amec

Growing into **Vision 2015**

AMEC plc annual report and accounts 2010

Contents

Notes:
Any forward-looking statements made in this document represent management's best judgement as to what may occur in the future. However, the group's actual results for the current and future fiscal periods and corporate developments will depend on a number of economic, competitive and other factors, some of which will be outside the control of the group. Such factors could cause the group's actual results for future periods to differ materially from those expressed in any forward-looking statements made in this document.

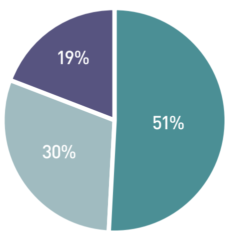
AMEC at a glance

AMEC's people design, deliver and maintain strategic assets for our customers, offering services which extend from environmental and front end engineering design services before the start of a project, to decommissioning at the end of an asset's life. We operate in some 40 countries, working for customers ranging from blue chip companies to national and local governments and supporting assets such as oil and gas production facilities and nuclear power stations. Our engineers, project managers and consultants use their skills and expertise to deliver successful projects for our customers, so building long-term relationships with them.

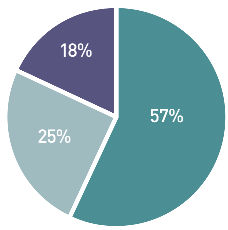
Our customers include: BG, BP, Bruce Power, ConocoPhillips, Dominion Power, EDF, ExxonMobil, Imperial Oil, INPEX, Kuwait Oil Company (KOC), National Grid, PotashCorp, Sellafield Limited, Shell, UK NDA, US Air Force, US Navy.

Analysis of AMEC 2010

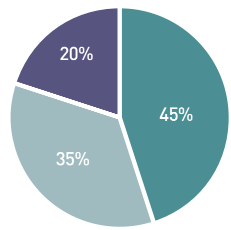
Revenues[1]



EBITA[1]



Average employees[1]



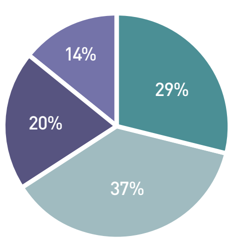
Natural Resources Power & Process Earth & Environmental

Natural Resources is recognised as a world leader in the provision of engineering, project management and asset support services, particularly in upstream oil and gas, unconventional oil and in surface mining. It has particular expertise in large and complex projects in growth regions and in extending the life of assets. The business portfolio is well balanced by customer, by end market, by geography, and in terms of the nature of services provided. See page 17 for further details.

Power & Process is principally based in the UK and Americas and provides a balanced portfolio of services to a broad range of public and private sector customers, including major utilities. It is increasingly focused on clean energy and carbon efficiency and has a leading position in the nuclear sector, particularly in the UK. See page 23 for further details.

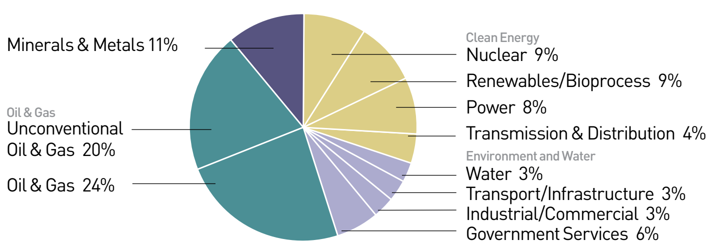
Earth & Environmental is a leading international environmental and engineering consulting organisation, operating mainly in North America, with a growing European and South American presence. Although it offers a diverse portfolio of services to a broad spread of public and private sector clients, it increasingly works with customers common to Natural Resources or Power & Process, providing a complementary offering. Recent acquisitions have been particularly focused on the water sector. See page 28 for further details.

Revenue by:
Geography



UK US
Canada Rest of the World

Sector[1]



1 Excluding Investments and other activities. For basis of presentation see page 16 .

Performance highlights

	2010 £ million	2009 £ million
Continuing operations:		
Revenue	**2,950.6**	2,539.1
EBITA[1]	**271.8**	208.3
Adjusted profit before tax[3]	**279.7**	215.6
Profit before tax[6]	**258.2**	203.5
Operating cash flow[5]	**227.0**	266.0
Adjusted diluted earnings per share[4]	**62.5p**	46.9p
Diluted earnings per share from continuing operations	**71.3p**	46.7p
Dividends per share	**26.5p**	17.7p

Strong operating performance

- Revenue £2,950.6 million, up 16 per cent on 2009
- EBITA[1] £271.8 million, up 30 per cent
- EBITA margin[2] 9.2 per cent, 100 basis points higher
- Diluted EPS from continuing operations[4] 62.5 pence, up 33 per cent

Order book strong at £3.1 billion

- Order intake over 25 per cent above 2009

Cash flow conversion 83 per cent

- Operating cash flow £227 million[5]

Continued financial strength

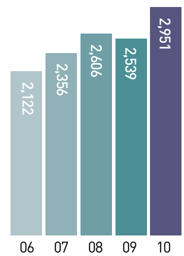
- Net cash as at 31 December 2010 £740 million

Dividends per share up 50 per cent, to 26.5 pence

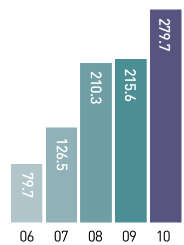
- Over last five years dividends have more than doubled
- Progressive dividend policy to be maintained, with cover of 2 to 2.5 times

1 EBITA for continuing operations before intangible amortisation and exceptional items but including joint venture profit before tax
2 EBITA as defined above as a percentage of revenue
3 EBITA, as defined above, plus net financing income of £7.9 million (2009: £7.3 million)
4 Diluted earnings per share from continuing operations before intangible amortisation and exceptional items
5 Cash generated from operations before exceptional items and discontinued operations, legacy settlements and pension payments in excess of amounts recognised in the income statement but including dividends received from joint ventures
6 The average numbers of employees shown include agency staff, unless otherwise stated. The average number of employees in the Power & Process division for 2008 has been restated to include all categories of employees in the Americas on a consistent basis. Figures for Earth & Environmental employees in 2009 and prior have been restated to bring the definition of full time equivalents in line with the other divisions
n/a: not applicable

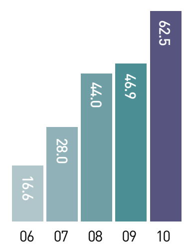
Revenue £m



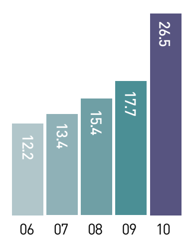
Adjusted profit before tax[3] £m



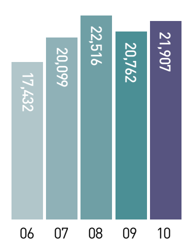
Diluted EPS[4] p



Dividends per share p



Average employees[6]



Chairman's statement

In 2004, when I was appointed as AMEC's Chairman, we were beginning the migration away from being a "typical" construction business and had begun to appreciate the increasing importance of oil and gas to AMEC's future. Since then, we have embraced many beneficial changes. The AMEC of today is clearly focused on the provision of services to the oil and gas, minerals and metals, clean energy, water and environmental sectors and it is consistently delivering its financial targets. Adjusted profit before tax in 2010 of £280 million was more than double that of 2004, and profit margins have increased almost four fold.

This focus, the commitment and skills of AMEC's 22,000 employees, and the strength and depth of our customer relationships, have all helped to position the company for achievement of its growth strategy: Vision 2015 (described in more detail on page 6). We have started well, achieving organic growth in each of our three divisions despite challenging markets. We also continue to achieve these results in a manner consistent with our values: we have retained our position as Oil Equipment and Services sector leader in the Dow Jones Sustainability Index; were once more one of Canada's Top 100 best employers; and we received a number of other accolades for our health, safety and environmental performance. AMEC also made charitable contributions of £553,000, both by 'matching' our employees' fundraising efforts in their local communities and in support of relief efforts in Haiti, Chile and Pakistan. Further details on all these items can be found in our 2010 sustainability report.

I have been fortunate to be surrounded by board colleagues who understand the need for openness and debate as the risks and rewards of Vision 2015 are assessed and as performance is managed, measured and reported. As a team, we need to understand how the company intends to generate value for its stakeholders and as Chairman, it has been my task to ensure the board has the right balance of skills, experience, independence and knowledge of the company. During the year I led a number of initiatives to prompt the board to consider proactively its role and effectiveness and as a result, this is now a continuous process and not just an annual review. We now conclude each board meeting with a discussion on the subject and a review of how effective the meeting has been. The aim is to change the focus of board meetings to enable more discussion and debate on key strategic matters.

I was delighted to welcome Neil Carson and Colin Day to the board as non-executive directors on 31 August and 14 October respectively. Neil brings his knowledge of running and growing a successful business in Johnson Matthey Plc; Colin a depth of financial experience, mostly recently as Chief Financial Officer at Reckitt Benckiser Group Plc. Both have already contributed substantially to the discussions and decisions of the board. Sadly, in May 2010 Martha Hesse retired after three terms of service. Her insight is much missed. Peter Byrom retired on 9 February 2011 having completed two terms as a non-executive director. We are grateful for his contribution both as a director and as Chairman of the audit committee over the past six years. He has been succeeded in this role by Colin Day.

As you will be aware, I myself have decided to retire with effect from our Annual General Meeting on 5 May 2011. The search for my replacement is well underway (see page 40 for further details). I have greatly enjoyed my involvement with AMEC over the past 15 years and particularly with its employees, who have been both supportive and enthusiastic as they embraced the challenges we have faced. AMEC is a very different business now than it was in 1996 when I joined and its success owes much to their dedication.

Some things do not change. In the 2004 Annual Report, I said that I remained confident "*that AMEC's highly skilled and dedicated people will grasp the opportunity to build on our strengths, expand our service, deepen our client relationships and create value for all our stakeholders*". The delivery since then has proved the truth of these words and I believe they remain equally valid going forwards. It has been an honour to be Chairman of your company.

Jock Green-Armytage
Chairman

3 March 2011

Chief Executive's review

The first stage of AMEC's journey is now done. EBITA of £271.8 million in 2010 was more than triple that in 2006 and the 2010 EBITA margin of 9.2 per cent compared with 4.1 per cent in 2006. This hard work by our 22,000 employees has positioned AMEC as a credible long-term partner for our customers.

Our markets and our customers' expectations have not stayed static during this period. We are becoming a more global organisation, as we follow the expansion plans of our clients. There is continuing pressure on margins and increasing flexibility and responsiveness is demanded, if we are to serve our customers well. It is our job to manage this while creating additional value for all our stakeholders.

The next stage of our journey is growth, towards our Vision 2015. We are striving to build a high-performing company while the global economy is recovering. We must remain cost competitive, continuing to learn from our STEP Change programme. We need to widen our customer reach, focusing on key segments, prioritising markets, reinforcing the strong delivery inherent in our brand and broadening our service offering. We have to demonstrate Operational Excellence and AMEC's agility, in the speed of our response to our customers' challenges; the flexibility in the way we deliver; our approach to innovation and collaboration; and the engagement and skills of our employees across all of AMEC's sectors.

We continue to strengthen and develop our customer relationships. During 2010 we entered into a global agreement to support BP for their onshore facilities developments around the world; have been working to support EDF's architect engineer operations on their UK nuclear new build programme; and have continued to deliver on the Kearl expansion project for Imperial Oil in the Canadian oil sands. Further examples can be found on pages 17 to 30.

In 2010, underlying revenue growth was 8 per cent, and we made a number of acquisitions including Entec Holdings Limited. Such growth needs to be aligned with AMEC's values and we set high standards against which to measure delivery.

Our health and safety performance was strong yet lost time incidents were 50 per cent above 2009 at 0.06 per 200,000 exposure hours. We seek to learn from every incident and we continue to explore new ways of keeping safety top of mind in everything we do. This commitment is recognised by our employees, as evidenced by our recent survey.

The results of this, our third global employee survey, were mixed. Engagement levels remained good, though down on 2009. This may be a reflection of the global economy but our customers value the skills of AMEC's people, so we continue to invest in development, including through the AMEC Academy and career paths.

Our carbon emissions reduction target (see KPIs, page 14) is only one small part of our sustainability agenda, as we see commercial advantage to be gained from supporting our customers' own initiatives. For example, we have been working with National Grid on a carbon capture and storage project in Scotland and on INEOS Bio's first commercial scale advanced bio-energy facility in the US.

The changes made to the Group Management Team, in particular the appointment of Neil Bruce as Chief Operating Officer, will continue to support this growth. Though sad to see Michael Blacker and Roger Jinks announce their retirements, I am delighted to welcome Hisham Mahmoud and Eleanor Evans to AMEC. And finally, I have personally gained much from Jock Green-Armytage's knowledge and insight and, on your behalf, would like to thank him for his unstinting service to AMEC.

Despite uncertainty on the pace of economic recovery, the latest IEA World Energy Outlook points to continued increases in demand for energy. AMEC is well positioned to take advantage of this and has a clear strategy for growth (see page 6). Our priorities for 2011 are simple: to grow while maintaining margins by continuing to deliver to our customers and invest in our employees.

Samir Brikho
Chief Executive

3 March 2011

Our strategy for growth – Vision 2015

Since late 2006, AMEC's focus has been on improving margins and creating a stronger, more sustainable business, positioned across the energy and power markets. Our Vision 2015, announced in December 2009, builds on this solid base. During 2010 significant progress has been made towards our long-term goals.

AMEC's vision is to be the leading supplier of high-value consultancy, engineering and project management services to the world's oil and gas, minerals and metals, clean energy, water and environmental sectors.

The company is now focused on growth, which we believe can be achieved through the skills of our people and the way in which they deliver successful projects for our customers; the strength of the customer relationships this engenders; the markets in which we are positioned; and the strength of our balance sheet.

Each of the sectors in which AMEC operates is forecast to grow between now and 2015, supported by longer term global fundamentals. These are examined in more detail on page 8 and by sector in the relevant section of the Business and Financial review.

Sectors and divisions	Market growth*
Oil & Gas	
Conventional Oil & Gas[1,3]	8-10%
Unconventional Oil & Gas[1,3]	5-7%
Minerals & Metals[1,3]	6-8%
Clean Energy	
Nuclear [2,3]	5-7%
Renewables/Bioprocess [2,3]	8-10%
Power [2,3]	3-5%
Transmission & Distribution (T&D) [2,3]	4-6%
Environment and Water	
Water[3]	5-6%
Transportation/Infrastructure[3]	4-5%
Commercial/Industrial [3]	3-6%
Government Services [3]	3-5%

Key:
1 Natural Resources: see pages 17 to 22.
2 Power & Process: see pages 23 to 27.
3 Earth & Environmental: see pages 28 to 30.
*AMEC estimates of market growth potential in our accessible markets (CAGR 2010 – 2015) based on a mid-cycle assumption.

Our Vision 2015 goal is to achieve earnings per share of greater than 100 pence in 2015, more than double the starting point in 2009.

2010 achievements
- EPS was 62.5 pence, up 33 per cent on 2009.

We have identified a number of areas of focus which, combined, will enable us to achieve our Vision 2015 EPS target.

Our customers

We want our customers to recognise our engineering, project management and consultancy expertise and to trust us to deliver their projects successfully. Such a reputation does not come overnight, but is a key cornerstone of future growth. Our history demonstrates the importance of the long-term relationships we have built with many of our customers. Only by understanding their business, their objectives and their values can we identify how best we can use our expertise to help them deliver.

2010 achievements included:
- Added new customers including: Xcite Energy Resources, Bluewater Services UK Ltd and Maersk FPSOs
- New global agreement to support BP for their onshore facilities developments around the world. This further strengthens an existing relationship, with AMEC having been one of three global providers of BP's equivalent global offshore services since 2008
- Won 'tier one' position to support EDF's architect engineer operations on their UK nuclear new build programme
- Bolstered our position in the Government Services sector when an AMEC-led joint venture was amongst those selected for five-year, US$4 billion framework contract for design and construction work to support US Defense Policy review initiative in the Pacific region
- Further details on these and many other contract wins can be found on pages 17, 23 and 28.
- Received a number of awards, details of which are contained in the 2010 Sustainability report amec.com/aboutus/sustainability.

Our people

Our success lies in the success of our employees and the way in which they deliver to our customers, as we do not own significant plant and equipment or proprietary technology.

It is vital that we recruit, develop and retain the best people, ensuring they are engaged with AMEC and committed to the company's success. We want to provide a safe working environment and encourage our people to take this same thinking home and into their communities – AMEC's Beyond Zero approach.

2010 achievements included:

- Some 60 development programmes involving over 500 people were run by the newly launched AMEC Academy
- More than 7,000 people have used the career paths tool to help them develop their career within AMEC
- Over 13,000 participants in third global survey; response rate up six percentage points compared with 2009
- Employee engagement at 68 per cent; still strong, though down five percentage points compared with 2009
- A further 1,170 people attended AMEC's First Step Safety Leadership training in 2010
- 50 occupational health risk reviews were completed and the employee assistance programmes were extended to all UK staff
- Around one-third of our people participate in AMEC share ownership schemes.

See also the Key Performance Indicators on page 14.

Further details on each of these items can be found in the 2010 sustainability report amec.com/aboutus/sustainability.

Achieving growth

To achieve our Vision 2015 strategy, we need not only to build on our existing market positions but also to enhance our **capabilities** and expand our geographic coverage.

In late 2009, we said we had identified specific areas in which we wanted to expand our service offering: subsea engineering, underground mining, renewables and water. We saw this capability expansion as coming from a combination of acquisition and organic growth.

In 2010 we made progress in many of these areas and continued to plan the further implementation of our strategy.

2010 achievements included:

- The acquisition of the UK-based environmental and engineering consultancy Entec Holdings Limited in March strengthened AMEC's capabilities in the water and energy sectors
- Revenue from the provision of water services grew by 46 per cent year on year. The sector now accounts for 3 per cent of AMEC's revenues
- New contracts in the renewable sector included the provision of engineering, procurement and construction services for INEOS Bio's first commercial-scale advanced bio-energy facility
- In November, and as a result of our reputation in surface mining, AMEC was commissioned by Oyu Tolgoi LLC to undertake the feasibility study for Lift 1 of the underground Hugo North block cave operation of its copper and gold mining project in Mongolia
- In December, we announced the creation of a strategic partnership with S2V Consulting Pty of Australia, a specialist front-end consulting company. As a result, we can now offer our customers in-house subsea and field development services.

Vision 2015 identifies opportunities to further build our presence in our established **geographies**, particularly the UK and North America, as well as to expand in the Middle East, Australasia and South America.

2010 achievements included:

- The acquisition of Entec also significantly strengthened Earth & Environmental's position in Europe. The division has historically been largely North American based
- The GRD Minproc business in Australia, acquired in November 2009, has been integrated as planned during 2010. Combined with the existing business and subsequent acquisitions of Currie & Brown (Australia) Limited, BurmanGriffiths, S2V Consulting and, in 2011, Zektingroup, AMEC now has c. 1,300 people, including joint ventures, working in Australia.

Our strategy for growth – Vision 2015 continued

We believe that each of the sectors in which we operate is growing (see table on page 6). By careful positioning and by rigorous attention to customer relationships and project delivery, we see opportunities to outperform the general market.

2010 achievements
Underlying revenue growth in 2010 was 8 per cent, with growth in each of the three divisions.

Delivering the AMEC Way
Even the best of employees will struggle to deliver high quality work if they are not provided with the right tools and support.

Our Operational Excellence programme has delivered significant improvements, by providing a framework for the implementation of best practice and continuous improvement. For example, in engineering and project management, tools, processes and quality assurance systems have been standardised, so improving flexibility and increasing the quality of the output.

The AMEC Way is now how we work together across the company to deliver successful projects for our customers, supporting our 2010 achievements and our future growth.

2010 achievements
- "One AMEC" approach reinforced by the appointments of Neil Bruce as Chief Operating Officer and the business unit leaders to the Group Management Team
- The successful integration of acquisitions made in 2009 and 2010, including GRD Minproc and Entec Holdings Limited.

Improving financial metrics
Vision 2015 also looks at financial metrics, recognising that AMEC needs a more efficient capital structure and that the tax rate can be reduced without prejudicing AMEC's position as a responsible corporate citizen.

2010 achievements
- A total of £85 million was spent on acquisitions during the year
- The dividend declared and proposed increased by 50 per cent to 26.5 pence
- The tax charge (for continuing businesses before amortisation, impairment and exceptional items and including joint venture tax) reduced from 27.5 per cent in 2009 to 25.9 per cent in 2010.

Global market trends
AMEC has considerable experience and capability in the world's main energy sectors. The group is well placed to respond to the increasing demand for clean energy, and the need to improve the efficiency of mature assets and add flexibility across the whole sector.

Each of the areas in which AMEC operates is forecast to grow over the long term, supported by global fundamentals. AMEC is carefully and deliberately positioned across sectors so as to benefit whatever the relative weighting in the energy mix.

The International Energy Agency's 'World Energy Outlook 2010' acknowledges that the medium term is hard to predict because of the uncertain economic outlook but suggests it will be the response of governments to the challenges of climate change and energy security that will shape the future of energy in the long term.

If there is no change in government policy (their Current Policies scenario), they believe world primary energy demand will increase by 1.4 per cent per annum over the period from 2008 to 2035. If governments take action (New Policies scenario), the growth is predicted to slow to 1.2 per cent per annum, with a greater proportion of the whole coming from nuclear and renewables. This shift to low carbon solutions is expected to be greatest in OECD countries, though fossil fuels will remain the dominant energy source in both scenarios. Indeed, even in the New Policies scenario, oil demand increases from 84 million barrels per day (mb/d) in 2009 to 99 mb/d in 2035.

Regardless of individual market fluctuations, political events and the ever-changing global economy, population growth continues. The world's population is estimated to increase from around 6.7 billion in 2008 to 8.5 billion in 2035. People need energy and as the population grows and urbanisation increases, the demand for energy and commodities increases.

The balance and mix of energy type may change both locally and globally but the pressure for more is an ever-upward trend.

This growth in the markets in which AMEC operates will inevitably put further pressure on the availability of suitably qualified engineers, consultants and project managers. Continuing to attract and retain those with experience in successfully delivering complex projects will remain important as we look to satisfy our Vision 2015 growth aspirations.

We will continue to supplement our external resourcing activities with internal development activities. These are discussed in more detail on page 7 and in our sustainability report. They include:

- AMEC Academy: improving the technical and managerial skills of our people
- Increasing the existing resource pool: graduate and trainee recruitment and development programmes
- Improving the future supply pool: educating schoolchildren about careers in engineering
- Accessing the best skills anywhere: using our global mobility programmes.

Further details on market trends, where applicable, can be found by sector in the performance section.

2011 outlook

The priority in 2011 will be to deliver growth while maintaining margins at around 9 per cent. This will be achieved by continuing to deliver to customers and invest in employees.

Although the pace of economic recovery is uncertain, 2011 is expected to be another year of gradual recovery. There is a long-term requirement for industry investment in AMEC's core markets and this is expected to drive an increase in demand for AMEC services.

AMEC's balance sheet remains exceptionally strong with operating cash flow set to continue to grow. Management remains focused on the delivery of Vision 2015, which includes maximising shareholder returns via further selective value-enhancing acquisitions. If over the course of the next twelve months major transactions are not forthcoming and the balance sheet remains strong, consideration will be given to using the existing buyback authority or considering other one-off returns of capital.

Managing risk

Business threats and opportunities

AMEC operates in around 40 countries globally, serving a broad range of markets and customers. As such, the group is subject to certain general and industry-specific risks. Where practicable, the group seeks to mitigate exposure to all forms of risk through effective risk management and risk transfer practices.

Specific risks faced by AMEC are as set out below.

Business and strategic risk	Mitigation
Geopolitical and economic conditions AMEC operates predominately in the UK and North America and is therefore particularly affected by political and economic conditions in those markets.	The group is not dependent on any one area of economic activity.
Changes in general economic conditions may influence customers' decisions on capital investment and/or asset maintenance, which could lead to volatility in the development of AMEC's order intake.	The risk associated with economic conditions resulting in a downturn and affecting the demand for AMEC's services has been addressed, as far as practicable, by seeking to maintain a balanced business portfolio.
In addition a sustained and significant reduction in oil and gas or commodity prices could have an adverse impact on the level of customer spending in AMEC's markets.	In light of the current global economic downturn, steps have been taken in order to assess and monitor any potential impact on AMEC's project opportunities and address potential increased supply chain risk.
Environmental and social risk AMEC's operations are subject to numerous local, national and international environmental regulations and human rights conventions.	AMEC has continued to monitor and review environmental and social risks both to AMEC's businesses and those that may be created by their operations. AMEC has taken steps to ensure that climate change related risks are appropriately highlighted in the corporate risk management process.
Breaches of, or changes in environmental or social standards, laws or regulations could expose AMEC to claims for financial compensation and adverse regulatory consequences, as well as damaging corporate reputation.	AMEC takes a pragmatic, integrated approach to managing environmental and social risks utilising existing business management systems to identify and mitigate such risks. For example, employment processes protect the human rights of the workforce, and the Health, Safety and Environment (HSE) Management system defines a standard for environmental management. AMEC tracks over 40 environmental and social KPIs, including environmental regulatory performance and community investment. Further details are available in the annual sustainability report online at amec.com/aboutus/sustainability.
Health and Safety AMEC is involved in activities which have the potential to cause injury to personnel or damage to property.	In order to control risk and prevent harm AMEC is focused on achieving the highest standards of health and safety management. This is achieved through the setting of an effective health and safety policy and ensuring effective leadership and organisational arrangements are in place to deliver this policy. AMEC is committed to continuous improvement and performance is regularly reviewed against agreed targets with the objective of facilitating continuous improvement and there are robust programmes in place to facilitate lateral learning.

Business and strategic risk continued	**Mitigation** continued
Security of employees The personal security and the safety of employees and contractors can be compromised due to their either being based, or travelling extensively on business, in potentially hazardous locations.	AMEC regards the safety and security of its personnel as being of paramount importance, and this risk is mitigated by keeping security in relevant locations under continual review and utilising local specialist security companies where appropriate. AMEC specifically agrees security plans for designated high-risk countries for named personnel. Contingency arrangements are also in place to respond to any adverse security incidents affecting AMEC's operations across the globe.
Business continuity Given the broad spread and scope of its operations, AMEC's risk from natural catastrophe and terrorist action is varied, and considerable disruption could be caused to AMEC's operations as a result of the associated business interruption.	It is intended that these risks are mitigated through business continuity planning, which is being implemented progressively throughout the group and is being verified through testing and an ongoing audit process. In addition, the risk of increased cost of working in relation to UK and North America properties as a result of business disruption is transferred via business interruption insurance.
Customer concentration Were dependence on key customers to increase significantly, this could have direct consequences on AMEC's financial development.	AMEC serves a broad range of markets and customers and undertakes a wide variety of different projects. Examples are shown on pages 17, 23 and 28. Further details can be found on the AMEC website, amec.com. AMEC is not reliant on any particular contract. AMEC's largest customer accounted for around 22 per cent of continuing revenues in 2010.
Bidding risk	AMEC addresses the risk associated with bidding via a stringent tender review process which addresses the threats and opportunities associated with each tender submitted. The implementation of a web-based workflow tender approval process across AMEC has resulted in improved visibility of the threats and opportunities associated with tender submission as well as providing a consistent and auditable approach to the management of tendering risk and provides clear control over approval authorities.
Project execution risk One of AMEC's significant risks is the risk of losses arising during the execution phase of projects.	Various measures are in place in order to address the project execution risk, including the risk management process, project reviews, internal audit of projects, and the implementation of peer reviews. Project execution risk has also been a key focus of the Operational Excellence programme particularly from a project management perspective.
Litigation The outcome of legal action is at times uncertain and there is a risk that it may prove more costly and time consuming than expected.	AMEC is subject to litigation from time to time in the ordinary course of business and makes provision for the expected costs based on appropriate professional advice. There is a risk that additional litigation could be instigated in the future which could have a material impact on AMEC, although full risk management controls remain in place to deal with such matters, together with controlled instruction rights with external lawyers/experts.
Information technology (IT) AMEC is exposed to the risk that the IT systems upon which it relies fail.	AMEC has appropriate controls in place in order to mitigate the risk of systems failure, including systems back-up procedures and disaster recovery plans, and also has appropriate virus protection and network security controls.

Managing risk continued

Financial risks	Mitigation
Credit AMEC is exposed to credit risk particularly in relation to customers.	The credit risk associated with customers is considered as part of each tender review process and is addressed initially via contract payment terms, and, where appropriate, payment security is sought. Credit control practices are applied thereafter during the project execution phase. A right to interest and suspension is normally sought in all contracts.
Pensions AMEC operates a number of defined benefit pension schemes, where careful judgement is required in determining the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member longevity. There is a risk of underestimating this liability and the pension schemes falling into deficit.	This risk is mitigated by: ■ Maintaining a relatively strong funding position over time ■ Taking advice from independent qualified actuaries and other professional advisers ■ Agreeing appropriate investment policies with the Trustees ■ Close monitoring of changes in the funding position, with reparatory action agreed with the Trustees in the event that a sustained deficit emerges.
Treasury risks The group's treasury department manages funding, liquidity and risks arising from movements in interest and foreign currency rates within a framework of policies and guidelines approved by the board.	The treasury department does not operate as a profit centre and the undertaking of speculative transactions is not permitted.
Funding and liquidity risk The group's policy aims to ensure the constant availability of an appropriate amount of funding to meet both current and future forecast requirements consistent with the group's budget and strategic plans.	The group will finance operations and growth from its significant existing cash resources. Given the group's significant cash resources, no additional facilities are in place. This decision has been kept under review during 2010. However, appropriate facilities will be maintained to meet ongoing requirements for performance related bonding and letters of credit.
Counterparty risk management The group holds significant net cash balances following the disposal of a number of businesses during 2006, 2007 and 2008. Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract.	AMEC manages these risks by ensuring that surplus funds are placed with counterparties up to a pre-approved limit. These limits are set at prudent levels by the board and are based primarily on credit ratings set by Moody's, Standard & Poors and Fitch. Credit ratings are monitored continuously by the group treasury department. The group treasury department monitors counterparty exposure on a global basis to avoid an over-concentration of exposure to any one counterparty.
Interest rate risk	The group remained in a net cash position throughout the year. Long-term interest rate hedging (for periods beyond three to six months) is not considered appropriate as the surplus cash position is viewed as temporary. In 2010, the effective interest rate on the average cash balance of £660 million was one per cent (2009: one per cent).

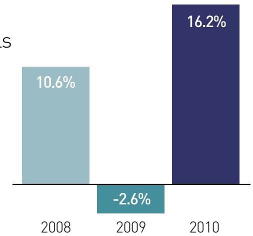
Financial risk continued	**Mitigation** continued
Foreign exchange risk The group publishes its consolidated accounts in Sterling. It conducts business in a range of foreign currencies, including Canadian and US dollars and currencies linked to the US dollar. As a result, the group is exposed to foreign exchange risks, which will affect transaction costs and the translation of the results and value of underlying assets of its foreign subsidiaries.	**Transaction exposures** A significant proportion of the group's trading income is denominated in the local currency of the business operations which provides a natural hedge against the currency of its cost base. Where commercial contracts are undertaken which are denominated in foreign currencies, the group seeks to mitigate the foreign exchange risk, when the cash flow giving rise to such exposure becomes certain or highly probable, through the use of forward currency arrangements, which may include the purchase of currency options. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events. This can give rise to exposures if cash flows are denominated in foreign currency. Hedging decisions are based on the latest available forecasts at the time the decision is taken, which are regularly monitored and updated. There are currently no material transaction exposures which have been identified and remain unhedged. AMEC recognises that, having taken out forward contracts in respect of underlying commercial transactions, an exposure would arise if the forward contracts had to be unwound as a consequence of the anticipated cash flows under such contacts being cancelled or otherwise not being received. The total gross nominal value of all outstanding forward contracts at 31 December 2010 is £187 million (2009: £132 million). At 31 December 2010 the mark-to-market value of contracts that were out of the money gave rise to a liability of £5.6 million (2009: liability of £5.5 million) and of these contracts that were in the money was an asset of £1.4 million (2009: asset of £1.8 million). AMEC has no reason to believe that any material outstanding forward contract will not be able to be settled from the underlying commercial transactions. **Translation exposures** A portion of the group's earnings is generated in non-Sterling currencies. Such overseas profits are translated into Sterling at the average exchange rate prevailing throughout the year. There is currently no hedging in place for profits generated in non-Sterling currencies but the impact on group profits is monitored on an ongoing basis. In addition, the group has various assets denominated in foreign currencies, principally US dollars and Canadian dollars. A proportion of these assets, including unamortised goodwill, have been hedged by using cross-currency instruments. At 31 December 2010, these net investment hedges amounted to £267 million (2009: £196 million) covering approximately 44 per cent of overseas assets (2009: 40 per cent). The policy was changed in 2009 to cease translation hedging for core assets of the business. The existing hedging contracts will not be replaced as they mature. In specific circumstances, for example the planned repatriation of foreign assets, the group may from time to time enter into new net investment hedges to manage foreign exchange risks.
Legacy risk One of AMEC's risks remains the risk of a liability arising in connection with divested businesses.	In order to address this risk, a legacy team has been established. This team deals with the defence of claims, or potential claims, against AMEC and monthly meetings are held in order to review the status of all legacy matters. AMEC has made provisions for the legacy issues which are believed to be adequate and AMEC is not aware of any current issues relating to disposed businesses which are likely to have a material impact.
Acquisitions AMEC is exposed to risk in connection with its acquisition activities.	This risk is managed through the corporate transactions committee process. In addition to addressing due diligence issues, the corporate transactions committee process requires that acquisition plans (including integration plans) are put in place for each acquisition. Plans are also established for the implementation of post-acquisition reviews in order to ensure the effective integration of the acquired entity.

Key Performance Indicators

Financial

Revenue growth

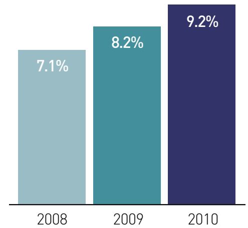
See pages 6-9 for more details



Margin

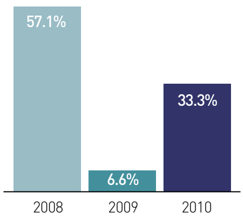
See pages 22, 27 and 30 for more details

(EBITA as percentage of revenue)



EPS growth

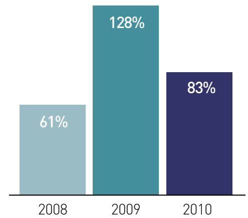
See pages 6-9 for more details



Cash conversion

See page 33 for more details

(Operating cash flow as a percentage of operating profit)



Non-financial

Vision 2015

We track a number of additional metrics to help us understand our progress towards Vision 2015.

See Strategy section, pages 6-9, for more details

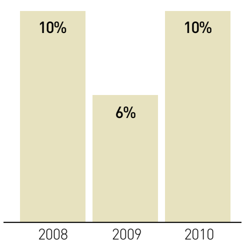
Safety (continuing operations)

Number of fatalities at work

0

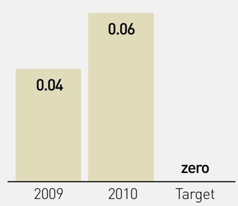
for the past 3 years (2008 – 2010)
We have the same target for 2011

Employee-instigated turnover



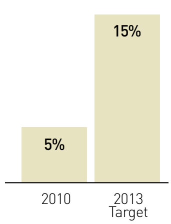
See pages 7 and 15 for more details

Lost time incident frequency rate



(per 200,000 exposure hours)

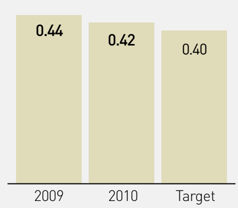
Carbon emission reduction



See page 15 for more details

(reduction since 2008 baseline in carbon emissions per employee)

Total recordable case frequency rate



(per 200,000 exposure hours)

Sustainability

Sustainability and AMEC

At AMEC, we believe that sustainable development is a core part of our everyday business life, through the services we provide and the way in which we provide them. We want to achieve economic success in ways which uphold our values and Guiding Principles, meeting today's needs without compromising the needs of future generations. We aim to ensure sustainable business principles filter into every level of our business and culture.

We believe this makes good business sense. Not only does it allow us to reduce overhead costs, increase skills and achieve resource efficiencies, but it also provides a business opportunity.

Our customers are looking for sustainability solutions: sustainability consulting services such as carbon footprinting, economic analysis and community consultations; sustainable engineering projects such as wind farms or biodiesel facilities; and applied sustainability, incorporating key aspects of sustainability into a project as a value-added service. In each of these areas, we can help assess what our customers need and match it with AMEC's technical and scientific expertise.

In our measurement and reporting on sustainability we focus on those areas which are most important for us to manage, those which are important to our stakeholders, and those which are critical for AMEC's long-term success. We set targets for, and check on the progress of, over 40 sustainability indicators, which are grouped together into four areas:

- Our workplace
- Our environment
- Our community
- Our marketplace.

The 2010 Annual Sustainability Performance report, our tenth, is available at amec.com/aboutus/sustainability. It provides full details on each of these indicators, some of which are also incorporated into this report.

In particular, see pages 6-9 and 14.

Other highlights of 2010 include:

- Included in the Dow Jones Sustainability Index for the seventh year in succession: sector leader in Oil Equipment and Services sector for the second year running
- Launched My Compass, an online, interactive onboarding/induction programme for new employees
- Published first Communication on Progress (COP) to United Nations Global Compact
- Started to track time invested in community investment activities, using a tool supplied by LBG
- Provided £553, 000 of support to charities, including matching funds raised by our employees
- Low carbon management programme continued. Since 2008 we have seen a five per cent reduction in carbon emissions per employee. Our target for 2013 is a 15 per cent reduction.
- Employee-instigated turnover returned to more normal levels in 2010, at 10 per cent, 2009 having been affected by the general economic climate
- Continued to deliver sustainability services to customers, including for Thompson Creek Metals Company Inc (see page 29).

For 2011, our priorities include:

- Further develop and market AMEC's sustainability services, focusing on clean energy solutions and adapting to climate change
- Continue to reduce our carbon footprint by setting local carbon reduction targets and by learning from best practice within the company
- Review how the company's water usage is measured and agree a baseline from which to work going forward
- Further embed the Global Compact principles within our business policies and processes, re-issuing our Code of Business Conduct to incorporate these changes and take account of the UK Bribery Act.

Business and financial review

Introduction

This business and financial review sets out descriptions of each of the group's business segments, their markets, strategy and significant factors affecting performance for the year ended 31 December 2010. It includes comments on movements in the income statement, balance sheet and cash flow statement and on matters that may have an impact on the group's future financial performance. The review provides a broader perspective of AMEC's businesses to enable a more informed judgement to be made of the group's financial performance and prospects. Certain forward-looking statements with respect to the financial condition, operations and results of AMEC's businesses are contained in the review. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual performance or developments to differ materially from those expressed or implied by these forward-looking statements. The review is provided solely to provide additional information to assist in the assessment of the group's strategy and future prospects. It should not be relied on for any other purpose.

Basis of presentation and discontinued operations

The following analysis is based on the results for continuing operations before intangible amortisation, goodwill impairment and pre-tax exceptional items but including joint venture profit before tax.

In accordance with IFRS 5, the post-tax results of discontinued operations are disclosed separately in the consolidated income statement.

The cash flows of discontinued businesses are fully consolidated within AMEC up to the date of sale and the assets and liabilities of discontinued businesses that have not been sold at the year end are shown separately on the consolidated balance sheet.

Segmental analysis

Segmental analysis is provided for the group's core activities in the Natural Resources, Power & Process and Earth & Environmental divisions, as well as for non-core Investments and other activities.

Amounts and percentage movements relating to continuing segmental earnings before net financing income, tax, goodwill impairment and intangible amortisation (EBITA) are stated before corporate costs of £35.9 million (2009: £38.1 million) and pre-tax exceptional income of £10.7 million (2009: £8.9 million).

The average number of employees for the years ended 31 December 2010 and 31 December 2009 stated in this review includes agency staff.

Natural Resources

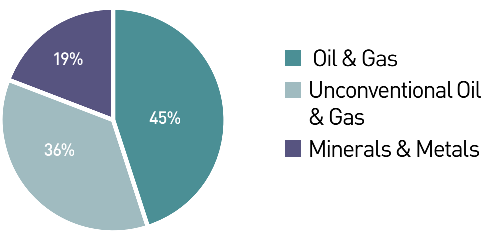
Description of business

Principal activities: Oil & Gas services, Unconventional Oil & Gas and Minerals & Metals. Total life of asset services ranging from engineering design through to asset support and decommissioning. 74 per cent of 2010 revenues generated by asset development (capex) services, with the remainder in asset support (opex). Activities are concentrated mainly in the upstream sector (over 90 per cent of 2010 revenues), with the balance being in midstream and downstream.

Principal locations: AMEC has operations in mature markets and frontier regions, with major offices in Aberdeen, London, Great Yarmouth, Darlington (UK); Atyrau (Kazakhstan); Baku (Azerbaijan); Calgary, Toronto, Saskatoon, Vancouver (Canada); Houston, TX (US); Kuala Lumpur (Malaysia); Kuwait City (Kuwait); Perth, Brisbane (Australia); Shanghai (China); Santiago (Chile); Belo Horizonte (Brazil); Lima (Peru); Singapore; Johannesburg (South Africa).

Revenue split: By geography: 20 per cent UK/Europe; 59 per cent Americas; 21 per cent Rest of World.

Revenue split by sector:



Customers include: Apache, Azerbaijan International Oil Company (AIOC), BG, BP, Britannia Operator Limited, Chevron, ConocoPhillips, ExxonMobil, Fairfield Energy, INPEX, Kinross, KOC, KPO, Ma'aden Phosphate, Maersk, Northgate, PotashCorp, QUIP SA, Shell, Teck Resources.

Significant new contracts in 2010 included:
BP: one of two global providers of engineering and project management services (EPMS) for BP's global onshore facilities developments; BP: five-year Master Services Agreement plus first contract, Azerbaijan; Chevron: front-end engineering and design (FEED) for Mafumerira Sul project, offshore Angola; South Hook LNG Terminal Co: three-year (engineering, design) services contract, South Wales, UK; Providence Resources Plc: conceptual study for Ulysses salt cavern gas storage, offshore eastern Ireland.

Mining – Northgate Minerals Corporation: EPCm for Young-Davidson Gold Project, Canada; Terrane Metals Corp: EPCm services for Mt. Milligan copper-gold project (in joint venture with Fluor), Canada; PanAust Limited: detailed engineering and procurement services for Ban Houayxai gold and silver project, Laos.

In the North Sea – Maersk FPSOs: FEED for modifications to the Curlew floating production storage and offloading vessel; Bluewater: engineering and maintenance services for two FPSO vessels; Shell: three-year contract extension for Shell ONEgas joint venture contract; ConocoPhillips: detailed engineering, procurement, hook-up and commissioning Judy platform and Jasmine facilities; Apache: design and implementation of brownfield modifications to Forties Alpha platform.

£ million	2010	2009	Change (%)	Underlying[1] (%)
Revenue	**1,520.5**	1,300.9	+17	+6
EBITA	**174.7**	154.3	+13	+4
EBITA margin (%)	**11.5**	11.9	-40bps	
Order book (£bn)	**1.81**	1.71	+6	
Average number of employees[2]	**9,729**	9,577	+2	

1 Growth measured against 2009 as restated for material acquisitions and movements in material currencies.
2 Full time equivalents, including agency staff.

Notes
Engineering Procurement and Construction (EPC)
Engineering Procurement and Construction management (EPCm)
Programme Management Consultancy (PMC)

Natural Resources continued

Business overview

The Natural Resources division, comprising Oil & Gas, Unconventional Oil & Gas and Minerals & Metals businesses, provides services to an increasingly broad range of customers around the world. The business has strong, long-term relationships with customers and is today recognised as a world leader in the provision of engineering, project management and asset support services, with particular expertise in large and complex projects in growth regions and in extending the life of assets in the mid-late stages of their life cycle.

The business portfolio is well balanced by geography, by end market, and in terms of the nature of services provided. This minimises exposure to any one specific demand cycle. The majority of the division's engineering and project management staff have skills which are transferable between market sectors.

AMEC is differentiated in its ability to offer customers services and tools including training and development, and a sustainable approach to business in frontier regions. Through the Earth & Environmental division, AMEC is able to offer specialist environmental services at every stage of the project life cycle. In the initial stages, AMEC advises clients on how to minimise the environmental impacts of a development. For operating facilities, AMEC has developed software that monitors existing assets and identifies areas to reduce both energy and emissions.

The business is focused on the provision of services to a balanced portfolio of customers. Contract types are varied, both by region and by nature of service, ranging from capex multiplier contracts with rewards to reimbursable opex contracts with performance incentives. The revenue profile of the division spans short-term (less than 12 months) consultancy services, to long-term (five years or more) engineering asset support contracts. EBITA margins range from 7.3 per cent on average in 2010 (2009: 8.8 per cent) for opex services to 12.9 per cent on average for capex contracts (2009:13.3 per cent).

Oil & Gas

AMEC offers a wide range of capex and opex services to an increasingly broad range of customers, which includes International Oil Companies (IOCs), National Oil Companies (NOCs) and independent operators in Europe, Americas, Middle East and Africa, the Caspian, South East Asia and China. It does not operate in early cycle exploration or drilling, but is involved in every part of the project delivery phase.

Services	Facilities
Asset optimisation Brownfield engineering and project management Construction management Consultancy Decommissioning and cessation of production Design engineering Duty holder Facilities engineering Front-end engineering Hook up and commissioning Installation Operations and maintenance support Production operations	Offshore fixed platforms Offshore floating production units Onshore booster stations, gathering centres, tank farms, gas-oil separation plants Onshore oil and gas fields Pipelines

Oil and gas services contracts are cost reimbursable or cost plus and increasingly performance-based; no lump-sum fabrication is performed. Being services-based, capital employed reflects mainly current trading assets.

Revenues in 2010 were generated primarily from activities with IOCs, with some 15 per cent of conventional oil and gas revenue from NOCs.

Demand for AMEC's services is linked to the level of spending on new production facilities, and on operations, maintenance, extending the life and increasing production from existing infrastructure.

The centres of excellence in Aberdeen and London (UK); Calgary (Canada); Houston, TX (US); and Kuala Lumpur (Malaysia) are supported by a growing network of engineering centres around the world. Recent strategic investment and joint ventures in Qatar, Australia, South Africa, China and South America provide improved access to customers in those regions.

AMEC has global experience of delivering large and complex projects, with capabilities in deepwater and hostile conditions including Arctic environments and earthquake-prone regions. It has developed a strong position in frontier regions including the Caspian, South East Asia and West Africa.

In the opex arena, AMEC is a leading international asset support provider, servicing more than 200 facilities daily. It is the market leader in UK North Sea brownfield services and is also a provider of duty holder services and more integrated solutions to new entrant operators in the region.

AMEC provides independent business consultancy services through Rider Hunt International (RHi), a leading project services consultancy. The acquisitions of Currie & Brown (Australia) Pty Ltd in January 2010 and BurmanGriffiths in November 2010 (both now trading as Aquenta) strengthened these capabilities as well as AMEC's Australian presence. A strategic partnership with S2V Consulting, also in Australia, was announced in December and expands AMEC's service offering to include subsea and field development services.

During 2010, there has been a resurgence of brownfield activity in the North Sea, with AMEC winning or extending a number of contracts. The strategic relationship with BP has been further strengthened by recent awards, including: the five-year master services agreement in Azerbaijan; work on the next, 'define', phase of the Clair Ridge project; and AMEC's appointment as one of two strategic partners to provide Engineering and Project Management Services for BP's onshore facilities developments around the world.

Historically, AMEC has not had a major presence in the Gulf of Mexico; the region generated less than £10 million of revenues in 2009 and AMEC saw no direct impact on its business from the Macondo oil spill. The global deepwater segment remains a core focus of AMEC's Vision 2015.

Markets

The International Energy Agency (IEA) latest World Energy Outlook forecasts primary oil demand in their 'New Policies Scenario' to increase from 84.0mb/d in 2009 to 89.2mb/d in 2015 and 99.0mb/d by 2035. A decline in OECD countries is expected, offset by growth elsewhere, particularly in China and India. Satisfying this demand will require an average annual development of nine billion barrels of new discoveries from 2015 onwards. The IEA forecasts an upstream oil and gas capital spending requirement between 2010 and 2035 of about $440 billion per annum.

In the near term, the Deutsche Bank/Wood Mackenzie annual survey of global capex forecasts growth of six per cent across 2010 to 2012 and expects US$440 billion of Engineering and Construction capex in 2011 (of which NOCs represent 40 per cent). By 2013, they expect that levels of spend should surpass the 2008 peak.

There is a continued trend of resources being more difficult to extract, and AMEC's experience of Arctic, deepwater and complex projects gives the group a good position. At the same time, environmental pressures have increased and this is another area where AMEC can demonstrate a strong track record in helping its customers.

The mature oil and gas sector has ageing infrastructure and increasingly depleting reserves which AMEC is well positioned to service, both in terms of asset support services, performance and efficiency improvements, and decommissioning and cessation of production.

Natural Resources continued

Opex activity is set to grow in part because globally the number of complex facilities continues to increase. These facilities are at different, and ever increasing, stages of maturity and therefore require a growing amount of maintenance input. More importantly, AMEC is increasingly providing more sophisticated solutions which adapt existing facilities to handle new reservoirs, for example by using tie-backs.

With leading market positions in mature markets and frontier regions, early life cycle visibility, a balanced portfolio of services and a carefully selected yet diversified customer base, AMEC is well positioned to grow.

AMEC estimates that its accessible markets will grow by between 8 and 10 per cent per annum in the period to 2015.

Unconventional Oil & Gas

AMEC is the market leader in the provision of project management and engineering services to the upstream surface mining Canadian oil sands sector. From helping to build the world's first oil sands plant in 1967 to the world's largest plant in 1978, AMEC's operations have matured along with the industry, with participation in most recent oil sands developments.

In this sector, AMEC provides environmental consulting, FEED, engineering, selective EPC, EPCm, project management and PMC services. Historically the focus has been on mineable oil sands, though the acquisition of BDR in 2008 brought in-situ expertise. This positions AMEC for the anticipated shift as the new technology is increasingly being used, and on larger projects.

In particular during 2010, AMEC has continued to work on the Kearl oil sands project in Canada, for Imperial Oil Limited. This project has involved AMEC employees from all three divisions and across offices, working together to meet the needs of our customer.

Markets

According to the IEA World Energy Outlook 2010, production from Canadian oil sands will increase from 1.5mb/d in 2009 to 2.8mb/d by 2020 under the New Policies scenario. The capital required to achieve this increase is estimated at around US $11 billion per annum. The same report suggests that most new oil sands projects are thought to be profitable at oil prices above US$65 – US$75 per barrel.

Two main extraction techniques are used in the oil sands: surface mining, which currently accounts for around one half of production, and in-situ, which is expected to increase its share of the market over the next 10 years. In-situ methods, used to extract deeper reserves, utilise steam injected into reservoirs to mobilise the oil. Of the total 170 billion barrels of established Canadian oil sands reserves, around 20 per cent is recoverable by mining.

AMEC is aware of the environmental concerns raised by activities in the oil sands. The full capability of the Earth & Environmental division (see page 29 for specific services) can be used to ensure that customers meet and, where possible, exceed local legislation, providing them with solutions to environmental challenges.

AMEC's oil sands activity in 2011 is expected to be below 2010's record levels, due to the phasing of work on the Kearl project. The overall market remains strong and AMEC estimates that its accessible markets will grow by between five and seven per cent per annum in the period to 2015.

Minerals & Metals

AMEC offers mining consultancy (including ore resource estimation, mine planning and feasibility studies), design and project and construction management services to global mining customers producing commodities including potash, gold, diamonds, base metals, coal, iron ore and uranium. The business operates from strategic mining locations including Perth and Brisbane (Australia); Belo Horizonte (Brazil); Saskatoon, Toronto and Vancouver (Canada); Johannesburg (South Africa); Santiago (Chile) and Lima (Peru).

The business is a recognised leader in environments where projects have significant logistical challenges associated with remote location and difficult access. AMEC occupies a top-tier position in international consulting and a leading position in the North and South American EPCm markets, where it has provided services for many of the world's leading mining companies.

The acquisition of GRD Minproc in November 2009 added world class technical capabilities in a number of key commodities, including copper, gold, nickel, uranium and iron. It also delivered critical mass in Australasia and enhanced AMEC's presence in Africa and South America. Integration is now well advanced and the acquired business started to contribute to profits in the second half of 2010. Recent contract wins included the appointment as study managers and process plant consultants for Crazy Horse Resources on the Taysan Copper Gold project in the Philippines.

AMEC's historic focus has been largely on surface mining. In line with Vision 2015, this expertise has now also been applied to underground mining, starting with the award of a feasibility study for Lift 1 of the underground Hugo North block cave operation of Oyu Tolgoi LLC's copper and gold mining project in Mongolia.

Markets

The underlying drivers supporting continued growth in commodity markets are strong.

Following the financial crisis in 2008, increased caution from mining companies manifested itself in reduced expansionary capacity. The Deutsche Bank (DB) note of 11 January 2011 "A bold 2011 for the miners" suggests that although global growth in 2011 will be lower than 2010, this will require still more output from a commodity supply chain which is already stretched and under-capitalised. Hence they expect strong commodity price performance in 2011 and beyond.

China has been the major driver of commodity demand over the last couple of years. DB expects a modest reduction in Chinese GDP growth rates to 2012 but still is forecasting solid growth in Chinese commodity demand off an ever-increasing base.

AMEC has long sought to mitigate the impact of economic volatility by positioning itself to support a diverse range of commodities and service markets.

AMEC estimates that its accessible markets will grow by between six and eight per cent per annum in the period to 2015.

Vision 2015 strategy

The Vision 2015 strategy for Natural Resources reinforced its well embedded customer-focused philosophy. Going forward, we will continue to expand our geographical coverage and our capabilities to support our customers' requirements.

As shown in more detail on page 17, in 2010 we;

- Increased our scope of work with existing customers such as BP and added a number of new customers
- Were commissioned to undertake a feasibility study on an underground mine in Mongolia
- Created a strategic partnership with S2V Consulting which means we can now offer in-house subsea and field development services
- Expanded our position in Australia and enhanced our business consulting offering with the acquisition of Currie & Brown (Australia) Limited and Burman Griffiths.

Since the year end, we have also acquired Zektingroup, an Australian-based specialist engineering consultancy and qedi, a UK-based project delivery company. Zektin provides front-end engineering design (FEED) and engineering services to the oil and gas market, in particular coal seam methane (CSM), and the controlled-environment market, which includes the bioprocess, biotechnology and pharmaceuticals sectors. Qedi has 350 people focused on delivering completion and commissioning services for major projects in the oil and gas industry.

AMEC continues to see acquisition opportunities in Natural Resources' end markets which would further improve its competitive position.

Further details on Vision 2015 can be found on page 6 and at amec.com/vision2015.

Financial performance

Overall revenue in the Natural Resources division improved 17 per cent to £1,520.5 million through a mix of organic growth, acquisitions and positive currency movements. The division saw good performance, particularly in Canadian oil sands, as work progressed on the initial development of Imperial Oil's Kearl project. Minerals & Metals also performed well on the back of improving commodities markets and North Sea activity picked up in the latter part of the year.

Improvements in EBITA (£174.7 million, up 13 per cent) were driven by revenue growth, the favourable impact of currency movements and acquisitions. The EBITA margin of 11.5 per cent was down 40 basis points, affected by the first year's trading from GRD Minproc, as well as continuing customer pricing pressures. As anticipated, GRD is now trading profitably.

Capex activities increased to 74 per cent of total divisional revenues, and opex activities represented 26 per cent (2009: capex 65 per cent; opex 35 per cent). Margins in capex and opex declined to 12.9 per cent and 7.3 per cent respectively (2009: capex 13.3 per cent; opex 8.8 per cent).

Natural Resources order book at 31 December 2010 was up six per cent at £1.8 billion, with North Sea brownfield and mining activity driving the increase. Capex activity represents 42 per cent of the order book (2009: 55 per cent), with opex up at 58 per cent (2009: 45 per cent).

AMEC's oil sands activity in 2011 is expected to be below 2010 record levels, due to the phasing of work on Imperial Oil's Kearl project. This short term decline is expected to be offset by an increase in mining and North Sea activity.

Although AMEC has ceased operations in Libya and safely evacuated all expatriate staff, the impact on the group will be insignificant.

Major agreements or contracts during 2010 are shown on page 17.

Further details on these, and other contract awards, may be found at amec.com/media.

Power & Process

Description of business

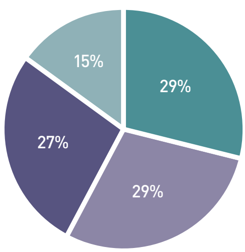
Principal activities: Total life of asset services provided, particularly in the areas of clean energy and carbon efficiency, in Europe and the Americas.

40 per cent of 2010 revenues generated by capex services with the rest in opex.

Principal locations: AMEC has operations in mature markets and frontier regions, with major offices in Atlanta, GA, Greenville, SC (US); Darlington, Knutsford (UK); Santiago (Chile); Toronto and Vancouver (Canada).

Revenue split: 60 per cent UK/Europe; 40 per cent Americas.

Revenue split by sector:



Customers include: AIM Harrow, AWE, BC Hydro, Bruce Power, Dominion Power, EDF Energy, ExxonMobil, INEOS, Kruger Chatham, Magnox, Milford Energy, National Grid, NDA, Ontario Power Generation, PCA Valdosta, SABIC, Sellafield Limited, Shell, Southern Company, Scottish Power, Wales and West Utilities.

Significant new contracts in 2010 included:
EDF Energy: major 11-year contract to support the architect engineer operation for the proposed delivery of four new EPR (European Pressurised Water Reactor) nuclear reactors at Hinkley Point and Sizewell, UK; Sellafield Limited: two-year contract for the early phase (project definition, design and cost) programme of the Highly Active Effluent Facility project, UK; CEZ: five-year contract for the management of radioactive waste at their nuclear power plant in Dukovany, Czech Republic; Kruger Energy: engineering, procurement, construction contract for the Chatham Wind Power project, in Ontario, Canada; EnergySource LLC: engineering services for a 49-megawatt, $350 million geothermal power generating facility at Salton Sea, California, US; National Grid: FEED for carbon capture and storage (CCS) project at Longannet power station in Fife, Scotland, UK; INEOS New Planet BioEnergy: delivery of the first commercial-scale advanced bio-energy facility using the INEOS Bio technology, Florida, US; EDF Energy: extension of Hill Top Farm gas storage facility, to include the design, installation and commissioning of the filtration and compression facilities, after-cooling, de-hydration, metering and utility equipment, UK.

£ million	2010	2009	Change (%)	Underlying[1] (%)
Revenue	**884.4**	788.1	+12	+10
EBITA	**75.3**	55.4	+36	+32
EBITA margin (%)	**8.5**	7.0	+150bps	
Order book (£bn)	**1.05**	1.17	-10	
Average number of employees[2]	**7,507**	7,061	+6	

1 Growth measured against 2009 as restated for material acquisitions and movements in material currencies.
2 Full time equivalents, including agency staff.

Business overview

The Power & Process division provides a balanced portfolio of consulting, EPC (Engineering, Procurement, Construction) and asset support services across the life cycle of projects and investments to a broad range of public, private and utility customers principally located in the UK, Europe and Americas.

Over the last four years the business mix has been deliberately migrated towards higher value services and projects which provide an attractive mix of risk and return. Contract types and lives vary by region and nature of service, from cost reimbursable to target price. Lump sum contracts make up some 18 per cent of the division's revenue.

As in Natural Resources, the majority of the division's engineering and project management staff have skills which are transferable between market sectors.

Vision 2015 has established a clear strategic focus on clean energy and carbon efficiency, with the intent to grow existing markets and selectively pursue growth into new markets and geographies.

Nuclear

AMEC's nuclear capability has been developed over 50 years. AMEC is experienced in supporting the full life cycle of nuclear energy, with expertise covering a large range of nuclear technologies.

Principal offices are in Knutsford (UK) and Toronto (Canada) with locations in Eastern Europe and South Africa and some 2,000 employees in this sector. Customers include major utilities, governments, national regulators and other significant stakeholders.

Services are provided across the full asset life cycle, from new build to reactor support (including life time extension) and finally to nuclear decommissioning and waste management. These services include programme management, major project management, engineering, outage management, safety design and assessment, research and development, radiochemical analysis, radiological, environmental and other specialist technical services.

AMEC's nuclear business remains 'technology independent' and its experience ranges across all four generations of nuclear technology.

The business works with its customers in long-term relationships based on partnering to support their major assets, and has significant experience in effectively managing complex stakeholder relationships across the industry, governments, regulators, supply chain and communities.

Principal activities include:

- Providing pre-licensing and architect and owner engineer services ensuring support for project construction management on new build programmes worldwide. During 2010, AMEC was appointed by EDF to support its architect engineer operations on its UK nuclear new build programme
- Supporting major reactor re-start programmes such as Bruce Power in Ontario, Canada
- Providing key technical and project management services to support the continued operation, enhancement and life time extension of existing reactor fleets
- Managing UK decommissioning and waste management programmes. Importantly, AMEC holds a key position within Nuclear Management Partners (NMP) for the management of the Sellafield complex on behalf of the NDA
- Providing project management, engineering and safety assurance services to nuclear decommissioning programmes across Europe
- Providing licensing and regulatory support for the complete asset life cycle from engineering, through commissioning and operation to decommissioning
- Active in research and naval reactor plant programmes and the UK's strategic deterrent programme.

Markets

The nuclear industry has been experiencing a worldwide renaissance which is driven by:

- Increasing worldwide energy demand
- Need for reduced greenhouse gas emissions and environmentally clean technology to replace an aged asset base and help minimise climate change
- Security of supply concerns, as it is less subject to economic or political uncertainty.

The longevity of the nuclear market is a key attribute and AMEC is positioning itself to be a major player in its current and target regions for the long term.

Globally, there are currently some 30 countries with nuclear power and a further 20 countries considering it. Worldwide electricity production from nuclear power is projected to climb from 2,731 TWh in 2008 to 4,900 TWh by 2035 (IEA). AMEC estimates the global market for its services in nuclear to be around £59 billion currently, growing to greater than £95 billion by 2020.

The UK Government is supporting the replacement of the existing UK fleet of nuclear power stations. Over at least the next 11 years, AMEC will be actively supporting EDF's nuclear new build programme.

With its role at Sellafield and history at Dounreay, Power & Process is a major player in UK decommissioning, a sector valued at £73 billion (UK Nuclear Decommissioning Authority figures).

In Canada, nuclear power is used to generate approximately 15 per cent of electricity requirements. Refurbishment projects which are either in progress or have been announced amount to some Cdn$9 billion, of which Cdn$6 billion is in Ontario and the balance split between New Brunswick and Quebec. A further nine plants are potentially planned by 2020.

Other key geographies for AMEC include Central and Eastern Europe and South Africa.

AMEC estimates that its accessible markets will grow by between five and seven per cent per annum in the period to 2015.

Renewables/Bioprocess

This sector has a strong North American focus, in part due to the clean air legislation and tax incentives provided to encourage growth.

AMEC provides consulting, engineering, construction management and selected EPC/EPCm services to customers including power utilities, financial institutions, government agencies, technology developers, OEMs (original Equipment Manufacturers) and specialist consultants. Projects may range from consultancy support during technology development for Carbon Capture and Storage (CCS) and marine energy in the UK to wind EPC and construction services in Canada.

AMEC is able to draw on its considerable experience and expertise in areas such as the power and pulp and paper sectors to assist its customers in implementing new technologies. For example, AMEC has considerable expertise and experience in wood handling, storage and conveyance, boiler technologies and co-firing of biomass in industrial boilers within the conventional power sector which is readily transferable to biomass.

Biofuels are driven by clean fuels legislation. AMEC is a leader in the development of cellulosic ethanol, and has contributed to high-profile demonstration plants.

The pulp and paper sector covers grades of printing and writing paper, tissue, boxboard, container board, and other speciality products. AMEC is a market leader in the Americas as a full-service provider.

Contracts worked on during 2010 included the Chatham Wind Power project in Canada for Kruger Energy, the first commercial scale advance bio-enegry facility for INEOS New Planet BioEnergy in Florida, US and FEED work for National Grid for a carbon capture and storage project at Longannet Power Station in Scotland, UK.

Markets

The renewables sector is driven by the requirement to meet national and international emissions control and pollution control legislation, and incentive mechanisms including short-term stimulus packages and improving technology.

Under the IEA new policies scenario, overall renewables are projected to increase from 19 per cent of the global electricity generation mix in 2009 to 24 per cent in 2020 and 32 per cent in 2035.

In absolute terms, this is equivalent to an increase from 3,772 TWh to nearly 11,200 TWh by 2035. To achieve this, an investment of some US$5.7 trillion is forecast, of which over US$1.8 trillion is invested in wind, US$1.4 trillion in solar and US$688 billion in biomass.

BP's Energy Outlook 2010 expects renewables (including biofuels) to be the fastest growing sector in the fuel mix, growing by 8.2 per cent per annum from 2010 to 2030.

AMEC estimates that its accessible markets will grow by between 8 and 10 per cent per annum in the period to 2015.

Power

This sector comprises generation of electricity from conventional sources other than nuclear, and also air quality control systems (AQCS) for emissions control work.

The majority of services are performed for regulated utilities and independent power producers, primarily in Europe and the Americas. The services provided include consultancy and feasibility studies, engineering, EPCm and construction.

During 2010, work on EDF Energy's new 1,300MW Combined Cycle Gas Turbine (CCGT) power station at West Burton, UK has continued.

Markets

Over 400 GW of operational coal, gas, and oil- fired capacity is more than 40 years old and a further 585 GW is between 30 and 40 years old. This means that around one third of the installed fossil fuel capacity in 2008 will reach the end of its operational life in the next 10 to 15 years, with the effect disproportionately weighted towards OECD countries. The IEA suggests that nearly 35 per cent of the US$9.6 trillion of worldwide investment to 2035 will be needed to replace existing plants.

Investment in conventional power in North America and the UK is expected to remain stable, while environmental projects (such as flue gas desulphurisation and selective catalytic reduction) are expected to grow, as emission targets increase.

AMEC estimates that its accessible markets will grow by between three and five per cent per annum in the period to 2015.

Transmission & Distribution (T&D)

This sector covers power transmission and distribution for medium, high, and extra high voltage transmission lines and cables, substations and interconnectors. It also includes gas transmission and distribution, encompassing AMEC's activities in high pressure gas import terminals, storage and transmission, and low pressure gas distribution.

AMEC provides consulting and feasibility studies through to detailed engineering, project management, programme management, construction, EPCm and commissioning services.

Major customers are T&D system owners with which AMEC has had long-standing relationships. They include National Grid (including involvement in the Electricity Alliance West and in the M1 Gas Alliance, both in the UK), EDF and Wales and West Utilities.

During 2010, AMEC won a new contract worth over £60 million for the extension of the Hill Top Farm gas storage facility in the UK for EDF. AMEC will design, install and commission the filtration and compression facilities, after-cooling, de-hydration, metering and utility equipment.

Markets

The sector is characterised by medium-term, sustainable growth which will be resistant to major cyclical swings.

- Increasing global power demand creates the requirement for increased interconnection
- Shifts in supply and demand points, with the transition to low carbon generation and renewable energy in remote locations, drive system configuration changes
- T&D networks in AMEC current and future territories require major asset renewal to replace life-expired assets following many years of underinvestment.

Gas investment will continue to grow in the short term, driven primarily by the issues of security of supply and the need to increase storage capacity in Europe and North America.

IEA World Economic Outlook 2010 supports this requirement for investment in T&D infrastructure, identifying US$1.2 trillion of investment being required in the OECD countries alone between 2010 and 2020.

AMEC estimates that its accessible markets will grow by between four and six per cent per annum in the period to 2015.

Vision 2015 strategy

The Power & Process division's Vision 2015 strategy is to focus on clean energy and carbon efficiency as a sustainable platform for future growth post economic recovery. The group will maintain a balanced portfolio of services focusing on both EBIT growth through higher value services and volume growth from project delivery services. A technology neutral position will be maintained with the group positioned as expert partner of choice, aligned with technology providers as required to access clients, sector and market opportunities.

Key achievements in 2010 included growth in underlying revenue of 10 per cent, achieved through a focus on higher value services. Confirmation of the tier one role with EDF on the UK nuclear new build programme provides a strong base for future growth in the nuclear sector and the award of several leading edge contracts in renewables/bioprocess provides recognition of AMEC's expertise in this area.

Further details on Vision 2015 can be found on page 6 and at amec.com/vision2015.

Financial performance 2010

The Power & Process division achieved a strong set of results in 2010, reflecting the extensive measures taken to refocus the business model and core services over the last four years.

Revenue was up 12 per cent, to £884.4 million in 2010 (2009: £788.1 million) driven by a strong performance in the UK nuclear sector as well as the ramping up of a power project in the UK.

EBITA increased 36 per cent, to £75.3 million (2009: £55.4 million), benefiting from improvements in operational efficiency. The major Sellafield joint venture contract contributed £16 million in 2010 (2009: £15 million). The overall EBITA margin improved by 150 basis points, to 8.5 per cent.

The order book at 31 December was £1.05 billion (31 December 2009: £1.17 billion), down on the previous year, due to adjustments made relating to National Grid in the US, where the scope of future work on the infrastructure replacement programme has been reduced. This was offset in part by increased activity in the Renewables and Nuclear sectors. Capex activity represents 57 per cent of the order book (2009: 39 per cent), with opex at 43 per cent (2009: 61 per cent). The tier one Sellafield decommissioning contract, as an equity accounted joint venture, is not included in these figures.

Good progress continues to be made on the resolution of the 'older contracts' which, as previously referenced, do not meet the revised criteria of low-risk services with high value add.

In 2011 continued growth is expected to result from ongoing customer focus and the growing market for AMEC's consultancy, engineering and project management services in the clean energy arena.

Major agreements or contracts during 2010 are shown on page 23.

Further details on these, and other contract awards, may be found at amec.com/media.

Earth & Environmental

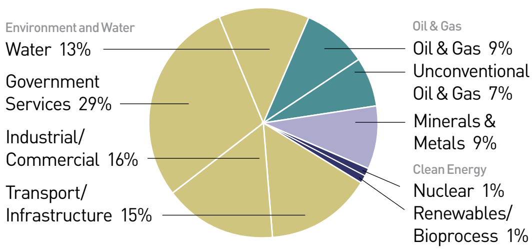
Description of business

Principal activities: Specialist environmental, geotechnical, programme management, engineering and consultancy services provided to a broad range of customers in the public and private sectors, including many common to the other divisions. Typically characterised by a large number of small value contracts.

Locations: Operates from a regional network of around 170 offices, mainly across North America but also in Europe, the Middle East and South America.

Revenue split by geography: 9 per cent Europe, 90 per cent Americas, 1 per cent Rest of World.

Revenue split by sector:



Customers include: Alberta Transportation, Arizona Dept of Transportation, Atlantic Richfield, CSX Transportation, ExxonMobil, Newmont Mining, Pacific Gas and Electric Company, Province of New Brunswick, Public Works and Government Services Canada, State of North Carolina, Suncor, Ultra Resources Inc, US Air Force, US Army, US Navy, Vale Inco, Works Services and Transportation, Newfoundland.

Significant contracts include: US Navy: AMEC-led joint venture among the winners of a five-year, US$4 billion framework contract for design and construction work to support the US Defense Policy Review Initiative in the Pacific region; US Government: among those selected for the major energy sustainability agreement or blanket purchase agreements (BPAs) totalling US$500 million in services on a broad spectrum of energy conservation projects; Southwestern Illinois Flood Prevention District Council: managing the redesign and repair of 64 miles of levees in three counties along the Mississippi River, Illinois, US; Town of Miami, Arizona, US: engineering services contract to design the replacement of the town's wastewater collection systems; US Air Force: installation of a one-acre solar photovoltaic field, a new condenser water system, energy-efficient lighting and lighting-control system at Tyndall Air Force Base in Florida, US; Natural Resources Conservation Service (NRCS), an arm of the US Department of Agriculture; Light Detection and Ranging (LiDAR) projects involving the collection of elevation data in various watersheds across six states. In addition, very many smaller value contracts were won and executed in the year.

£ million	2010	2009	Change (%)	Underlying[1] (%)
Revenue	**592.6**	470.8	+26	+14
EBITA	**54.7**	36.5	+50	+24
EBITA margin (%)	**9.2**	7.8	+140bps	
Order book	**0.27**	0.29	-7	
Average number of employees[2]	**4,457**	3,905	+14	

1 Growth measured against 2009 as restated for material acquisitions and movements in material currencies.
2 Full time equivalents, including agency staff, 2009 restated to bring definition of full time equivalents in line with other divisions.

Business overview

Earth & Environmental is a leading international environmental and engineering consulting organisation with full service capabilities covering a wide range of disciplines, including environmental engineering and science, geotechnical engineering, water resources, materials testing and engineering, engineering and surveying, and programme management.

With the vast majority of its activities falling outside the scope of engineering and project management services provided by the other divisions, Earth & Environmental enables AMEC to provide a broader range of services across the asset life cycle than many competitor companies. This "halo" effect can lead to AMEC becoming involved in major projects at the time of the environmental impact assessment, before they even get off the ground.

Services are provided for a broad spread of public and private sector customers across the life cycle of their operations, including for customers common to the Natural Resources and Power & Process divisions.

The environmental services industry is large and fragmented, providing opportunities for growth through bolt-on acquisitions. In recent years, Earth & Environmental has added to its geographic footprint and capabilities through acquisitions and intends to make further investments in the future.

The Earth & Environmental business portfolio is well balanced both by end market, and in terms of the nature of services provided, with the vast majority of the division's employees being transferable between market sectors. The business is characterised by a high number of small value contracts.

The division has some fixed price commitments in respect of certain federal activities and other consulting projects.

Services

Earth & Environmental operates a 'seller-doer' business model employing specialist consultants based in a branch network of regional offices.

The following are examples of services provided by Earth & Environmental:

- Archaeology
- Architecture
- Climate change consulting
- Ecological studies
- Engineering design
- Environmental site characterisation
- Environmental impact studies and permitting
- Geotechnical design and analysis
- Infrastructure design
- Materials engineering, construction monitoring and testing
- Oceanography and meteorology
- Programme management
- Remediation planning and execution
- Socio-economic studies
- Tailings/waste dump design and construction monitoring
- Waste management
- Water and air quality
- Water management, development and protection.

The division works for resource, government and commercial customers, providing services from environmental impact assessments at the earliest stages of the project life cycle right through to advising on and project managing clean up following decommissioning.

In addition, a broad range of services are provided to the US Federal Government, which is the largest procurer of environmental services in the world. Here, customers include the US Air Force, US Army and US Navy, where services are as diverse as remediation programmes, to fixed price design and delivery of airfield facilities at bases in the US and around the world.

In the water sector, AMEC offers a range of services such as water supply, stormwater management, hazard mitigation, dam safety, water/wastewater treatment, water quality protection and reclamation, and watershed management. Revenue from water related services increased by 46 per cent year on year.

Increasingly, the division is using its technical and scientific capabilities to provide sustainability solutions to its customers. One example is the sustainable approach taken on the Mount Milligan Mine project in Canada, which recently received approval to proceed from the federal government.

Further details on each of these services can be found at amec.com/media.

Markets

Earth & Environmental operates in a large and highly fragmented market. Precise figures for its size are hard to establish, though AMEC believes the North American environmental consulting and engineering market segment to be valued in excess of US$50 billion. Whilst AMEC's overall market share of this market is small, the business has strong positions in certain end market sectors, notably natural resources, water and defence. AMEC also maintains strong local market share in a number of the communities in which it operates, and also with select nationally operating commercial customers.

Earth & Environmental continued

The European market for environmental services is smaller than in North America, and is also fragmented. Underlying long-term growth drivers are stronger than the more mature market in North America, being driven by increasing regulatory pressures.

Earth & Environmental provides consulting services in other regions of the world outside North America and Europe, primarily meeting the global needs of existing internationally operating customers.

Market drivers for this division include an increasing recognition of the need to manage water resources, including by customers in mining and oil sands sectors; growth in environmental legislation; increasing corporate social responsibility; increasing use of brownfield sites and increasing exploration of environmentally sensitive regions by natural resources companies.

AMEC's view of the market growth potential of each of the sectors in which Earth & Environmental operates is shown on page 6.

Vision 2015 strategy

The acquisition of Entec Holdings Limited, an environmental consultancy business, in March 2010 greatly strengthened the division's position in Europe and enhanced its capabilities in water.

Employing some 700 people in the UK, Entec has a leading position in the water services and wastewater sector as well as providing renewable, nuclear and other energy services, industrial engineering, contaminated land and regeneration services, environmental planning and project management services.

On 2 February 2011, BCI Engineers and Scientists Inc was acquired. BCI is a 200-person, Florida US based, consulting firm concentrating on the water and mining sectors.

AMEC continues to see acquisition opportunities in the unconsolidated environmental services markets in North America and Europe, and expects to make further selective acquisitions which improve its competitive position by way of increased capability, particularly in the water sector, and/or geographic footprint.

Many customers of Natural Resources and Power & Process value the complementary services that Earth & Environmental can provide. For example, in 2010 cross-divisional teams worked for EDF on UK nuclear new build and on Kearl oil sands for Imperial Oil, among many other projects. Vision 2015 deliberately positions AMEC across the asset lifecycle and we will continue to promote this "One AMEC" approach to servicing our customers.

Further details on Vision 2015 can be found on page 6 and at amec.com/vision2015.

Financial performance

Revenue increased by 26 per cent to £592.6 million in 2010 (2009: £470.8 million), benefiting from organic growth, the Entec acquisition and positive currency movement. Government services had a strong year in 2010, as did unconventional oil and gas and mining, underpinning the organic growth. The water sector benefited from a strengthened position in the UK and revenue from water services increased by 46 per cent in the year.

EBITA increased 50 per cent in 2010 to £54.7 million (2009: £36.5 million), driven by a strong performance in Western Canada and the acquisition in the UK. Overall EBITA margin increased 140 basis points to 9.2 per cent (2009: 7.8 per cent).

The peak level of activity in AMEC's federal business is expected to reduce in 2011. This is expected to be offset by increased activity in the Mining, Oil and Gas and Water sectors.

Major agreements or contracts during 2010 are shown on page 28.

Further details on these, and other contract awards, may be found at amec.com/media.

Financial review

Investments and other activities

This principally comprises the Incheon Bridge PPP project in Korea, now in the operational phase, the Lancashire Waste PPP project (under construction) and the run-down of AMEC's non-core North American construction activities. Revenue in this segment declined by 46 per cent to £7.4 million (2009: £13.7 million) as the construction projects in both Korea and North America were substantially completed in 2009. EBITA increased to £3.0 million (2009: £0.2 million) as a result of settlements on non-core activities.

Changes arising from corporate activity

Acquisitions

AMEC continues to make selective acquisitions consistent with its strategy of improving capabilities and geographic footprint, and will continue to exercise financial discipline in targeting future acquisitions. All acquisitions made to date are targeted to achieve post-tax returns ahead of deal-specific cost of capital in the first or second full year post acquisition.

During 2010 AMEC announced four acquisitions with an aggregate cash consideration of £88.4 million. £85.1 million was paid during 2010 (net of cash acquired) with the balance payable in future years. In addition, £8.7 million was paid in respect of deferred consideration on prior year acquisitions.

On 2 February 2011, AMEC announced the acquisition of BCI Engineers and Scientists Inc, a Florida-based consulting firm focused on the water and mining sectors. The total consideration was US$20 million, of which US$15 million was paid on closing.

The acquisition of Zektingroup was announced on 7 February 2011 (see page 21). Of the total consideration of Au$48 million, Au$37 million was paid at closing.

On 21 February 2011, AMEC announced the acquisition of qedi (see page 21). The total consideration was £33 million, of which £29 million was paid at closing.

Natural Resources

- In January 2010, Currie & Brown (Australia) Pty Ltd was acquired for a cash consideration of Au$36.4 million. Currie & Brown is a leading cost and commercial management consultancy
- In November 2010, the Australian estimating consultancy BurmanGriffiths was acquired for Au$4.5 million
- In December 2010 AMEC acquired a majority shareholding in S2V Consulting Pty Ltd.

Earth & Environmental

In March 2010, Entec Holdings Limited was acquired (see page 30) for an initial consideration of £61.2 million. Further payments may be made, subject to retention and performance.

Basis of preparation of the accounts

The 2010 annual report and accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU (adopted IFRS) as at 31 December 2010.

The directors have identified the policies for accounting for long-term contracts, retirement benefits and provisions for litigation matters and liabilities related to the sale of businesses, as the most critical because they involve high levels of judgement and estimation.

Retirement benefits

Defined benefit pension schemes are accounted for in accordance with the advice of independent qualified actuaries but significant judgements are required in relation to the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member life expectancy that underpin their valuations. For AMEC, these assumptions are important given the relative size of the schemes that remain open.

Long-term contracts

A significant amount of the group's activities is undertaken via long-term contracts. These contracts are accounted for in accordance with IAS 11 'Construction contracts' which require estimates to be made for contract costs and revenues.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period.

Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of incentive payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in these accounting estimates is then reflected in the ongoing results.

Provisions for litigation matters and liabilities related to the sale of businesses

When accounting for provisions for litigation and other items, the group has taken internal and external advice in considering known legal claims and actions made by or against the group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the group on the basis of likely outcome, but no provisions are made for those which, in the view of management, are unlikely to succeed.

Results

Overall revenue for the year increased by 16 per cent to £2,950.6 million (2009: £2,539.1 million). The underlying revenue increased by 8 per cent, with improvements in all three divisions. Favourable currency movements added 4 per cent (+£111.4 million) and acquisitions 4 per cent (+£105.9 million).

EBITA increased 30 per cent to £271.8 million (2009: £208.3 million). Underlying growth was 18 per cent and acquisitions (+£9.7 million) and currency movements (+£15.0 million) also had a positive effect. EBITA margins improved by 100 basis points to 9.2 per cent (2009: 8.2 per cent).

Adjusted profit before tax of £279.7 million in 2010 was ahead of the previous year (£215.6 million) and reflected volume growth and the EBITA margin improvements. A reconciliation of the movement from adjusted profit before tax to profit before tax of £258.2 million (2009: £203.5 million) is shown in note 2 on page 71. The tax charge for the year was £21.6 million (2009: £46.8 million), the post-tax loss from discontinued operations was £6.7 million (2009: profit of £15.9 million), resulting in a total profit for the year of £229.9 million (2009: £172.6 million).

Adjusted diluted earnings per share from continuing operations were 62.5 pence (2009: 46.9 pence), an increase of 33 per cent.

Operating cash flow for the period was £227.0 million, down £39.0 million from last year, reflecting the working capital outflow resulting from the growth in the year and the exceptional performance in 2009, and subsequent working capital reversal. Cash flow conversion was 83 per cent (2009: 128 per cent), which compares with a normalised target of 90 per cent.

The board is recommending a final dividend of 19.2 pence per share (2009: 11.6 pence), which together with the interim dividend of 7.3 pence per share (2009: 6.1 pence) results in a total dividend of 26.5 pence per share (2009: 17.7 pence), an increase of 50 per cent. Going forward the board intends to maintain a progressive dividend policy with dividend cover in the range of 2.0 to 2.5 times. This reflects the improving quality of earnings and cash flow, the de-risked business model, and the board's confidence in the company's prospects. The interim dividend is expected to revert to being one-third of the annual total in 2011. Since 2005, the annual dividend has more than doubled (2005: 11.5 pence).

Geographical analysis

Some 71 per cent of 2010 revenues (2009: 69 per cent) were generated outside the UK, with the group's largest overseas market being Canada, driven by Oil Sands and Minerals & Metals.

Administrative expenses

Administrative expenses increased by £14.5 million to £200.3 million (2009: £185.8 million) largely as a result of currency movements and acquisitions.

Net financing income

In 2010, the average interest rate received was approximately 0.9 per cent compared to one per cent in 2009. The net financing income for the year increased by £0.6 million to £7.9 million (2009: £7.3 million).

Taxation

Continuing operations

The group's effective tax rate in 2010 for the continuing businesses (including tax attributable to joint venture interests) before exceptional items and excluding intangible amortisation was 25.9 per cent (2009: 27.0 per cent). The reduction principally reflects decreases in statutory tax rates, the agreement of historical items with various tax authorities and more active management.

The tax rate in 2011 is expected to reduce further due to decreases in statutory tax rates and from further management and planning.

A tax credit of £36.2 million (2009: credit of £1.5 million) relates to total exceptional income of £10.7 million (2009: £8.9 million) and to the release of a provision of £35.9 million resulting from the disposal of UK Wind Developments business in 2008.

Deferred tax

At 31 December 2010, the group had deferred tax assets of £59.3 million (2009: net assets of £70.0 million) arising primarily from short-term timing differences relating to provisions, property, plant and equipment and tax losses, offset by liabilities in respect of intangible assets.

Financial position and net cash

The group remains in an exceptionally strong financial position, with net cash as at 31 December 2010 of £740.1 million (2009: £742.7 million).

Cash generated from operations in 2010 was £171.8 million (2009: £242.3 million). After adjusting for exceptional items and discontinued operations, legacy settlements, pension payments in excess of amounts recognised in the income statement and dividends received from joint ventures, operating cash flow was £227 million (2009: £266 million).

Intangible amortisation and impairment of goodwill

Intangible amortisation relates to capitalised software and intangible assets acquired as part of the group's expansion programme. The 2010 charge of £25.0 million is £9.3 million higher than 2009 with the increase due to the acquisitions in the year and a full year impact of acquisitions made during 2009.

In line with IAS 36 'Impairment of assets', annual impairment reviews have been performed on the goodwill carried on the balance sheet. There was no impairment charge in 2010 (2009: £1.3 million).

Exceptional items

Divestments

One small business was divested during the first half of 2010. In addition, there were various adjustments to existing provisions in respect of prior year disposals resulting in an aggregate post-tax exceptional gain of £49.4 million (2009: £15.5 million).

Legacy issues

No new significant contingent liabilities were added in 2010.

Provisions currently held for future costs of litigation total £50.3 million (2009: £53.8 million).

Balance sheet highlights

Key movements in the balance sheet are discussed below:

Property, plant and equipment

The reduction in the net book value of fixed assets as at 31 December 2010 to £31.9 million (2009: £44.1 million) reflects additions of £6.4 million, acquisitions of £2.6 million, depreciation provided during the year of £12.8 million and disposals of £10.6 million.

Financial review continued

Intangible assets

The net book value of intangible assets as at 31 December 2010 was £621.3 million (2009: £507.4 million), comprising goodwill £557.1 million, software £11.9 million and other intangibles £52.3 million.

The increase in goodwill relates to the acquisitions in the year including Entec and Aquenta (formerly Currie & Brown Australia Pty Limited), which generated goodwill of £59.1 million. Other intangible assets include the value of customer relationships, brand names/trademarks, non-compete agreements and order backlogs of acquired businesses. Other intangible assets of £29.6 million arose on acquisitions during the year, including £26.6 million in respect of Entec. This was offset by amortisation of £22.4 million. There were additions of £7.3 million to software offset by amortisation of £2.6 million.

Working capital

Days' sales in inventory/wip and receivables are as follows:

	2010 Days	2009 Days
Group	**79**	66

The increase in days' sales in inventory wip and receivables reflects the increase in activity during the second half of the year compared to the same period in 2009.

Derivative financial instruments

As at 31 December 2010, there were derivative financial instruments with a net liability of £36.6 million (2009: net liability £29.7 million) on the balance sheet. This net liability represents the fair value of foreign exchange contracts used to hedge the cash flows of foreign currency contracts and cross currency instruments used to hedge the net investment in overseas subsidiaries.

Distributable reserves

As at 31 December 2010, distributable reserves of AMEC plc stood at £696.0 million (2009: £729.9 million), a reduction of £33.9 million during the year. This is explained in more detail in note 1 to the accounts. The reduction in reserves mainly reflects dividends paid during the year.

	£ million
As at 1 January 2010 (restated)	729.9
Dividends approved during 2010	(58.1)
Other movements	24.2
As at 31 December 2010	**696.0**

A dividend of £19.3 million received from a subsidiary company in a prior period is not considered to be distributable.

Pensions

The IAS 19 surplus of the principal UK pension schemes at the end of 2010 of £63.0 million was higher than in 2009 (£26.8 million) reflecting principally gains in the asset values during the year.

For the main UK pension plans, revised mortality assumptions, which incorporate an allowance for additional longevity improvements in future, were adopted for IAS 19 purposes in 2008. The revised assumptions, were chosen with regard to the latest available tables, adjusted where appropriate to reflect the experience of the schemes' membership. The tables adopted are part of the PA00 series of tables, taking into account each member's year of birth adjusted by an age rating of +1 year, and allowing for 'medium cohort' with an underpin of one per cent per annum improvements in longevity. For a male/female aged 65 in 2010, these tables show a life expectancy of 21.4/23.7 years. For a male/female aged 45 in 2010, the tables show a life expectancy from age 65 of 23.3/25.5 years.

In association with the Trustees of the Schemes, AMEC will continue to monitor scheme mortality experience and will revise assumptions as appropriate.

Contributions of £22.2 million were paid to the company's defined benefit schemes during the year (2009: £17.8 million). This included special contributions agreed with the Trustees of £5.1 million (2009: £5.1 million).

Provisions

Provisions held at 31 December 2010 were £187.1 million (31 December 2009: £202.0 million). During 2010, £17.0 million of the brought forward provisions were utilised. As part of the ongoing review of the potential liabilities, £14.4 million of provisions were released as they were no longer required but an additional £13.1 million of provisions were created. Provisions are analysed as follows:

As at 31 December 2010	£ million
Litigation provisions	**50.3**
Indemnities granted to buyers and retained obligations on disposed businesses	**66.4**
Insurance, onerous property contracts and provisions to fund joint ventures	**70.4**
Total	**187.1**

Changes to reporting allocations

From 2011 the allocation of certain items will be changed:

- The UK Asset Support business will be transferred from Power & Process to Natural Resources
- The net interest on pension assets and liabilities, and the net interest within equity accounted joint ventures will be transferred from EBITA to net financing income.

These are reallocations only and there will be no overall impact to profit before tax or earnings. The effect of the half and full year positions is shown below.

Six months ended 30 June 2010 impact

	As reported			As restated		
	Revenue £ million	EBITA £ million	EBITA %	Revenue £ million	EBITA £ million	EBITA %
Natural Resources	730.9	81.1	11.1	782.5	83.9	10.7
Power & Process	448.0	31.4	7.0	396.4	25.6	6.5
Earth & Environmental	275.3	21.4	7.8	275.3	21.4	7.8
Investments and other	1.8	(3.0)	–	1.8	(1.5)	–
Corporate costs	–	(17.4)	–	–	(17.4)	–
Inter-company eliminations	(26.5)	–	–	(26.5)	–	–
	1,429.5	113.5	7.9	1,429.5	112.0	7.8
Interest		2.2			3.7	
Adjusted profit before tax		115.7			115.7	
Adjusted diluted earnings per share			25.5p			25.5p

Year ended 31 December 2010 impact

	As reported			As restated		
	Revenue £ million	EBITA £ million	EBITA %	Revenue £ million	EBITA £ million	EBITA %
Natural Resources	1,520.5	174.7	11.5	1,602.8	178.6	11.1
Power & Process	884.4	75.3	8.5	802.1	64.8	8.1
Earth & Environmental	592.6	54.7	9.2	592.6	54.7	9.2
Investments and other	7.4	3.0	–	7.4	6.1	–
Corporate costs	–	(35.9)	–	–	(35.9)	–
Inter-company eliminations	(54.3)	–	–	(54.3)	–	–
	2,950.6	271.8	9.2	2,950.6	268.3	9.1
Interest		7.9			11.4	
Adjusted profit before tax		279.7			279.7	
Adjusted diluted earnings per share			62.5p			62.5p

Our group management team

Samir Brikho
Chief Executive

Samir Brikho was appointed Chief Executive in 2006. In addition to being Chair of Offshore Europe 2011, he is a director of the United Kingdom-Japan 21st Century Group. He also chaired the World Economic Forum's Engineering and Construction Board in 2009 and, from May 2008 to May 2010, held the position of Chair of UK Energy Excellence, a strategy board tasked by the UK Government with demonstrating the UK's world-leading position in energy. In February 2010 Samir was appointed a UK Business Ambassador by the Prime Minister. He was previously a member of the Group Executive Committee of ABB Ltd., Switzerland and Chairman of ABB Lummus Global.

Ian McHoul
Chief Financial Officer

Ian McHoul joined AMEC and was appointed Chief Financial Officer in September 2008. A Chartered Accountant, he was previously Group Finance Director of Scottish and Newcastle plc.

Neil Bruce
Chief Operating Officer

Neil Bruce became Chief Operating Officer for AMEC in August 2010, having been Chief Operating Officer for the Natural Resources division since 2006, and Power & Process since December 2009. He was appointed as an executive director for AMEC plc in January 2009. Since March 2009 he has been Chairman of the UK Oil & Gas advisory board of UK Trade & Investment. He is an Honorary Professor at Aberdeen Business School at the Robert Gordon University. He was previously Managing Director of AMEC Oil and Gas, having joined AMEC in 1997.

Michael Blacker
General Counsel and Company Secretary

As General Counsel, Michael Blacker is responsible for the provision of legal and risk management services across the organisation. Michael has been with AMEC since 1997 and will retire at the end of March 2011.

Keith Bradford
Group Human Resources Director

Keith Bradford is Group Human Resources Director and is also responsible for sustainability. He was previously Senior Vice President of HR Global Operations at GlaxoSmithKline. He will leave AMEC on 1 May 2011 for family reasons and is succeeded by William Serle, currently HR Operations Director.

François-Philippe Champagne
Strategic Development Director

François-Philippe Champagne is Strategic Development Director, with responsibility for mergers and acquisitions activity and strategy. He is a non-executive director of TakingItGlobal, a non-profit organisation and was selected by the World Economic Forum as a Young Global Leader 2009. He joined AMEC in 2008.

Tony Cruddas
President, Growth Regions

Tony Cruddas is President, Growth Regions and is responsible for the oversight and direction of business in China, Commonwealth of Independent States, Middle East and North Africa, Australia and South East Asia. A Chartered Engineer and European Engineer, he was previously Director of Global Upstream Projects for AMEC Oil & Gas, having joined AMEC in 2001.

Eleanor Evans
General Counsel and Company Secretary elect

Eleanor Evans will join AMEC on 15 March 2011. She was previously Chief Legal Officer and Company Secretary at Cobham PLC.

Timothy Gelbar
President, Power & Process Americas

Tim Gelbar has been President of Power & Process Americas since 2006. He has more than 30 years of experience leading and managing engineering and construction operations in the power, process and industrial markets. He is on the Advisory Board of the Construction Industry Institute (CII), and is a member of the Construction Users Roundtable (CURT).

Dr Hisham Mahmoud

President, Earth & Environmental

Dr Hisham Mahmoud joined AMEC in October 2010 as President, Earth & Environmental. Prior to joining AMEC, Dr Hisham Mahmoud worked for URS Corporation and its predecessor companies for the last 19 years, most recently as East/Midwest Group General Manager, Infrastructure and Environment. Dr Mahmoud has a Bachelor of Science degree in Civil Engineering from the University of Qatar and a Master's and a PhD, both in Civil Engineering, from Arizona State University in the US, and is a registered professional engineer in multiple US states.

Simon Naylor

President Natural Resources Americas

Simon Naylor has been President of the Natural Resources Americas business since 2007 and has led the growth and successful development of positions in the core market sectors of Mining, Oil & Gas and Oil Sands. Since joining AMEC in 1993 he has worked across the project life cycle; from consulting to engineering and project management and his experience includes project development, asset support, strategy, customer relationship management and operations leadership.

John Pearson

Managing Director, Natural Resources Europe and West Africa

John Pearson was appointed to his current role in 2007. He joined AMEC from Chevron in 1990 and has worked in a variety of engineering and project management roles in Aberdeen, San Francisco, Baku and London. He is currently Chairman of the Offshore Contractors Association and a board member of Oil & Gas UK.

Mike Saunders

President, Power & Process Europe

Mike Saunders joined AMEC in 2007 to head up its global nuclear business. He was previously Senior Vice President of the Global Nuclear Fuel business at Westinghouse Electric Company. He has more than 30 years' experience in the nuclear power industry having held a number of senior positions including managing nuclear licensed sites in the UK, Europe and the US. He is a member of the board of the Sellafield parent company (Nuclear Management Partners) and sits on the board of the National Skills Academy for Nuclear and the Government's Nuclear Development Forum.

Sue Scholes

Director of Communications

Sue Scholes has been Director of Communications since joining AMEC in 2007. She was previously Head of Investor Relations at Brambles Industries plc. Sue is a Chartered Management Accountant and sits on the Investor Relations Society's Education Committee.

> "Everything we do is about servicing our customers, delivering excellent work for our customers, developing long-term relationships with our customers and securing repeat work from our customers."

Neil Bruce Chief Operating Officer

Our board of directors

Jock Green-Armytage ■

Chairman

Age 65, was appointed a non-executive director in June 1996 and became Non-Executive Chairman in January 2004. He is Chairman of the nominations committee. He is Chairman of JZ International Limited and Star Capital Partners Limited and a director of REA Holdings PLC and several other companies. He will retire as chairman and director of AMEC following the annual general meeting on 5 May 2011.

Samir Brikho ■

Chief Executive

Age 52, was appointed Chief Executive in October 2006. He was previously a member of the ABB Executive Committee, heading the Power Systems division and Chairman of ABB Lummus Global, ABB's international projects and services business. Samir is member of the Advisory Board of Stena AB. He is Chairman of Offshore Europe 2011, a member of the steering committee of the UK-Korea Forum for the Future, a director of UK-Japan 21st Century Group and a UK Business Ambassador.

Ian McHoul

Chief Financial Officer

Age 51, was appointed Chief Financial Officer in September 2008. He was previously Group Finance Director of Scottish and Newcastle plc and is a non-executive director and Chairman of the audit committee of Premier Foods plc.

Neil Bruce

Executive Director

Age 50, is AMEC's Chief Operating Officer, has over 30 years' experience in Energy & Process industries, and joined AMEC in 1997. Neil was construction and field development director with Arco British prior to joining AMEC. He is a chartered marine architect, and has a MBA from Newcastle Business School. He is Chairman of UKTI Oil and Gas advisory group, and a Trustee of Engineers Against Poverty.

Tim Faithfull ■ ■ ■ ■

Non-Executive Director

Age 66, was appointed a non-executive director in February 2005 and became the Senior Independent Director following the annual general meeting on 13 May 2009. He is Chairman of the remuneration committee. He is a non-executive director of Canadian Pacific Railway, TransAlta Corporation, and Canadian Natural Resources Limited, and a director of Shell Pensions Trust Limited. He was President and Chief Executive of Shell Canada Limited from 1999 to 2003.

Simon Thompson ■ ■ ■ ■

Non-Executive Director

Age 51, was appointed a non-executive director in January 2009. He was previously an executive director of Anglo American plc, Chairman of the Tarmac Group and held positions with S G Warburg and N M Rothschild. He is currently Non-Executive Director of Newmont Mining Corporation (US) and Sandvik AB (Sweden).

Neil Carson ■ ■ ■ ■

Non-Executive Director

Age 53, was appointed a non-executive director on 31 August 2010. He has been Chief Executive of Johnson Matthey Plc, the FTSE100 speciality chemical company, since 2004, a company he joined in 1980 after completing an engineering degree, and he has held a number of senior management positions in both the UK and the US. He is currently a member of the advisory board of the Cambridge Programme for Sustainability Learning.

Colin Day ■ ■ ■ ■

Non-Executive Director

Age 56, was appointed a non-executive director on 14 October 2010. He is Chairman of the audit committee. He is currently an Executive Director and Chief Financial Officer of Reckitt Benckiser Group plc but will stand down from this position on 31 March prior to his appointment as Executive Director and CEO of Filtrona plc on 1 April 2011. He is also a non-executive director of WPP Group plc. A Fellow of the Association of Chartered Certified Accountants, he has an MBA from Cranfield School of Management, UK.

Key to principal committee membership: ■ Audit ■ Remuneration ■ Nominations ■ Compliance and ethics

Report of the directors

The directors present their annual report and accounts for the year ended 31 December 2010.

Principal activities and business review

Principal activities of the group can be found on pages 16 to 30 and are incorporated by reference in this report.

Information fulfilling the requirements of the business review is contained in the business and financial review on pages 16 to 35. This includes details of AMEC's development and performance during the year, the principal business acquisitions and disposals, AMEC's position at the year end and the outlook for the future. All these matters are incorporated by reference in this report.

Key events

Key events are also included in the business and financial review on pages 16 to 35.

Statement of Compliance with the Provisions of the Combined Code

As its shares are listed on the London Stock Exchange, in accordance with the requirements of the UKLA Listing Rules, AMEC confirms that throughout the year ended 31 December 2010, and up to the date of this report, it was compliant with the provisions of the Combined Code, in particular with the Main Principles set out in section 1 thereof. AMEC also confirms that it intends to comply with the requirements of the UK Corporate Governance Code.

Dividends

The directors are recommending a final ordinary dividend in respect of the year ended 31 December 2010 of 19.2 pence per share. This final dividend will be payable on 1 July 2011 to shareholders on the register at the close of business on 27 May 2011. An interim dividend for the year ended 31 December 2010 of 7.3 pence per share was paid on 4 January 2011.

Dividends paid during 2010 comprised an interim dividend of 6.1 pence per share, and a final dividend of 11.6 pence per share both in respect of the year ended 31 December 2009.

Share capital

The issued share capital of the company as at 31 December 2010, movements during the year and the rights attaching to the shares are set out in note 22 on pages 95 to 98 and the rights and obligations attaching to the shares are more fully set out in the articles of association of the company. Each share carries the right to one vote at general meetings of the company and no right to a fixed income. There are no restrictions on voting rights.

During the year ended 31 December 2010, 1,000,000 shares (representing 0.30% of the total called up share capital of the company) were purchased at a total cost of £8,172,098 and 468,814 shares were utilised in satisfying awards made under the UK and International SAYE share option plans. As at 31 December 2010, 6,658,059 shares remained in treasury, all of which have been allocated to the group's SAYE scheme awards to date. Given the likelihood of further share scheme awards in 2011 and in the future, AMEC intends to purchase in the market sufficient shares to meet the needs of the schemes in anticipation of future payouts. The purchases will be made throughout the year outside close periods and any shares purchased will be held as treasury shares.

A resolution will be proposed at the annual general meeting to extend the authority of the directors to make market purchases of up to 10 per cent of the company's shares within prescribed limits.

Authority was granted to the directors at the 2010 annual general meeting to allot shares or grant rights to subscribe for or to convert any security to shares up to a nominal amount of £55,330,800 ("Section 551 Amount") of which up to £8,299,620 could be allotted for cash other than in connection with a pre-emptive offer ("Section 561 Amount"). Resolutions will be proposed at the forthcoming annual general meeting to extend this authority to May 2012. The revised Section 551 Amount will be £54,891,707 and the revised Section 561 amount will be £8,316,925.

The directors have no present intention of issuing any shares other than in respect of the exercise of share options. No issue will be made which will effectively alter the control of the company without the prior approval of shareholders in general meeting.

Report of the directors continued

Substantial interests

On the basis of notifications received pursuant to the FSA Disclosure and Transparency Rules (DTR) 5 and other notifications received by AMEC from shareholders, the company has been notified of shareholdings of three per cent or more of the voting rights of the company as at 3 March 2011 as follows:

	Number	Per cent
BlackRock, Inc	36,551,646	11.03
Legal & General Assurance	13,197,514	3.98

The shareholding percentages have been adjusted from those notified to reflect the current issued share capital net of treasury shares.

There are no shareholdings which carry special rights relating to control of the company.

Directors

Details of the directors of the company as at the date of this report, together with membership of the principal board committees, are set out on page 38.

Ms M O Hesse stood down as a non-executive director on 13 May 2010 at the end of a nine year term of office. Mr P J Byrom stood down as a non-executive director on 9 February 2011 after having completed a six year term of office.

Messrs N A P Carson and C R Day were appointed to the board as non-executive directors on 31 August and 14 October 2010 respectively. Neither has an employment contract with the Company. In accordance with article 81 of the articles of association of the company, Messrs Carson and Day will retire from office at the forthcoming annual general meeting and offer themselves for election. See page 38 for further biographical information.

Mr J M Green-Armytage intends to stand down as Chairman and director of the company at the forthcoming annual general meeting. Mr Green-Armytage joined the AMEC board in 1996 as a non-executive director and was appointed Chairman in 2004. The recruitment process to identify his successor is well under way and further announcements will be made when a decision has been made. In the event that his successor has not been identified by the time of the forthcoming annual general meeting, Mr Green-Armytage has agreed to remain as Chairman until such time as his successor is appointed.

Although not required by the company's articles, in the interests of good corporate governance all the other directors, other than the Chairman, will retire and offer themselves for re-election at the forthcoming annual general meeting. As noted above, the Chairman intends to stand down at the forthcoming annual general meeting but has agreed to remain as Chairman in the event that his successor has not been appointed at that time.

The beneficial interests in the share capital of the company of the directors holding office as at 31 December 2010 were as follows:

	As at 31 December 2010	As at 31 December 2009
J M Green-Armytage	**15,000**	15,000
S Y Brikho	**1,137,416**	890,729
P J Byrom	**–**	–
T W Faithfull	**10,000**	10,000
I P McHoul	**82,794**	73,658
N A Bruce	**74,267**	72,697
S R Thompson	**4,744**	4,744
N A P Carson	**–**	n/a
C R Day	**10,000**	n/a

Except for interests under share option schemes, the Performance Share Plan and the Transformation Incentive Plan, details of which are contained in the directors' remuneration report on pages 48 to 58, no director as at 31 December 2010 had any other interests, beneficial or otherwise, in the share capital of the company or any of its subsidiaries.

On 4 January 2011, Mr Bruce acquired 335 shares under the dividend re-investment plan (DRIP) scheme, in lieu of the interim dividend paid on that date. On 10 January 2011, Messrs Bruce and McHoul acquired 122 and 192 shares respectively in lieu of the interim dividend paid on 4 January 2011. On 1 March 2011, Mr Brikho exercised options in respect of 1,624 shares arising on the maturity of the Savings Related Share

Options granted on 1 March 2008 at an option price of 591 pence. There were no other changes in the directors' interests in the share capital of the company between 31 December 2010 and 3 March 2011.

No director was materially interested in any contract of significance to AMEC's businesses.

As at the date of this report, individual indemnities have been provided to the directors, under which the company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the company, any of its associated companies or any other company that the director serves as a director at the request of the company. Equivalent indemnities remain in force for the benefit of those directors who stood down during the year ended 31 December 2010. These indemnities are Qualifying Third Party Indemnity Provisions as defined in Sections 232-234 of the Companies Act 2006 and copies are available for inspection at the registered office of the company during business hours on any weekday except public holidays.

Employees

In 2010 AMEC employed on average 21,907 people worldwide including agency staff.

AMEC gives high priority to the development of its employees to ensure that it has the necessary skills and behaviours to deliver its strategic business objectives and to provide for management succession. Processes are in place across the group for the regular and consistent review of employee performance, development and management succession. Common training needs are delivered through the AMEC Academy (see page 7 for further information).

It is of key importance to AMEC that it engages with employees to ensure they understand the direction in which the company is going, are committed to AMEC's values, and are empowered to propose and make changes to improve how AMEC operates. AMEC employees embody its knowledge, brand and reputation and it is through their activities, day by day, that AMEC delivers on its business objectives and commitments to shareholders, clients and the wider community. A regular survey of employee opinion is conducted and AMEC is committed to sharing and acting on the outcomes (see page 7). AMEC provides a wide range of mechanisms for employees to share knowledge, to be kept informed of developments within AMEC and to raise issues and discuss matters of concern.

Respect for cultural diversity and commitment to equal opportunities are included among AMEC's Guiding Principles, which are incorporated into management policies and processes worldwide. AMEC policy is to recruit from the widest labour market, to determine the careers of all employees solely on merit and to make judgements about employees without bias or prejudice.

As part of AMEC's equal opportunities policy, procedures are in place that are designed to provide for fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively, and to provide career opportunities that allow them to fulfil their potential. When an employee becomes disabled in the course of their employment, AMEC will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

AMEC operates a savings related share option plan that allows employees to participate in AMEC's share price growth. This is open to employees in all major countries of operation who meet a minimum service qualification. Offers to participate are currently being made on a regular basis.

Corporate governance

The board is responsible for AMEC's systems of internal control and for their review. These reviews cover the effectiveness and adequacy of financial, operational, compliance and risk management systems and are undertaken at least annually, in compliance with the requirements of the Combined Code. These systems can only provide reasonable assurance against material misstatement or loss, as they are designed to manage rather than eliminate the failure to achieve business objectives.

The board and its committees have a continuous process for identifying, evaluating and managing significant risks faced by AMEC, including strategy, major projects to be undertaken, significant acquisitions and disposals, as well as entry into and exit from different markets. Where appropriate, business decisions are reached following a structured and documented review of potential opportunities and threats, taking steps designed to manage or mitigate any risk exposure. Principal business risks are set out in the risk section on pages 10 to 13 and are incorporated into this report by reference.

The threats and opportunities associated with major tender submissions are reviewed by the tender review committee and as part of Operational Excellence, a set of AMEC contracting principles were introduced in order to provide greater control over operational activities. Under these principles, specified key contractual risks are required to be referred to the tender review committee, representing an ongoing reinforcement of corporate governance in this area.

AMEC uses a risk management process which is incorporated into the AMEC Mandatory Procedures described below. The process involves the identification of risks at the gross and current level by projects and businesses. The risks are recorded in risk registers to enable the net positions to be proactively managed. Regular risk review meetings comprising representatives from the businesses and functions discuss business and functional risks. The highest risks in terms of probability and impact are then elevated to the AMEC plc risk register. The plans for mitigation of such risks are also reviewed. AMEC's risk committee considers all such risk issues relating to AMEC plc and issues risk reports and makes recommendations to the board, including recommendations on risk appetite.

The risk management and internal control processes are complemented by an annual control risk self-assessment exercise carried out by the principal businesses. This covers major risks, particularly safety, health and environment, legal, commercial and contractual, financial, information technology and human resources. The results are reviewed by the board, through both the audit and risk committees, and as part of the ongoing internal audit process.

Printed copies of both the Combined Code on Corporate Governance and the UK Corporate Governance Code (applicable for financial years commencing on or after 29 June 2010) can be obtained free of charge from the Financial Reporting Council (FRC Publications), by email customerservices@cch.co.uk or telephone +44 (0)20 8247 1264 or online at frcpublications.com.

AMEC Mandatory Procedures and Delegated Authorities

AMEC's businesses are managed on a decentralised basis. While the board has retained reserve powers, the day-to-day management has been passed to the business leaders within defined authority limits. The management philosophy is to empower the business leaders to take the actions necessary to deliver the company's operational business objectives within the defined Mandatory Procedures and Delegated Authorities, which set out the standards AMEC employees and agency staff are to achieve and adhere to. The board regularly reviews these procedures and delegated authorities to take account of the changing requirements of the business, changes in governance requirements and overall risk appetite.

This framework provides for an effective control structure and there continues to be a clear link between the levels of risk associated with tenders and the delegated authority limits.

AMEC has interests in a number of joint ventures and joint arrangements. Controls within these entities may not be reviewed as part of AMEC's formal corporate governance process because of the joint management responsibilities but are reviewed by the joint venture boards and as part of AMEC's normal internal audit process. Details of significant joint ventures can be found on page 114.

Dialogue with institutional shareholders

Mr Green-Armytage, Chairman, wrote to all major shareholders in April 2010 reminding them that he and the senior independent director, Mr Faithfull, were available for meetings or telephone calls with them if required. The Chairman attends preliminary results presentations.

The Chairman and Mr Faithfull are also available to attend, if requested, one-on-one meetings with major shareholders. The Chairman had a number of such meetings with major shareholders during 2010 and Mr Faithfull also communicated with and met major shareholders in his capacity as chairman of the remuneration committee.

An in-depth annual perception study of investors' views, prepared by an independent third party, is presented to all board members, who also receive unedited feedback reports following shareholder meetings or events together with all material brokers' research notes on the company.

The board

The board comprises the Chairman, three executive directors and four independent non-executive directors.

The company does not combine the role of Chairman and Chief Executive. The Chairman is responsible for the leadership of the board and for ensuring its effectiveness in all aspects of its activities. The Chief Executive is responsible for running the group and implementing board strategy and policy. This ensures a clear division of responsibilities at the head of the company, so that no individual has unfettered powers of decision. The independent non-executive directors review the relationship between the Chairman and Chief Executive each year to ensure that the relationship is working effectively.

The non-executive directors are all considered to be independent by the board and their external commitments are reviewed to ensure that they are able to commit sufficient time to meet what is expected of them. They are not employed by the company in any capacity, nor have they been in the past. Mr Faithfull has acted as the board's senior independent director since 13 May 2009.

The Company Secretary is responsible for ensuring that board procedures are followed and all directors have access to his advice and services.

The board has a schedule of matters reserved for its approval covering areas such as company strategy, the appointment of key executives, approval of group accounts, approval of the business plan, budget and financial policies, review of operating results, risk management strategy, assessment of risk appetite, ensuring the effectiveness of governance practices, succession planning and significant capital expenditure. The board is supplied with appropriate information in a timely manner, which enables it to discharge its duties.

In addition to matters reserved for the board, certain items are considered at every scheduled board meeting. These include health, safety and environmental matters and updates on the financial status of the company, business development and strategy.

A review of the effectiveness of the board was carried out throughout the year by the Chairman involving discussions with directors and with the board as a whole. Issues were considered regularly by the board as part of a continuous review of its effectiveness. There have been a material number of changes in board membership over the past year and the appointment of a new Chairman will shortly be concluded. While the board has had two externally facilitated reviews of board effectiveness since the appointment of the current Chairman in 2004, it has been decided that an external review will not be undertaken until 2012, in order to allow time for the integration of the Chairman and the recently appointed board members.

The independent non-executive directors met privately both with and without the Chairman present and also with both the Chairman and Chief Executive together to consider management performance and succession issues. A formal process exists for the directors to take independent professional advice and receive appropriate training in the course of their duties, at the company's expense, organised by the Company Secretary.

Potential conflicts of interest are considered at the start of each board meeting and there is an effective procedure in place to deal with any conflicts, should they arise, in accordance with AMEC's articles of association.

Board committees

Under AMEC's Management and Policy Framework, the board has formally delegated specific responsibilities to various board committees, all of which have written terms of reference.

The remit of each committee is set out below. The quorum is three directors, save for the audit and remuneration committees where the quorum is two directors. Full details of the constitution and remit of the audit, nominations, remuneration and compliance and ethics committees can be found at amec.com/aboutus/culture/corporategovernance.

The committees chaired by non-executive directors are as follows:

- Audit committee — Chaired by Mr Day, who succeeded Mr Byrom in February 2011, its membership comprises all the independent non-executive directors. Mr Day has significant relevant competence in auditing and accounting (see biography on page 38).

  The audit committee monitors the integrity of AMEC's financial statements, including the annual and interim results, the related report and accounts and Stock Exchange announcements and any other formal announcements in connection with the company's financial performance, and recommends their approval to the board.

  It also reviews the company's internal financial controls and, in conjunction with the risk committee, the internal control and risk management systems.

  It oversees AMEC's relations with the external auditors, including considering and making recommendations on their appointment, re-appointment, removal, remuneration and terms of engagement. It assesses the qualifications, expertise, effectiveness and independence of the external auditors at least annually and discusses the nature and scope of the audit, together with any issues arising from the audit process. It also reviews the auditors' management letter, management's responses thereto and the audit representation letters prior to consideration by the board. In 2010, the committee participated in a rigorous exercise that resulted in the appointment of Ernst & Young LLP as auditors of the company. This process included an in-depth review to benchmark the current level of service, fees and value being delivered and to make appropriate recommendations to the board.

  In 2010, the review of the effectiveness of the external auditors was carried out on behalf of the committee by the head of internal audit.

  The audit committee also monitors the implementation of the policy on the engagement of the external auditor to supply non-audit services. This policy follows the guidelines set out by the Institute of Chartered Accountants in England and Wales and clearly defines what work can and cannot be performed by any group company's statutory auditor. It also sets out the necessary approval process for those non-audit services that are acceptable.

  All non-statutory audit or non-compliance tax services provided by the auditor are reported to the audit committee. During 2010, the fees paid to the company's auditor, Ernst & Young LLP and its associates for non-audit work were £0.6 million (2009: £0.6 million paid to KPMG Audit Plc), which comprised £0.5 million relating to taxation and £0.1 million for other work (2009: £0.6 million and £nil).

  All additional Ernst & Young fees were approved in accordance with AMEC's policy covering non-audit services. As a result of the application of this policy and additional discussions with them, the directors do not believe that Ernst & Young's independence has been compromised because of their additional work on behalf of the company.

  The audit committee reviews the Head of Internal Audit's regular reports and carries out an annual assessment of the internal audit function's effectiveness. In 2010, this exercise was carried out on behalf of the committee by the Head of Internal Audit. No material changes were identified as being necessary as a result of this exercise.

The audit committee has unrestricted access to company documents and meets with the internal and external auditors, and any other relevant member of staff, without the executive directors being present, as necessary. The head of internal audit formally reports to the committee chairman.

Given the number of changes in the membership of the audit committee since the beginning of 2010, including the recent appointment Mr Day as its chairman, it has been decided to defer the planned formal review of the committee's effectiveness until 2012.

- Nominations committee — chaired by the Chairman, it leads the process for identifying and makes recommendations to the board concerning the appointment of any new director or the Company Secretary and, in the case of non-executive directors and the Chairman, the extension of existing appointments. It also makes recommendations to the board on the appointments to the board committees.

  The committee also reviews board succession planning, in conjunction with reports from the Chief Executive and Group Human Resources Director on senior management succession planning, so as to ensure that an appropriate balance of skills is maintained both within AMEC and on the board.

  During 2010, the committee, with the assistance of external search consultants, conducted or oversaw the rigorous recruitment processes that led to the appointments of the two new non-executive directors and commenced the process that will lead to the appointment of a new chairman.

- Remuneration committee — Chaired by Mr Faithfull and attended by three other independent non-executive directors, it sets, and reviews the overall remuneration policy framework for the Chairman, the executive directors and the Company Secretary and other designated executives, including a risk assessment of the policy, in conjunction with the audit committee, relating to such matters as financial performance setting and measurement for both bonus and long-term incentives.

  It considers and determines the individual remuneration packages and contracts for the Chief Executive Officer, other executive directors and the Company Secretary on appointment and reviews these as required and agrees the performance targets of the executive directors and the levels of bonus paid to them under the bonus and long-term incentive schemes. It also agrees with the board the remuneration structure, including annual bonus, for other designated executives.

  It agrees the terms to be offered to a proposed new Chairman and reviews these terms as required.

  It approves the structure, performance targets, participation and level of awards for any executive share-based incentive scheme.

- Compliance and ethics committee — Chaired by Mr Thompson and comprising all the independent non-executive directors, it upholds AMEC's core values of honesty, integrity and respect and reviews and monitors compliance with all relevant legislation, regulation and current best practice regarding such matters as the prevention of bribery and corruption and conflicts of interest. It also considers reviews and approves AMEC's Code of Business Conduct at least annually to ensure that it addresses the above issues.

  It considers and reviews the scope and planning of all compliance activity within AMEC and reviews the extent and effectiveness of AMEC's internal training and external reporting of compliance and ethics matters.

  In the event of an actual or suspected material breach of AMEC's Code of Business Conduct or any relevant legislation, a member of the committee will take responsibility for and manage any investigation into the relevant matters. The committee may use internal resources and is also authorised to employ external consultants to carry out any such investigation.

The following table is a record of the directors' attendance at board and principal board committee meetings during the year ended 31 December 2010.

Committee	AMEC plc board	Audit committee	Remuneration committee	Nominations committee	Compliance and ethics committee
Number of meetings	**10**	**4**	**5**	**1**	**2**
J M Green-Armytage	10	–	1	1	–
S Y Brikho	10	–	–	1	–
I P McHoul	10	–	–	–	–
N A Bruce	10	–	–	–	–
M O Hesse (up to 13 May)	3	1	1	–	1
P J Byrom	9	4	–	1	2
T W Faithfull	10	3	4	1	2
S R Thompson	9	4	5	1	2
N A P Carson (from 31 August)	4	1	2	–	–
C R Day (from 14 October)	3	–	–	–	–

Board committees continued

- Charities committee — Makes commitments and donations in support of charitable, educational and cultural causes.
- Share transaction committee — Considers requests from relevant employees to deal in AMEC plc shares.

The committees chaired by executive directors are as follows:

- Corporate transactions committee
- Risk committee
- Tender review committee
- Pensions and retirement benefits committee
- Share allotment committee

Going concern

The directors, having made enquiries, consider that the group has adequate resources to operate for the foreseeable future and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the accounts. Further details of this review can be found on page 66.

Creditor payment policy

Individual group businesses are responsible for agreeing terms and conditions under which transactions with their suppliers are conducted. It is AMEC policy that payments to suppliers are generally made in accordance with these terms and conditions, provided that the supplier complies with all of its obligations in this regard.

The company had 41 days' purchases outstanding as at 31 December 2010 (2009: 42 days) based on the average daily amount invoiced by suppliers during the year.

Donations

Total donations worldwide amounted to £553,000 for the year ended 31 December 2010 (2009: £540,000). Of these, donations to UK charities amounted to £295,000 for the year ended 31 December 2010 (2009 £313,000).

AMEC's policy is not to make political donations and none were made during 2010. (2009 – £nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The above statement is made in accordance with section 418 of the Companies Act 2006.

Auditors

Ernst & Young LLP were appointed as AMEC's auditors at the 2010 annual general meeting and a resolution will be proposed at the annual general meeting for their re-appointment as auditor of the company.

Annual general meeting – special business

Resolutions are being proposed at the annual general meeting to be held on 5 May 2011 to authorise the company to make market purchases of shares in the company within prescribed limits, to authorise the directors to allot shares in the company for a further period of one year and to allot a proportion of those shares for cash.

A resolution is also being proposed to amend the rules of the AMEC Performance Share Plan 2002, further details of which are included in the notice of meeting.

A resolution relating to the calling of general meetings, other than annual general meetings, on 14 days' notice will also again be proposed at the meeting.

By order of the board

Michael Blacker
Company Secretary, 3 March 2011

Note
On 15 March 2011, Eleanor Evans was appointed as General Counsel and Company Secretary in place of Michael Blacker, who is retiring at the end of March 2011.

Directors' remuneration report

The purpose of this report is to inform shareholders of the company's policy and practice on executive remuneration and the associated governance arrangements. As well as the required statutory disclosures, we aim to give a forward-looking statement of approach within the bounds of commercial confidentiality. Following a review of how the existing remuneration policy and practice supported our Vision 2015 strategy, various changes are proposed to incentive arrangements. These are summarised below and those which will require shareholder approval are described more fully in the shareholder circular setting out the resolutions to be put to the 2011 Annual General Meeting.

Remuneration committee structure and processes

During the year, the members of the remuneration committee were Mr T W Faithfull (Chairman), Ms M O Hesse (up to May), Mr S R Thompson, Mr N Carson (from August) and Mr C Day (from October). The Chairman of the board, Mr J Green-Armytage, was a member of the committee up to June when the committee's terms of reference were updated to clarify that although he will normally attend meetings, he is no longer a member. The committee's terms of reference can be found at amec.com/aboutus/culture/corporategovernance or on request from the Company Secretary.

In considering the matters within its remit, the committee takes account of recommendations from the Chairman in respect of the Chief Executive and from the Chief Executive in respect of other executive directors. It is advised both by the company's Human Resources department and independently by Hewitt New Bridge Street (HNBS). The terms of engagement between the company and HNBS are available from the Company Secretary. Neither HNBS nor its parent, Hewitt Associates, undertakes any material additional work for the company. Hewitt Associates is now wholly owned by Aon Corporation and while other companies within the Aon group do undertake material non-remuneration work for the company, the committee does not believe that the independence of its adviser is compromised in any way.

The committee has an established annual agenda of items that it considers at regular meetings normally held in February/March, June/August and November/December, the major elements of which are summarised below:

November/ December	Overall remuneration policy and practices, incorporating risk review; review of individual base salaries and total remuneration
February/ March	Confirmation of annual bonus and long-term incentive outcomes and new awards; appointment of consultants
June/August	Committee processes; incentive plan structures

In 2010 meetings were held in both June and August when a major additional item for discussion was the alignment of remuneration policy and practice to support the delivery of our Vision 2015 strategic objectives.

Remuneration risk

In 2009 the committee established a process to conduct on an annual basis a formal risk review of its remuneration policy and practice. As part of this process, the committee receives input from its independent remuneration consultant. This process was described more fully in last year's report.
This year's review also informed the strategic review of the remuneration policy as set out below.

Overall, and following the changes which will be made to the remuneration policy in 2011 (as set out below), the committee remains satisfied that the structure of executive remuneration supports the needs of the business in that the elements of fixed pay and benefits, annual bonus and long-term incentives provide sufficient flexibility to address the objectives of alignment, motivation and retention. In particular, the making of rolling three-year share awards on an annual basis, with revisions to targets as appropriate, encourages a culture of continuous performance improvement with a longer-term focus. The strong emphasis on executives investing and holding shares in the company helps build consistent alignment with shareholder value.

Remuneration policy

The objective of the remuneration policy, in respect of the executive directors and other senior executives, is to offer remuneration packages that are competitive in the markets in which the executives are based and which:

- allow AMEC to attract and retain senior executives of high calibre; and
- incentivise senior executives to achieve superior short-term performance and increase the medium and long-term value of AMEC for its shareholders and encourage executives to build and retain a significant shareholding in AMEC.

More specifically the policy is to set:

- base salaries which broadly equate to the mid-market salary practices of a relevant group of oil equipment and services and other engineering and business support services companies and other companies regarded as comparable by virtue of, amongst other factors, revenue, employee numbers, market capitalisation and/or geographic coverage
- annual bonuses which incentivise the achievement of stretching business and individual performance targets and offer the opportunity to achieve upper quartile annual cash earnings if these targets are achieved
- longer term incentives which align the interests of shareholders and senior executives by offering the latter the opportunity to accumulate significant capital over a period but only if stretching financial and shareholder value targets are met

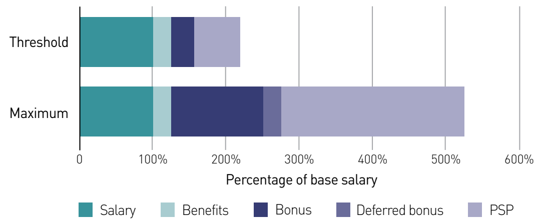
whilst accepting that within this policy there will be occasions when higher and/or lower levels of remuneration will be appropriate in particular circumstances.

Following a review of the policy in the light of our Vision 2015 strategy and objectives (see page 6) and the vesting of the one-off Transformation Incentive Plan during 2011, the committee concluded that a greater relative emphasis should be placed on incentive pay and executive investment in order to drive even higher levels of earnings growth on a progressive basis without encouraging inappropriate risk taking. Accordingly and following consultation with major shareholders a number of changes are being made as set out more fully in the relevant sections following.

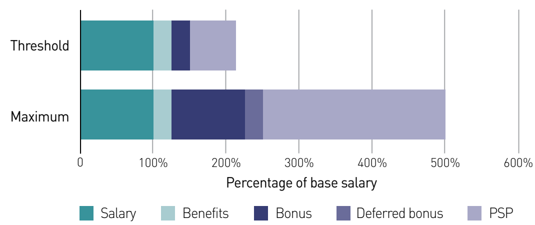
In summary, the changes are:

- No increases in base pay (other than for a significant role change) in 2011 for executive directors
- An increase in annual bonus opportunity for executive directors, payable only if additional stretch EBITA is achieved, beyond the Maximum target that applies to other executives below board level
- The introduction of bonus deferral and claw-back arrangements
- An increase in the co-investment/matching element of long-term incentives coupled with tougher earnings per share performance requirements (subject, where required, to shareholder approval as described in the shareholder circular)
- An increase to share ownership requirements.

The policy means that an increased proportion of executive directors' remuneration is performance related. The chart below shows the balance between fixed and incentive based payments for the Chief Executive at threshold and maximum performance levels. Maximum assumes achievement of maximum bonus and full vesting of shares under the Performance Share Plan (PSP) and assumes that the full investment/matching opportunity has been taken. Threshold values are 25 per cent of maximum bonus excluding the deferred element and 25 per cent vesting of the Performance Share Plan award.



The chart below shows the same information for the other executive directors.



Executive directors' base salaries

The base salaries of executive directors are reviewed annually, having regard to personal performance, company performance, competitive market practice as determined by external research and pay levels more broadly within the company. The following annual salaries have been approved from 1 January 2011:

S Y Brikho	£875,500	No change
I P McHoul	£486,675	No change
N A Bruce	£450,000	+15.4 per cent

Mr Bruce's increase reflects his appointment as Group Chief Operating Officer in August 2010, when he became additionally responsible for the Earth & Environmental business. He received an interim increase from £340,000 to £390,000 from 1 July 2010 to reflect the previous increase in his responsibilities to include Power & Process.

In the senior management group, no executive has a base salary higher than any executive director.

Annual bonuses

The executive directors and other senior executives participate in the AMEC Executive Annual Bonus Plan which generates bonus payments calculated by reference to a mix of EBITA, cash flow and personal targets that vary from year to year and between individuals to reflect the business priorities associated with each role.

Business performance targets are set so that a target level of bonus is paid normally for achieving the company's short-range plan. To achieve maximum bonus, a higher target has to be met. This takes account of the general business circumstances including the perceived difficulty inherent in the short-range plan and the need to balance stretch against risk. A threshold target is also set normally higher than the previous year's actual result, so that no bonus is paid unless there is year on year profit growth.

Business performance in 2010 exceeded the maximum targets set for this element. Accordingly total bonus payments for the year are near maximum. Further information on individual payments is set out in the notes to the table of directors' remuneration on page 56.

As part of the changes referred to on page 49, the annual bonus opportunity for 2011 is being increased (for executive directors only) by 25 per cent of base salary for additional stretch EBITA performance, with any such additional bonus being deferred in AMEC shares for three years during which it would be subject to forfeiture and claw-back. The additional bonus would only begin to be earned for performance that exceeds the maximum target that applies to other executives below board level.

The breakdown of bonus potential (as a percentage of base salary) against targets for each executive director is as follows:

		Chief Executive		COO and CFO	
		2010	2011	2010	2011
Threshold	EBITA	17.5%	17.5%	13.75%	13.75%
	Cash flow	6.25%	6.25%	5%	5%
Target	EBITA	46.67%	46.67%	36.67%	36.67%
	Cash flow	16.67%	16.67%	13.33%	13.33%
Maximum	EBITA	70%	70%	55%	55%
	Cash flow	25%	25%	20%	20%
Additional stretch	EBITA	0%	25%*	0%	25%*
Other strategic objectives		30%	30%	25%	25%
Overall maximum		125%	150%*	100%	125%*

*Additional bonus opportunity paid as deferred shares

Executive directors' long-term incentives

Transformation Incentive Plan

A one-off incentive plan was approved in 2008 covering a three-year period up to 2010. It was designed to give additional impetus to the transformation of the company and to aid the retention of selected key top executives through this critical period. The plan required participants to invest and hold AMEC shares for a three-year period, with these investment shares then matched on an up to four-to-one basis. Mr Brikho participated in the plan with investment shares equal to 150 per cent of his annual salary at the time of invitation. Mr Bruce and Mr McHoul participated at an investment of 100 per cent of salary.

Vesting of matched shares is based on achievement in 2010 of operating margins on a sliding scale beginning at nil for a margin of 8 per cent and increasing on a straight line basis to full vesting for a margin of 10 per cent. Margin calculation for this purpose is subject to the same earnings adjustments as apply in the Performance Share Plan (see below) other than a charge for one third of the total costs of the Plan. The awards were also subject to an earnings per share underpin of 53 pence and a review by the committee of the quality of the operating margin achieved: in this context, the committee had previously indicated that it would expect 2010 earnings per share of at least 60 pence for full payout.

The committee considers that the Transformation Incentive Plan has achieved its objectives and has played an important role in supporting and rewarding the margin improvement over the three-year period. The committee has determined that the matching ratio on vesting will be 3.12 times the participant's original investment. The following numbers of shares will therefore vest for each of the executive directors on the dates shown:

Mr Brikho	426,488 shares	on 15 May 2011
Mr Bruce	101,219 shares	on 30 May 2011
Mr McHoul	160,181 shares	on 22 September 2011

There is a claw-back provision if the 2010 accounts have to be restated.

The plan has now ended and no further awards will be made under it.

Description of Performance Share Plan

Ongoing long-term incentives are provided through the Performance Share Plan under which annual awards are made of restricted shares that will vest after three years only to the extent that pre-determined performance targets are met. There are two performance conditions – total shareholder return (TSR) and earnings per share growth – each of which operates independently on different portions of the awards.

Awards are made in two parts: a basic award and a matching award which requires participants to invest on a post-tax basis in AMEC shares that are held on their behalf as investment shares for the three-year performance period. If investment shares are withdrawn before the end of the performance period, the matching shares lapse. The policy for executive directors has been a basic award with a value at the time of award of up to 175 per cent of base salary plus a matching award up to a maximum of 25 per cent of base salary. Awards are also made to a wider group of executives, with lower levels of face value to reflect seniority and contribution. Awards are normally made in April following the publication of the annual results.

For the total shareholder return portion, the requirement for full vesting is for AMEC to be ranked in the top quartile of the chosen comparator group. No awards will vest if AMEC's performance is below median. If AMEC's performance is at the median, 25 per cent of the award will vest. Between the median and the upper quartile, the award will vest on a straight-line basis. In addition, to ensure that AMEC's underlying performance is properly reflected, no awards will vest unless there has been sustained financial growth of the company to the satisfaction of the committee.

For the earnings per share growth portion of the awards, threshold (25 per cent of that part of the award vests) and maximum (100 per cent of that award vests) requirements are set with straight-line vesting between these. This is determined by comparing the earnings per share achieved in the final year of the three-year period with that in the year immediately before the start of the period and expressing the growth as an annualised rate in excess of the increase in the UK Retail Prices Index over the same period.

Earnings per share are adjusted for certain defined items and calculated on a consistent basis between base and final years. The remuneration committee takes appropriate external advice on the method of calculation and any adjusting and potentially adjusting items. Performance against the total shareholder return targets is calculated independently and reviewed by the remuneration committee. In the event of a change of control, awards will normally vest to the extent that the performance conditions have been met at the date the change of control takes place.

Awards are made by the trustee of the AMEC Employee Share Trust, currently BWCI Trust Company Limited. Shares held by the trustee in connection with the Performance Share Plan may be voted at their discretion.

Changes to the plan

For the reasons outlined on page 49, the committee has made a number of changes to the operation of the plan for the awards to be made in 2011 and future years.

- The composition of the comparator group, which is reviewed at the time of each set of awards, has up to 2010 comprised only UK-listed companies in relevant FTSE subsectors. For 2011, the group has been amended to include a number of non-UK listed companies who are direct business competitors of AMEC and to exclude UK companies where there is little or no overlap in activities – see table on page 53. Lists of the comparator companies for the 2008 awards that vested during the year and the awards made in 2009 can be obtained on request from the Company Secretary
- The previous policy of requiring compound annual earnings per share growth (over inflation) of 3 to 10 per cent has been increased to a vesting range of 5 to 12 per cent growth. For any set of annual awards, in line with previous practice, the committee has the discretion to set absolute targets that represent a higher stretch for that particular three-year performance period
- The matching share part of the award will be solely dependent on the revised earnings per share target. As before, half of the basic part of the award will continue to be dependent on earnings per share and half on total shareholder return
- The matching award policy for executive directors and selected other senior executives (members of the Group Management Team) will be increased from 25 per cent to 75 per cent. To permit this for those receiving maximum awards, a change is required in the Plan rules to increase the overall maximum award from the current 200 per cent to 250 per cent and shareholder approval is being sought for this change. The intention is to make 2011 awards up to the existing maximum at the normal time in April and, if approval is obtained at the 2011 Annual General Meeting, to make subsequent top-up matching awards
- To achieve the maximum 75 per cent of salary matching awards, the investment required will increase from 15 per cent to 37.5 per cent of net pay enabled by a change in the matching ratio on investment shares to two for one (from five for three)
- As previously approved by shareholders and provided for in the existing Plan rules, the number of shares vesting from these awards will be increased to take account of reinvested dividends during the three-year performance period.

TSR comparator group

■ Indicates inclusion	Country	2010	2011
Aggreko	UK	■	
Aker Solutions	Norway		■
AMEC	UK	■	■
Atkins (WS)	UK	■	
Babcock Intl.	UK	■	■
Baker Hughes	US		■
Balfour Beatty	UK		■
Berendsen	UK	■	
Bunzl	UK	■	
Cameron Intl.	US		■
Capita Group	UK	■	
Carillion	UK	■	■
Charter Intl.	UK	■	■
Chicago Bridge & Iron	US		■
Connaught*	UK	■	
De La Rue	UK	■	
Experian	UK	■	
G4S	UK	■	
Fluor	US		■
Foster Wheeler	US		■
Halliburton	US		■
Homeserve	UK	■	
Hunting	UK	■	
IMI	UK	■	■
Intertek Group	UK	■	
Jacobs	US		■
KBR	US		■
Lamprell	UK	■	
Melrose	UK	■	■
Mitie Group	UK	■	
Petrofac	UK	■	■
Regus	UK	■	
Rentokil Initial	UK	■	
Rotork	UK	■	■
Saipem	Italy		■
Schlumberger	US		■
Serco Group	UK	■	■
SNC-Lavalin Group	Canada		■
Spirax-Sarco	UK	■	■
Technip	France		■
URS	US		■
VT Group	UK	■	
Weir Group	UK	■	■
Wellstream Holdings	UK	■	
Wood Group (John)	UK	■	■
Worley Parsons	Australia		■

*share listings removed or suspended

Other share plans

No awards have been made under the Executive Share Option Scheme since 2004. Authority for this plan is due to lapse in 2012.

In addition, executive directors may participate in relevant all-employee share plans which provide options, without performance conditions, related to savings contracts with an aggregate limit of £250 savings per month.

Share ownership guidelines

Guidelines are in place requiring executive directors and other senior executives (which include all such participants in the Transformation Incentive Plan) to build up over a three-year period and retain a holding of AMEC shares received from incentive plans or purchased by them. The current level of targeted shareholding is two times salary for executive directors and one times salary for other senior executives. Details of directors' interests at the end of 2010 are listed on page 40 of the report of the directors. Based on the average share price and salaries during December 2010, these shareholdings represented the following percentages of base salary:

Mr Brikho	1,486 per cent
Mr Bruce	218 per cent
Mr McHoul	195 per cent

Mr McHoul joined in September 2008.

Part of the proposal to increase the matching opportunity under the performance share plan is to raise the shareholding requirement to two and a half times salary for Executive Directors and one and a quarter times salary for other members of the Group Management Team. If this change is approved by shareholders, those affected would have until the end of 2013 to meet the higher target.

Up to date details of the interests and transactions of current directors are available on our website.

Executive directors' pension arrangements and other benefits

Executive directors are eligible for membership of the AMEC Staff Pension Scheme and to have top-up benefits provided through the AMEC Executive Pension Scheme. The schemes are both defined benefit schemes registered with the UK's HM Revenue & Customs (HMRC) and also provide for life assurance cover and dependants' pensions. There are no unregistered pension arrangements.

Executive directors who participate in the pension schemes accrue pension rights which are linked to the length of pensionable service and to pensionable salary. Executive directors who remain in employment beyond normal pension age are able to continue to accrue further pension rights. Pensionable salary in respect of scheme membership up to the end of 2007 is based on final salary and in respect of membership from 2008 onwards is based on career average revalued earnings. Benefits are restricted to a scheme earnings cap which was set at £135,000 for the 2010/11 tax year (£141,250 for 2011/12). In recognition of this restriction of pension benefits, participating executive directors also receive a taxable supplement of 20 per cent of their base salaries above the cap.

Executive directors are able to opt-out in which case they will receive a salary supplement of 20 per cent of basic salary in lieu of further pension accrual. If individuals do accrue benefits that exceed either the Annual or the Life Time Allowances, the payment of the associated tax liability will be the responsibility of the individual and not AMEC.

Mr Brikho is a member of both pension schemes with a normal pension age of 60 and also has the benefit of additional life assurance in respect of earnings above the cap. Mr Bruce also participates and has a normal pension age of 62 with a historic right to draw accrued pension from age 57 onwards without actuarial reduction for early payment. Mr McHoul has not joined the schemes and therefore receives the 20 per cent supplement on his full salary and also has the benefit of life assurance of four times his basic salary.

Employment related benefits, principally the provision of a company car or car allowance, long-term disability and private medical expenses insurance, are also provided to executive directors.

Executive directors' employment contracts

AMEC's policy is that on appointment, executive directors will normally be employed with a notice period of one year. In the event of employment being terminated with less notice than this, damages will be determined at the time taking account of the circumstances leading up to the termination and the individual's duty to mitigate his loss. Executive directors are required to give six months' notice of resignation. This policy is followed for all current executive directors.

Service contracts for executive directors do not provide for extended notice periods, other enhancements or payments in the event of a change of control. It is not the remuneration committee's intention to introduce such provisions.

The service contracts of the executive directors are available for review at the Company's registered office in accordance with relevant legislation.

External directorships

Executive directors are not permitted to accept external directorships without the prior approval of the board.

Mr McHoul is a director and chairman of the audit committee of Premier Foods plc for which he received remuneration of £70,000 during the year.

Chairman

The remuneration committee is responsible for determining the remuneration and other terms of appointment of the Chairman of the board. The agreement with the Chairman, Mr Green-Armytage, runs to 5 May 2011, which is the date of the 2011 Annual General Meeting and he intends to retire on that date. The search for his successor is well underway but as reported on page 40, Mr Green-Armytage has agreed to stay on as Chairman in the event that his successor has not been appointed by then. The chairman's fee of £245,000 per annum has not been increased for 2011. He is provided with life assurance cover of four times the AMEC pension scheme earnings cap. He does not participate in other benefit schemes or in any of the incentive schemes of the group.

Non-executive directors

The remuneration of non-executive directors is determined by the chairman and the executive directors under delegated authority from the board. The non-executive directors receive fees for their services and do not participate in any of the incentive or benefit schemes of the group. The policy with regard to fee structure is to reflect time commitment and responsibility of the various roles.

Fees were reviewed with effect from 1 January 2011. The current base fee was increased by around three per cent to £54,000 per annum. There is an additional fee of £8,125 per annum paid to the senior independent director. Additional fees are paid for chairing committees of the board as follows:

Audit committee	£13,125
Remuneration committee	£8,125
Compliance and ethics committee	£5,400

The board's policy is that non-executive director appointments are normally for three consecutive three-year terms, subject to review after the end of each term. The non-executive directors as at 31 December 2010 have fixed-term contracts which run until the dates set out below:

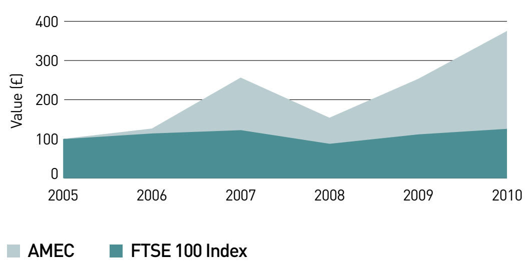
	Date of contract	Service review date
P J Byrom	10 February 2005	9 February 2011 (stood down)
T W Faithfull	10 February 2005	2014 AGM
S R Thompson	21 January 2009	2012 AGM
N A P Carson	31 August 2010	2014 AGM*
C R Day	14 October 2010	2014 AGM*

*Subject to re-election at the 2011 AGM. In accordance with the articles of association of AMEC, all directors are required to seek re-election by shareholders at the AGM following initial appointment and every three years thereafter. As reported on page 40, the Board has recently agreed that all directors will submit themselves for re-election on an annual basis, in line with the recommendations in the UK Corporate Governance Code.

The contracts of non-executive directors may be terminated by the individual at any time and there are no specific provisions for compensation in the event of early termination by the company.

Performance graph

This graph shows the value, by 31 December 2010, of £100 invested in AMEC plc on 31 December 2005 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year-ends.



Source: Thomson Reuters

Directors' remuneration and related matters

The auditors are required to report on the following information on pages 56 to 58 of the directors' remuneration report.

Individual aspects of remuneration were as follows:

	Salary/fee £000	Pension supplement(i) £000	Other benefits(ii) £000	Bonus(iii) £000	2010 Total £000	2009 Total £000
Executive						
S Y Brikho	**875**	**148**	**45**	**1,059**	**2,127**	1,719
I P McHoul	**487**	**97**	**14**	**448**	**1,046**	848
N A Bruce (from 21 Jan 2009)	**365**	**46**	**43**	**354**	**808**	537
Non-executive						
J M Green-Armytage	**245**	**–**	**–**	**–**	**245**	225
M O Hesse (to 13 May 2010)	**22**	**–**	**–**	**–**	**22**	55
P J Byrom	**66**	**–**	**–**	**–**	**66**	63
T W Faithfull	**68**	**–**	**–**	**–**	**68**	62
S R Thompson (from 21 Jan 2009)	**56**	**–**	**–**	**–**	**56**	47
N A P Carson (from 31 Aug 2010)	**18**	**–**	**–**	**–**	**18**	–
C R Day (from 14 Oct 2010)	**11**	**–**	**–**	**–**	**11**	–
E P Airey (to 13 May 2009)	**–**	**–**	**–**	**–**	**–**	21
Total board	**2,213**	**291**	**102**	**1,861**	**4,467**	3,577

Notes

(i) Mr Brikho and Mr Bruce received a taxable supplement of 20 per cent of salary above the pension earnings cap. Mr McHoul received a taxable supplement of 20 per cent of full salary in lieu of pension accrual.

(ii) The value of benefits received during the year relates principally to the provision of a company car or car allowance and private medical expenses insurance.

(iii) The bonuses for the executive directors represented the following percentages of base salary reflecting the maximum awards in respect of EBITA and cash flow and strong but below maximum scores on personal targets.

Mr Brikho	121 per cent
Mr Bruce	97 per cent
Mr McHoul	92 per cent

The numbers of restricted shares held by executive directors to whom awards had been made under the Performance Share Plan (PSP) and the Transformation Incentive Plan (TIP) were as follows:

	Plan	As at 1 January 2010 or on date of appointment as a director Number	Awarded during the year Number	Date awarded	Market price at date of award Pence	Vested during the year Number	Lapsed during the year Number	As at 31 December 2010 Number	End of restricted Period
S Y Brikho	PSP	246,687		Apr 2007	532.25	246,687		–	Mar 2010
	PSP	208,912		Apr 2008	718.00			208,912	Mar 2011
	TIP	546,780		May 2008	890.00			546,780	May 2011
	PSP	318,300		Apr 2009	534.08			318,300	Mar 2012
	PSP		219,148	Apr 2010	799.00			219,148	Mar 2013
N A Bruce	PSP	92,812		Apr 2007	532.25	92,812		–	Mar 2010
	PSP	74,371		Apr 2008	718.00			74,371	Mar 2011
	TIP	129,768		May 2008	890.00			129,768	May 2011
	PSP	108,595		Apr 2009	534.08			108,595	Mar 2012
	PSP		85,104	Apr 2010	799.00			85,104	Mar 2013
I P McHoul	PSP	120,643		Sept 2008	746.00			120,643	Sep 2011
	TIP	205,360		Sept 2008	636.50			205,360	Sep 2011
	PSP	176,937		Apr 2009	534.08			176,937	Mar 2012
	PSP		121,819	Apr 2010	799.00			121,819	Mar 2013

Notes

(i) For the PSP awards made in 2007, AMEC met the performance conditions for maximum vesting. The share price at the date of vesting was 799.0 pence.

(ii) The terms and conditions of the PSP and TIP awards have not been varied during the year.

(iii) The vesting date for awards under the TIP is three years from the date the individuals lodged their investment shares. The maximum number of shares that individuals could invest was based on salary and share price at the time of invitation. The award indicated represents the maximum four times match. Details of the expected vesting are included on page 51.

(iv) The closing price of the shares at 31 December 2010 was 1150.0 pence (2009: 792.0 pence). Had the outstanding restricted shares detailed above vested in full on that date the approximate latent value before appropriate taxes for each of the current directors would have been: Mr Brikho £14,871,000, Mr Bruce £4,575,000 and Mr McHoul £7,185,000. These hypothetical figures assume that all relevant performance conditions would have been fully met, which in practice may not transpire.

(v) The range of the closing prices for the shares during the year was 733.5 pence to 1168.0 pence.

(vi) The register of directors' interests, which is open to inspection at the company's registered office, contains full details of directors' shareholdings, share options and awards under the performance share plans.

The options over AMEC plc shares held by the directors under the Savings Related Share Option Scheme were as follows:

	Date of grant	As at 1 January 2010 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	**As at 31 December 2010 Number**	Option price Pence	Market price on date of exercise Pence	Exercise period for options outstanding on 31 December 2010
S Y Brikho	Dec 2007	1,624				**1,624**	591.00		Mar–Aug 2011
I P McHoul	Oct 2009	1,512				**1,512**	600.00		Jan–June 2013

Pension entitlements and benefits

The following directors were members of defined benefit schemes provided by the company during the year. Pension entitlements and corresponding transfer values increased as follows during the year:

	Gross increase in accrued pension £000	Increase in accrued pension net of inflation £000	Total accrued pension at 31 December 2010 £000	Value of net increase in accrual over period £000	Total change in value during period £000	Value of accrued pension at 31 December 2010 £000	Value of accrued pension at 31 December 2009 £000
S Y Brikho	**5**	**4**	**18**	**55**	**78**	**336**	243
N A Bruce	**4**	**2**	**39**	**22**	**70**	**676**	591

Notes

(i) Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.
(ii) Transfer values have been calculated in accordance with the Trustee's transfer value basis.
(iii) The value of net increase represents the incremental value to the director of his service during the year, calculated on the assumption service terminated at the year-end. It is based on the accrued pension increase after deducting the director's contribution.
(iv) The change in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the company and directors, such as stock market movements. It is calculated after deducting the director's contribution.
(v) Voluntary contributions paid by directors and resulting benefits are not shown.

T W Faithfull
Chairman, remuneration committee
On behalf of the board
3 March 2011

Consolidated income statement

For the year ended 31 December 2010

	Note	2010 Before amortisation and exceptional items £ million	2010 Amortisation and exceptional items (note 5) £ million	2010 Total £ million	2009 Before amortisation, impairment and exceptional items £ million	2009 Amortisation, impairment and exceptional items (note 5) £ million	2009 Total £ million
Continuing operations							
Revenue	2 & 3	**2,950.6**	**–**	**2,950.6**	2,539.1	–	2,539.1
Cost of sales		**(2,499.0)**	**–**	**(2,499.0)**	(2,162.4)	2.2	(2,160.2)
Gross profit		**451.6**	**–**	**451.6**	376.7	2.2	378.9
Administrative expenses		**(200.3)**	**(33.1)**	**(233.4)**	(185.8)	(19.4)	(205.2)
Profit on business disposals and closures		**–**	**18.8**	**18.8**	–	10.4	10.4
Profit/(loss) before net financing income	4	**251.3**	**(14.3)**	**237.0**	190.9	(6.8)	184.1
Financial income		**10.9**	**–**	**10.9**	12.4	–	12.4
Financial expense		**(3.0)**	**–**	**(3.0)**	(5.1)	–	(5.1)
Net financing income	7	**7.9**	**–**	**7.9**	7.3	–	7.3
Share of post-tax results of joint ventures	2	**13.3**	**–**	**13.3**	12.1	–	12.1
Profit/(loss) before income tax	2	**272.5**	**(14.3)**	**258.2**	210.3	(6.8)	203.5
Income tax	8	**(65.2)**	**43.6**	**(21.6)**	(53.0)	6.2	(46.8)
Profit for the year from continuing operations		**207.3**	**29.3**	**236.6**	157.3	(0.6)	156.7
(Loss)/profit for the year from discontinued operations	9	**(4.3)**	**(2.4)**	**(6.7)**	2.0	13.9	15.9
Profit for the year		**203.0**	**26.9**	**229.9**	159.3	13.3	172.6
Attributable to:							
Equity holders of the parent				**231.0**			171.7
Non-controlling interests				**(1.1)**			0.9
				229.9			172.6
Basic earnings/(loss) per share:	10						
Continuing operations				**73.0p**			47.6p
Discontinued operations				**(2.1)p**			4.9p
				70.9p			52.5p
Diluted earnings/(loss) per share:	10						
Continuing operations				**71.3p**			46.7p
Discontinued operations				**(2.0)p**			4.8p
				69.3p			51.5p

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 £ million	2009 £ million
Profit for the year		**229.9**	172.6
Actuarial gains/(losses) on defined benefit pension schemes	14	**21.4**	(169.9)
Tax on actuarial gains/(losses)		**(7.4)**	57.0
Exchange movements			
On translation of foreign subsidiaries		**69.8**	(3.7)
Net (loss)/gain on hedges of net investment in foreign subsidiaries	19	**(11.5)**	11.6
Tax on exchange movements		**0.9**	–
Cumulative exchange movements recognised in profit on disposal		**(6.0)**	–
Cash flow hedges:			
Effective portion of changes in fair value		**1.4**	6.6
Transferred to the income statement	19	**0.7**	0.3
Tax on effective portion of changes in fair value of cash flow hedges		**(0.5)**	(2.2)
Other comprehensive income		**68.8**	(100.3)
Total comprehensive income		**298.7**	72.3
Attributable to:			
Equity holders of the parent		**299.7**	71.6
Non-controlling interests		**(1.0)**	0.7
Total comprehensive income		**298.7**	72.3

Consolidated balance sheet

As at 31 December 2010

	Note	2010 £ million	2009 (restated) £ million
ASSETS			
Non-current assets			
Property, plant and equipment	11	**31.9**	44.1
Intangible assets	12	**621.3**	507.4
Interests in joint ventures and other investments	13	**42.9**	36.4
Derivative financial instruments	19	**1.4**	1.4
Retirement benefit assets	14	**63.0**	26.8
Deferred tax assets	15	**59.6**	70.0
Total non-current assets		**820.1**	686.1
Current assets			
Inventories	16	**1.4**	5.4
Trade and other receivables	17	**696.5**	518.8
Derivative financial instruments	19	**1.4**	1.8
Current tax receivable		**3.8**	8.9
Bank deposits (more than three months)	23	**196.4**	130.7
Cash and cash equivalents	23	**543.7**	612.0
Total current assets		**1,443.2**	1,277.6
Total assets		**2,263.3**	1,963.7
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(685.5)**	(584.6)
Derivative financial instruments	19	**(27.0)**	(10.6)
Current tax payable		**(33.7)**	(70.7)
Total current liabilities		**(746.2)**	(665.9)
Non-current liabilities			
Trade and other payables	20	**(6.7)**	(16.3)
Derivative financial instruments	19	**(12.4)**	(22.3)
Retirement benefit liabilities	14	**(35.9)**	(30.9)
Provisions	21	**(187.1)**	(202.0)
Total non-current liabilities		**(242.1)**	(271.5)
Total liabilities		**(988.3)**	(937.4)
Net assets		**1,275.0**	1,026.3
EQUITY			
Share capital	22	**169.0**	169.0
Share premium account	22	**100.7**	100.7
Hedging and translation reserves	22	**127.2**	72.5
Capital redemption reserve	22	**17.2**	17.2
Retained earnings	22	**858.1**	663.5
Total equity attributable to equity holders of the parent		**1,272.2**	1,022.9
Non-controlling interests		**2.8**	3.4
Total equity		**1,275.0**	1,026.3

The accounts on pages 59 to 104 were approved by the board of directors on 3 March 2011 and were signed on its behalf by:

S Y Brikho, Chief Executive

I P McHoul, Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Capital redemption reserve £ million	Retained earnings £ million	**Total £ million**	Non-controlling interests £ million	**Total equity £ million**
As at 1 January 2010	169.0	100.7	(4.5)	77.0	17.2	663.5	**1,022.9**	3.4	**1,026.3**
Profit/(loss) for the year	–	–	–	–	–	231.0	**231.0**	(1.1)	**229.9**
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	21.4	**21.4**	–	**21.4**
Tax on actuarial gains	–	–	–	–	–	(7.4)	**(7.4)**	–	**(7.4)**
Exchange movements on translation of foreign subsidiaries	–	–	–	69.7	–	–	**69.7**	0.1	**69.8**
Net loss on hedges of net investment in foreign subsidiaries	–	–	–	(11.5)	–	–	**(11.5)**	–	**(11.5)**
Tax on exchange movements	–	–	–	0.9	–	–	**0.9**	–	**0.9**
Cumulative exchange movements recognised in profit on disposal	–	–	–	(6.0)	–	–	**(6.0)**	–	**(6.0)**
Effective portion of changes in fair value of cash flow hedges	–	–	1.4	–	–	–	**1.4**	–	**1.4**
Transferred to the income statement	–	–	0.7	–	–	–	**0.7**	–	**0.7**
Tax on effective portion of changes in fair value of cash flow hedges	–	–	(0.5)	–	–	–	**(0.5)**	–	**(0.5)**
Other comprehensive income for the year	–	–	1.6	53.1	–	14.0	**68.7**	0.1	**68.8**
Total comprehensive income for the year	–	–	1.6	53.1	–	245.0	**299.7**	(1.0)	**298.7**
Dividends	–	–	–	–	–	(58.1)	**(58.1)**	(0.2)	**(58.3)**
Shares issued	–	–	–	–	–	–	**–**	0.6	**0.6**
Equity-settled share based payments	–	–	–	–	–	13.6	**13.6**	–	**13.6**
Tax on equity-settled share based payments	–	–	–	–	–	5.2	**5.2**	–	**5.2**
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	–	–	(4.6)	**(4.6)**	–	**(4.6)**
Utilisation of treasury shares	–	–	–	–	–	1.7	**1.7**	–	**1.7**
Acquisition of treasury shares	–	–	–	–	–	(8.2)	**(8.2)**	–	**(8.2)**
As at 31 December 2010	**169.0**	**100.7**	**(2.9)**	**130.1**	**17.2**	**858.1**	**1,272.2**	**2.8**	**1,275.0**

Consolidated statement of changes in equity continued

For the year ended 31 December 2009

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Capital redemption reserve £ million	Retained earnings £ million	**Total £ million**	Non-controlling interests £ million	**Total equity £ million**
As at 1 January 2009	169.0	100.7	(9.2)	68.9	17.2	656.7	**1,003.3**	2.6	**1,005.9**
Profit for the year	–	–	–	–	–	171.7	**171.7**	0.9	**172.6**
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(169.9)	**(169.9)**	–	**(169.9)**
Tax on actuarial losses	–	–	–	–	–	57.0	**57.0**	–	**57.0**
Exchange movements on translation of foreign subsidiaries	–	–	–	(3.5)	–	–	**(3.5)**	(0.2)	**(3.7)**
Net gain on hedges of net investment in foreign subsidiaries	–	–	–	11.6	–	–	**11.6**	–	**11.6**
Effective portion of changes in fair value of cash flow hedges	–	–	6.6	–	–	–	**6.6**	–	**6.6**
Transferred to the income statement	–	–	0.3	–	–	–	**0.3**	–	**0.3**
Tax on effective portion of changes in fair value of cash flow hedges	–	–	(2.2)	–	–	–	**(2.2)**	–	**(2.2)**
Other comprehensive income for the year	–	–	4.7	8.1	–	(112.9)	**(100.1)**	(0.2)	**(100.3)**
Total comprehensive income for the year	–	–	4.7	8.1	–	58.8	**71.6**	0.7	**72.3**
Dividends	–	–	–	–	–	(50.3)	**(50.3)**	(0.2)	**(50.5)**
Equity settled share-based payments	–	–	–	–	–	10.7	**10.7**	–	**10.7**
Tax on equity–settled share based payments	–	–	–	–	–	2.6	**2.6**	–	**2.6**
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	–	–	(9.8)	**(9.8)**	–	**(9.8)**
Utilisation of treasury shares	–	–	–	–	–	1.2	**1.2**	–	**1.2**
Acquisition of treasury shares	–	–	–	–	–	(6.4)	**(6.4)**	–	**(6.4)**
Acquisition of businesses	–	–	–	–	–	–	**–**	0.3	**0.3**
As at 31 December 2009	**169.0**	**100.7**	**(4.5)**	**77.0**	**17.2**	**663.5**	**1,022.9**	**3.4**	**1,026.3**

Consolidated cash flow statement

For the year ended 31 December 2010

	Note	2010 £ million	2009 £ million
Cash flow from operating activities			
Profit before income tax from continuing operations		**258.2**	203.5
(Loss)/profit before income tax from discontinued operations	9	**(18.0)**	3.4
Profit before income tax		**240.2**	206.9
Financial income		**(10.6)**	(12.4)
Financial expense		**3.0**	5.1
Share of post-tax results of joint ventures		**(13.3)**	(12.1)
Intangible amortisation and goodwill impairment		**25.0**	15.7
Depreciation		**12.8**	13.9
Profit on disposal of businesses		**(4.3)**	(3.5)
Loss on disposal of property, plant and equipment		**–**	0.8
Difference between contributions to retirement benefit schemes and amounts recognised		**(10.3)**	(11.4)
Equity settled share-based payments		**13.6**	10.7
		256.1	213.7
(Increase)/decrease in inventories		**(0.6)**	6.3
(Increase)/decrease in trade and other receivables		**(165.2)**	182.3
Increase/(decrease) in trade and other payables and provisions		**81.5**	(160.0)
Cash generated from operations		**171.8**	242.3
Interest paid		**–**	(2.3)
Tax paid		**(37.9)**	(70.5)
Net cash flow from operating activities		**133.9**	169.5
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		**(93.8)**	(117.6)
Acquisition of joint ventures		**(15.7)**	(4.7)
Purchase of property, plant and equipment		**(6.2)**	(9.3)
Purchase of intangible assets		**(7.3)**	(5.7)
Investment in short-term bank deposits		**(65.7)**	(130.7)
Disposal of businesses (net of cash disposed of)		**12.1**	(6.2)
Disposal of joint ventures and other investments		**0.3**	–
Disposal of property, plant and equipment		**0.7**	2.6
Interest received		**5.7**	12.1
Dividends received from joint ventures		**16.6**	9.0
Net cash flow from investing activities		**(153.3)**	(250.5)
Net cash flow before financing activities		**(19.4)**	(81.0)
Cash flow from financing activities			
Repayment of loans		**–**	(0.1)
Dividends paid		**(58.1)**	(50.3)
Acquisition of treasury shares		**(6.5)**	(5.2)
Acquisition of shares by trustees of the Performance Share Plan		**(4.6)**	(9.8)
Net cash flow from financing activities		**(69.2)**	(65.4)
Decrease in cash and cash equivalents		**(88.6)**	(146.4)
Cash and cash equivalents as at the beginning of the year		**612.0**	764.6
Exchange gains/(losses) on cash and cash equivalents		**20.3**	(6.2)
Cash and cash equivalents as at the end of the year	23	**543.7**	612.0
Cash and cash equivalents consist of:			
Cash at bank and in hand		**177.1**	219.6
Bank deposits (less than three months)		**366.6**	392.4
Cash and cash equivalents as at the end of the year	23	**543.7**	612.0
Bank deposits (more than three months)		**196.4**	130.7
Net cash as at the end of the year		**740.1**	742.7

Notes to the consolidated accounts

1 Significant accounting policies

AMEC plc is a company domiciled in the UK.

Statement of compliance

The consolidated accounts include the accounts of AMEC plc ('AMEC') and all of its subsidiaries made up to 31 December each year, and the group's share of the profit after interest and tax, and net assets of joint ventures and associates, based on the equity method of accounting.

In accordance with EU law (IAS Regulation EC 1606/2002), the consolidated accounts of the group have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the EU as at 31 December 2010 ('adopted IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The company has elected to prepare its parent company accounts in accordance with UK Generally Accepted Accounting Principles ('UK GAAP'); these are presented on pages 107 to 112.

Accounting standards adopted in the year

IFRS 3 "Business Combinations (Revised)" has been adopted during the year and applied prospectively to business combinations occurring on or after 1 January 2010, and consequently its adoption has no impact on the group's reported results for 2009 or its net financial position as at 31 December 2009. Adoption of IFRS 3 results in a number of changes in accounting for business combinations, the most significant of which for AMEC are:

– contingent consideration is measured at fair value at the date of acquisition, and subsequent changes are recognised in profit or loss rather than adjusting the goodwill recognised on acquisition;

– acquisition-related costs in respect of business combinations occurring on or after 1 January 2010 are expensed through the income statement as incurred; and

– all contingent liabilities of the acquired business are recognised at their fair value if there is a present obligation that arises from a past event and its fair value can be measured reliably.

IAS 27 "Consolidated and separate Financial Statements (Amendment)" has also been adopted during the year and applied retrospectively, though with certain exemptions from retrospective application as follows. Under IAS 27 losses incurred by a subsidiary will be allocated between controlling and non-controlling interests even if losses exceed the non-controlling equity investment in the subsidiary. Adoption of this standard has no impact on the group's reported results for 2009 or its financial position as at 31 December 2009.

Following changes to IFRS 8 "Operating Segments" introduced by "Improvements to International Financial Reporting Standards (issued 2009)" which has been adopted during the year, segment assets and liabilities will no longer be reported as they are not included in the measures used by the chief operating decision maker.

Restatements

The consolidated income statement for the year ended 31 December 2009 has been restated to present deferred compensation on acquisitions within exceptional items rather than within administrative expenses before exceptional items. The purpose of this restatement is to align the presentation to that adopted in the current year. Administrative expenses before exceptional items have been reduced by £3.7 million for the year ended 31 December 2009. Administrative expenses reported as exceptional items have been increased by the same amounts. These restatements have no impact on the group's reported profit or net assets.

The acquisition of GRD Limited was accounted for on a provisional basis in the accounts for the year ended 31 December 2009. The acquisition accounting was finalised in 2010 and the provisional fair values have been updated. As a result the consolidated balance as at 31 December 2009 has been restated. This restatement has no impact on the group's reported profit or net assets. Details of the restatement are provided in note 24 to the accounts.

Basis of preparation

The accounts are presented in Sterling, rounded to the nearest hundred thousand. They are prepared on the historical cost basis except that derivative financial instruments and retirement benefit assets and liabilities are stated at fair value.

The preparation of accounts in accordance with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the consolidated accounts continued

1 Significant accounting policies continued

Some of these policies require a high level of judgement, and AMEC believes that the most critical accounting policies and significant areas of judgement and estimation arise from the accounting for defined benefit pension schemes under IAS 19 'Employee benefits', for long-term contracts under IAS 11 'Construction contracts' and IAS 18 'Revenue recognition' and for provisions under IAS 37 'Provisions, contingent liabilities and contingent assets'.

Defined benefit pension schemes are accounted for in accordance with the advice of independent qualified actuaries but significant judgements are required in relation to the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member life expectancy that underpin their valuations. For AMEC, these assumptions are important given the relative size of the schemes that remain open.

A significant amount of the group's activities is undertaken via long-term contracts. These contracts are accounted for in accordance with IAS 11 which requires estimates to be made for contract costs and revenues.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of incentive payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

When accounting for provisions for litigation and other items the group has taken internal and external advice in considering known legal claims and actions made by or against the group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the group on the basis of likely outcome, but no provisions are made for those which in the view of management are unlikely to succeed.

In accordance with IFRS 5, the post-tax results of discontinued operations are disclosed separately in the consolidated income statement.

Discontinued operations include the non-core Built Environment businesses, which were sold during 2007 and SPIE, which was sold in 2006. The cash flows of discontinued operations are fully consolidated within AMEC up to the date of sale. The results and other disclosures in respect of discontinued operations are shown in note 9.

Going concern

The directors are satisfied that the group has adequate resources to operate for the foreseeable future. At 31 December 2010 the group held net cash of £740.1 million.

The group will finance operations and growth from its significant existing cash resources. The group's policy aims to ensure the constant availability of an appropriate amount of funding to meet both current and future forecast requirements consistent with the group's budget and strategic plans.

Given the group's significant cash resources the decision was made during 2008 not to renew the group's committed facilities. This decision has been kept under review since then. However, appropriate facilities will be maintained to meet ongoing requirements for performance related bonding and letters of credit.

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. AMEC manages these risks by ensuring that surplus funds are placed with a diversified range of 25-30 mainstream banks and with each counterparty up to a pre-approved limit. These limits are set at prudent levels by the board, are based primarily on credit ratings set by Moody's, Standard & Poors and Fitch and have been reviewed in light of the recent market turbulence.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated accounts.

Basis of consolidation

A subsidiary is an entity controlled by AMEC. Control is achieved where AMEC has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated accounts from the date that control commences until the date that control ceases.

A joint venture entity is an entity over whose activities AMEC has joint control, established by contractual agreement. An associate is an entity in which AMEC has significant influence, but not control, over the financial and operating policies. The consolidated accounts include the group's share of the total recognised gains and losses of associates and joint venture entities on an equity accounted basis. The results of joint venture entities and

1 Significant accounting policies continued

associates are included in the consolidated accounts from the date that joint control or significant influence commences until the date that it ceases.

Losses of a joint venture or an associate are recognised only to the extent of the group's interest in the joint venture or associate, unless the group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

Jointly controlled operations and assets where each party has its own separate interest in particular risks and rewards, are accounted for by including the attributable share of the assets it controls, liabilities and cash flows it incurs and its share of the income measured according to the terms of the arrangement.

Bid costs

Bid costs are expensed as incurred until the group is appointed as the preferred bidder. Subsequent to appointment as preferred bidder, bid costs are capitalised and held on the balance sheet provided the award of the contract is virtually certain and it is expected to generate sufficient net cash flow to allow recovery of the bid costs. Where bid costs are reimbursed at financial close, the proceeds are applied first against the balance of costs included in the balance sheet, with any additional amounts treated as deferred income and released to profit over the period of the contract.

Business combinations and goodwill

The purchase method is used to account for all business combinations.

Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the assets, liabilities and contingent liabilities acquired.

Goodwill arising on acquisitions since 1 January 2004 is capitalised and subject to an impairment review, both annually and when there are indications that its carrying value may not be recoverable. Goodwill is not amortised.

Cash and cash equivalents and short-term investments

Cash comprises cash balances and deposits repayable on demand and available within one working day without penalty.

Cash equivalents are other deposits with a maturity period of three months or less from date of acquisition; convertible without an undue period of notice and not subject to a significant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of AMEC's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deposits with a maturity period of more than three months at inception are classified as short-term investments.

Discontinued operations and assets and liabilities held for sale

A discontinued operation is a separate major line of business or geographic area of operations that has either been disposed of or is held for sale, is a subsidiary acquired exclusively with a view to resale or is part of a plan to dispose of a major line of business or geographical area. An operation is classified as a discontinued operation in the year that the above criteria are met. The comparative income statement is restated to show the operation as discontinued from the start of the comparative period.

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and retirement benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the income statement as incurred.

Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA rated corporate bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised directly in equity in the year in which they arise.

Notes to the consolidated accounts continued

1 Significant accounting policies continued

Exceptional items

As permitted by IAS1 "Presentation of Financial Statements", certain items are presented separately as exceptional on the face of the consolidated income statement. In the opinion of the directors, these exceptional items require separate disclosure by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the group's underlying performance and to provide consistency with internal management reporting. Exceptional items may include, but are not restricted to: profits or losses arising on disposal of businesses or on closure of businesses; business restructuring charges; profits or losses arising on the disposal of fixed assets; the amount of acquisition-related costs; and elements of deferred consideration.

Financial instruments

Financial instruments are initially recorded at fair value. Subsequent valuation depends on the designation of the instrument.

Cash, deposits and short-term investments are held at amortised cost.

Derivative financial instruments are recognised initially and subsequently at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments or by discounting the expected future cash flows at prevailing interest rates.

The sale and purchase of derivative financial instruments are non-speculative.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge against the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, any gain or loss on the effective part of the derivative financial instrument is recognised directly in the hedging reserve. The gain or loss on any ineffective portion of the hedge is recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised. The cumulative gain or loss previously recognised in the hedging reserve remains there until the forecast transaction occurs. Where the hedged item is a non-financial asset, the cumulative gain or loss in the hedging reserve is transferred to the carrying amount of the asset when the asset is recognised. In other cases the cumulative gain or loss in the hedging reserve is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedges

Where a derivative financial instrument is designated as a hedge against the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at amortised cost) and any gains or losses on re-measurement are recognised immediately in the income statement.

When hedge accounting ceases, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship is recognised in the income statement over the remaining life of the hedged item.

Foreign currencies

At an individual entity level, transactions in a currency other than the functional currency of the entity are translated to the functional currency at the exchange rate ruling at the day of the transaction. Entities which have multiple foreign currency transactions apply the average rate for the month as an approximation of the exchange rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date and any foreign exchange differences arising are recognised in the income statement. Non-monetary assets and liabilities are measured in terms of historical cost and are translated using the exchange rate at the date of the transaction.

On consolidation, the results of entities with a functional currency other than Sterling are translated into Sterling using a monthly average exchange rate. The net assets of such entities are translated into Sterling at the closing exchange rate with any gain or loss also reported in the translation reserve.

Exchange differences arising on the translation of foreign currency net investments and any foreign currency borrowings, or forward contracts used to hedge those investments, are taken to a translation reserve. They are recycled and recognised as a profit or loss on the disposal or closure of a business. The cumulative translation difference for all foreign operations was deemed to be zero as at 1 January 2004, the date of transition to adopted IFRS.

1 Significant accounting policies continued

Impairment

The carrying values of all of the group's assets other than inventories, balances on long-term contracts and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there are indications of an impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount. For goodwill and assets not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised to the extent that the carrying value of an asset exceeds its recoverable amount.

Intangible assets other than goodwill

Intangible assets acquired by the group, which include software, customer relationships, trademarks and order backlogs are stated at cost less accumulated amortisation and impairment losses. The cost of an intangible asset acquired in a business combination is fair value at date of acquisition.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets, from the date they are available for use.

The estimated lives of intangible assets held at 31 December 2010 are as follows:

Software	Three to five years
Customer relationships	Two to ten years
Brand/trademarks	Up to five years
Other	Up to six years

Inventories

Inventories, including land held for and in the course of development, are stated at the lower of cost and net realisable value.

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development. Cost includes cost of acquisition and development to date, including directly attributable fees and expenses net of rental and other income attributable to the development.

Leases

Operating lease costs are charged to the income statement on a straight line basis over the period of the lease.

Long-term contracts

As soon as the outcome of a long-term contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are expensed as incurred. An expected loss on a contract is recognised immediately in the income statement.

Revenue in respect of variations to the contract scope and claims is recognised when it is probable that it will be received and is capable of being reliably measured. Incentive payments are recognised when a contract is sufficiently far advanced that it is probable that the required conditions will be met and the amount of the payment can be reliably measured.

The gross amounts due from customers under long-term contracts are stated at cost plus recognised profits, less provision for recognised losses and progress billings. These amounts are reported in trade and other receivables.

Payments on account in excess of the gross amounts due from customers are included in trade and other payables.

Net financing income

Net financing income comprises interest receivable on funds invested, interest payable, the unwinding of discounted balances and foreign exchange gains and losses. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Directly attributable finance costs are capitalised in the cost of purchased and constructed property, plant and equipment, until the relevant assets are brought into operational use. The only material projects where this has occurred are those held in the group's investments in joint ventures which are involved in PPP projects to finance, design and build assets and operate them on behalf of the customer.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment as at 1 January 2004, the date of transition to adopted IFRS, was determined by reference to its fair value at that date.

Depreciation is provided on all property, plant and equipment, with the exception of freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life. Reviews are made annually of the estimated remaining lives and residual values of individual assets.

Notes to the consolidated accounts continued

1 Significant accounting policies continued

The estimated lives used are:

Freehold buildings	Up to 50 years
Leasehold land and buildings	The shorter of the lease term or 50 years
Plant and equipment	Mainly three to five years

Provisions for liabilities and charges

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The group has taken internal and external advice in considering known legal claims and actions made by or against the group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the group on the basis of likely outcome, but no provisions are made for those, which in the view of management are unlikely to succeed.

Revenue

Revenue is measured at the fair value of consideration received or receivable, excluding value added tax, for goods and services supplied to external customers. It includes the group's share of revenue from work carried out under jointly controlled operations.

Revenue from services and construction contracts is recognised by reference to the stage of completion of the contract, as set out in the accounting policy for long-term contracts.

Revenue from developments activities is recognised on completion of a signed sale agreement after all material conditions have been met.

Share-based payments

There are various share-based payment arrangements which allow AMEC employees to acquire AMEC shares; these awards are granted by AMEC. The fair value of awards granted is recognised as a cost of employment with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the award. The fair value of the award is measured using a valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where non-vesting is due to share prices or total shareholder return not achieving the threshold for vesting.

Taxation

Income tax expense comprises the sum of current tax charge and the movement in deferred tax.

Current tax payable or recoverable is based on taxable profit for the year using tax rates and laws that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity as appropriate.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences with deferred tax assets being recognised where it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjustments made to the extent that it is no longer probable that sufficient profits will be available.

Assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted to apply when the deferred tax asset is realised or the liability is settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and it is intended that they will be settled on a net basis.

2 Segmental analysis of continuing operations

AMEC has three divisions that offer high-value consultancy, engineering and project management services to different end markets in the world's oil and gas, minerals and metals, clean energy, water and environmental sectors. Each of these divisions is considered to be a reportable segment. AMEC's Chief Executive together with the senior management team constitute the chief operating decision maker and they regularly review the performance of these three divisions, as well as the Investments and other activities segment. The Investments and other activities segment principally comprises the Incheon Bridge PPP project in Korea now in the operational phase, the Lancashire Waste PPP project under construction and the run-down of AMEC's non-core North American construction activities. Details of the services offered by each division and the end markets in which they operate are given in the business and financial review on pages 16 to 30.

Revenue and results

	Revenue		Profit/(loss)	
	2010 £ million	2009 £ million	**2010 £ million**	2009 £ million
Class of business:				
Natural Resources	**1,520.5**	1,300.9	**174.7**	154.3
Power & Process	**884.4**	788.1	**75.3**	55.4
Earth & Environmental	**592.6**	470.8	**54.7**	36.5
Investments and other activities	**7.4**	13.7	**3.0**	0.2
	3,004.9	2,573.5	**307.7**	246.4
Internal revenue	**(54.3)**	(34.4)	**–**	–
External revenue	**2,950.6**	2,539.1	**–**	–
Corporate costs[1]			**(35.9)**	(38.1)
EBITA[2]			**271.8**	208.3
Net financing income			**7.9**	7.3
Adjusted profit before tax			**279.7**	215.6
Tax on results of joint ventures			**(7.2)**	(5.3)
			272.5	210.3
Intangible amortisation and goodwill impairment			**(25.0)**	(15.7)
Exceptional items			**10.7**	8.9
Profit before income tax			**258.2**	203.5

Notes

1 Corporate costs comprise the costs of operating central corporate functions and certain regional overheads.

2 EBITA is earnings of continuing operations before net financing income, tax, intangible amortisation and goodwill impairment and pre-tax exceptional items, but including joint venture profit before tax of £20.5 million (2009: £17.4 million).

Transactions between reportable segments are conducted on an arm's length basis. Internal revenue arises in the segments as follows:

	2010 £ million	2009 £ million
Natural Resources	**23.2**	21.1
Power & Process	**9.4**	3.6
Earth & Environmental	**20.0**	9.7
Investments and other activities	**1.7**	–
	54.3	34.4

2 Segmental analysis of continuing operations continued

Other information

	Share of post-tax results of joint ventures		Depreciation		Intangible amortisation	
	2010 £ million	2009 £ million	**2010 £ million**	2009 £ million	**2010 £ million**	2009 £ million
Class of business:						
Natural Resources	**(0.2)**	2.8	**5.2**	6.0	**10.8**	8.2
Power & Process	**12.7**	11.8	**3.8**	3.9	**3.5**	1.9
Earth & Environmental	**–**	(0.2)	**3.6**	3.7	**10.5**	4.3
Investments and other activities	**0.8**	(2.3)	**0.2**	0.3	**0.2**	–
	13.3	12.1	**12.8**	13.9	**25.0**	14.4

In 2009, in addition to the intangible amortisation of £14.4 million, goodwill was impaired by £1.3 million.

	Interests in joint ventures		Capital expenditure: Property, plant and equipment		Capital expenditure: Intangible assets	
	2010 £ million	2009 (restated) £ million	**2010 £ million**	2009 £ million	**2010 £ million**	2009 £ million
Class of business:						
Natural Resources	**16.7**	6.1	**1.7**	5.6	**1.7**	0.9
Power & Process	**7.7**	6.8	**1.6**	3.0	**1.7**	1.0
Earth & Environmental	**–**	0.1	**2.8**	0.7	**3.3**	3.8
Investments and other activities	**18.5**	23.1	**0.3**	–	**0.6**	–
	42.9	36.1	**6.4**	9.3	**7.3**	5.7

2 Segmental analysis of continuing operations continued

Geographical origin

	Revenue		Non-current assets	
	2010 £ million	2009 £ million	**2010 £ million**	2009 £ million
United Kingdom	**852.3**	780.2	**135.9**	120.4
Canada	**1,086.8**	839.3	**231.1**	232.3
United States	**603.5**	601.3	**99.2**	97.5
Rest of the world	**408.0**	318.3	**229.9**	109.6
	2,950.6	2,539.1	**696.1**	559.8

The non-current assets analysed by geography include property, plant and equipment, intangible assets and interests in joint ventures and other investments.

3 Revenue

	2010 £ million	2009 £ million
Construction contracts	**324.7**	262.4
Services	**2,625.9**	2,276.7
	2,950.6	2,539.1

The revenue from construction contracts shown above is based on the definition of construction contracts included in IAS 11 and includes revenue from all contracts directly related to the construction of an asset even if AMEC's role is as a service provider, for example project management.

4 Profit before net financing income – continuing operations

	2010 £ million	2009 £ million
Depreciation of property, plant and equipment	**12.8**	13.9
Minimum payments under operating leases	**68.2**	56.2

There are no material receipts from subleases.

	2010 £ million	2009 £ million
Fees paid to auditors and their associates:		
Audit of these financial statements	**0.3**	0.3
The audit of subsidiaries, associates and joint ventures pursuant to legislation	**0.9**	1.3
Other services relating to taxation	**0.5**	0.6
All other services	**0.1**	0.1
	1.8	2.3

5 Amortisation, impairment and exceptional items

	2010 £ million	2009 £ million
Continuing operations:		
Cost of sales – exceptional items	–	2.2
Administrative expenses – exceptional items	(8.1)	(3.7)
Administrative expenses – intangible amortisation and goodwill impairment	(25.0)	(15.7)
	(33.1)	(19.4)
Profit on business disposals and closures	18.8	10.4
	(14.3)	(6.8)
Taxation credit on exceptional items of continuing operations	36.2	1.5
Taxation credit on intangible amortisation and goodwill impairment	7.4	4.7
	43.6	6.2
Post-tax amortisation, impairment and exceptional items of continuing operations	29.3	(0.6)
Exceptional items of discontinued operations (post-tax)	(2.4)	13.9
Post-tax amortisation, impairment and exceptional items	26.9	13.3

Post-tax exceptional profits are further analysed as follows:

2010	Profit on disposals £ million	Profit in respect of business closures £ million	Profit on business disposals and closures £ million	Other exceptional items £ million	Total £ million
Continuing operations	12.8	6.0	18.8	(8.1)	10.7
Discontinued operations	(8.5)	(0.1)	(8.6)	(5.6)	(14.2)
Profit/(loss) before tax	4.3	5.9	10.2	(13.7)	(3.5)
Tax	45.1	(0.1)	45.0	3.0	48.0
Profit/(loss) after tax	**49.4**	**5.8**	**55.2**	**(10.7)**	**44.5**

2009	Profit on disposals £ million	Profit in respect of business closures £ million	Profit on business disposals and closures £ million	Other exceptional items £ million	Total £ million
Continuing operations	0.4	10.0	10.4	(1.5)	8.9
Discontinued operations	3.1	(0.3)	2.8	–	2.8
Profit/(loss) before tax	3.5	9.7	13.2	(1.5)	11.7
Tax	12.0	1.2	13.2	(0.6)	12.6
Profit/(loss) after tax	15.5	10.9	26.4	(2.1)	24.3

The disposal of Agra Foundations Limited in 2010, together with adjustments to provisions held in respect of businesses sold in prior years and foreign exchange movements on provisions established on the disposal of SPIE, resulted in the pre-tax profit on business disposals and closure of £10.2 million.

Other exceptional losses of £13.7 million include transaction costs of £4.1 million (2009: £nil), elements of deferred consideration on acquisitions of £4.0 million (2009: £3.7 million), and certain legacy settlements of £5.6 million (2009: £nil).

The tax credit of £45.1 million in respect of profit on disposals includes the release of a provision of £35.9 million relating to the disposal of AMEC's UK Wind Developments business in 2008.

During 2009, two small businesses were divested and, together with adjustments to provisions held in respect of businesses sold in prior years and foreign exchange movements on provisions established on the disposal of SPIE, resulted in an exceptional pre-tax gain on disposal of £3.5 million.

The pre-tax profit in respect of business closures of £9.7 million in 2009 arose on the net release of provisions following positive developments on various legacy projects.

5 Amortisation, impairment and exceptional items continued

Other exceptional items comprised a favourable outcome to a legacy dispute resulting in a pre-tax gain of £2.2 million offset by a charge of £3.7 million relating to elements of deferred consideration on acquisitions in the Earth & Environmental division.

6 Staff costs and employee numbers – continuing operations

	2010 £ million	2009 £ million
Wages and salaries	**1,100.6**	908.5
Social security costs	**70.0**	62.5
Equity settled share-based payments (note 22)	**13.6**	10.7
Contributions to defined contribution schemes	**25.8**	22.2
Defined benefit pension scheme expense (note 14)	**11.9**	6.6
	1,221.9	1,010.5

The average number of people employed was as follows:	2010 Number	2009 Number
Natural Resources	**7,532**	7,613
Power & Process	**6,460**	5,927
Earth & Environmental*	**4,412**	3,868
Investments and other activities	**206**	215
	18,610	17,623

Details of directors' remuneration are provided in the directors' remuneration report on pages 48 to 58.

The average number of employees as stated above excludes agency staff.

*The number of Earth & Environmental employees for 2009 has been restated to bring the definition of full time equivalents in line with the other divisions

7 Net financing income – continuing operations

	2010 £ million	2009 £ million
Financial income:		
Interest income on bank deposits	**5.8**	7.6
Other interest income	**0.3**	1.5
Foreign exchange gains	**4.8**	3.3
	10.9	12.4
Financial expense:		
Interest expense on financial liabilities measured at amortised cost	**–**	(1.3)
Unwind of discount on deferred consideration	**(0.8)**	(2.8)
Foreign exchange losses	**(2.2)**	(1.0)
	(3.0)	(5.1)
Net financing income	**7.9**	7.3

The above financial income and expenses include the following in respect of assets/(liabilities) not at fair value through profit or loss:

	2010 £ million	2009 £ million
Total interest income on financial assets	**6.1**	9.1
Total interest expense on financial liabilities	**–**	(1.3)

Net financing income includes a net loss of £0.3 million on derivatives not designated as hedges.

8 Income tax – continuing operations

Income tax arises in respect of the different categories of income and expenses as follows:

	2010 £ million	2009 £ million
Income tax expense on continuing operations before exceptionals, intangible amortisation and goodwill impairment	**65.2**	53.0
Income tax credit on intangible amortisation	**(7.4)**	(4.7)
Income tax credit in respect of exceptional items	**(36.2)**	(1.5)
Total income tax expense from continuing operations in the income statement	**21.6**	46.8

	2010 £ million	2009 £ million
Current tax:		
UK corporation tax at 28.0 per cent (2009: 28.0 per cent)	**17.7**	3.9
Double tax relief	**–**	(1.4)
Overseas tax	**47.7**	47.7
Adjustments in respect of prior years	**(48.1)**	(0.5)
	17.3	49.7
Deferred tax:		
UK deferred tax at 27 per cent (2009: 28.0 per cent), pension surplus at 35.0 per cent (2009: 35.0 per cent) – origination and reversal of temporary differences	**4.2**	2.8
Overseas deferred tax	**–**	(1.3)
Adjustments in respect of prior years	**0.1**	(4.4)
	4.3	(2.9)
Total income tax expense for continuing operations	**21.6**	46.8

On 22 June 2010, in his Budget Speech, the UK Chancellor of the Exchequer announced a scheduled reduction in the rate of corporation tax from 28 per cent to 24 per cent by reducing the rate by one per cent annually from 1 April 2011 to 2014.

As at 31 December 2010, the reduction in the rate to 27 per cent on 1 April 2011 has been substantively enacted. However, the remaining reductions in the rate have not yet been substantively enacted and therefore the proposed changes are not reflected in the figures reported.

The decrease in the rate from 27 per cent to 24 per cent would reduce the balance sheet deferred tax asset by approximately £2.5 million and would reduce unrecognised deferred tax assets by approximately £1.5 million. During the period to 2014, AMEC estimates that the effect of the proposed changes to income and equity would be a charge of £2.5 million to the income statement.

8 Income tax – continuing operations continued

Factors affecting the tax expense for the year are explained as follows:

	2010 £ million	2009 £ million
Profit before income tax from continuing operations	**258.2**	203.5
Expected income tax expense	**72.3**	57.0
Non-deductible expenses – pre-exceptional	**3.9**	8.2
Non-deductible expenses – exceptional	**1.1**	1.3
Non-taxable income – pre-exceptional	**(8.3)**	(4.1)
Non-taxable income – exceptional	**(3.9)**	(2.6)
Impact of providing deferred tax on pension surplus at 35.0 per cent	**0.6**	0.8
Impact of change in UK tax rate to 27.0 per cent on deferred tax	**1.5**	–
Overseas income and expenses taxed at rates other than 28.0 per cent (2009: 28.0 per cent)	**8.4**	10.3
Change in recognition of deferred tax assets	**(2.3)**	(15.9)
Adjustments in respect of prior year – release of tax provision on disposal of business	**(35.9)**	–
Other adjustments in respect of prior years	**(12.1)**	(4.9)
Effects of results of joint ventures	**(3.7)**	(3.3)
Total income tax expense for the year for continuing operations	**21.6**	46.8

	2010 £ million	2009 £ million
Tax recognised directly in equity:		
Current tax	**(2.2)**	(2.1)
Deferred tax (note 15)	**4.1**	(55.3)
Tax charge/(credit) recognised directly in equity	**1.9**	(57.4)

9 (Loss)/profit for the year from discontinued operations

Discontinued operations include the non-core Built Environment businesses and SPIE.

In accordance with IFRS 5, the post-tax results of discontinued operations are disclosed separately in the consolidated income statement.

The results of the discontinued operations are as follows:

	2010 £ million	2009 £ million
Cost of sales and net operating expenses	**(3.8)**	0.6
(Loss)/profit before exceptional items and income tax	**(3.8)**	0.6
Attributable tax	**(0.5)**	1.4
	(4.3)	2.0
(Loss)/profit on disposal	**(8.5)**	3.1
Attributable tax on profit on disposal	**10.2**	11.2
Other exceptional items	**(5.7)**	(0.3)
Attributable tax on exceptional items	**1.6**	(0.1)
(Loss)/profit for the year from discontinued operations	**(6.7)**	15.9

10 Earnings per share

Basic and diluted earnings per share are shown on the face of the income statement. The calculation of the average number of shares in issue has been made having deducted the shares held by the trustees of the Performance Share Plan and Transformation Incentive Plan, those held by the qualifying employee share ownership trust and those held in treasury by the company.

			2010			2009
	Earnings £ million	**Weighted average shares number million**	**Earnings per share pence**	Earnings £ million	Weighted average shares number million	Earnings per share pence
Basic earnings from continuing operations	**237.7**	**325.8**	**73.0**	155.8	327.0	47.6
Share options	**–**	**2.1**	**(0.5)**	–	1.2	(0.1)
Employee share and incentive schemes	**–**	**5.5**	**(1.2)**	–	5.3	(0.8)
Diluted earnings from continuing operations	**237.7**	**333.4**	**71.3**	155.8	333.5	46.7
Basic (loss)/earnings from discontinued operations	**(6.7)**	**325.8**	**(2.1)**	15.9	327.0	4.9
Share options	**–**	**2.1**	**0.1**	–	1.2	–
Employee share and incentive schemes	**–**	**5.5**	**–**	–	5.3	(0.1)
Diluted (loss)/earnings from discontinued operations	**(6.7)**	**333.4**	**(2.0)**	15.9	333.5	4.8

Basic and diluted profit from continuing operations is calculated as set out below:

	2010 £ million	2009 £ million
Profit for the year from continuing operations	**236.6**	156.7
Loss/(profit) attributable to non-controlling interests	**1.1**	(0.9)
Basic and diluted profit from continuing operations	**237.7**	155.8

10 Earnings per share continued

In order to appreciate the effects on the reported performance of intangible amortisation, goodwill impairment and exceptional items on reported performance, additional calculations of earnings per share are presented.

	2010			2009		
	Earnings £ million	**Weighted average shares number million**	**Earnings per share pence**	Earnings £ million	Weighted average shares number million	Earnings per share pence
Basic earnings from continuing operations	**237.7**	**325.8**	**73.0**	155.8	327.0	47.6
Exceptional items (post-tax)	**(46.9)**	**–**	**(14.4)**	(10.4)	–	(3.2)
Amortisation and impairment (post-tax)	**17.6**	**–**	**5.4**	11.0	–	3.4
Basic earnings from continuing operations before amortisation, impairment and exceptional items	**208.4**	**325.8**	**64.0**	156.4	327.0	47.8
Share options	**–**	**2.1**	**(0.4)**	–	1.2	(0.1)
Employee share and incentive schemes	**–**	**5.5**	**(1.1)**	–	5.3	(0.8)
Diluted earnings from continuing operations before amortisation, impairment and exceptional items	**208.4**	**333.4**	**62.5**	156.4	333.5	46.9

11 Property, plant and equipment

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Cost:			
As at 1 January 2010	23.3	124.3	147.6
Exchange and other movements	1.6	5.1	6.7
Acquired through business combinations	0.8	1.8	2.6
Additions	2.1	4.3	6.4
Disposals	–	(3.6)	(3.6)
Disposal of businesses	–	(28.0)	(28.0)
As at 31 December 2010	**27.8**	**103.9**	**131.7**
Depreciation:			
As at 1 January 2010	11.9	91.6	103.5
Exchange and other movements	1.0	3.6	4.6
Provided during the year	2.2	10.6	12.8
Disposals	–	(2.9)	(2.9)
Disposal of businesses	–	(18.2)	(18.2)
As at 31 December 2010	**15.1**	**84.7**	**99.8**
Cost:			
As at 1 January 2009	23.5	130.8	154.3
Exchange and other movements	(0.3)	(2.7)	(3.0)
Acquired through business combinations	–	3.1	3.1
Additions	3.2	6.1	9.3
Disposals	(3.8)	(7.2)	(11.0)
Disposal of businesses	(0.1)	(0.4)	(0.5)
Reclassification	0.8	(5.4)	(4.6)
As at 31 December 2009	23.3	124.3	147.6
Depreciation:			
As at 1 January 2009	11.2	92.5	103.7
Exchange and other movements	(0.3)	(1.5)	(1.8)
Provided during the year	2.1	11.8	13.9
Disposals	(1.2)	(6.4)	(7.6)
Disposal of businesses	–	(0.2)	(0.2)
Reclassification	0.1	(4.6)	(4.5)
As at 31 December 2009	11.9	91.6	103.5
Net book value:			
As at 31 December 2010	**12.7**	**19.2**	**31.9**
As at 31 December 2009	11.4	32.7	44.1
As at 1 January 2009	12.3	38.3	50.6

11 Property, plant and equipment continued

	2010 £ million	2009 £ million
The net book value of land and buildings comprised:		
Freehold	**5.9**	5.7
Long leasehold	**0.1**	0.2
Short leasehold	**6.7**	5.5
	12.7	11.4

12 Intangible assets

	Goodwill £ million	Software £ million	Other £ million	Total £ million
Cost:				
As at 1 January 2010 (restated)	494.6	17.9	72.0	584.5
Exchange and other movements	45.8	1.4	3.4	50.6
Acquired through business combinations	59.1	–	29.6	88.7
Additions	–	7.3	–	7.3
Disposal of businesses	(2.5)	–	–	(2.5)
As at 31 December 2010	**597.0**	**26.6**	**105.0**	**728.6**
Amortisation:				
As at 1 January 2010	37.2	11.0	28.9	77.1
Exchange and other movements	3.1	1.1	1.4	5.6
Provided during the year	–	2.6	22.4	25.0
Disposal of businesses	(0.4)	–	–	(0.4)
As at 31 December 2010	**39.9**	**14.7**	**52.7**	**107.3**
Cost:				
As at 1 January 2009	380.2	7.9	57.6	445.7
Exchange and other movements	1.2	–	(2.8)	(1.6)
Acquired through business combinations (restated)	113.2	0.2	17.2	130.6
Additions	–	5.6	0.1	5.7
Disposals	–	(0.3)	(0.1)	(0.4)
Disposals of business	–	–	(0.1)	(0.1)
Reclassification	–	4.5	0.1	4.6
As at 31 December 2009 (restated)	494.6	17.9	72.0	584.5
Amortisation:				
As at 1 January 2009	34.7	5.3	17.6	57.6
Exchange and other movements	1.2	0.1	(1.6)	(0.3)
Provided during the year	1.3	1.3	13.1	15.7
Disposals	–	(0.3)	(0.1)	(0.4)
Reclassification	–	4.6	(0.1)	4.5
As at 31 December 2009	37.2	11.0	28.9	77.1
Net book value:				
As at 31 December 2010	**557.1**	**11.9**	**52.3**	**621.3**
As at 31 December 2009 (restated)	457.4	6.9	43.1	507.4
As at 1 January 2009	345.5	2.6	40.0	388.1

12 Intangible assets continued

The net book value of other intangible assets is analysed as follows:

	2010 £ million	2009 £ million
Brand/trademarks	**10.5**	13.0
Order backlog	**1.1**	2.3
Non-compete agreement	**1.7**	1.7
Customer relationships	**35.6**	22.6
Licences	**3.1**	5.6
Other	**0.3**	0.5
	52.3	45.7

The group is required to test its goodwill and intangible assets for impairment at least annually, or more frequently if indicators of impairment exist.

At the time of announcing the group's interim results in August 2010 a number of management team changes were made to emphasise the on-going focus on delivery across the three reportable segments, Natural Resources, Power & Process and Earth & Environmental. The review of unamortised goodwill for indications of impairment by management is now performed against the three core segments being the lowest level of cash generating units ('CGU') monitored for goodwill purposes. This is consistent with the integration of acquisitions into the three segments in order to generate synergies. Goodwill has been allocated between segments on a relative fair value basis.

The recoverable amount of the CGU has been based on value-in-use calculations. These calculations use cash flow projections included in the financial budgets approved by management covering a two-year period and pre-tax discount rates as set out in the table below. Given the current market conditions, management believe that the discount rates chosen are conservative. For the purposes of the calculation of the recoverable amount, the cash flow projections beyond the two-year period include two per cent growth per annum (2009: two per cent), which is in line with long-term average growth rates for the regions in which the CGUs operate. The value-in-use has been compared to the carrying value for each CGU and no impairment is required nor has been charged in respect of any of the CGUs.

The financial budgets are developed using an assumed workload and margin for the following year. Workload is underpinned by a secured order book for each CGU, and order book remains strong at £3.1 billion (2009: £3.2 billion) as at 31 December 2010. The margin selected is based on management's review of the margins on orders received and from the results of Operational Excellence.

A sensitivity analysis has been performed, at the individual CGU level, in order to review the impact of changes in key assumptions. For example, a 10 per cent decrease in volume, with all other assumptions held constant, or a one per cent decrease in margin, with all other assumptions held constant, did not identify any further impairments. Similarly, zero growth after the initial two year period, with all other assumptions held constant or a one per cent increase in discount rate, did not identify any further material impairments.

Unamortised goodwill as at 31 December 2010 is as follows:

	Unamortised goodwill 2010 £ million	Pre-tax discount rate 2010 per cent
Natural Resources	358.7	12.0
Power & Process	85.8	12.0
Earth & Environmental	112.6	12.0

12 Intangible assets continued

Unamortised goodwill by acquired CGU as of 31 December 2009 was as follows:

	Unamortised goodwill 2009 £ million	Pre-tax discount rate 2009 per cent
AGRA Inc	178.4	14.5
Bower Damberger Rolseth Engineering Limited	25.6	12.5
Geomatrix Consultants Inc	31.0	14.3
GRD Limited (restated)	108.9	n/a
NNC Holdings Limited	35.3	12.3
Rider Hunt International Limited	13.6	12.0

13 Interests in joint ventures and other investments

	Joint ventures £ million	Other investments £ million	Total £ million
Net book value:			
As at 1 January 2010 (restated)	36.1	0.3	36.4
Exchange and other movements	1.0	–	1.0
Additions	10.5	–	10.5
Disposals	(0.1)	(0.2)	(0.3)
Reclassifications	(1.4)	–	(1.4)
Total comprehensive income	13.3	–	13.3
Dividends received	(16.6)	–	(16.6)
As at 31 December 2010	**42.8**	**0.1**	**42.9**
As at 1 January 2009	29.4	1.0	30.4
Exchange and other movements	(1.1)	–	(1.1)
Additions	4.7	–	4.7
Disposals	–	(0.7)	(0.7)
Total comprehensive income	12.1	–	12.1
Dividends received	(9.0)	–	(9.0)
As at 31 December 2009 (restated)	36.1	0.3	36.4

Total comprehensive income of £13.3 million is net of provisions of £1.9 million taken against the profits of one joint venture entity, where the corresponding increase in the carrying value of the joint venture is not recoverable.

Principal group companies are listed on page 114.

Other investments are all classified as available-for-sale financial assets.

An analysis of the group's interests in the assets and liabilities of joint ventures is as follows:

	2010 £ million	2009 (restated) £ million
Current assets	**318.4**	56.6
Non-current assets	**254.1**	356.7
Current liabilities	**(73.8)**	(53.3)
Non-current liabilities	**(433.8)**	(301.8)
Group share of net assets	**64.9**	58.2
Fair value adjustment	**(22.1)**	(22.1)
Interests in joint ventures	**42.8**	36.1

Notes to the consolidated accounts continued

13 Interests in joint ventures and other investments continued

The net book value of joint ventures of £42.8 million as at 31 December 2010 includes a fair value adjustment on acquisition of £22.1 million in addition to the group share of joint ventures' net assets of £64.9 million.

An analysis of the group's share of the revenue and expenses of joint ventures is as follows:

	2010 £ million	2009 £ million
Revenue	**127.5**	104.6
Expenses	**(107.0)**	(87.2)
Share of profit before tax	**20.5**	17.4
Tax	**(7.2)**	(5.3)
Share of post-tax results	**13.3**	12.1

Guarantees and commitments in respect of joint ventures are set out in note 27.

PPP service concessions

Details of the PPP service concessions are as follows:

		Financial close	Equity stake	Concession period	Net equity invested
Transport	A13 Thames Gateway	2000	25%	30 years	–
	Incheon Bridge, Korea	2005	23%	30 years	£18.1m
Waste Management	Lancashire Waste Project	2007	50%	25 years	–

14 Retirement benefit assets and liabilities

The group operates a number of pension schemes for UK and overseas employees. Substantially all UK members are in funded defined benefit schemes, with the main schemes being the AMEC Staff Pension Scheme and the AMEC Executive Pension Scheme. The majority of overseas members are in defined contribution schemes. Contributions by the group into defined contribution schemes are disclosed in note 6.

Defined benefit schemes

The valuations used have been based on the most recent valuation of the two major UK schemes as at 1 April 2008 and updated by the schemes' actuaries for the requirement to assess the present value of the liabilities of the schemes as at 31 December 2010. The assets of the schemes are stated at their aggregate market value as at 31 December 2010.

The principal assumptions made by the actuaries in relation to the main UK schemes are as follows:

	31 December 2010 Per cent	31 December 2009 Per cent
Rate of discount	**5.4**	5.7
Rate of inflation	**3.4**	3.6
Rate of increase in salaries	**4.4**	4.6
Rate of increase in pensions in payment (service before/after 1 January 2008)	**3.4/2.4**	3.6/2.4
Expected rate of return on scheme assets:		
Equities	**7.7**	7.9
Bonds	**5.4**	5.7
Gilts	**4.2**	4.4
Property	**6.2**	6.4

14 Retirement benefit assets and liabilities continued

For the main UK pension schemes, the assumed life expectancy is as follows:

	Male years	Female years
Member aged 65 (current life expectancy)	21.4	23.7
Member aged 45 (life expectancy at 65)	23.3	25.5

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets for the portfolio. This resulted in the selection of the 5.89 per cent assumption as at 31 December 2010.

The amounts recognised in the balance sheet are as follows:

	31 December 2010 £ million	31 December 2009 £ million
Retirement benefit assets	**63.0**	26.8
Retirement benefit liabilities	**(35.9)**	(30.9)
Retirement benefit net assets/(liability)	**27.1**	(4.1)

The retirement benefit liabilities of £35.9 million (2009: £30.9 million) reflect primarily the deficits on the overseas schemes.

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

	31 December 2010 Per cent	31 December 2009 Per cent
Equities	**39.7**	37.4
Bonds (including gilts)	**53.7**	56.5
Property	**6.4**	5.8
Other	**0.2**	0.3
	100.0	100.0

The amounts recognised in the income statement are as follows:

	2010 £ million	2009 £ million
Current service cost	**17.5**	11.5
Interest cost	**76.0**	64.1
Expected return on scheme assets	**(81.6)**	(69.0)
Total amount recognised in the income statement and included within staff costs (note 6)	**11.9**	6.6
The total amount is recognised in the income statement as follows:		
Cost of sales	**9.5**	7.4
Administrative expenses	**2.4**	(0.8)
Total amount recognised in the income statement	**11.9**	6.6

14 Retirement benefit assets and liabilities continued

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

	2010 £ million	2009 £ million
As at 1 January	**1,327.7**	1,064.9
Exchange movements	**6.4**	2.6
Current service cost	**17.5**	11.5
Interest cost	**76.0**	64.1
Plan participants' contributions	**9.5**	7.2
Actuarial losses	**28.5**	228.3
Transfer from trade and other payables	**0.9**	1.3
Benefits paid	**(59.1)**	(52.2)
As at 31 December	**1,407.4**	1,327.7

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

	2010 £ million	2009 £ million
As at 1 January	**1,323.6**	1,221.1
Exchange and other movements	**6.6**	2.1
Expected return on plan assets	**81.6**	69.0
Actuarial gains	**49.9**	58.4
Employer contributions	**22.2**	17.8
Plan participants' contributions	**9.5**	7.2
Benefits paid	**(58.9)**	(52.0)
As at 31 December	**1,434.5**	1,323.6

The movement in the scheme net asset/(liability) during the year is as follows:

	2010 £ million	2009 £ million
Scheme net asset as at 1 January	**(4.1)**	156.2
Exchange movements	**(0.7)**	(1.8)
Total charge as above	**(11.9)**	(6.6)
Employer contributions	**22.2**	17.8
Benefits paid	**0.2**	0.2
Actuarial gains/(losses) recognised in reserves	**21.4**	(169.9)
Scheme net asset/(liability) as at 31 December	**27.1**	(4.1)

Cumulative actuarial gains and losses recognised in equity are as follows:

	2010 £ million	2009 £ million
As at 1 January	**(260.8)**	(90.9)
Net actuarial gains/(losses) recognised in the year	**21.4**	(169.9)
As at 31 December	**(239.4)**	(260.8)

The actual return on scheme assets is as follows:

	2010 £ million	2009 £ million
Actual return on scheme assets	**131.2**	**127.4**

14 Retirement benefit assets and liabilities continued

The history of experience gains and losses has been as follows:

	2010 £ million	2009 £ million	2008 £ million	2007 £ million	2006 £ million
Defined benefit obligation as at 31 December	**(1,407.4)**	(1,327.7)	(1,064.9)	(1,090.9)	(1,150.5)
Fair value of assets as at 31 December	**1,434.5**	1,323.6	1,221.1	1,327.6	1,243.1
Surplus/(deficit)	**27.1**	(4.1)	156.2	236.7	92.6
Difference between expected and actual return on scheme assets	**49.6**	58.4	(170.1)	(4.6)	3.9
Percentage of scheme assets (%)	**3.5**	4.4	(13.9)	(0.3)	0.3
Experience gains and losses on scheme liabilities	**–**	8.3	5.6	3.5	–
Percentage of scheme liabilities (%)	**–**	0.6	0.5	0.3	–

Contributions

The group expects to contribute £25 million to its defined benefit pension schemes in 2011. This includes special contributions of £5.1 million.

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Recognised deferred tax assets and liabilities	Assets		Liabilities	
	31 December 2010 £ million	31 December 2009 (restated) £ million	**31 December 2010 £ million**	31 December 2009 (restated) £ million
Property, plant and equipment	**15.7**	16.4	**(1.0)**	(1.8)
Intangible assets	**–**	–	**(12.8)**	(11.0)
Retirement benefits	**9.8**	6.8	**(22.3)**	(8.3)
Derivative financial instruments	**2.1**	2.5	**(1.3)**	(1.0)
Provisions	**47.9**	54.5	**–**	–
Employee share schemes	**11.5**	5.5	**–**	–
Other items	**4.1**	2.2	**(7.9)**	(7.6)
Tax losses carried forward	**13.8**	11.8	**–**	–
Deferred tax assets/(liabilities)	**104.9**	99.7	**(45.3)**	(29.7)
Offset of deferred tax assets and liabilities relating to income tax levied by the same taxation authority	**(45.3)**	(29.7)	**45.3**	29.7
Net deferred tax assets	**59.6**	70.0	**–**	–

15 Deferred tax assets and liabilities continued

Recognised deferred tax assets and liabilities

	Net 31 December 2010 £ million	Net 31 December 2009 £ million
Property, plant and equipment	**14.7**	14.6
Intangible assets	**(12.8)**	(11.0)
Retirement benefits	**(12.5)**	(1.5)
Derivative financial instruments	**0.8**	1.5
Provisions	**47.9**	54.5
Employee share schemes	**11.5**	5.5
Other items	**(3.8)**	(5.4)
Tax losses carried forward	**13.8**	11.8
Net deferred tax assets	**59.6**	70.0

Movements in deferred tax assets and liabilities during the year

	As at 1 January 2010 £ million	Exchange and other movements £ million	Acquisitions £ million	Disposals £ million	Recognised in income £ million	Recognised in equity £ million	As at 31 December 2010 £ million
Property, plant and equipment	14.6	0.2	0.2	1.0	(1.3)	–	**14.7**
Intangible assets	(11.0)	(0.5)	(10.2)	–	8.9	–	**(12.8)**
Retirement benefits	(1.5)	0.9	(0.2)	–	(3.7)	(8.0)	**(12.5)**
Derivative financial instruments	1.5	(0.1)	–	–	(0.1)	(0.5)	**0.8**
Provisions	54.5	3.3	(3.1)	(0.3)	(6.5)	–	**47.9**
Employee share schemes	5.5	0.1	–	–	1.5	4.4	**11.5**
Other items	(5.4)	(0.5)	6.0	2.3	(6.2)	–	**(3.8)**
Tax losses carried forward	11.8	–	–	0.2	1.8	–	**13.8**
	70.0	3.4	(7.3)	3.2	(5.6)	(4.1)	**59.6**

	As at 1 January 2009 £ million	Exchange and other movements £ million	Acquisitions £ million	Disposals £ million	Recognised in income £ million	Recognised in equity £ million	As at 31 December 2009 £ million
Property, plant and equipment	16.0	0.1	0.4	–	(1.9)	–	14.6
Intangible assets	(12.8)	0.6	(3.0)	–	4.2	–	(11.0)
Retirement benefits	(55.9)	0.3	1.1	–	(4.0)	57.0	(1.5)
Derivative financial instruments	4.6	–	–	–	(0.9)	(2.2)	1.5
Provisions	42.6	(0.6)	7.3	–	5.2	–	54.5
Employee share schemes	3.9	–	–	–	1.1	0.5	5.5
Other items	(8.6)	(0.3)	0.2	–	3.3	–	(5.4)
Tax losses carried forward	3.8	(0.3)	–	–	8.3	–	11.8
	(6.4)	(0.2)	6.0	–	15.3	55.3	70.0

The deferred tax charge of £5.6 million (2009: credit of £15.3 million) recognised in income consists of a charge of £4.3 million (2009: credit of £2.9 million) relating to continuing operations and a charge of £1.3 million (2009: credit of £12.4 million) in respect of discontinued operations.

15 Deferred tax assets and liabilities continued

Factors affecting the tax charge in future years
There are a number of factors that may affect the group's future tax charge including the resolution of open issues with tax authorities, corporate acquisitions and disposals, the use of brought-forward losses and changes in tax legislation and tax rates.

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	31 December 2010 £ million	31 December 2009 £ million
Deductible temporary differences	**20.2**	17.0
Tax losses	**47.7**	72.5
	67.9	89.5

There are tax losses of £2.3 million arising in the US, all of which expire in 2024.

The other tax losses and deductible temporary differences not recognised by the group do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the group can utilise these assets.

In addition, claims have been made to HMRC to offset tax losses of up to £79.4 million against the group's UK taxable profits. These losses were generated in a legacy German business in accounting periods up to 31 December 2002. If successful, the claims will result in a refund of UK Corporation tax. The amount of the refund depends on a number of factors which are currently being discussed with HMRC.

This potential refund is not included within unrecognised deferred tax assets in 2010 as the amount represents a potential refund of current tax.

Unrecognised deferred tax liabilities
No deferred tax liability has been recognised in respect of £381.5 million of unremitted earnings of subsidiaries, associates and joint ventures because the group is in a position to control the timing of the reversal of the temporary difference and it is not probable that such differences will reverse in the foreseeable future.

The amount of unrecognised deferred tax liabilities in respect of these unremitted earnings is estimated to be £19.0 million.

16 Inventories

	2010 £ million	2009 £ million
Development land and work in progress	**–**	4.8
Raw materials and consumables	**1.4**	0.6
	1.4	5.4

17 Current trade and other receivables

	2010 £ million	2009 (restated) £ million
Amounts expected to be recovered within one year:		
Gross amounts due from customers	**328.0**	187.6
Trade receivables	**316.2**	268.9
Amounts owed by joint ventures	**0.9**	13.5
Other receivables	**14.7**	11.8
Prepayments and accrued income	**32.5**	26.8
	692.3	508.6
Amounts expected to be recovered after more than one year:		
Trade receivables	**2.4**	9.6
Amounts owed by joint ventures	**1.4**	0.3
Other receivables	**0.4**	0.3
	4.2	10.2
	696.5	518.8

Trade receivables expected to be recovered within one year include retentions of £16.7 million (2009: £12.8 million) relating to contracts in progress. Trade receivables expected to be recovered after more than one year include retentions of £2.3 million (2009: £8.9 million) relating to contracts in progress.

The aggregate amount of costs incurred plus recognised profits (less recognised losses) for all long-term contracts in progress for continuing businesses at the balance sheet date was £4,899.1 million (2009: £4,129.0 million).

Trade receivables, amounts owed by joint ventures and other receivables are classified as loans and receivables.

18 Current trade and other payables

	31 December 2010 £ million	31 December 2009 (restated) £ million
Amounts expected to be settled within one year:		
Trade payables	**403.7**	313.5
Gross amounts due to customers	**49.3**	44.1
Other taxation and social security costs	**38.1**	30.7
Other payables	**124.0**	96.5
Accruals and deferred income	**66.5**	94.3
Dividends	**0.2**	0.2
	681.8	579.3
Amounts expected to be settled after more than one year:		
Trade payables	**0.1**	0.9
Other payables	**2.5**	3.7
Accruals and deferred income	**1.1**	0.7
	3.7	5.3
	685.5	584.6

Gross amounts due to customers includes advances received of £20.7 million (2009: £12.0 million).

Trade payables, amounts owed to joint ventures, other taxation and social security costs, other payables and dividends are classified as other financial liabilities.

19 Financial instruments

Details of the group's financial risk management objectives and policies, together with its policies for hedging are provided in the managing risk section on pages 12 and 13.

Hedging of interest rate risk
The group remained in a net cash position throughout the year. As a result, long-term interest rate hedging (for periods beyond three to six months) is not considered appropriate.

Hedging of foreign currency risk – cash flow hedges
The group looks to mitigate the foreign exchange risk typically arising where contracts are awarded in, or involve costs, in non-local currency. Forward foreign exchange contracts and foreign exchange swaps are used for this purpose and are designated as cash flow hedges. The notional contract amount, carrying amount and fair values of forward contracts and swaps designated as cash flow hedges are as follows:

	2010 Notional contract amount £ million	2009 Notional contract amount £ million	**2010 Carrying amount and fair value £ million**	2009 Carrying amount and fair value £ million
Current assets	**12.8**	22.3	**0.1**	0.8
Current liabilities	**17.0**	39.9	**(3.3)**	(5.3)
	29.9	62.2	**(3.2)**	(4.5)

The following tables indicate the periods in which the cash flows associated with the forward foreign exchange contracts designated as cash flow hedges are expected to occur and the periods in which they are expected to impact profit or loss:

						2010
	Carrying amount £ million	**Expected cash flows £ million**	**6 months or less £ million**	**6-12 months £ million**	**1-2 years £ million**	**2-5 years £ million**
Forward exchange contracts						
Assets	**0.1**	**12.8**	**9.6**	**0.8**	**2.4**	**–**
Liabilities	**(3.3)**	**17.0**	**4.2**	**2.9**	**9.0**	**0.9**
	(3.2)	**29.8**	**13.8**	**3.7**	**11.4**	**0.9**

						2009
	Carrying amount £ million	Expected cash flows £ million	6 months or less £ million	6-12 months £ million	1-2 years £ million	2-5 years £ million
Forward exchange contracts						
Assets	0.8	22.3	13.3	6.7	1.1	1.2
Liabilities	(5.3)	39.9	16.5	4.6	9.7	9.1
	(4.5)	62.2	29.8	11.3	10.8	10.3

In 2010, £0.7 million (2009: charge of £0.3 million) was transferred from the hedging reserve to cost of sales in the income statement.

Certain forward foreign exchange contracts and foreign exchange swaps are not designated as cash flow hedges and changes in their fair value are recognised through the income statement. The notional contract amount, carrying amount and fair values of these forward contracts and swaps are as follows:

	2010 Notional contract amount £ million	2009 Notional contract amount £ million	**2010 Carrying amount and fair value £ million**	2009 Carrying amount and fair value £ million
Current assets	**120.4**	58.8	**1.3**	1.0
Current liabilities	**36.3**	11.2	**(2.3)**	(0.2)
	156.7	70.0	**(1.0)**	0.8

19 Financial instruments continued

Hedging of foreign currency risk – net investment hedges

The group uses forward foreign exchange contracts and currency interest rate swaps which have been designated as hedges of the net investments in subsidiaries in Canada and the US. The notional contract amount, carrying amount and fair values of swaps designated as net investment hedges are as follows:

	2010 Notional contract amount £ million	2009 Notional contract amount £ million	2010 Carrying amount and fair value £ million	2009 Carrying amount and fair value £ million
Non-current assets	**22.3**	22.3	**1.4**	1.4
Current liabilities	**101.3**	25.4	**(21.4)**	(5.1)
Non-current liabilities	**142.9**	148.6	**(12.4)**	(22.3)
	266.5	196.3	**(32.4)**	(26.0)

A net foreign exchange loss for the year of £11.5 million (2009: gain of £11.6 million) was recognised in the translation reserve in respect of these forward foreign exchange contracts and swaps.

The investment hedging policy was changed in 2009 to cease translation hedging for core assets of the business. As a result of this change in policy, existing hedging contracts will not be replaced as they mature. In specific circumstances, for example the planned repatriation of foreign assets, the group may from time to time enter into new net investment hedges to manage foreign exchange risk.

Interest rate risk – contractual maturity and effective interest rates

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature:

			2010
	Effective interest rate Per cent	**Total £ million**	**6 months or less £ million**
Short-term investments	**1.08**	**196.4**	**196.4**
Cash and cash equivalents	**0.55**	**543.7**	**543.7**
		740.1	**740.1**

			2009
	Effective interest rate Per cent	Total £ million	6 months or less £ million
Short-term investments	0.59	130.7	130.7
Cash and cash equivalents	0.38	612.0	612.0
		742.7	742.7

Currency risk

The group publishes its consolidated accounts in Sterling. It conducts business in a range of currencies, including Canadian and US dollars and currencies linked to the US dollar. As a result, the group is exposed to foreign exchange risks, which will affect transaction costs and the translation results and value of underlying assets of its foreign subsidiaries.

The group hedges its material transaction related exposures and hence has no material transactional profit or loss sensitivity. With respect to translation exposure, the group does not hedge the profits generated in non-Sterling currencies but does hedge a proportion of assets denominated in foreign currencies.

A ten percent movement in Sterling/Canadian dollar and Sterling/US dollar rates results in a £25.2 million credit/charge to other comprehensive income arising on net investment hedges.

19 Financial instruments continued

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments recorded in the balance sheet.

The ageing of trade receivables at the year end was:

	Gross receivables 2010 £ million	Impairment 2010 £ million	Gross receivables 2009 £ million	Impairment 2009 £ million
Not past due	**182.2**	**(0.6)**	177.6	(1.0)
Past due 0-30 days	**78.2**	**(0.3)**	45.7	(0.2)
Past due 31-120 days	**29.3**	**(1.4)**	23.7	(1.2)
Past due 121-365 days	**13.0**	**(3.1)**	12.5	(6.5)
More than one year	**18.1**	**(15.9)**	18.6	(11.0)
	320.8	**(21.3)**	278.1	(19.9)

The above analysis excludes retentions relating to contracts in progress of £16.7 million (2009: £12.8 million) expected to be recovered within one year and £2.3 million (2009: £8.9 million) expected to be recovered after one year. Net receivables as at 31 December 2010 include £2.2 million (2009: £7.6 million) in respect of amounts overdue by more than one year. The group believes there is no material exposure in respect of these balances.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 £ million	2009 £ million
As at 1 January	**(19.9)**	(26.6)
Exchange movements	**(1.7)**	0.4
Net impairment allowance credited	**0.3**	6.3
As at 31 December	**(21.3)**	(19.9)

Based on past experience, the group believes that no material impairment allowance is necessary in respect of trade receivables not past due.

Trade receivable exposures are typically with large companies and government backed organisations, and the credit ratings of these organisations are monitored. Credit risks are minimised through the use of letters of credit, parent company guarantees, insurance instruments and forward funding where achievable.

The group's most significant customer in 2010 accounted for around 22 per cent (2009: 15 per cent) of continuing revenues, and the same percentage of current trade and other receivables.

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. AMEC manages these risks by ensuring that surplus funds are placed with a diversified range of 25-30 mainstream banks and with each counterparty up to a pre-approved limit. These limits are set at prudent levels by the board, are based primarily on credit ratings set by Moody's, Standard & Poors and Fitch and have been reviewed in light of the recent market turbulence.

The group treasury department monitors counterparty exposure on a global basis to avoid over concentration of exposure to any one counterparty.

Fair values

The carrying values of all financial instruments held at 31 December 2009 and 2010 equate to their fair values.

Fair values are determined using observable market prices (level 2 as defined by IFRS 7 "Financial Instruments: Disclosures") as follows:

Trade and other receivables and payables, cash and cash equivalents and short-term investments are valued at their amortised cost, which are deemed to reflect fair value.

19 Financial instruments continued

The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

Capital management
Capital includes convertible preference shares and equity attributable to the equity holders of the market. The objective of the group's capital management is to ensure that it has strong financial policies, the ability to grow the business to exceed its Vision 2015 targets and is able to maximise shareholder value.

The appropriate capital structure for the group would comprise of a mix of debt and equity. The mix will be determined by considering business profile and strategy, financial policies and availability and cost of funding.

Policies state that total borrowings should be less than two times adjusted capital and reserves. However, the group is currently in a net cash position. If debt is subsequently required, the long term net debt is expected to be less than two times EBITDA. The company may exceed this operating parameter should the business profile require it. However, it is expected that any increases would be temporary given the net operational cash flows of the group.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

20 Non-current trade and other payables

	2010 £ million	2009 £ million
Other payables	**6.7**	16.3

Other payables represents the amount of deferred consideration on acquisitions payable in more than one year.

21 Provisions

	Litigation settlement and future legal costs £ million	Indemnities granted and retained obligations on disposed businesses £ million	Insurance £ million	Onerous property contracts and provisions to fund joint ventures £ million	Total £ million
As at 1 January 2010 (restated)	53.8	74.9	42.3	31.0	202.0
Exchange movements	1.3	(1.4)	–	(0.3)	(0.4)
Transfer from trade and other payables	1.3	–	–	2.5	3.8
Utilised	(3.9)	(6.1)	(0.4)	(6.6)	(17.0)
Charged/(credited) to the income statement:					
Additional provisions	6.2	5.0	1.8	0.1	13.1
Unused amounts reversed	(8.4)	(6.0)	–	–	(14.4)
As at 31 December 2010	**50.3**	**66.4**	**43.7**	**26.7**	**187.1**

Provision was made during 2006 and prior for the estimated litigation, settlement and future legal costs in connection with the group's ongoing major litigation. Major contingent liabilities are discussed in more detail in note 27.

The provision for indemnities relates to the indemnification of the purchasers of SPIE in 2006, purchasers of the Built Environment businesses and other peripheral businesses in 2007, and to the Wind Developments business which was sold in 2008.

21 Provisions continued

The insurance provision relates to the potential liabilities in the group's captive insurance entity and provisions in relation to risks associated with insurance claims. These potential liabilities and risks relate predominantly to industrial disease of former employees.

Future outflows in respect of the onerous property contracts are expected to occur over the next several years. Due to the nature of the other liabilities, the timing of any potential future outflows is uncertain.

Provision has been made for AMEC's potential liability to fund loss-making joint venture entities.

22 Share capital and reserves

Movements in share capital and reserves are shown in the consolidated statement of changes in equity on pages 62 and 63.

Reserves

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The translation reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations, as well as from the translation of liabilities and the cumulative net change in the fair value of instruments that hedge the company's net investment in foreign subsidiaries.

The group has acquired 1,000,000 shares (2009: 855,349) during the year which are held in treasury. During the year 468,814 shares (2009: 350,228) were transferred to share scheme participants leaving a balance held in treasury as at 31 December 2010 of 6,658,059 shares (2009: 6,126,873). £50.6 million (2009: £48.5 million) has been deducted from equity in respect of these shares.

A qualifying share ownership trust ('the Quest') was established on 26 August 1999. The Quest holds shares issued by the company in connection with the savings related share option scheme. There was no activity in the Quest during 2010 or 2009.

As at 31 December 2010 the Quest held 259 (2009: 259) shares.

Share capital

The authorised share capital of the company is £350.0 million (2009: £350.0 million). This comprises 700 million (2009: 700 million) ordinary shares of 50 pence each. All the ordinary shares rank parri passu in all respects. To the company's knowledge and belief, there are no restrictions on the transfer of shares in the company or on voting rights between holders of shares.

As at 31 December 2009 and 31 December 2010 the company had in issue 337,965,871 ordinary shares of 50 pence each. The allotted, called up and fully paid ordinary share capital at these dates was £169.0 million.

Share-based payments

Offers are made periodically in certain countries under the UK and International Savings Related Share Option Schemes which are open to all employees in those countries who meet minimum service criteria. Grants of share options are made to participating employees that entitle them to buy shares in the company normally after three years at up to 20 per cent discount to the market price of the shares at the time of offer. In the US, to conform with the relevant tax rules, options are granted at a maximum discount of 15 per cent to the share price at the time of grant and are normally exercisable after two years. In certain countries, awards take the form of cash-settled stock appreciation rights.

Under the Performance Share Plan, annual awards are made to directors and selected senior employees of restricted shares that are subject to both market and non-market based conditions calculated over a three-year period. During 2008, one-off awards were made under the Transformation Incentive Plan that are subject to non-market based conditions related to 2010 performance. Detailed terms of these plans are included in the remuneration report on pages 48 to 58.

22 Share capital and reserves continued

The Company has a further scheme in place, the Executive Share Option Scheme. AMEC's policy is to grant share options under this scheme only selectively and in exceptional circumstances such as recruitment. No awards have been made under this scheme since 2004.

The share-based payment arrangements operated by the group are predominantly equity-settled and, other than in defined good leaver circumstances, require participants to be still in employment with the group at the time of vesting.

The number and weighted average exercise price of share options under the Savings Related Share Option Scheme and the Executive Share Option Scheme are as follows:

	Weighted average exercise price 2010 pence	Number of options 2010	Weighted average exercise price 2009 pence	Number of options 2009
Outstanding on 1 January	**553**	**6,176,174**	526	5,823,721
Lapsed/cancelled	**540**	**(401,097)**	560	(679,848)
Exercised	**523**	**(524,631)**	317	(352,387)
Granted	**808**	**1,110,681**	610	1,384,688
Outstanding on 31 December	**601**	**6,361,127**	553	6,176,174
Exercisable on 31 December	**397**	**173,569**	549	84,535

Options were exercised on a regular basis during the year, and the average share price for the year was 902 pence (2009: 678 pence).

Options outstanding on 31 December 2010 have weighted average remaining contractual lives as follows:

	Weighted average remaining contractual life 2010 (years)	Number of options 2010	Weighted average remaining contractual life 2009 (years)	Number of options 2009
300.00 pence to 399.99 pence	**–**	**140,554**	0.1	414,726
500.00 pence to 599.99 pence	**0.4**	**3,855,756**	1.1	4,226,026
600.00 pence to 699.99 pence	**0.4**	**1,148,108**	0.6	1,248,736
Over 700.00 pence	**0.5**	**1,216,709**	–	286,686
		6,361,127		6,176,174

22 Share capital and reserves continued

Share awards granted during the year under the Performance Share Plan were as follows:

	Weighted average fair value 2010 pence	Number of shares 2010	Weighted average fair value 2009 pence	Number of shares 2009
Share awards granted during the year	**571**	**1,269,230**	377	1,774,607

The fair value of services received in return for share options granted and shares awarded are measured by reference to the fair value of those instruments. For grants in either the current or preceding year, the pricing models used and inputs (on a weighted average basis where appropriate) into those models are as follows:

	Savings Related Share Option Scheme (Black-Scholes model)		Performance Share Plan (Monte Carlo model)	
	2010	2009	**2010**	2009
Weighted average fair value at measurement date	**316p**	301p	**571p**	377p
Share price	**994p**	864p	**799p**	534p
Exercise price	**795p**	610p	**n/a**	n/a
Expected share price volatility	**40%**	35%	**35%**	35%
Option life	**3.3 years**	3.3 years	**n/a**	n/a
Expected dividend yield	**2.5%**	2.5%	**2.5%**	2.5%
Risk-free interest rate	**1.2%**	1.6%	**n/a**	n/a
Comparator share price volatility	**n/a**	n/a	**34%**	31%
Correlation between two companies in comparator group	**n/a**	n/a	**40%**	40%

The expected share price volatility is based on the historical volatility of the company's share price.

The performance conditions attaching to the Performance Share Plan involve a comparison of the total shareholder return of the company with that of its comparators and achievement of targeted earnings per share growth. The former is a market based test and as such is incorporated into the grant date fair value of the award.

Dividends

The directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 19.2 pence per share, which will absorb an estimated £63.0 million of equity. Subject to approval, it will be paid on 1 July 2011 to shareholders on the register of members on 27 May 2011. The dividend has not been provided for and there are no income tax consequences for the company. This final dividend together with the interim dividend of 7.3 pence (2009: 6.1 pence) per share results in a total dividend of 26.5 pence per share (2009: 17.7 pence).

22 Share capital and reserves continued

	2010 £ million	2009 £ million
Dividends charged to reserves		
Interim dividend in respect of 2009 of 6.1 pence (2009: interim dividend in respect of 2008 of 5.3 pence) per share	**19.9**	17.3
Final dividend in respect of 2009 of 11.6 pence (2009: final dividend in respect of 2008 of 10.1 pence) per share	**37.9**	32.9
Adjustment to accrual in respect of previous years	**–**	0.1
Charge in respect of 2010 dividend	**0.3**	–
	58.1	50.3
Dividends paid		
Interim dividend in respect of 2009 of 6.1 pence (2009: interim dividend in respect of 2008 of 5.3 pence) per share	**19.9**	17.3
Final dividend in respect of 2009 of 11.6 pence (2009: final dividend in respect of 2008 of 10.1 pence) per share	**37.9**	32.9
Payments in respect of prior year dividends	**–**	0.1
Payment in respect of 2010 dividend	**0.3**	–
	58.1	50.3

The amounts waived by Trustees of the Performance Share Plan in respect of the interim and final dividends was £0.9 million (2009: £1.0 million).

23 Analysis of cash, cash equivalents and net cash

	As at 1 January 2010 £ million	Cash flow £ million	Exchange and other non-cash movements £ million	**As at 31 December 2010 £ million**
Cash at bank and in hand	219.6	(56.0)	13.5	**177.1**
Short-term investments (less than three months)	392.4	(32.6)	6.8	**366.6**
Cash and cash equivalents	612.0	(88.6)	20.3	**543.7**
Short-term investments (more than three months)	130.7	65.7	–	**196.4**
Net cash as at the end of the year	742.7	(22.9)	20.3	**740.1**

Short-term investments comprise short-term bank deposits.

Cash and cash equivalents as at 31 December 2010 includes £7.3 million (2009: £8.3 million) that is held in countries from which prior approval is required to transfer funds abroad. There are restrictions on the use of a further £21.3 million (2009: £20.6 million) of cash and cash equivalents in respect of commitments of the group's captive insurance subsidiary to certain insurers. Cash and cash equivalents as at 31 December 2009 included US$8.0 million which had been frozen by the courts; this restriction is no longer in place.

24 Acquisitions and disposals

Acquisitions in 2010

The following purchases have been accounted for as acquisitions. None of the businesses acquired made a material contribution to consolidated revenue and profit in the period from their acquisition to 31 December 2010, nor would they have done in the year ended 31 December 2010 if they had been acquired on 1 January 2010.

Intangible assets recognised at fair value on the acquisition of these businesses included brands, trade names, customer relationships, order backlogs and non-compete agreements.

Currie & Brown (Australia) Pty Ltd

On 29 January 2010, the group acquired all of the shares in Currie & Brown (Australia) Pty Ltd. The name of this company was subsequently changed to Aquenta Consulting Pty Ltd (Aquenta). Aquenta trades almost entirely in Australia and is a provider of independent cost, contract and consulting services to the oil and gas, mining, building, transport, utilities and infrastructure sectors. The business provides similar services to the existing AMEC subsidiary Rider Hunt International Ltd and was acquired to increase the size of the consultancy services business. This is fully aligned with AMEC's Vision 2015 strategy of assured growth, through a strengthened geographic footprint in key regions and enhanced capabilities in chosen sectors. It builds on AMEC's recent acquisition of GRD Minproc.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition of Aquenta were as follows:

	Recognised value £ million
Property, plant and equipment	0.8
Intangible assets	2.1
Current tax receivable	0.2
Trade and other receivables	4.9
Cash and cash equivalents	1.7
Trade and other payables	(7.3)
Deferred tax liability	(0.4)
Net identifiable assets and liabilities	2.0
Goodwill on acquisition	15.6
	17.6
Consideration	
Paid in cash on completion	17.6

Goodwill has arisen on the acquisition of Aquenta primarily due to its skilled workforce positioned within the strong Australian market which did not meet the criteria for recognition as intangible assets as at the dates of acquisition.

Entec Holdings Limited (Entec)

On 29 March 2010, the group acquired all of the shares in Entec. Entec is a UK-based environmental and engineering consultancy, and was acquired to provide opportunity for leadership positioning in the UK geographical area, particularly in the water services sector.

24 Acquisitions and disposals continued

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition of Entec were as follows:

	Recognised value £ million
Property, plant and equipment	1.3
Intangible assets	26.6
Trade and other receivables	14.4
Current tax receivables	0.3
Cash and cash equivalents	1.0
Trade and other payables	(11.2)
Deferred tax liability	(7.4)
Net identifiable assets and liabilities	25.0
Goodwill on acquisition	42.6
	67.6

Consideration:	
Cash – paid on completion (includes working capital adjustment of £0.4 million paid in August 2010)	50.4
– paid to repay debt	11.2
– contingent	6.0
Costs of acquisition	67.6

In addition to the consideration set out above, up to a further £3.0 million is payable as deferred compensation depending upon continuing employment of three former shareholders for the one year following the acquisition date.

The contingent consideration of £6.0 million shown above is dependent upon achievement of a profit target for the year following the acquisition date. The probability weighted outcome for deferred consideration is considered to be £6.0 million.

Goodwill has arisen on the acquisition of Entec primarily through the acquisition of Entec's expertise in various environmental fields, primarily water services, as well as expected synergies.

Other acquisitions
A number of smaller acquisitions were made in the year for £9.2 million in cash paid on completion. The aggregate fair value of identifiable net assets was £0.3 million (including cash acquired of £0.6 million) and goodwill arising on the acquisitions was £9.3 million. The initial accounting for these acquisitions has been determined only provisionally.

Goodwill has been recognised on these acquisitions as a result of their skilled workforces which did not meet the criteria for recognition as intangible assets at the dates of acquisition.

A further £8.7 million was paid in the year in respect of businesses acquired in 2009 and prior. The aggregate goodwill on these acquisitions was reduced by £8.4 million as the conditions for payment of elements of the deferred consideration were not met.

Disposal in 2010
AGRA Foundations Limited
AGRA Foundations Limited was sold to Freysinnet Menard Canada Inc (FMC) on 25 June 2010.

24 Acquisitions and disposals continued

The carrying value of the assets and liabilities sold and the profit on disposal were as follows:

	£ million
Cash consideration received	18.9
Goodwill	2.1
Property, plant and equipment	9.8
Inventories	0.4
Current tax receivable	1.9
Trade and other receivables	8.3
Trade and other payables	(3.2)
Cash and cash equivalents	2.1
Deferred tax liability	(3.1)
Net assets sold	18.3
Cumulative foreign exchange gains recycled from the hedging reserve	6.0
Profit on disposal	6.6

In addition to the disposal of AGRA Foundations, there were various cash payments in respect of businesses sold in prior years and adjustments to provisions held in respect of prior year disposals resulting in a net loss of £2.3 million and a net cash outflow of £4.7 million.

Net cash flows attributable to discontinued operations

The net cash flows attributable to discontinued operations during the year were as follows:

	2010 £ million	2009 £ million
Net cash flow from operating activities	**(8.2)**	(1.9)
Net cash flow from investing activities	**(3.5)**	(7.0)
	(11.7)	(8.9)

Acquisitions in 2009

The following purchases have been accounted for as acquisitions. Intangible assets recognised at fair value on the acquisition of these businesses included brands, trade names, customer relationships, order backlogs and non-compete agreements.

Performance Improvements Group Limited (PI)

On 26 January 2009, the group acquired all of the shares in PI. PI is based in the UK and is an asset optimisation consultancy services company.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition of PI were as follows:

	Book value £ million	Fair value adjustments £ million	Recognised value £ million
Property, plant and equipment	0.3	(0.2)	0.1
Intangible assets	–	7.5	7.5
Trade and other receivables	4.8	–	4.8
Cash and cash equivalents	(0.7)	–	(0.7)
Trade and other payables	(2.4)	–	(2.4)
Deferred tax liability	–	(2.1)	(2.1)
Net identifiable assets and liabilities	2.0	5.2	7.2
Goodwill on acquisition			7.7
			14.9
Consideration			
Cash – paid on completion			12.8
– deferred			1.7
Costs of acquisition			0.4
			14.9

24 Acquisitions and disposals continued

Goodwill has arisen on the acquisition of PI primarily through the benefits gained from combining PI's performance improvement skills with AMEC's project management and engineering expertise to enhance value for customers.

GRD Limited (GRD)
On 17 November 2009, the group acquired all of the shares in GRD, an engineering and project development company based in Perth, Australia.

The initial amounts recognised in respect of identifiable assets and liabilities at the time of acquisition and the respective fair value adjustments relating to these were provisionally reported in the accounts for the year ended 31 December 2009. The acquisition accounting has been finalised in 2010 and the fair values have been updated as follows:

	Book value £ million	Provisional fair value adjustments £ million	Fair value adjustments identified in current year £ million	Recognised value (restated) £ million
Property, plant and equipment	3.4	(1.0)	–	2.4
Intangible assets	7.8	3.2	(2.6)	8.4
Interests in joint ventures	22.1	2.7	(24.8)	–
Deferred tax asset	15.3	(8.6)	1.6	8.3
Trade and other receivables	24.0	(3.8)	(1.4)	18.8
Cash and cash equivalents	0.5	–	–	0.5
Trade and other payables	(15.9)	(6.3)	(5.4)	(27.6)
Current tax liability	–	(3.0)	(1.4)	(4.4)
Provisions for liabilities and charges	(1.8)	–	(21.6)	(23.4)
Net identifiable assets and liabilities	55.4	(16.8)	(55.6)	(17.0)
Goodwill on acquisition				108.3
				91.3

Cash consideration paid on completion	58.3
Repayment of debt on acquisition	30.4
	88.7
Costs of acquisition	2.6
	91.3

Finalisation of the acquisition accounting has resulted in a £55.6 million reduction in the fair values of the acquired net identifiable assets and liabilities and a corresponding increase in goodwill.

This reduction in the fair value of the net identifiable assets and liabilities in the most part relates to the joint venture investments held by GRD at the time of acquisition. This arises because the technical solutions associated with achieving service commencement of the associated project took longer than first anticipated; this delay was caused by circumstances which existed at the date of acquisition. The time and cost impact of this delay is fully reflected in the reduction in fair value.

Goodwill has arisen on the acquisition of GRD because of synergies expected to be obtained through the complementary fit of existing AMEC and GRD operations in Australasia, and GRD's skilled workforce and intellectual property which did not meet the criteria for recognition as an intangible asset as at the date of acquisition.

Other acquisitions
A number of other smaller acquisitions were made in the year for £5.5 million in cash paid on completion. A further £1.6 million of conditional consideration may be paid in respect of these acquisitions. The aggregate fair value of identifiable net assets was £1.7 million (including cash acquired of £0.2 million) and goodwill arising on acquisitions was £5.4 million. The aggregate book value of net assets acquired was £0.4 million.

Goodwill has been recognised on these acquisitions as a result of their skilled workforces which did not meet the criteria for recognition as intangible assets as at the dates of acquisition.

A further £10.0 million was paid in the period in respect of 2008 acquisitions, and the aggregate goodwill on these acquisitions was reduced by £7.9 million as the conditions for payment of elements of the deferred consideration were not met.

24 Acquisitions and disposals continued

Disposals in 2009

During the year, two small businesses were sold. In addition there were various cash payments in respect of businesses sold in prior years and adjustments to provisions held in respect of prior year disposals resulting in a net gain of £3.5 million and a net cash outflow of £6.2 million.

25 Capital commitments

	2010 £ million	2009 £ million
Contracted but not provided for in the accounts	–	–

As at 31 December 2010, there was no commitment to invest in PPP concessions (2009: £0.2 million).

26 Operating leases

The total obligations under non-cancellable operating lease rentals for continuing operations are as follows:

	2010 £ million	2009 £ million
In one year or less	54.6	51.9
Between one and five years	128.2	113.5
Over five years	56.3	35.5
	239.1	200.9

AMEC enters into the following types of lease: short-term plant hires; leases for motor vehicles and office equipment with lease periods of two to five years; and longer term property leases. None of the leases include any contingent rentals.

27 Contingent liabilities

Guarantees and indemnities

The borrowings of joint ventures are generally without recourse to AMEC.

Legal claims and actions

AMEC has taken internal and external legal advice in considering known legal claims and actions made by or against the company. Consequently, it carefully assesses the likelihood of the success of a claim or action including those identified in this note. AMEC makes an appropriate provision for those legal claims or actions against the company on the basis of the likely outcome, but makes no provision for those which are, in its view, unlikely to succeed. Provisions of £50.3 million (2009: £53.8 million) are shown in note 21 in respect of these claims. It is not practicable to quantify the remaining contingent liability because of the range of possible outcomes and the progress of the litigation.

As the matters below involve actions by third parties against AMEC, the timing of settlement cannot be determined although AMEC is endeavouring to settle as soon as practicable. Due to the litigation, there is no work in progress or other receivable recognised in respect of these contracts. Whilst AMEC believes that certain claims may be covered by insurance, it is not currently practicable to assess the extent to which AMEC's insurance policies will respond in the event of a settlement.

AMEC Group Limited ('AGL') is currently the subject of certain ongoing Health and Safety Executive investigations, in respect of separate incidents involving two separate fatalities to subcontractors at the Leftbank Apartments project in Manchester in April 2004 and April 2005. Summons have been received in both cases. AMEC has entered a not guilty plea in both cases. The first case will be heard at Liverpool Crown Court in June 2011 and the second case will be heard at Manchester Crown Court in September 2011. If AGL is found guilty and prosecuted for these cases, it could be liable to unlimited fines. A prosecution for AGL in relation to fatal accidents in relatively quick succession could have an impact on the amount of any penalty.

27 Contingent liabilities continued

AGL has also received two summons with regard to an incident involving a fatality at the Aberthaw Power Station. This accident occurred during work which was outside of AMEC's undertaking and control and involved the death of a subcontractor of the client. AMEC has entered a guilty plea for one of the charges and sentencing will occur in June 2011. As the case will be heard in Crown Court, AGL are liable to unlimited fines.

It is considered improbable that any of these cases will result in a material liability for AGL.

28 Related party transactions

During the year there were a number of transactions with the senior management group, joint venture entities and subsidiary companies.

Transactions with the senior management group

Directors of the company and their immediate relatives controlled 0.40 per cent of the voting rights of the company as at 31 December 2010.

In addition to their salaries, the group and company also provide non-cash benefits to directors and executive officers, and contribute to a post-employment defined benefit plan on their behalf. Directors and executive officers also receive share awards under the Performance Share Plan.

The senior management group includes AMEC plc board directors and persons discharging managerial responsibility. Details of the senior management group compensation are as follows:

	2010 £ million	2009 £ million
Short-term employee benefits	**4.8**	4.5
Equity settled share-based payments	**6.9**	6.8
Post-employment benefits	**0.1**	0.1
	11.8	11.4

The transactions and related balances outstanding with joint venture entities are as follows:

	Value of transactions in the year		**Outstanding balance as at 31 December**	
	2010 £ million	2009 (restated) £ million	**2010 £ million**	2009 (restated) £ million
Services rendered	**90.5**	62.6	**20.8**	12.2
Services received	**0.2**	0.2	**0.3**	0.1
Provision of finance	**9.5**	9.0	**20.4**	7.8

29 Post balance sheet events

On 2 February 2011, AMEC announced the acquisition of BCI Engineers and Scientists, Inc., a Florida-based consulting firm focused on the water and mining sectors. The total cash consideration is US$20 million, of which US$15 million was paid at completion, with the balance to be paid over the next two years, subject to performance.

On 7 February 2011, AMEC announced the acquisition of Zektingroup, an Australian-based specialist engineering consultancy for the oil and gas and resources industries. The total cash consideration is Au$48 million, of which Au$37 million was paid at closing, with the balance subject to performance over the next two years.

On 21 February 2011, AMEC announced the acquisition of qedi, a company focused on delivering specialist completion and commissioning services for major projects in the oil and gas industry. Qedi is headquartered in Aberdeen, UK and provides project delivery services to international oil companies in the UK, Gulf of Mexico, Middle East, the Caspian and Australia. The total consideration is £33 million; £29 million was paid at closing, with the balance, subject to retention, to be paid over the next two years.

Due to proximity of these acquisitions to the date of approval of these accounts, it is not practicable to disclose the information required by IFRS 3 "Business Combinations".

Responsibility statements of the directors

Statement of directors' responsibilities in respect of the annual report and the accounts

The directors are responsible for preparing the annual report and the consolidated and parent company accounts, in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated and parent company accounts for each financial year. Under that law the directors are required to prepare the consolidated accounts in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the consolidated and parent company accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period.

In preparing each of the consolidated and parent company accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- for the consolidated accounts, state whether they have been prepared in accordance with IFRS as adopted by the EU
- for the parent company accounts, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company accounts and
- prepare the consolidated and parent company accounts on the going concern basis unless it is inappropriate to presume that the consolidated and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of consolidated and parent company accounts may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the directors report includes a fair review of the development and performance of the business and the position of the issuer and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

S Y Brikho
Chief Executive

I P McHoul
Chief Financial Officer
3 March 2011

Independent auditors' report to the members of AMEC plc

Registered number 1675285

We have audited the consolidated accounts of AMEC plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 105, the directors are responsible for the preparation of the consolidated accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated accounts

An audit involves obtaining evidence about the amounts and disclosures in the consolidated accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated accounts.

Opinion on consolidated accounts

In our opinion the consolidated accounts:

- Give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated accounts are prepared is consistent with the consolidated accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 105, in relation to going concern; and
- The part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company accounts of AMEC plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
3 March 2011

Notes

1 The maintenance and integrity of the AMEC plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated accounts since they were initially presented on the web site.

2 Legislation in the United Kingdom governing the preparation and dissemination of consolidated accounts may differ from legislation in other jurisdictions.

Company balance sheet

As at 31 December 2010

	Note	2010 £ million	2009 (restated) £ million
Fixed assets			
Tangible assets	2	**6.4**	2.5
Investments:	3		
Subsidiaries		**1,646.9**	1,803.1
Other		**–**	0.1
		1,646.9	1,803.2
		1,653.3	1,805.7
Current assets			
Debtors: including amounts falling due after one year of £21.0 million (2009: £26.7 million)	4	**81.3**	56.9
Cash at bank and in hand		**209.4**	330.9
		290.7	387.8
Current liabilities			
Creditors: amounts falling due within one year	5	**(71.9)**	(47.7)
Net current assets		**218.8**	340.1
Total assets less current liabilities		**1,872.1**	2,145.8
Creditors: amounts falling due after one year	6	**(864.0)**	(1,090.3)
Provisions for liabilities and charges	7	**–**	(1.0)
Net assets		**1,008.1**	1,054.5
Capital and reserves			
Called up share capital	8, 9	**169.0**	169.0
Share premium account	9	**100.7**	100.7
Capital redemption reserve	9	**17.2**	17.2
Profit and loss account	9	**721.2**	767.6
Equity shareholders' funds		**1,008.1**	1,054.5

The accounts on pages 107 to 112 were approved by the board of directors on 3 March 2011 and were signed on its behalf by:

S Y Brikho
Chief Executive

I P McHoul
Chief Financial Officer

Notes to the company balance sheet

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards and the Companies Act 2006.

The company has not presented its own profit and loss account, as permitted by section 408 of the Companies Act 2006.

Accounting standards adopted in the year

An amendment to FRS 20 "Share-based payments" has been adopted during the year. Consequently the company balance sheet as at 31 December 2009 has been restated in respect of equity-settled share-based payment rights granted by the company to employees of subsidiary companies. Following restatement the balance on investments in subsidiary undertakings and profit and loss reserve are both increased by the amount of the capital contribution arising on these rights. The effect of the restatement is to increase net assets by £18.4 million and increase equity by the same amount. The restatement has no impact on the company's reported profit.

Restatement

The company balance sheet as at 31 December 2009 has been restated to present on a gross basis the fair values of intra-group derivative financial instruments for which there is no legally enforceable right of set off. This restatement has no impact on the company's reported profit or net assets.

Cash flow statement

The company is exempt from the requirement of FRS 1 'Cash flow statements' to prepare a cash flow statement as its cash flows are included within the consolidated cash flow of the group.

Depreciation

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its estimated useful life. For plant and equipment the estimated useful lives are mainly between three and five years. Depreciation is provided from the month in which the asset is available for use.

Financial instruments

Financial instruments are initially recorded at fair value. Subsequent valuation depends on the designation of the instruments. Cash, deposits and short-term investments are held at amortised cost. Derivative financial instruments are accounted for as described in note 1 to the consolidated accounts.

The company is exempt from the disclosure requirements of FRS 29 'Financial Instruments: Disclosures' as the financial instruments disclosures of IFRS 7 'Financial Instruments: disclosure' are included in the notes to the consolidated accounts.

Financial guarantee contracts

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the group, the company considers these to be indemnity arrangements, and accounts for them as such. In this respect the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Foreign currencies

Transactions in a currency other than Sterling are translated to Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date and exchange differences are taken to profit and loss accounts in the year. Non-monetary assets and liabilities are measured in terms of historical cost and are translated using the exchange rate at the date of the transaction.

Interest

Interest income and payable is recognised in profit or loss on an accruals basis using the effective interest method.

Investments

Investments are stated at cost less provision for permanent diminution in value.

Leases

Operating lease costs are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

Contributions to defined benefit pension schemes in respect of employees of AMEC plc are charged in the profit and loss account as incurred.

Defined benefit pension schemes are operated by the group but the company is unable to separately identify its share of the assets and liabilities of those schemes or any details of the surplus or deficit in the scheme and the implications of that surplus or deficit for the company.

Details of the disclosures required under FRS 17 'Retirement Benefits' can be found in the accounts of AMEC Group Limited, a subsidiary company.

Share-based payments

There are share-based payment arrangements which allow AMEC employees to acquire AMEC shares; these awards are granted by AMEC. The fair value of awards granted is recognised as a cost of employment with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during

1 Accounting policies continued

which the employees become unconditionally entitled to the award. The fair value of the award is measured using a valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where non-vesting is due only to share prices not achieving the threshold for vesting.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'.

2 Tangible assets

	Assets in the course of construction £million	Plant and equipment £ million	Total £ million
Cost or valuation:			
As at 1 January 2010	–	6.2	6.2
Additions	3.7	0.3	4.0
Reclassification	2.0	(2.0)	–
As at 31 December 2010	**5.7**	**4.5**	**10.2**
Depreciation:			
As at 1 January 2010	–	3.7	3.7
Provided during the year	–	0.1	0.1
As at 31 December 2010	**–**	**3.8**	**3.8**
Net book value:			
As at 31 December 2010	**5.7**	**0.7**	**6.4**
As at 1 January 2010	–	2.5	2.5

3 Investments (held as fixed assets)

	Shares in subsidiaries £ million	Amounts owed by subsidiaries £ million	Total investment in subsidiaries £ million	Other investments £ million	Total £ million
Cost:					
As at 1 January 2010 (restated)	1,497.6	386.5	1,884.1	0.1	1,884.1
Additions	31.5	3.9	35.4	–	35.4
Disposals	(50.1)	(141.5)	(191.6)	(0.1)	(191.7)
As at 31 December 2010	**1,479.0**	**248.9**	**1,727.9**	**–**	**1,727.9**
Provisions:					
As at 1 January 2010	81.0	–	81.0	–	81.0
As at 31 December 2010	**81.0**	**–**	**81.0**	**–**	**81.0**
Net book value:					
As at 31 December 2010	**1,398.0**	**248.9**	**1,646.9**	**–**	**1,646.9**
As at 1 January 2010 (restated)	1,416.6	386.5	1,803.1	0.1	1,803.2

Principal group companies are listed on page 114.

Notes to the company balance sheet continued

4 Debtors

	2010 £ million	2009 (restated) £ million
Debtors: amounts falling due within one year		
Trade debtors	**4.1**	4.5
Amounts owed by subsidiaries	**24.4**	12.9
Derivative financial instruments	**19.3**	5.7
Corporation tax	**9.1**	5.4
Other debtors	**–**	0.2
Prepayments and accrued income	**3.4**	1.5
	60.3	30.2
Debtors: amounts falling due after one year		
Derivative financial instruments	**12.7**	19.2
Deferred tax	**8.3**	7.5
	21.0	26.7
	81.3	56.9

The deferred tax asset is analysed as follows:

	2010 £ million	2009 £ million
Difference between accumulated depreciation and capital allowances	**0.2**	0.7
Tax losses	**3.7**	–
Other timing differences	**4.4**	6.8
	8.3	7.5

On 22 June 2010, in his Budget Speech, the UK Chancellor of the Exchequer announced a scheduled reduction in the rate of corporation tax from 28 per cent to 24 per cent by reducing the rate by one per cent annually from 1 April 2011 to 2014.

As at 31 December 2010, the reduction in the rate to 27 per cent on 1 April 2011 has been substantively enacted. However, the remaining reductions in the rate have not yet been substantively enacted and therefore the proposed changes are not reflected in the figures reported.

The reduction in the rate from 27 per cent to 24 per cent is forecast to have an insignificant impact on the balance sheet deferred tax asset and future charges to the profit and loss account.

5 Creditors: amounts falling due within one year

	2010 £ million	2009 (restated) £ million
Bank and other loans and overdrafts	**5.2**	6.3
Trade creditors	**5.4**	5.8
Derivative financial instruments	**31.3**	12.9
Other taxation and social security costs	**11.3**	3.2
Other creditors	**8.2**	7.5
Accruals and deferred income	**10.3**	11.8
Dividends	**0.2**	0.2
	71.9	47.7

6 Creditors: amounts falling due after one year

	2010 £ million	2009 (restated) £ million
Amounts owed to subsidiaries	**847.8**	1,058.7
Derivative financial instruments	**16.2**	31.6
	864.0	1,090.3

7 Provisions for liabilities and charges

	Indemnities granted on disposal of subsidiary £ million
As at 1 January 2010	1.0
Credited to profit and loss	(1.0)
As at 31 December 2010	**–**

8 Share capital

The authorised share capital of the company is £350.0 million (2009: £350.0 million).

	2010 £ million	2009 £ million
Allotted, called up and fully paid ordinary shares of 50 pence each	**169.0**	169.0

There was no movement in issued share capital during the year:

	Number	£ million
As at 1 January and 31 December 2010	**337,965,871**	**169.0**

Share-based payment
Details of share-based payment schemes operated by the company are provided in note 22 to the group accounts.

9 Reserves

	Share capital £ million	Share premium account £ million	Capital redemption reserve £ million	Profit and loss account £ million	Total £ million
As at 1 January 2010 (restated)	169.0	100.7	17.2	767.6	1,054.5
Equity settled share-based payments	–	–	–	13.6	13.6
Dividends	–	–	–	(58.1)	(58.1)
Utilisation of treasury shares	–	–	–	1.7	1.7
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	(4.6)	(4.6)
Acquisition of treasury shares	–	–	–	(8.2)	(8.2)
Tax on income charged to reserves	–	–	–	(0.5)	(0.5)
Profit for the year	–	–	–	9.7	9.7
As at 31 December 2010	**169.0**	**100.7**	**17.2**	**721.2**	**1,008.1**

Details of dividends paid by the company and proposed during the year are disclosed in note 22 to the group accounts.

The company's profit for the year in 2009 was £12.1 million.

10 Lease commitments

The current annual commitments payable under non-cancellable operating leases were as follows:

	Land and buildings 2010 £ million	Land and buildings 2009 £ million
Between one and five years	**0.2**	0.2

11 Contingent liabilities

Guarantees and indemnities

Guarantees given by the company in respect of borrowings of subsidiaries amounted to £nil as at 31 December 2010 (2009: £nil).

12 Related party transactions

During the year the only related party transactions for which disclosure is required under FRS 8 "Related Party Disclosures" were with the senior management group. Transactions with wholly owned subsidiary undertakings are not disclosed.

Transactions with the senior management group

Directors of the company and their immediate relatives controlled 0.40 per cent of the voting rights of the company as at 31 December 2010.

In addition to their salaries, the company also provides non-cash benefits to directors and contributes to a post-employment defined benefit plan on behalf of certain directors. Directors also receive share awards under the Performance Share Plan.

The senior management group consists of the AMEC plc board directors and details of their compensation are as follows:

	2010 £ million	2009 £ million
Short-term employee benefits	**4.5**	3.6
Equity settled share-based payments	**6.3**	6.2
Post-employment benefits	**0.1**	0.1
	8.2	9.9

Independent auditors' report to the members of AMEC plc

Registered number 1675285

We have audited the parent company accounts of AMEC plc for the year ended 31 December 2010 which comprise the company balance sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 105, the directors are responsible for the preparation of the parent company accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts.

Opinion on accounts

In our opinion the parent company accounts:

- Give a true and fair view of the state of the company's affairs as at 31 December 2010;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the parent company accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company accounts and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

- We have reported separately on the group consolidated accounts of AMEC plc for the year ended 31 December 2010.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
3 March 2011

Notes

1 The maintenance and integrity of the AMEC plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

2 Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Principal group companies

As at 31 December 2010

The subsidiaries and joint ventures which, in the opinion of the directors, principally affect group trading results and net assets are listed below. Except where indicated, all subsidiaries listed below are wholly owned, incorporated in Great Britain and carry on their activities principally in their countries of incorporation. Shares are held by subsidiary companies except where marked with an asterisk, where they are held directly by the company. All holdings are of ordinary shares, except where otherwise indicated. A full list of subsidiaries will be filed with the Registrar of Companies with the next annual return.

Subsidiaries

AMEC Americas Limited (Canada)
AMEC Australia Pty Limited (Australia) (note 1)
AMEC BDR Limited (Canada)
AMEC (Bermuda) Limited (Bermuda)
AMEC Cade Ingenieria y Desarrollo de Proyectos Ltda. (Chile)
AMEC Cade Servicios de Ingenieria Ltda. (Chile)
AMEC Earth & Environmental, Inc. (US)
AMEC Earth & Environmental (UK) Limited
AMEC E&C Services, Inc. (US)
*AMEC Finance Limited
AMEC Geomatrix, Inc. (US)
*AMEC Group Limited
AMEC Holdings, Inc. (US)
AMEC Inc. (Canada)
AMEC International (Chile) S.A. (Chile)
AMEC Kamtech, Inc. (US)
AMEC Minproc Limited (Australia)
AMEC Nuclear UK Limited
AMEC NCL Limited (Canada)
AMEC NSS Limited (Canada)
AMEC Nuclear Holdings Limited
AMEC Paragon, Inc. (US)
AMEC Participacoes E Consultoria Para O Setor De Mineracao Ltda. (Brazil)
AMEC (Peru) S.A. (Peru)
AMEC Project Investments Limited
*AMEC Property and Overseas Investments Limited
Aquenta Consulting Pty Ltd
Atlantic Services Limited (Bermuda)
Entec UK Limited
GRD Limited (Australia)
GRD Minproc (Proprietary) Limited (South Africa)
National Ventures, Inc. (US)
Performance Improvements (PI) Limited
Performance Improvements (PI) Group Limited
Primat Recruitment Limited
Rider Hunt International Limited
Terra Nova Technologies, Inc. (US)

Joint ventures

AMEC Black Cat LLC (Qatar) (49 per cent) (note 2)
Incheon Bridge Co. Ltd (23 per cent) (note 3)
*Northern Integrated Services Limited (50 per cent – "B" shares) (note 4)
Nuclear Management Partners Limited (36 per cent) (note 5)
Petersbogen Immobilengesellschaft GmbH & Co. KG (50 per cent) (note 6)
Sellafield Limited (note 7)

Notes

1 The issued share capital of AMEC Australia Pty Limited is 62,930,001 ordinary shares of Au$1 each, 12,500,000 class "A" redeemable preference shares of Au$1 each and 2,500 non-cumulative redeemable preference shares of Au$1 each
2 The issued share capital of AMEC Black Cat LLC is 10,000,000 ordinary shares of QAR1 each
3 The issued share capital of Incheon Bridge Co. Ltd is 32,924,234 ordinary shares of KRW 5,000 each
4 The issued share capital of Northern Integrated Services Limited is 12,500 "A" ordinary shares of £1 each and 12,500 "B" ordinary shares of £1 each
5 The issued share capital of Nuclear Management Partners Limited is 100 ordinary shares of £1 each and one preference share of £1
6 The issued share capital of Petersbogen Immobilengesellschaft GmbH & Co.KG is 25,000 ordinary shares of £1 each
7 Sellafield Limited is 100 per cent owned by Nuclear Management Partners Limited.

Five year record

	2010 £ million	2009 £ million	2008 £ million	2007 £ million	2006 £ million
Summarised consolidated results					
Continuing operations					
Revenue	**2,950.6**	2,539.1	2,606.4	2,356.2	2,121.6
Adjusted profit before tax[1]	**279.7**	215.6	210.3	126.5	79.7
Amortisation and impairment	**(25.0)**	(15.7)	(9.2)	(2.5)	(3.6)
Joint ventures and associates tax	**(7.2)**	(5.3)	(1.4)	(0.6)	(0.3)
	247.5	194.6	199.7	123.4	75.8
Exceptional items	**10.7**	8.9	106.9	28.2	(102.8)
Profit/(loss) before income tax	**258.2**	203.5	306.6	151.6	(27.0)
Income tax	**(21.6)**	(46.8)	(96.9)	(30.1)	(15.2)
Profit/(loss) for the year from continuing operations	**236.6**	156.7	209.7	121.5	(42.2)
(Loss)/profit for the year from discontinued operations (net of income tax)	**(6.7)**	15.9	(10.7)	222.9	261.4
Profit for the year	**229.9**	172.6	199.0	344.4	219.2
Basic earnings/(loss) per share from continuing operations	**73.0p**	47.6p	64.5p	36.9p	(13.3)p
Diluted earnings per share from continuing operations[2]	**62.5p**	46.9p	44.0p	28.0p	16.6p
Dividends per share	**26.5p**	17.7p	15.4p	13.4p	12.2p
Dividend cover[2]	**2.4x**	2.6x	2.8x	2.1x	1.4x
Summarised consolidated balance sheets[3]					
Non-current assets	**820.1**	686.1	659.7	573.7	479.0
Net working capital	**(43.1)**	(131.0)	(111.0)	(152.7)	(165.8)
Net cash	**740.1**	742.7	764.5	733.2	354.9
Other non-current liabilities	**(242.1)**	(271.5)	(307.3)	(259.3)	(197.1)
Net assets classified as held for sale	**–**	–	–	13.6	37.6
Net assets	**1,275.0**	1,026.3	1,005.9	908.5	508.6
Total attributable to equity holders of the parent	**1,272.2**	1,022.9	1,003.3	907.7	507.8
Minority interests	**2.8**	3.4	2.6	0.8	0.8
Total equity	**1,275.0**	1,026.3	1,005.9	908.5	508.6

The five year record has been prepared under adopted IFRS and is stated in accordance with the accounting policies set out on pages 65 to 70.

Notes

1 Adjusted profit before intangible amortisation and goodwill impairment and pre-tax exceptional items, but including joint venture profit before tax
2 Before amortisation, impairment and exceptional items
3 The figures for 2006 through 2010 are presented on a continuing basis and therefore exclude the results of discontinued businesses. No adjustment has been made to reflect the financing income that would have been earned on the disposal proceeds.

Shareholder information

Our website

AMEC's website, amec.com, is the best source of useful, up-to-date information about AMEC and its activities, including annual reports, AGM documents and other shareholder communications.

All announcements made to the London Stock Exchange can be found at amec.com/rns and alerting services are available at amec.com/utilities/email_alerts.

AMEC's registrars

AMEC's registrars are Capita Registrars. They maintain the shareholder register on our behalf and handle all the administration related to it. They should be your first point of call if you have any queries relating to your shareholding in AMEC. The best way to contact them depends on the type of query you may have.

General enquiries

Email	shareholder.services@capitaregistrars.com	
Website	capitaregistrars.com	
Postal address	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU United Kingdom	
Telephone[2]	UK	0871 664 0300[1]
	Others	+44 20 8639 3399

DRIP enquiries

Telephone[3]	UK	0871 664 03811[1]
	Others	+44 20 8639 3402

Payment of dividends overseas

Telephone	+44 20 8639 3405
Website	capitaregistrars.com/international

Electronic information

Telephone[3]	UK	0871 664 03911[1]
	Others	+44 20 8639 3367

[1] Calls cost 10 pence per minute plus network extras
[2] Lines open 8.30am to 5.30pm UK time, Monday to Friday
[3] Lines open 9.00am to 5.30pm UK time, Monday to Friday

Financial calendar

AMEC's year end is 31 December. The normal annual calendar is as follows;

Full year results issued	Early March
Annual report published	March
Annual General Meeting	May
Half year results issued	August
Interim Management Statements	May and November

Full details are available at amec.com/investors/financialcalendar/2011.

Dividends

AMEC's interim dividend is usually announced with the half year results and paid in the following January; the final dividend is proposed with the full year results and paid in July.

Dividends can be paid directly into your bank or building society account and can also be paid in local currency in certain overseas territories. Contact our registrars for more details.

We have a Dividend Reinvestment plan (DRIP) if you would prefer to buy more AMEC shares rather than receive cash dividends. This is only available to shareholders in certain countries. You can find out more on our website amec.com/investors/shareholderinformation/dividends or by contacting our registrars.

Electronic shareholder communication

Around 80 per cent of AMEC's shareholders now receive information from us electronically. If you have elected to do so and provided an email address, you will receive an email from our registrars whenever any new shareholder information is published. In the absence of an email address, you will be sent a letter which includes details of where the information can be found on our website.

You can register for electronic shareholder communication and also manage your personal shareholding online at capitashareportal.com. You will need your Investor Code (IVC) which can be found on your share certificate or dividend tax voucher.

Printed copies of the annual report

Shareholders may receive a printed copy of AMEC's latest annual report on request, within a reasonable time period, by writing to our registered office or by filling in the form on our website amec.com/investors/shareholderinformation/free_report.

AMEC's registered office

AMEC plc
Booths Park,
Chelford Road,
Knutsford,
Cheshire WA16 8QZ
United Kingdom
Registered in England No 1675285