	2008 £m
Europe	8.5	9.9
United States	1.9	-
<b>Operating profit</b>	<b>10.4</b>	<b>9.9</b>

Adjustments are made to operating profit to remove the effect of distorting significant one-off items and the amortisation of acquired intangibles. This is to allow a meaningful comparison of operating profit to the prior year.

	2009 £m	2008 £m
<b>Operating profit</b>	<b>10.4</b>	9.9
Amortisation of acquired intangibles	<b>0.7</b>	-
Integration costs	<b>0.9</b>	-
Acquisition and Rights Issue costs	-	1.1
<b>Adjusted operating profit</b>	<b>12.0</b>	11.0

Adjusted operating profit by primary (geographic) segment is as follows:

	2009 £m	2008 £m
Europe	<b>8.5</b>	11.0
United States	<b>3.5</b>	-
<b>Adjusted operating profit</b>	<b>12.0</b>	11.0

The assets, liabilities and capital expenditure as at 31 March 2009 by primary (geographic) segment are as follows:

	Europe £m	United States £m	Group £m
Assets	<b>24.4</b>	<b>60.4</b>	<b>84.8</b>
Liabilities	<b>(177.8)</b>	<b>(11.4)</b>	<b>(189.2)</b>
Capital expenditure	<b>0.8</b>	<b>0.2</b>	<b>1.0</b>

The assets, liabilities and capital expenditure as at 31 March 2008 by primary (geographic) segment are as follows:

	Europe £m	United States £m	Group £m
Assets	26.2	-	26.2
Liabilities	(125.4)	-	(125.4)
Capital expenditure	0.4	-	0.4

Capital expenditure relates to property, plant and equipment and intangible assets.

### Secondary reporting format – business segments

Based on risks and returns the Directors consider that the secondary reporting format is by business segment. The Directors consider that there is only one business segment, being consultancy, policy support, programme management and data management. Therefore, the disclosures for the secondary segment are already given in these financial statements.

## 3 FINANCE INCOME

	2009 £m	2008 £m
Interest income on short term bank deposits	<b>0.1</b>	0.1
Fair value gains on financial instruments	<b>0.1</b>	-
Expected return on defined benefit pension scheme assets (note 11)	<b>19.0</b>	18.7
	<b>19.2</b>	18.8

## 4 FINANCE COSTS

	2009 £m	2008 £m
Interest on bank overdrafts and loans	<b>1.4</b>	1.6
Interest on finance leases	<b>0.1</b>	-
Fair value losses on financial instruments	<b>0.1</b>	0.1
Accretion of discount on defined benefit pension scheme obligations (note 11)	<b>20.5</b>	19.0
	<b>22.1</b>	20.7

## 5 INCOME TAX EXPENSE/(CREDIT)

	2009	2008
	£m	£m
UK corporation tax at 28% (2008: 30%)	0.1	-
Overseas tax charge / (income)	0.1	(0.5)
Deferred tax - origination and reversal of temporary differences	0.3	-
<b>Income tax expense / (credit)</b>	<b>0.5</b>	<b>(0.5)</b>

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

	2009	2008
	£m	£m
<b>Profit before tax</b>	<b>7.5</b>	<b>8.0</b>
Tax calculated at domestic tax rates applicable to profits in respective countries	2.1	2.4
Income not subject to tax	(0.9)	(1.5)
Expenses not deductible for tax purposes	2.4	2.6
Utilisation of previously unrecognised tax losses	(0.2)	(1.5)
Current tax losses for which no deferred tax asset was recognised	0.5	0.3
Utilisation of previously unrecognised other deferred tax assets	(3.4)	(2.3)
Overseas tax	0.1	(0.5)
Recognition of previously unrecognised tax losses	(0.1)	(0.3)
Remeasurement of deferred tax with respect to the change in UK tax rate	-	0.3
<b>Income tax expense / (credit)</b>	<b>0.5</b>	<b>(0.5)</b>

## 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 bonus element of the Rights Issue as required by IAS 33. The adjustment factor is 1.2 calculated using 64.0 pence per ordinary share being the closing price on 10 July 2008, the last day on which shares were traded with rights.

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company in respect of continuing operations by the weighted average number of ordinary shares in issue during the year.

	2009	2008 restated
Profit attributable to equity holders of the Company (£ million)	7.0	8.5
Weighted average number of ordinary shares in issue (million)	200.9	146.6
<b>Basic earnings per share (pence per share)</b>	<b>3.5p</b>	<b>5.8p</b>

### Diluted

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

	2009	2008 restated
Profit attributable to equity holders of the Company (£ million)	7.0	8.5
Weighted average number of ordinary shares in issue (million)	200.9	146.6
Adjustment for warrants (million)	-	1.8
Adjustment for share options (million)	0.6	0.1
Weighted average number of ordinary shares for diluted earnings per share (million)	201.5	148.5
<b>Diluted earnings per share (pence per share)</b>	<b>3.5p</b>	<b>5.7p</b>

## Adjusted

The adjusted earnings per share is calculated as follows:

	2009	2008 restated
Profit attributable to equity holders of the Company (£ million)	7.0	8.5
Amortisation of acquired intangibles (£ million)	0.7	-
Integration costs (£ million)	0.9	-
Net pension finance costs (£ million)	1.5	0.3
Acquisition and Rights Issue costs (£ million)	-	1.1
Adjusted earnings attributable to equity holders of the Company (£ million)	10.1	9.9
Weighted average number of ordinary shares in issue (million)	200.9	146.6
<b>Adjusted earnings per share (pence per share)</b>	<b>5.0p</b>	6.8p

## 7 BUSINESS COMBINATIONS

On 22 August 2008, the Group acquired 100% of the share capital of PPC, a US-based environmental and information management consultancy operating in the US. The acquired business contributed revenues of £23.1 million and profit before tax of £2.6 million to the Group for the period 22 August 2008 to 31 March 2009. If the acquisition had occurred on 1 April 2008 Group revenue would have been £107.1 million and profit before tax would have been £7.7 million.

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
Cash paid	14.6
Direct costs relating to the acquisition	3.1
Purchase consideration and associated direct costs settled in cash	17.7
Fair value of shares issued (note 8)	2.5
Total purchase consideration	20.2
Fair value of net liabilities acquired	6.4
<b>Goodwill acquired</b>	<b>26.6</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 PPC.

5,323,019 shares were issued as part consideration and the fair value of these shares was based on the published share price on 22 August 2008.

The assets and liabilities as of 22 August 2008 arising from the acquisition are as follows:

	Fair value £m	Acquiree's carrying amount £m
Property plant and equipment	1.5	1.6
Intangible assets	5.0	0.1
Borrowings	(5.8)	(5.8)
Deferred tax (net)	0.1	1.9
Current income tax assets	0.1	0.1
Provisions for other liabilities and charges	(0.2)	(0.2)
Trade and other receivables	9.8	9.9
Trade and other payables	(16.9)	(16.9)
<b>Net liabilities acquired</b>	<b>(6.4)</b>	<b>(9.3)</b>

The cash outflow on acquisition is as follows:

	£m
Purchase consideration and associated direct costs settled in cash	17.7
Cash, cash equivalents and bank overdrafts in subsidiary acquired	0.6
<b>Net cash consideration on acquisition</b>	<b>18.3</b>
Repayment of borrowings in subsidiary acquired	5.2
Payment of share option liabilities in subsidiary acquired	11.5
Payment of acquisition costs deducted from gross proceeds	1.4
<b>Total cash outflow on acquisition</b>	<b>36.4</b>

There were no acquisitions in the year ended 31 March 2008.

## 8 SHARE CAPITAL AND SHARE PREMIUM

<b>Group and Company</b>	<b>Number of shares millions</b>	<b>Ordinary shares £m</b>	<b>Share premium £m</b>	<b>Total £m</b>
At 1 April 2007	118.3	14.5	34.7	49.2
Shares issued	5.8	0.7	5.7	6.4
At 31 March 2008	124.1	15.2	40.4	55.6
Rights Issue	<b>99.3</b>	<b>12.1</b>	<b>24.1</b>	<b>36.2</b>
Consideration shares issued on acquisition of subsidiary (note 7)	<b>5.3</b>	<b>0.6</b>	<b>2.9</b>	<b>3.5</b>
<b>At 31 March 2009</b>	<b>228.7</b>	<b>27.9</b>	<b>67.4</b>	<b>95.3</b>

The total authorised number of ordinary shares is 315,000,000 shares (2008: 196,363,620 shares) with a par value of 12.2 pence per share (2008: 12.2 pence per share). All issued shares are fully paid.

On 13 June 2008 the Company announced a Rights Issue, which was approved by shareholders at an EGM on 10 July 2008. On 5 August 2008 dealings in the new ordinary shares commenced. The Rights Issue has resulted in the issue of 99,302,000 new shares at 40 pence each raising £39.7 million before expenses (£36.2 million net of expenses). The funds raised were used to fund the acquisition of PPC (see note 7).

On 22 August 2008 the Company, on behalf of a Group subsidiary, issued 5,323,019 shares to the shareholders of PPC 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 \$6.5 million from the Group subsidiary as consideration for the issue of shares. The fair value of the shares amounted to £2.5 million (47.5 pence per share).

### Warrants

The Rights Issue in August 2008 entitled the holders of the Company's warrant instruments to additional shares on exercise of those warrants. The Company has in issue 8,047,502 warrants (March 2008: 5,987,560 warrants) giving the holders the right to subscribe in cash for shares in the Company. During the year 1,620,761 warrants expired. As a result of the Rights Issue in August 2008 the warrant holders were entitled to an additional 3,680,703 warrants.

Holders of individual 'A' warrants may subscribe for one ordinary share in the Company at a price of 65 pence and these warrants may be exercised at any time prior to 8 July 2010 (5,633,252 warrants). Holders of individual 'B' warrants could subscribe for one ordinary share in the Company at a price of 109 pence and these warrants could be exercised at any time prior to 31 May 2009 (2,414,250 warrants as at 31 March 2009). The 'B' warrants have now expired. The fair value of these warrants as at 31 March 2009, calculated by reference to a closing market price of 12.75 pence per share is £nil (2008: £0.2 million, calculated by reference to the closing market price of 70.00 pence).

## 9 OTHER RESERVES

### Statement of changes in shareholders' equity

<b>Group</b>	<b>Share capital £m</b>	<b>Share premium £m</b>	<b>Other reserves £m</b>	<b>Retained deficit £m</b>	<b>Total shareholders' equity £m</b>
At 1 April 2007	14.5	34.7	5.3	(199.0)	(144.5)
Fair value of share option schemes	-	-	0.1	-	0.1
Actuarial gains on defined benefit pension schemes	-	-	30.3	-	30.3
Shares issued (see note 8)	0.7	5.7	-	-	6.4
Profit for the year	-	-	-	8.5	8.5
At 31 March 2008	15.2	40.4	35.7	(190.5)	(99.2)
Fair value of share option schemes	-	-	<b>0.1</b>	-	<b>0.1</b>
Actuarial losses on defined benefit pension schemes	-	-	<b>(53.4)</b>	-	<b>(53.4)</b>
Currency translation differences	-	-	<b>2.6</b>	-	<b>2.6</b>
Loss on issue of shares between Group companies <sup>1</sup>	-	-	-	<b>(1.2)</b>	<b>(1.2)</b>
Shares issued (see note 8)	<b>12.7</b>	<b>27.0</b>	-	-	<b>39.7</b>
Profit for the year	-	-	-	<b>7.0</b>	<b>7.0</b>
<b>At 31 March 2009</b>	<b>27.9</b>	<b>67.4</b>	<b>(15.0)</b>	<b>(184.7)</b>	<b>(104.4)</b>

<sup>1</sup> This is the loss resulting from the difference between the market price on the date of issue of consideration shares for the PPC acquisition, and the price per share fixed as per the share purchase agreement.

## 10 BORROWINGS

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Non-current borrowings</b>				
Finance lease liabilities	0.4	0.1	0.4	0.1
<b>Non-current borrowings</b>	<b>0.4</b>	<b>0.1</b>	<b>0.4</b>	<b>0.1</b>
<b>Current</b>				
Unsecured bank and other loans	29.6	20.1	29.6	20.1
Finance lease liabilities	0.3	0.2	0.3	0.2
<b>Current borrowings</b>	<b>29.9</b>	<b>20.3</b>	<b>29.9</b>	<b>20.3</b>
<b>Total borrowings</b>	<b>30.3</b>	<b>20.4</b>	<b>30.3</b>	<b>20.4</b>

Maturity of borrowings is as follows:

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Within one year	29.9	20.3	29.9	20.3
Between one and two years	0.4	0.1	0.4	0.1
	<b>30.3</b>	<b>20.4</b>	<b>30.3</b>	<b>20.4</b>

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

### Unsecured bank and other loans

Group and Company	2009 £m	2008 £m
Syndicated bank debt – revolving credit facility	27.8	18.4
Capitalised loan arrangement fees	(0.2)	(0.3)
Non-bank debt	2.0	2.0
	<b>29.6</b>	<b>20.1</b>

### Syndicated debt

At 31 March 2010 the Company had a £42.0 million loan facility agreement with Lloyds TSB Bank plc and Bank of Scotland plc. 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 1.5% or US Dollar-LIBOR plus 1.5%. The agreement contains financial covenants in relation to the ratio of net borrowings to PBITDA and the ratio of PBITDA to net interest payable.

This facility agreement was entered into in November 2007 for a period of three years.

At 31 March the following amounts were outstanding under the facility and were included within current borrowings:

	Available £m	2009 Utilised £m	Unutilised £m	Available £m	2008 Utilised £m	Unutilised £m
<b>Bank debt</b>						
Allocated to the Company	42.0	27.8	14.2	42.0	18.4	23.6
<b>Total bank debt</b>	<b>42.0</b>	<b>27.8</b>	<b>14.2</b>	<b>42.0</b>	<b>18.4</b>	<b>23.6</b>

### Non-bank debt

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

## 11 RETIREMENT BENEFIT OBLIGATIONS

### Defined contribution plans

The Company operates a defined contribution stakeholder plan for all new qualifying employees joining the Company since 1 April 2003, an additional voluntary contribution scheme for qualifying members of the defined benefit plans and a shift pay pension plan. The assets of the pension plans are held separately from those of the Group in funds under the control of trustees and insurance companies. The only obligation of the Group with respect to these retirement plans is to make the specified contributions.

The Company provides death in service benefits to those employees who are active contributing members of the stakeholder plan through the life assurance section of the AEA Technology Pension Scheme.

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

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

The total cost charged to the income statement of £0.9 million (2008: £0.6 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 March 2009 contributions of £0.1 million (2008: £0.1 million) due in respect of the current year had not been paid over to the plans.

#### **Defined benefit schemes – funded obligations**

In the UK the Company operates the AEA Technology Pension Scheme ("the Scheme") for a proportion of its UK employees. The Scheme is a registered Pension Scheme (within the meaning of Part 4 of the Finance Act 2004), is contracted out of the State Earnings Related Pension Scheme and provides defined benefits. The fund does not invest in equity or debt securities issued by the Company. The Scheme was closed to new employees on 31 March 2003.

Members currently build up retirement benefits between 1.25% and 1.66% of final pensionable earnings for each year of future pensionable service upon attainment of a retirement age of 60/65.

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. 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 AEA – principally the value at the balance sheet date of equity shares in which the scheme has invested and long-term interest rates, which are used to discount future liabilities.

In contrast the funding of the Scheme is based on long-term trends and assumptions relating to market growth, as advised by qualified actuaries. The method used for the calculation is as prescribed by IAS 19. The calculations for the Scheme are based on the liabilities determined at the funding valuation as at 31 March 2008 on a going concern basis. The Company's actuaries, Hewitt Associates Limited, carried out the valuation. The results are then adjusted by the actuaries each year, allowing for the IAS 19 financial and demographic assumptions and rolling forward the liabilities to the balance sheet date in an approximate manner.

The expected return on assets assumption reflects the average of the Group's best estimates for the long-term expected rates of return on the Scheme's main asset classes, having taken professional advice. Mortality assumptions have been chosen with regard to the latest available tables that have common characteristics to the membership of the Group's pension plans. Details of the assumptions are given within this note.

In June 2009 the Company and the Trustee agreed a schedule of employer contributions to clear the Scheme's past service funding deficit over approximately 20 years. The estimated amount of contributions expected to be paid to the Scheme during the financial year to 31 March 2010 is approximately £1.6 million. In addition the Company pays a contribution equal to the Pension Protection Fund levy that for the year to 31 March 2009 amounted to £0.4 million (2008: £0.5 million). The amount payable in respect of the year to 31 March 2009 had not been paid as at 31 March.

As at 31 March 2009 contributions of £0.1 million (2008: £0.2 million) due in respect of the year to 31 March had not been paid over to the Scheme.

#### **Defined benefit schemes – unfunded obligations**

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

The value of the pensions reserve required to be recognised under IAS 19 is calculated by the Company's actuaries using the same assumptions as used for the funded 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 income statement and the balance sheet in respect of the defined benefit schemes are summarised as follows:

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Balance sheet liabilities for:</b>				
pension benefits	108.2	60.0	108.2	60.0
<b>Balance sheet liability</b>	<b>108.2</b>	<b>60.0</b>	<b>108.2</b>	<b>60.0</b>
<b>Income statement charge for:</b>				
pension benefits	2.7	2.1	2.7	2.1
<b>Income statement charge</b>	<b>2.7</b>	<b>2.1</b>	<b>2.7</b>	<b>2.1</b>

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

	2009 £m	2008 £m
Present value of funded obligations	310.3	315.0
Fair value of plan assets	(205.5)	(258.4)
	104.8	56.6
Present value of unfunded obligations	3.4	3.4
	108.2	60.0

The amounts recognised in the income statement are as follows:

	2009 £m	2008 £m
Current service cost	1.2	1.8
Interest cost	20.5	19.0
Expected return on plan assets	(19.0)	(18.7)
<b>Amount included in employee benefit costs</b>	<b>2.7</b>	<b>2.1</b>

£1.2 million current service costs (2008: £1.8 million) were included in the income statement. These costs were split between cost of sales and administrative expenses. The interest cost of £20.5 million (2008: £19.0 million) and the expected return on plan assets of £19.0 million (2008: £18.7 million) are included in 'finance costs' and 'finance income' respectively. The total of the expected return on plan assets (£19.0 million) and the actuarial loss on plan assets (£68.4 million loss charged to the pension reserve) equates to an actual loss on plan assets of £49.4 million (2008: £8.6 million).

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

	Funded Company Scheme £m	Unfunded Company Scheme £m	2009 £m	Funded Company Scheme £m	Unfunded Company Scheme £m	2008 £m
At 1 April	315.0	3.4	318.4	363.2	3.7	366.9
Interest cost	20.5	-	20.5	19.0	-	19.0
Current service costs	1.2	-	1.2	1.8	-	1.8
Actuarial (gains)/losses	(15.2)	0.2	(15.0)	(57.6)	-	(57.6)
Contributions paid by employer	-	(0.2)	(0.2)	-	(0.3)	(0.3)
Contributions paid by plan participants	0.2	-	0.2	0.3	-	0.3
Benefits paid	(11.4)	-	(11.4)	(11.7)	-	(11.7)
At 31 March	310.3	3.4	313.7	315.0	3.4	318.4

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

	Funded Company Scheme £m	Unfunded Company Scheme £m	2009 £m	Funded Company Scheme £m	Unfunded Company Scheme £m	2008 £m
At 1 April	258.4	-	258.4	274.7	-	274.7
Expected return on plan assets	19.0	-	19.0	18.7	-	18.7
Actuarial losses	(68.4)	-	(68.4)	(27.3)	-	(27.3)
Contributions paid by employer	7.7	-	7.7	3.7	-	3.7
Contributions paid by plan participants	0.2	-	0.2	0.3	-	0.3
Benefits paid	(11.4)	-	(11.4)	(11.7)	-	(11.7)
At 31 March	205.5	-	205.5	258.4	-	258.4

The net pension obligation is as follows:

	Total £m
<b>At 31 March 2009</b>	<b>108.2</b>
At 31 March 2008	60.0

A £53.4 million loss (2008: £30.3 million gain) in respect of actuarial gains and losses has been reported in the Statement of Recognised Income and Expense ('SORIE') and the cumulative total of actuarial gains and losses reported through the SORIE is a net £20.3 million loss (2008: £33.1 million gain).

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	6.6%	6.6%
Inflation	3.2%	3.7%
Expected return on plan assets		
– equities	8.4%	8.3%
– corporate bonds	5.8%	5.8%
– government bonds	n/a	n/a
– infrastructure	8.4%	8.3%
– other	1.6%	6.0%
Future salary increases	2.7%	3.3%
Future pension increases	3.1%	3.7%

The discount rate is based on future projected cash flows and the AA-corporate bond yield curve as at 31 March 2009, with an adjustment so that the yield relates to bonds that were AA-rated as at 31 March 2009. The assumed rate of inflation has been calculated based on future projected cash flows and the inflation curve as at 31 March 2009, with an allowance for an inflation risk premium.

The expected rates of return on categories of plan 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 were as follows:

	2009	2008
Funded company scheme	<p><b>“S1PxA” Year of Use tables.</b>  <b>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%.</b>  <b>Scaling factor of 95%.</b></p>	<p>“PNxA00” Year of Use tables.            Improvements in line with the Medium Cohort, subject to a minimum annual improvement of 1.0% p.a. for males and 0.5% p.a. for females.            Scaling factor of 112.5%.</p>
Unfunded company scheme	<p><b>“S1PxA Light” Year of Use tables.</b>  <b>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%.</b>  <b>No scaling factor.</b></p>	<p>“PNxA00” Year of Use tables.            Improvements in line with the Medium Cohort, subject to a minimum annual improvement of 1.0% p.a. for males and 0.5% p.a. for females.            Scaling factor of 105%.</p>

### 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:

	2009 Years	2008 Years
Males retiring today	26.9	25.9
Females retiring today	29.0	28.0
Males retiring in 20 years	28.9	28.0
Females retiring in 20 years	30.9	29.3

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

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

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

	Expected return		Fair value of assets	
	2009 %	2008 %	2009 £m	2008 £m
Equity instruments	8.4	8.3	157.9	210.8
Corporate bonds	5.8	5.8	22.1	22.2
Infrastructure	8.4	8.3	23.8	17.5
Other assets	1.6	6.0	1.7	7.9
			205.5	258.4

The five-year history of pension obligations and plan assets is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	313.7	318.4	366.9	537.6	493.1
Fair value of plan assets	(205.5)	(258.4)	(274.7)	(430.0)	(341.4)
<b>Deficit</b>	<b>108.2</b>	60.0	92.2	107.6	151.7

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

	2009	2008	2007	2006	2005 <sup>1</sup>
Experience adjustments on plan liabilities					
Amount (£ million)	(15.0)	(57.6)	3.6	2.9	19.2
Percentage of plan liabilities	4.8%	18.1%	1.0%	0.5%	3.9%
Experience adjustments on plan assets					
Amount (£ million)	68.4	27.3	11.5	57.6	14.1
Percentage of plan assets	33.3%	10.6%	4.2%	13.4%	4.1%

<sup>1</sup> Information based on FRS 17.

### Development of net pension deficit over the year to 31 March 2009

The pensions cost recognised in the income statement is calculated based on assumptions made at the beginning of the year. If experience over the year is in line with assumptions made at the start of the year, the pension deficit 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 SORIE.

## 12 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Decommissioning and waste management				Total £m
	£m	Restructuring £m	Contracts £m	Other £m	
At 1 April 2007	5.9	11.6	6.8	1.7	26.0
Balance sheet reclassifications	0.4	-	-	(0.1)	0.3
Charged to the income statement	-	0.6	0.3	0.1	1.0
Utilised	(1.5)	(4.1)	(1.9)	(0.1)	(7.6)
At 31 March 2008	4.8	8.1	5.2	1.6	19.7
Balance sheet reclassifications	0.1	(0.4)	0.6	-	0.3
Acquired with subsidiary	-	-	0.1	0.1	0.2
Charged to the income statement	-	-	-	0.1	0.1
Utilised	(0.6)	(4.5)	(3.1)	(0.1)	(8.3)
<b>At 31 March 2009</b>	<b>4.3</b>	<b>3.2</b>	<b>2.8</b>	<b>1.7</b>	<b>12.0</b>

Company	Decommissioning and waste management				Total £m
	£m	Restructuring £m	Contracts £m	Other £m	
At 1 April 2007	5.9	11.6	6.8	1.7	26.0
Balance sheet reclassifications	0.4	-	-	(0.1)	0.3
Charged to the income statement	-	0.6	0.3	0.1	1.0
Utilised	(1.5)	(4.1)	(1.9)	(0.1)	(7.6)
At 31 March 2008	4.8	8.1	5.2	1.6	19.7
Balance sheet reclassifications	0.1	(0.4)	0.6	-	0.3
Charged to the income statement	-	-	-	0.1	0.1
Utilised	(0.6)	(4.5)	(3.1)	-	(8.2)
<b>At 31 March 2009</b>	<b>4.3</b>	<b>3.2</b>	<b>2.7</b>	<b>1.7</b>	<b>11.9</b>

Provisions for liabilities and charges	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Current	8.4	12.9	8.3	12.9
Non-current	3.6	6.8	3.6	6.8
	<b>12.0</b>	<b>19.7</b>	<b>11.9</b>	<b>19.7</b>

### Decommissioning and waste management

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

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

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

The 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. The majority of this provision relates to the Building 220 facilities at the Harwell site where the timing of decommissioning is uncertain.

### Restructuring

In the two years to March 2007 the Group completed the transformation of its business from a diverse group to a single mission company focused on climate change and energy consultancy. Provisions related to this restructuring are held for associated warranties and indemnities given under business sale agreements. These provisions are expected to be utilised within the next 1 to 2 years.

### Contracts

Contract provisions are in respect of projected losses or commitments on long-term contracts, including onerous lease contracts on properties no longer fully occupied by the Company. These provisions will be utilised when the costs are incurred on the long-term

contracts and as lease payments are made on the vacant properties. Applying a risk-adjusted discount rate does not give a result materially different from the undiscounted provision and no adjustment for the effect of discounting has been made.

#### Other

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

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

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Profit for the year	7.0	8.5	7.2	3.3
Adjustments for:				
taxation	0.5	(0.5)	(0.1)	(0.5)
depreciation of property, plant and equipment	1.0	1.3	0.7	1.3
amortisation and impairment	0.8	0.1	0.2	0.1
loss on disposal of property, plant and equipment	-	0.9	-	0.9
share option charge	0.1	0.1	0.1	0.1
interest expense	22.1	20.7	24.9	24.7
interest income	(19.2)	(18.8)	(20.4)	(18.8)
waiver of payables to subsidiaries	-	-	(3.0)	-
costs cross-charged to subsidiaries	-	-	(1.1)	-
other	-	0.1	-	1.4
Changes in working capital:				
work in progress	(0.1)	(0.1)	(0.1)	(0.1)
trade and other receivables	1.5	(1.0)	0.8	(1.0)
trade and other payables	2.0	(5.4)	(0.3)	(5.3)
Changes in retirement benefit liabilities	(6.7)	(2.2)	(6.7)	(2.2)
Changes in provisions for liabilities and charges	(7.9)	(6.3)	(7.8)	(6.3)
Cash from / (used in) operations	1.1	(2.6)	(5.6)	(2.4)

#### Non-cash transactions

The principal non-cash transaction is the issue of shares as part consideration for the acquisition detailed in note 7.

### 14 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

### 15 ANNUAL ACCOUNTS AND ANNUAL GENERAL MEETING

Copies of the Annual Financial Report will be available in electronic format on [www.aeat.com](http://www.aeat.com) and will be sent to shareholders in June 2009. Copies will also be available from the Company's registered office, 329 Harwell, Didcot, Oxfordshire, OX11 0QJ.

The Annual General Meeting will be held at Linklaters, One Silk Street, London EC2Y 8HQ in July 2009.