Delivering excellence to **our customers**

AMEC plc annual report and accounts 2011

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AMEC is a focused supplier of consultancy, engineering and project management services to our customers in the world's oil and gas, minerals and metals, clean energy, environment and infrastructure markets.

Our vision is that by continually delivering excellence, we inspire trust and loyalty in our customers.

We employ over 27,000 people in around 40 countries worldwide.

Our website is constantly updated with the latest company news, features and share price information. It also contains a library of key documents, such as annual and sustainability reports.

Find out more at amec.com

Symbols have been used throughout to highlight the implementation of AMEC's Vision 2015 strategy (see page 18).

Key: Customers People Growth The AMEC Way Sustainability Financial further information online reference

Cover shows employees working in each of AMEC's four markets: Oil & Gas, Minerals & Metals, Clean Energy, Environment & Infrastructure

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

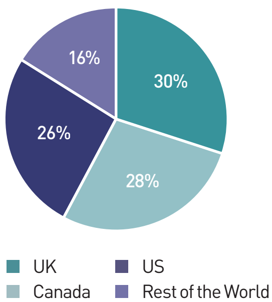
AMEC's people design, deliver and maintain strategic assets for our customers, offering services which extend from environmental and front end engineering design services before the start of a project, to decommissioning at the end of an asset's life. We operate in around 40 countries, working for customers ranging from blue chip companies to national and local governments; and supporting assets such as oil and gas production facilities, mines and nuclear power stations.

Our engineers, project managers and consultants use their skills and experience to deliver successful projects for our customers, so building long-term relationships with them.

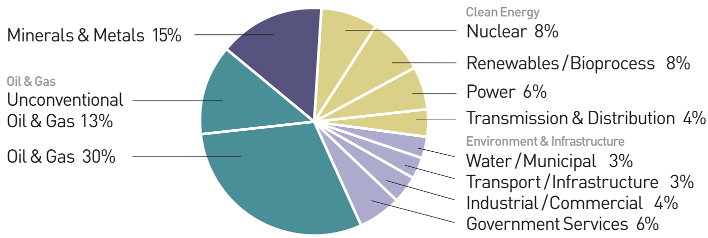
Our customers include: Agip KCO, Apache, BG, BP, Bruce Power, ConocoPhillips, Dominion Power, EDF, ExxonMobil, Fairfield Energy, Fortescue Metals, Kuwait Oil Company (KOC), Marine Well Containment Company (MWCC), National Grid, NDA, PCA, PotashCorp, Recurrent Energy, Sellafield Limited, Shell, US Air Force.

AMEC in 2011

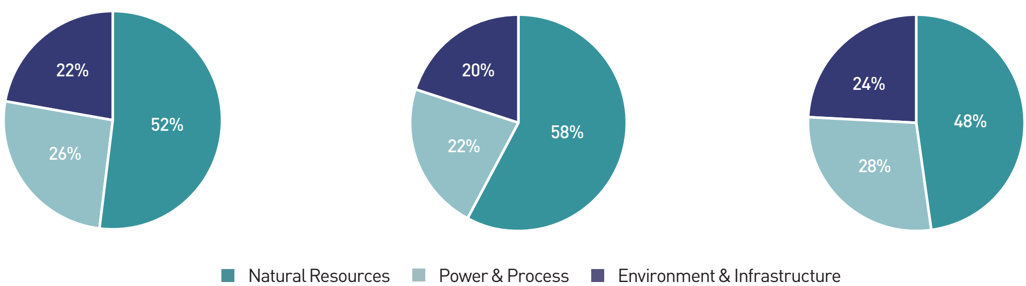
Revenue: Geography



Markets and sectors[1]



Revenues[1] / EBITA[1] / Average employees[1]



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 mining. It has particular expertise in large and complex projects in growth regions and in extending the life of assets.

See page 28 for further details.

Power & Process is principally based in the UK and Americas and provides engineering, project management and asset support services in the clean energy market. It has a leading position in the nuclear sector, particularly in the UK, where its services are well-balanced across the asset lifecycle.

See page 30 for further details.

Environment & Infrastructure is a leading international environmental and engineering consulting organisation. It works across all AMEC's markets and provides a complementary offering to many customers common to the Natural Resources or Power & Process divisions.

See page 32 for further details.

1 Excluding Investments and other activities. For basis of preparation, see page 27.

Performance highlights

	2011 £ million	2010 £ million
Continuing operations:		
Revenue	**3,261**	2,951
EBITA[1]	**299**	269
Adjusted profit before tax[3]	**311**	280
Profit before tax	**259**	259
Operating cash flow[5]	**267**	219
Adjusted diluted earnings per share[4]	**70.5p**	62.5p
Diluted earnings per share from continuing operations	**61.9p**	71.3p
Dividend per share	**30.5p**	26.5p

Strong operating performance

- Revenue £3,261 million, up 11 per cent on 2010
- EBITA £299 million, up 12 per cent
- EBITA margin[2] 9.2 per cent (2010: 9.1 per cent)
- Diluted EPS from continuing operations 70.5 pence, up 13 per cent
- Operating cash flow £267 million, up 22 per cent

Good order intake and forward visibility

- Order book £3.7 billion (31 December 2010: £3.1 billion)

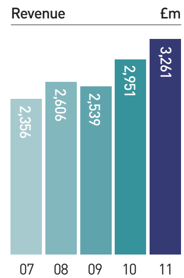
Invested £263 million in acquisitions in 2011; pipeline remains strong

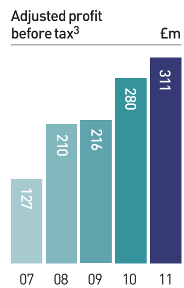
Dividend per share up 15 per cent, to 30.5 pence

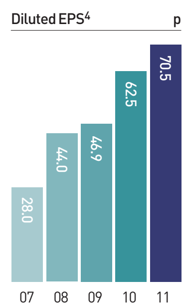
Commencing share buyback programme of £400 million

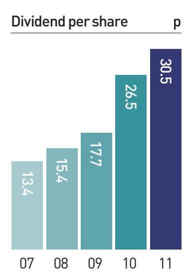
Expect to deliver EPS target of greater than 100 pence ahead of 2015

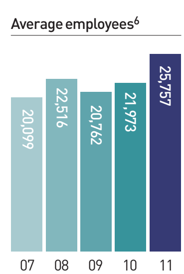
1 EBITA for continuing operations before intangible amortisation and exceptional items but including joint venture EBITA
2 EBITA as defined above as a percentage of revenue
3 EBITA, as defined above, plus net financing income (including joint ventures) of £12 million (2010: £11 million)
4 Diluted earnings 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 the difference between pension payments and 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. Figures for 2009 and prior have been restated to ensure employees are calculated on a consistent basis
n/a: not applicable











Chairman's statement

I was delighted to be invited to join AMEC as your Chairman in June 2011. I have watched with interest the successful and transformational journey of the last few years and it is clear to me that there is more to come and much that I can contribute.

Prior to becoming your Chairman, my career was spent in the global professional services market, latterly as the Global Chairman of Deloittes. This background is extremely relevant to AMEC's business activities. Since joining I have spent a considerable amount of time visiting AMEC businesses and projects, meeting with the senior management team, our people across the group, customers and shareholders. I wanted to more fully understand our business culture, our priorities and what will contribute towards the continued success of the business. My overriding impression is the sheer professionalism and expertise of our employees. Our customers rely on our ability to deliver their projects on time, on budget and without causing harm. It is clear to me that we take this responsibility seriously and that it is this proven ability to deliver excellence that will underpin our future growth.

The board

In commenting on the board, I will start by thanking my predecessor, Jock Green-Armytage, for his contribution as Chairman for seven years and as a director for seven years before that. The transition process between the two of us went very smoothly.

Turning to the directors. Over the early months of my chairmanship I have prioritised gaining an understanding of each of the directors and the contribution they can and do make. I feel fortunate to be working with such a strong team of executive and non-executive directors, each with the relevant experience, skills and determination to take our company forward. My board colleagues have much to contribute and the way the non-executive team support management, yet challenge where appropriate, has been very evident.

Notwithstanding the above observations, I believe we do need to do more to ensure the diversity of the board better reflects the organisation itself. Those of you who have been shareholders for some time will know that up until 2009 we had two female directors on the board. Our ongoing succession planning is clearly focused on addressing diversity while adding to the skills base.

A final point on the board. We have commenced a process to independently evaluate the effectiveness of the board. Outside consultants will complete the process in the months ahead and I will share the findings and conclusions in next year's report.

> My overriding impression is the sheer professionalism and expertise of our employees."

Board priorities

So what role does the board take in supporting the delivery of excellence and sustained growth in our performance? For me, there are three key elements.

Firstly, we need to debate and agree the strategy the company is to follow and then monitor the performance against the strategic goals. One of the things that excites me about AMEC is its ambition - without it, no growth strategy will be achieved. Our Vision 2015 growth strategy was first outlined in late 2009. Since that time the economic outlook has changed and uncertainty has increased. AMEC's management understand what they are good at, have built solid, long-term customer relationships and have made sure that the company is well positioned across the energy market. Our recent debate on strategy at the board reaffirmed the core principles of Vision 2015 and its continued appropriateness.

Secondly, we have to be certain that the company has the right people in place to deliver. This means not only assessing the management skills currently in place, but also ensuring the mechanisms are in place to develop future talent and plan for succession. As I know from my own experience, a company that can attract the right talent and engage and motivate its employees gains that extra edge which provides competitive advantage. A key element of our people plan is how they are remunerated and this, particularly as far as directors are concerned, is very much in the public eye at the moment. Not surprisingly, I have examined very carefully the practices and policies we employ in this area. The AMEC plan for senior executives, including the directors, is to align annual bonus plans and long-term incentives with the company's performance based on hard measures in respect of growth in earnings before interest and tax, earnings per share growth, cash generation and total shareholder return. A detailed report in respect of directors is included in the remuneration committee report on page 58.

Thirdly, we must ensure that an appropriate level of governance is in place. I have reviewed the governance structure we have in place in the company, including the board committees, the management committees, risk management and oversight generally; and whilst everything is subject to continuous improvement, I believe our structure is fit for purpose. I have outlined my views on this in more detail on page 46, in the corporate governance statement. Good governance has to be more than just a set of policies and procedures; it should guide the decisions taken by all our employees on a daily basis. During 2011 we reviewed and refreshed our Code of Business Conduct and our values, in order that they remain real and relevant to our employees. I have been pleased to see so much evidence of this: we have achieved our best ever safety performance; yet again been ranked sector leader in the Dow Jones Sustainability index and one of Canada's top 100 best employers; made charitable contributions of £506,000, largely by matching the fund-raising activities of our employees; and, not least, regularly won repeat business from our customers.

Performance and shareholder returns

In a global environment which continues to be complex and challenging and to see frequent lowering of economic growth projections, AMEC has performed well. As reported in more detail in the Chief Executive's review, our company had revenue growth in 2011 of 11 per cent and growth in earnings per share of 13 per cent.

In light of the continued strong performance, the board is recommending a final dividend of 20.3 pence, payable on 2 July 2012 to shareholders on the register on 1 June 2012. This would bring the total dividend for the year to 30.5 pence, an increase of 15 per cent over 2010. It is the board's intention to continue with a progressive dividend policy.

Given the strength of the balance sheet, the board has decided to commence a share buyback programme of £400 million. We expect to complete this over the next 12 months.

Looking ahead

We have a highly energised and extremely able team in AMEC, focused upon our clients and on clear, transparent goals.

On your behalf, I would like to thank Samir Brikho, his management team and all AMEC's 27,000 people for their hard and valuable work in 2011.

John Connolly
Chairman

21 February 2012

Chief Executive's review

It has been said before but can never be underestimated: knowing your destination is half the journey. In late 2009 we set out our Vision 2015 growth strategy and everything we have done since then has been consistent with this. Against a backdrop of economic and political uncertainty, AMEC's continued growth towards our Vision 2015 targets is something of which I am very proud. In 2011, revenues grew by 11 per cent, operating profits were 12 per cent higher and earnings per share, at 70.5 pence, up 13 per cent on 2010.

In many ways, ours is a straightforward business. In each of our markets, we provide technical expertise to support our customers as they build, operate or decommission their assets. We are paid for the hours of service we provide and for helping our customers achieve their key goals. Our reputation for consistent and successful delivery is invaluable in achieving success; simply put, if we do good work, we win more good work. To achieve this, we need to employ, train and retain high-quality people. Our Vision 2015 growth strategy and ongoing success are built on these two key pillars – our customers and our people.

Customers

In recent years we have been positioning AMEC to meet our customers' challenges: including increasing complexity; remote and harsh locations; and safety, community and environmental concerns. If we are to achieve our goals, we also need a strong culture which is consistent with our vision. During our global conference in March 2011, AMEC's top 100 managers discussed how to make the company more customer-focused. We challenged ourselves on our preconceptions and drew lessons from our successes and the experience of others outside our industry. These analogies can be very helpful in prompting a different way of thinking, for example by comparing and contrasting the customer service we provide with that of a world-class hotel or restaurant. Among many actions which have been implemented as a result are the introduction of global leaders for each of our 11 sectors; a simplification of our values to make them easier to remember and apply (see inside back cover); and a more explicitly client-focused vision. The results of our most recent employee survey suggest that our employees understand the importance of this customer focus. We will continue to do more work in this area in 2012.

We have worked with many of our customers - which range from international oil companies, to utility companies, to local and national governments - for many years. During 2011, we continued to build successfully on these long-term relationships. There are many examples shown throughout this report and on our website, including BP, ConocoPhillips, BG and Magnox. Since the year end, we have announced the renewal of our contract with National Grid.

We have also targeted and won work with new customers, such as GDF SUEZ on their Cygnus gas field development in the North Sea, a three-year nuclear services contract with URENCO and importantly, the work we are doing for the Marine Well Containment Company (MWCC) in the Gulf of Mexico.

The sectors we are operating in are growing, supported by population growth and its impact on the demand for energy. At the same time, the requirements of our customers are becoming more complex, as their activities take place in more remote locations. We are increasingly providing a wider range of solutions to help them manage these challenges in a sustainable way. Just one example is the Ecospacial information database which is discussed further on page 25.

During 2011, the carbon emissions in tonnes per employee increased by 1.5 per cent, as the result of our more accurately measuring the site usage. A continued focus on our carbon emissions not only helps us achieve one of our core sustainability goals, but importantly has the potential to reduce the cost of doing business.

People

It is easy to sound glib when talking about the importance of our people to our success. We now employ over 27,000 people, directly or as agency labour, and it is their skills and talents which we sell to our customers. We need to hire the best people and keep them safe while they are at work. This is the right thing to do, and also has a direct impact on our reputation and financial results. It is why we track a number of non-financial metrics in this area which we believe are important forward indicators of performance, some of which are shown on pages 24 to 26.

AMEC Academy is now well established and provides a well-used suite of tools to support our employees as they develop their skills and talents and so their careers.

Our health and safety performance remains strong and is an important component of our sales proposition to clients. We had 15 lost time incidents in the year (2010: 22), a significant improvement in a growing company, though above our target of zero. More importantly, the total recordable case frequency rate also dropped, to 0.37 per 200,000 exposure hours (2010: 0.42). But we cannot afford to be complacent. During 2012 we will be focusing on three key areas which have been responsible for high potential incidents* in the past, namely working at height, working around energy sources and driving.

As we continue to globalise our operations, we need to be able to protect our employees in new countries or regions. This last year our plans were tested by the unrest in Libya. It was a great relief to us all once our expatriate workers were safely home and our local workers had been reunited with their families.

How we work to support our customers is a core component of how we expect to deliver our Vision 2015 strategy. Our employees increasingly take a collaborative approach, with projects being worked on across offices and divisions. The way in which we manage projects has been standardised, to facilitate this sharing of work and ensure that our global customers receive the same level of service from us, no matter where in the world they are. We will continue to work to improve this, consistent with our value of consistently delivering excellence to our customers.

Growth

During 2011, we welcomed almost 3,500 new employees to AMEC through acquisition. The largest of these was MACTEC, based in the US, which has now been well integrated into our existing Environment & Infrastructure business. As one of their employees said recently: "We used to think we were big with 2,600 employees, but now we've got the power of 27,000 people supporting us, around the world." Harnessing this power is what makes an acquisition successful; an investment rather than a cost. We will continue to look for other suitable acquisitions which allow us to expand our geographical presence and / or our capabilities, in line with our Vision 2015 objectives. At the same time, the strength of our customer relationships and the skills of our people will support continued organic growth. In 2012, we expect underlying revenue growth to be in double digits.

> "Our vision is that by continually delivering excellence, we inspire trust and loyalty in our customers."

Summary

I started with a quote and I will finish with one too: know your limits – but never stop trying to exceed them. We are seeking to create a culture for AMEC where our people respect each other, work sustainably and ethically, never compromise on health and safety, understand customer needs and are engaged with the company. I would like to thank all our employees who have worked so hard to achieve the many successes demonstrated elsewhere in this report.

Irrespective of the economic and political climate, we need to stay focused on what we are good at and what matters to our clients. Our 2012 priorities remain simple: to deliver consistently and excellently to our customers, time after time.

Samir Brikho
Chief Executive

21 February 2012

*Those which could have escalated to serious multiple injuries, fatalities, asset damage or pollution impact

Our markets and sectors

AMEC operates in four key markets: oil & gas, minerals & metals, clean energy, and environment & infrastructure. These markets can be sub-divided into 11 sectors, as shown in the table below. The services provided to customers in each market are very similar and run right across the lifecycle of the asset, from consulting, engineering and construction management to project management, operations and maintenance and decommissioning. They are explained in more detail on page 16. This section looks in more detail at these markets and sectors, explaining their growth characteristics and how we are positioned for delivery of the Vision 2015 growth strategy (see page 18). In each, the strength of customer relationships and proven ability to deliver successfully, even in harsh or remote environments, is what enables us to win new business.

AMEC has considerable experience and capability in the world's main energy sectors. We are well placed to respond to the increasing demand for clean energy, the need to improve the efficiency of mature assets and the requirement for increased flexibility. 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.

There is no one competitor operating in the same markets and with the same geographic footprint as AMEC. Further details on the competitive landscape by market can be found in our introductory investor presentation on amec.com.

Global market trends

According to the International Energy Agency (IEA) World Energy Outlook 2011, global primary energy demand rebounded by 5 per cent in 2010. Since then, the importance of a reliable energy supply has been reinforced by the accident at the Fukushima Daiichi nuclear power plant in Japan and turmoil in parts of the Middle East and North Africa. In addition, concerns about sovereign debt levels have shifted attention away from energy policy, with a knock-on impact on global climate change objectives. Looking to the future, world primary energy demand is predicted to increase from 12,150 million tonnes of oil equivalent (Mtoe) in 2009 to

Projected market and sector growth to 2015

Markets and sectors	Sector growth*	Divisions NR	P&P	E&I
Oil & Gas				
Conventional Oil & Gas	8-10%	●		●
Unconventional Oil & Gas	5-7%	●		●
Minerals & Metals	6-8%	●		●
Clean Energy				
Nuclear	5-7%		●	●
Renewables / Bioprocess	8-10%		●	●
Power	3-5%		●	●
Transmission & Distribution (T&D)	4-6%		●	●
Environment & Infrastructure				
Water / Municipal	5-6%			●
Transportation / Infrastructure	4-5%			●
Industrial / Commercial	3-6%			●
Government Services	3-5%			●

Key:
NR: Natural Resources, see page 28.
P&P: Power & Process, see page 30.
E&I: Environment & Infrastructure, see page 32.
*AMEC estimates of market growth potential in our accessible markets (CAGR 2010 – 2015) based on a mid-cycle assumption.

16,950 Mtoe in 2035, a 40 per cent increase. At the same time, developing new sources of energy is becoming a more complex challenge, with resources often in harsh or remote regions. The forecast (IEA New Policies Scenario) assumes that recent government policy commitments are implemented in a cautious manner.

As ExxonMobil states (2012 The Outlook for Energy: A View to 2040), population and economic growth are the key factors behind the increasing demand for energy. ExxonMobil expects the world's population to grow by more than 25 per cent between 2010 and 2040, to nearly nine billion people. The balance and mix of energy type may change both locally and globally but the pressure for more is an ever-upward trend. The energy market is increasingly determined by countries outside the OECD, which are responsible for 90 per cent of energy demand growth.

To meet this demand, IEA believes a global investment in energy supply infrastructure of $38 trillion is required between 2011 and 2035, with oil and gas collectively accounting for almost $20 trillion of this. Most of the balance is power, especially (40 per cent) for transmission and distribution networks. Demand for all fuels is expected to rise, though the proportion of the total made up by fossil fuels is expected to fall. In the power sector, renewable energy technologies led by hydropower and wind account for half the new capacity installed to meet growing demand.

The skills challenge

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.

As just one example, the Chairman of the UK's National Nuclear Skills Academy said in December 2011 that he expected the nuclear sector workforce will need to grow by about 68 per cent before 2025. He predicted that by the same date some 8,500 people will leave the UK industry due to retirement, equivalent to about one-third of the current nuclear-specific workforce.

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 pages 18 and 24, in our sustainability report and on our website. 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.

AMEC's markets

Oil & Gas

The market

The IEA forecasts primary oil demand increasing from 87 million barrels per day (mb/d) in 2010 to 99 mb/d by 2035. The increase is driven by the transport sector in emerging economies and occurs despite gains in fuel economy in Europe and the US.

A change in the production mix is expected over the same period, with a greater share being taken by natural gas liquids and unconventional sources. The fastest growing major energy source will be natural gas, with ExxonMobil suggesting that global demand will rise by about 60 per cent from 2010 to 2040. Production of conventional crude oil is forecast (IEA) to remain at current levels before dipping slightly to around 68 mb/d by 2035. The gross additional capacity required to maintain current production levels is 47 mb/d by 2035 and this is assumed to come from fields already discovered but yet to be developed, largely in OPEC countries.

The IEA forecasts an upstream oil and gas capital spending requirement between 2011 and 2035 of about $620 billion per annum on average, compared with over $550 billion in 2011.

JP Morgan's latest Global Exploration and Production spending analysis suggests that in 2012, organic upstream spending could be 9 per cent higher than 2011.

The IEA forecasts suggest that unconventional oil & gas supply will grow from 2.6 mb/d in 2010 to 10 mb/d by 2035. In Canada, Alberta has proven oil reserves of 171.3 billion barrels and estimates capital expenditure of some Cdn$218 billion over the next 25 years. Two main extraction techniques are used in the Canadian 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.

BP, in their Energy Outlook 2030, forecast that shale gas and coal bed methane will account for 63 per cent of North American production by 2030. They expect unconventionals to play a growing role in other countries in the long term, as current technical and regulatory hurdles recede.

In general, oil & gas resources are increasingly difficult to extract. Projects have become larger and more complex and environmental pressures have increased. As existing infrastructure ages and reserves are being depleted, ever more sophisticated performance and efficiency improvement solutions are required. Oil & gas producers want oil services companies, such as AMEC, to provide expert consultants, engineers and project managers with a proven experience in delivering projects on time, on budget, without harming people or the environment.

AMEC's position

Further details on the customer base and recent project wins can be found on pages 28 and 32.

Conventional Oil & Gas

AMEC offers a wide range of capex and opex services to a 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. We do not operate in early cycle exploration or drilling, but are involved in every part of the project delivery phase. Offshore, we support fixed platforms and floating production units, largely 'above the water'. Recently and as a part of Vision 2015, we have been expanding our subsea engineering capabilities. We also support onshore oil and gas fields, booster stations, gathering centres, tank farms and gas-oil separation plants, and pipelines.

AMEC has global experience of delivering large and complex projects, with capabilities in deepwater and hostile conditions including Arctic environments and earthquake-prone regions. We have developed a strong position in frontier regions including the Caspian, South East Asia and West Africa and have a good track record in proactively helping customers deal with environmental pressures.

In the opex arena, AMEC is a leading international provider of asset support services. We are the market leader in UK North Sea brownfield services and also provide duty holder services and more integrated solutions to new entrant operators in the region. AMEC is increasingly providing more sophisticated solutions: for example, adapting existing facilities to cope with both mature reservoir conditions and new 'tie-backs' developments.

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. Of particular significance in recent years has been Imperial Oil's Kearl project, which has just moved into the expansion phase. Historically AMEC's focus was on mineable oil sands, with the acquisition of BDR in 2008 bringing in-situ expertise. This positions AMEC for the anticipated shift in activity as the new technology is increasingly being used, and on larger projects.

AMEC has also started working on shale gas and coal bed methane projects, providing services such as environmental impact assessments and water table management.

AMEC is aware of the environmental concerns raised by these activities. The full capability of the Environment & Infrastructure division (see page 32) can be used to ensure that customers meet and, where possible, exceed local legislation, providing them with solutions to environmental challenges.

Minerals & Metals

The market

Demand for commodities continues to grow, stoked by strong growth in emerging markets. Both BHP Billiton and Anglo American recently reaffirmed (November 2011) that the long term supply/demand fundamentals remain intact. Goldman Sachs, in a note entitled 'Time to dig deep for the miners' (September 2011) state that supply is increasingly constrained as development projects become more complex and are typically in more remote, unfamiliar territory. PwC's 8th Annual Review suggests that the capital programmes planned by the top 40 mining companies amount to more than US$300 billion, of which the US$120 billion planned for 2011 was more than double the 2010 spend.

In general, fewer easy-to-produce resources are leading to more challenging, complex and expensive developments, in more remote and riskier locations. Rio Tinto, in their 'Outlook for Copper 2010', suggested that while over half of all development in 2010 were in lower risk areas, by 2020 only 44 per cent would be. Increasingly new mining projects are underground rather than surface mines, and more logistical infrastructure and environmental controls are required.

As in oil & gas, the mining majors who dominate mine development capital investment are looking for suppliers, such as AMEC, with proven ability in project delivery.

AMEC's position

AMEC has long sought to mitigate the impact of economic volatility by positioning itself to support a diverse range of commodities and service markets. We offer mining consultancy (including ore resource estimation, mine planning and feasibility studies), design, project and construction management services to global mining customers who are producing commodities including potash, gold, diamonds, base metals, coal, iron ore and uranium. We believe this provision of consulting and environmental services provides a distinct competitive advantage.

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 (Engineering, Procurement and Construction Management) markets, where we have 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. It is now fully integrated into our core activities and has successfully facilitated the winning of new business, which was not previously accessible to either company.

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, including work on Oyu Tolgoi LLC's copper and gold mining project in Mongolia. Going forward, we are looking to increase our position with major mining firms and on large scale developments.

⊞ Further details on the customer base and recent project wins can be found on pages 28 and 32.

Clean Energy

The market

Clean energy provides an increasingly key part of the global energy mix. Growth in this market is driven by the increasing demand for energy, energy security requirements, environmental regulations and government mandates. If targeted reductions in greenhouse gas emissions are to stand any chance of being met, alternatives to fossil fuels have to be implemented alongside energy efficiency measures.

In 2011, global investment in clean energy reached a new high of $260 billion (Bloomberg New Energy Finance).

Nuclear

The market

Prior to the accident at the Fukushima Daiichi nuclear plant in March 2011, nuclear power capacity worldwide had been projected to increase to 630 GW in 2035, from 393 GW in 2009. Several governments are now reconsidering their policies towards nuclear power, either abandoning plans to build new nuclear plants

(Italy) or accelerating or introducing timetables to phase out nuclear plants (Germany, Switzerland). However many more are expected to continue with their plans, though with delays as safety standards are reviewed.

Although the prospects for nuclear power are inevitably more uncertain, the latest IEA projections still show capacity growing to 630 GW in 2035 . About 60 per cent of the nuclear capacity forecast to be added in OECD countries is to replace ageing nuclear plants which will have been retired. Hence capacity in this region is forecast to increase by only 16 per cent.

Growth in the use of nuclear power continues to be supported by the need to reduce greenhouse gas emissions and by security of supply concerns, as it is less subject to economic or political uncertainty.

The UK Government continues to support the replacement of the existing UK fleet of nuclear power stations. The Weightman report, issued by the Office for Nuclear Regulation, confirmed that there was no fundamental weakness in the UK's licensing programme and stressed that nuclear power is safer than it has ever been.

In Canada, nuclear power is used to generate approximately 15 per cent of electricity requirements, with 18 reactors in three provinces generating 12,600 MWe of power capacity. Broad support remains for the further expansion of nuclear capacity, with the World Nuclear Association Nuclear Century Outlook suggesting that a further seven to 17 GWe could be put in place by 2030.

Many of the world's nuclear facilities will be reaching the end of their active life over the next 20 years. The clean-up and management of the nuclear legacy is one of the most demanding challenges facing the industry.

AMEC's position

AMEC's nuclear capability has been developed over 50 years. We are deliberately positioned to support the full lifecycle of nuclear energy; from new build to reactor support (including lifetime extension) and finally to nuclear decommissioning and waste management. Our expertise remains 'technology independent' and our experience ranges across all four generations of nuclear technology. We work with our customers in long-term relationships based on partnering to support their major assets and have significant experience in effectively managing complex stakeholder relationships. Our customers include major utilities, governments, national regulators and other significant stakeholders and we have a particularly strong presence in the UK and Canada. Other key geographies for AMEC include Central and Eastern Europe and South Africa.

Principal activities include:

- Providing pre-licensing and architect and owner engineer services ensuring support for project construction management on new build programmes worldwide. During the year, AMEC continued supporting EDF's 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 Nuclear Decommissioning Authority (NDA)
- Providing project management, engineering and safety assurance services to nuclear decommissioning programmes across Europe
- Providing licensing and regulatory support for the complete asset lifecycle from engineering, through commissioning and operation to decommissioning.

Further details on the customer base and recent project wins can be found on pages 30 and 32.

Renewables / Bioprocess

The market

Growth in the renewables sector is driven by the requirement for energy security, the need to meet national and international emissions control and pollution control legislation, incentive mechanisms including short-term stimulus packages and improving technology. The market was previously dominated by technology developers but more recently utility, power and oil & gas companies have all started to build positions. At the same time, technology improvements and rapid innovation are driving down unit costs. A review by Ernst & Young (Renewable Energy Country Attractiveness Indices, February 2011) suggested that the US has a total capacity of 58 GW, balanced across clean energy technologies and supported by a range of incentives. The opportunity in each of Canada and the UK is smaller, at about 7 GW, and focused on wind and biomass.

The IEA forecasts that renewable based electricity generation worldwide will almost triple, from 3,900 TWh in 2009 to 11,100 TWh in 2035. The bulk of the growth is expected to come from wind, hydro (one-third each), biomass and solar PV and amounts to an investment of some $5.9 trillion. Of this, over US$2.1 trillion is invested in wind, US$1.5 trillion in solar and US$664 billion in biomass. ExxonMobil expect modern renewable fuels to account for about 7 per cent of global energy demand in 2040, compared to around 3 per cent in 2010.

AMEC's position

AMEC's focus is on wind, solar, biomass and biofuels projects and our customers include power utilities, financial institutions, government agencies, technology developers, OEMs (Original Equipment Manufacturers) and specialist consultants. We are able to draw on our considerable experience and expertise in areas such as the power and pulp and paper sectors to assist our 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. We are also a leader in the development of cellulosic ethanol, and have contributed to high-profile demonstration plants. Our customers appreciate the flexibility our technology neutrality brings, our focus and our ability to provide a full service EPC (Engineering, Procurement and Construction) solution. Projects may range from consultancy support during technology development for carbon capture and storage (CCS) in the UK to wind EPC in Canada.

Further details on the customer base and recent project wins can be found on pages 30 and 32.

Power

This sector comprises generation of electricity from conventional sources other than nuclear, such as natural gas, oil, hydro and coal.

The market

The IEA expects both the demand and supply of electricity to increase over the period to 2035. The increase will be particularly pronounced in non-OECD countries but will also be seen elsewhere. Government policies, particularly those relating to the use of carbon pricing and subsidies to renewables, are expected to influence the costs and hence the relative mix of different technologies and fuels used to satisfy this demand. Further, in the OECD alone, almost 800 GW of operational coal, gas, and oil-fired capacity is expected to be retired in the period to 2035, with an equivalent amount of replacement capacity more heavily biased towards gas.

AMEC's position

AMEC has expertise in the delivery of state-of-the-art boilers, gas turbines, gasifiers and turbine generators with high efficiency and low emission technology, as well as air quality control systems technologies for particulate, NOx, SOx, mercury, CO_2 and other hazardous pollutants.

The majority of services are performed for major energy providers, governments, developers and independent power producers, primarily in Europe and the Americas.

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.

The market

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

Our markets and sectors continued

- 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 2011 suggests a total of $7.1 trillion needs to be invested in T&D infrastructure between 2011 and 2035. Of this, more than one-third is in OECD countries, where more than half the requirement will be spent on refurbishment and replacement of existing assets as they reach the end of their technical lifetime.

AMEC's position
Our major customers are T&D system owners with which we have 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) and Wales and West Utilities. In January 2012, we announced a five-year extension to the Electricity Alliance West contract.

Environment & Infrastructure

The market
The environmental consulting and engineering market is both large and highly fragmented.

An Environmental Analyst report 'Global Environmental Consulting Strategies and Competitor Analysis 2011' states that the global market was worth over US$25 billion in 2009/10 and forecasts growth to US$30 billion by 2014/15. In particular, the climate change and energy services sub-sector is expected to grow by 50 per cent as a result of strong underlying legislative and political drivers. Those economies led by natural resource industries, namely Australia, Brazil, Canada and South Africa, are expected to be more buoyant. The report also states that large private sector clients are increasingly looking for seamless global service provision.

Despite the strong, long-term market drivers, public sector spending cuts have had some impact in recent years. For example, the UK market declined in 2010 for the second year running (Environment Analyst, October 2011) after two decades of uninterrupted growth. Nevertheless, in AMEC's opinion the underlying drivers of market growth remain strong. Growth in the UK market in 2011 has been estimated at 0.5 per cent.

The top dozen international consultancies make up around a quarter of the global market, with the balance highly fragmented.

AMEC's position
AMEC operates in four sectors within this market: water / municipal, transportation / infrastructure, government services and industrial / commercial. The range of services provided is described in more detail on pages 32.

Much of the work done by the Environment & Infrastructure division is in these four sectors, though 27 per cent of the division's revenues now come from AMEC's other markets. Examples of projects on which AMEC has worked can be found on our website at amec.com/projects. The skills used are highly transferable across sectors and customers and are increasingly being used across AMEC's activities.

Water / Municipal
Water is a scarce resource, with less than 1 per cent of the world's fresh water readily accessible for direct human use. Similar to energy, growth in the water sector is driven by demographic, economic, social and technological factors. In 'Charting our Water Future' (2010) the Water Resources Group suggests that water usage will grow from 4,500 billion m^3 to 6,900 billion m^3 by 2030, 40 per cent above the current accessible, reliable supply. Closing this gap is estimated to require an increased annual capital expenditure of some $50 – 60 billion, even with efficiency savings. Some 70 per cent of water withdrawals are for agriculture; industrial withdrawals are expected to increase from 16 to 22 per cent of the total by 2030.

Similarly, in the Bank of America Merrill Lynch (BAML) report 'Water Crisis', water is described as the 'oil of the 21st century'. The current market size is estimated to be US$500 billion, with compound annual growth of 6 per cent anticipated. BAML believe that the sector offers numerous growth opportunities for those with exposure to the industry's value chain, particularly in Asia and South America and in the areas of water treatment, water management and water infrastructure.

AMEC's position

AMEC provides a multi-disciplinary approach to water projects at all stages of planning, study, design and construction, seeking to provide sustainable and environmentally sound solutions for our government, business and industrial customers, whether the water source is above or below ground. Our primary areas of focus are:

- Water supply - including managing the transition from agricultural to municipal uses in semi-arid regions, managing aquifers beneath competing agency boundaries, and planning for anticipated water shortages
- Storm water - including both water quality and quantity services, ranging from site-specific to watershed-wide solutions
- Water quality - protection and enhancement, including contaminant removal services, modelling, and design treatment options such as lake aeration and wetland restoration
- Water treatment - including detail design of treatment systems as well as construction and environmental management.

Water services are also commonly provided to customers in AMEC's other markets, including minerals & metals and oil & gas.

Transportation / Infrastructure

AMEC has provided programme management, planning and design, project and construction management, asset development and long-term asset support to government transportation agencies, national and local customers and private developers in Canada and the US for over 50 years.

We use our expertise to provide sustainable solutions which maintain, improve and increase the capacity of transportation infrastructure, whether highways and roads, ports and marine, or rail. Work is often completed in extreme conditions.

For example:

- Pavement management work involving hot and cold in-place recycling, which reduces the consumption of natural resources and minimises carbon emissions
- The design, installation and operation of road weather information systems, which enable transportation agencies to optimise winter maintenance activities
- Specialised marine weather forecasting services, providing operational support to offshore oil companies, major marine contractors and vessel operators.

Government services

A broad range of services are provided, including 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 range from remediation programmes to fixed price design and delivery of airfield facilities at bases in the US and around the world.

Again, work is often completed in diverse and challenging environments. Examples include 'soil washing' lead bullets and fragments from the crater of Hawaii's Diamond Head volcano; and successfully installing an in-situ remediation system at Barnes Air National Guard Base.

Industrial / Commercial

AMEC serves clients in the commercial, financial and legal community as well as manufacturing and industrial clients. Compliance and due diligence services are provided, ranging from geotechnical and environmental to materials and water resources consulting. AMEC's knowledge of regulatory environments is used to apply a risk-based approach to environmental liability assessment and management.

For example, since 1998 AMEC has provided environmental services to Home Depot Canada on over 100 project sites. These services have included environmental site assessments (ESA), report peer review, remediation supervision, site specific risk assessment, as well as support to Home Depot's overall Environmental Management Program.

AMEC (formerly MACTEC) has supported Honeywell under an alliance agreement since 2005 and has worked on more than 80 environmental remediation and stewardship projects.

Our services

In whichever market or sector, the range of services provided to our customers is the same. We design, deliver and maintain their strategic and complex assets, offering total life of asset support from feasibility planning right through to decommissioning.

Our Natural Resources (markets: oil & gas, minerals & metals) and Power & Process (market: clean energy) divisions provide engineering and project management services across the asset lifecycle. The Environment & Infrastructure division operates across all of AMEC's markets, providing a highly complementary range of environmental and engineering consulting services which bring competitive advantage.

Our core services include:

Consulting

Business consulting: provided to the oil, gas and mining industries, helping support our customers in achieving maximum value from their assets.

Commercial: provided by commercial consulting and cost management companies Rider Hunt International and Aquenta Consulting.

Environmental: 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.

Technical: delivering projects and solving problems. For example, in the minerals & metals market we are involved in ore resource estimation, mine planning and feasibility studies.

Recent examples include:

- Northumbrian Water: multidisciplinary engineering, contract supervision services and associated environmental support as well as contract and cost management services, UK
- ArcelorMittal: investigation, design and implementation services, from annual dyke raises for the tailings disposal facility, to a culvert replacement programme across their rail line, Canada
- Sellafield: radiological, environmental and site characterisation support in Cumbria, UK.

Engineering

Our engineering services are at the heart of our project delivery to our customers. We have a global network of engineering centres delivering high performance, cost-effective technical solutions to our customers worldwide. Our approach to engineering the AMEC Way (see next page) means a common user experience, independent of location. We can deploy the best mix of our capabilities through a well-integrated work share and technical performance management system. We have a particular expertise in undertaking large and complex projects in remote areas and in extending the life of assets in the mid-late stages of their lifecycle.

Recent examples include:

- GDF SUEZ: front end engineering design for the Cygnus gas field development in the North Sea
- BP: engineering and project management services for the main platform design for Clair Ridge, west of Shetland, following the completion of the conceptual engineering studies and the 'define' phase of the same project
- MWCC: designing and delivering components of MWCC's expanded containment system in the Gulf of Mexico
- EDF: supporting their architect engineering operations on the UK nuclear new build programme
- Compañía Minera del Pacífico S.A.: EPCM for the US$574 million Cerro Negro Norte iron ore project in Chile.

Construction management

The services provided by AMEC are designed to enhance the quality and value of construction projects by focusing on the quality of materials, the construction practices, and the level of care and quality control in the construction process. We focus on project management, construction techniques, subcontractor management, health and safety, quality assurance and quality control.

Recent examples include:

- Sappi: EPCM services for its GoCell project in South Africa
- Fortescue Metals Group: AMEC JV working on an EPC contract for the Cloudbreak ore handling plant wet front end project, Australia

- Kruger Energy: with our JV partner, Black & MacDonald, engineered and constructed the Chatham Wind Power project in Ontario, Canada.

Project management

This is one of our core services, helping to deliver our consulting, engineering excellence and construction services to our customers. We provide construction management advice and support, health, safety, sustainability, environmental and quality (HSSEQ) direction and support, and commissioning and start-up. We have developed and refined state-of-the-art systems, procedures and specifications for the management and control of engineering, procurement, construction and commissioning of process and industrial facilities worldwide. The AMEC Way defines a common approach to executing projects within AMEC. It combines an assurance framework for project delivery with access to a comprehensive reference framework of guidance, tools such as Convero (our integrated project management system) and best practice examples. Together these processes provide a standard approach to complete, successful delivery of projects to our customers.

Recent examples include:

- Project management contractor for the development of a new 400,000-tonnes-per-year diphenylmethane diisocyanate facility at Changshou, Chongqing, China, providing project management services and interface coordination as part of an integrated project management team
- Over 100 AMEC employees based in Canada, Mongolia, Australia and the US are involved in six separate projects associated with the Phase 2 underground expansion of the Oyu Tolgoi mine site in Mongolia.

Operations and maintenance

Once built, we support the operation of our customers' assets and seek to extend their life through enhanced production, recovery and reduced operating costs. Services include:

- Asset support: comprehensive specialist shutdown/overhaul, maintenance, M&E (Mechanical & Electrical) construction, tankage and special engineering services
- Production operations: including production optimisation services provided by Performance Improvements Ltd (PI)
- Duty holder: operating and maintaining infrastructure on behalf of our clients.

Recent examples include:

- ConocoPhillips: AMEC Clough JV providing operations and maintenance services to the Bayu Undan facilities located in the Timor Sea
- Fairfield Energy: we have provided duty holder services on the Dunlin platform, North Sea since 2008
- Teesside Gas and Liquids Processing (TGLP): EPC contract for the modification and extension of the Teesside Gas Processing Plant, UK.

Decommissioning

We have substantial experience of nuclear decommissioning and waste management in the UK, Canada, Eastern and Western Europe and the former Soviet Union. We can be involved from initial concept through to hands-on decommissioning and clean-up, and also provide in-house specialist services, such as safety case and health physics support. These skills are highly transferable to mature oil and gas assets, such as those in the North Sea.

Recent examples include:

- Nuclear Decommissioning Authority (NDA): AMEC plays a key role as part of Nuclear Management Partners in managing the decommissioning of the Sellafield complex in the UK
- Magnox Limited: ACTUS, an AMEC JV, awarded a contract involving decommissioning across three waste streams in North Wales, UK.

Other services

We also offer a range of other specialist and sustainability services.

See amec.com and our sustainability report.

Implementing Vision 2015

AMEC is a focused supplier of consultancy, engineering and project management services to the world's oil and gas, minerals and metals, clean energy, environment and infrastructure markets. Our vision is that by continually delivering excellence, we inspire trust and loyalty in our customers.

In our Vision 2015 strategy, first announced in December 2009, we showed how we expected to achieve growth towards our vision. We believe growth will come from the strength of our customer relationships; the skills of our people and the way in which they deliver successful projects; the markets in which we are positioned (see pages 8 to 15); and the strength of our balance sheet.

In financial terms, we expressed our Vision 2015 goal as being to achieve earnings per share of greater than 100 pence in 2015, more than double the starting point in 2009.

2011 achievement

- EPS was 70.5 pence, up 13 per cent on 2010
- We now expect to achieve our targeted EPS before 2015

We have identified a number of areas of focus which, combined, will enable us to achieve our Vision 2015 strategy. During 2011 significant progress has again been made towards our long-term goals.

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 to use our expertise to help them deliver.

2011 achievements included:

- Further expanded existing customer relationships. For example, BG awarded us a three-year contract for engineering, procurement, construction, commissioning and project management for all their upstream North Sea assets, including the Armada, North Everest and Lomond platforms. We had previously only supported the Armada platform. In addition, we won a number of new or expanded contracts from BP, including engineering and project management services for the main platform design for Clair Ridge; programme management of BP's North Sea on and offshore projects; and a five-year US$600 million engineering and small projects contract for on and offshore assets in Azerbaijan. We also expanded our position with other customers, including Magnox and Sapphire Energy
- Added new customers including: GDF SUEZ (front end engineering design for Cygnus field in Southern North Sea), URENCO (three-year contract for full range of nuclear services in UK), Paladin, Bannerman, MWCC (design and deliver elements of the Marine Well Containment System in the Gulf of Mexico) and TGLP.

Further details on these and many other contract wins can be found on pages 28, 30 and 32.

Received a number of awards, details of which can be found on our website 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.

2011 achievements included:

- Over 8,000 gross new hires, of whom almost 3,000 were recruited to work on UK North Sea projects
- Record number of new graduates hired (c. 280)
- More than 200 people returned to AMEC as a result of the alumni programme; nearly 500 joiners were referred by AMEC employees
- Over 25,000 people have now benefited from the AMEC Academy development programmes since launch

- Latest global employee survey shows employee engagement remains good
- Strong HSSE performance: 15 lost time incidents compared with 22 in 2010; lowest ever total recordable injury frequency rate, at 0.37 per 200,000 exposure hours
- Around one-third of our people participate in AMEC share ownership schemes. The 2011 sharesave scheme was again fully subscribed.

See also the Key Performance Indicators on page 26.

Further details on each of these items can be found in the 2011 sustainability report amec.com/aboutus/sustainability.

Achieving growth

To achieve our Vision 2015 strategy, we need to not only build on our existing market positions but also to enhance our capabilities and expand our geographic coverage. We see this expansion as coming from a combination of acquisition and organic growth. In terms of capability, we have been looking to expand our service offering in areas such as subsea engineering, underground mining, renewables and water services. As well as building our presence in our established geographies of the UK and North America, we are looking to expand in the Middle East, Australasia and South America. At the same time, by careful positioning and rigorous attention to customer relationships and project delivery, we see opportunities to outperform the general market.

2011 achievements included:

- The acquisition of MACTEC, a 2,600-person, US-based engineering and environmental services company which is highly complementary to AMEC's existing Environment & Infrastructure business, in terms of geographic footprint, customer base and service offering
- The completion of three other acquisitions during the year: Zektingroup, an Australian-based specialist engineering consultancy with exposure to coal seam methane and the controlled-environment market; qedi, a UK-based project delivery company; and BCI Engineering, a US-based environmental consultancy
- Winning our first biomass project in South Africa, for paper producer Sappi
- Selected by INEOS Bio to be its global license support engineering firm, as it rolls out its licensing programme for the INEOS Bio advanced bioenergy technology
- Work on the Oyu Tolgoi mine site in Mongolia
- Underlying revenue growth in 2011 was 3 per cent. With a year-end order book of £3.7 billion, double-digit underlying revenue growth is expected in 2012.

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. The AMEC Way is how we work together across the company to deliver successful projects for our customers, supporting our 2011 achievements and our future growth.

2011 achievements included:

- The successful integration of MACTEC and the other acquisitions made during 2011
- Reissuing AMEC's Code of Business Conduct and introducing a Supply Chain Code of Business Conduct
- Simplifying AMEC's values (see inside back cover)
- Establishment of the project delivery policy, which mandates a common global approach to project delivery. By using common project processes, anyone in AMEC can start work from any location on any new project and understand the requirements immediately.

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 while continuing to exercise due corporate responsibility.

2011 achievements included:

- A total of £263 million was spent on acquisitions during the year
- The dividend declared and proposed increased by 15 per cent to 30.5 pence
- The tax charge (for continuing businesses before amortisation, impairment and exceptional items and including joint venture tax) reduced further, from 25.9 per cent in 2010 to 24.1 per cent in 2011

Implementing Vision 2015 continued

- A share buyback programme of £400 million was announced on 21 February 2012.

2012 outlook

The priority for 2012 remains to grow the business by continuing to deliver for customers whilst investing in AMEC's people.

AMEC is on track to deliver double-digit underlying revenue growth in 2012, despite the continued macro-economic uncertainty. The strength of the order intake during 2011, the continued demand for AMEC's services and the on-going customer investment in AMEC's core markets are driving growth expectations. The full-year impact of acquisitions made in 2011 will further boost revenue growth. In addition, the pipeline for further acquisitions in 2012 remains strong.

Overall margins are expected to reduce somewhat, impacted by a shift in business mix and an increase in procurement activities for strategic customers.

Management remains focused on the Vision 2015 strategy and now expects to achieve earnings per share of greater than 100 pence ahead of 2015.

Managing risk

Business threats and opportunities

AMEC operates in some 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.

Risk management process

A consistently applied methodology is used at project, operating company and group levels to identify the key risks that could have a significant impact on the ability of AMEC to achieve its objectives. These are recorded in risk registers and evaluated to determine the likely impact and probability of occurring.

Control actions are developed to mitigate or eliminate risks that are considered unacceptable. Risk owners are identified and given responsibility for ensuring actions are implemented with appropriate review dates.

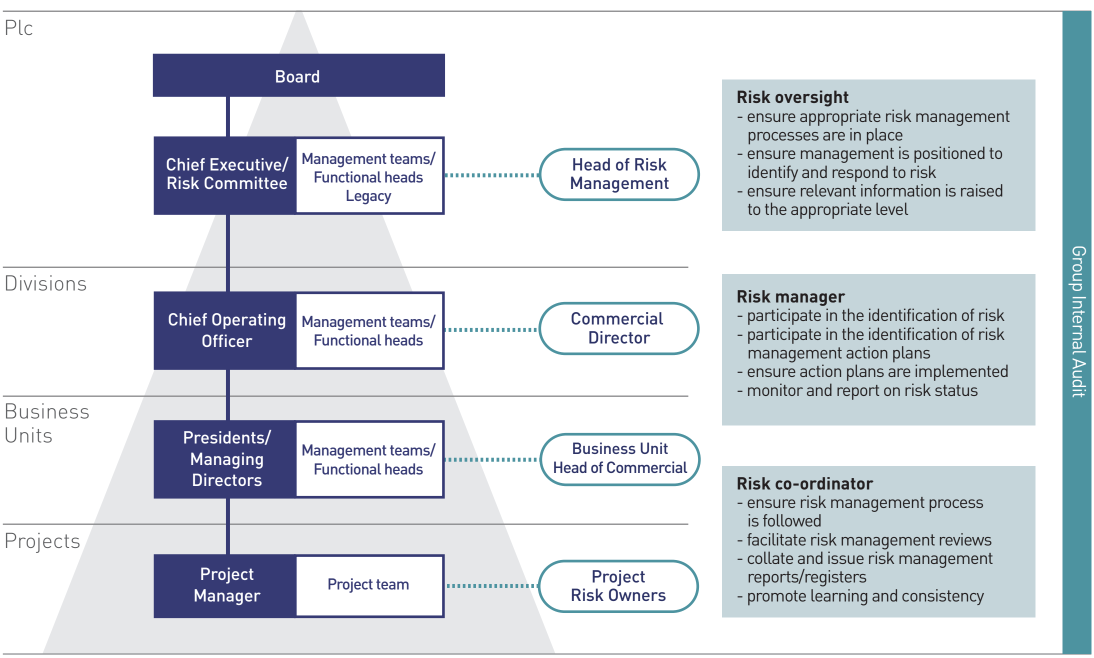
The risk registers are reviewed and updated at least quarterly with the relevant risk owners.

Reporting and monitoring

Reporting directly to the board, the risk management committee is chaired by the Chief Executive and meets at least twice each year to:

- review risk management policies, procedures and processes
- review the AMEC plc risk register and make recommendations as appropriate
- review, approve and make recommendations in respect of those risks which AMEC is willing to accept or assume in the ordinary course of business ('risk appetite')
- review any issues raised by other committees of the board that impact on the risk profile of AMEC
- review any emerging risks and any potential impact they may have on risk appetite
- review and consider reports on key risk issues such as new business and geographical locations for operations or projects
- issue risk reports and make recommendations to the board.

Roles and responsibilities



Managing risk continued

The table shows AMEC's principal business and strategic risks. Each is specific to the group and could have a material impact on it. Actions have been taken to mitigate these risks and these are also shown.
Other financial risks are shown on page 97.

Principal business and strategic risks

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.	AMEC seeks to maintain a balanced geographic presence, and, through acquisitions and organic growth, will continue to increase its exposure to other attractive regions of the world.
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. These may also lead to change in the customer base, competition and in the way customers procure the services we provide.	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 terms of geographies, markets, clients and service offering / business model. In light of current global economic uncertainties, steps have been taken to assess and monitor any potential impact on AMEC's business opportunities and address potential increased supply chain and, more broadly, counterparty risk. Further details on our markets and sectors can be found on page 8.
Changes in commodity prices 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 and consequently represents a risk to organic growth.	This risk is mitigated by maintaining a balanced business portfolio of geographies, markets, clients and service offering.
Expansion of global footprint AMEC's strategy would be affected by a failure to expand the global footprint into higher growth regions and to respond to competitive forces.	AMEC's Vision 2015 strategy identified, by geography, the opportunities and risks across the markets in which AMEC operates. The strategy is regularly reviewed for continued relevance and covers both organic growth and mergers and acquisitions.
Mergers and acquisitions A failure to identify, complete and successfully integrate target acquisitions represents a risk to growth.	The Vision 2015 strategic plan includes a structured internal review of identified target acquisitions, followed by an established and robust due diligence and integration planning process.
Project delivery Failing to maintain discipline and meet customer expectations on project delivery could result in damage to reputation, loss of repeat business and potentially lead to litigation.	AMEC operates a system of globally applied policies and procedures. These, combined with comprehensive management oversight, the risk management process, project reviews, internal audit, peer reviews and customer feedback, mitigate the risk to successful project delivery.
Pensions AMEC operates a number of defined benefits 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.	This risk to AMEC's pension schemes 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. See note 14 on page 90 for further details on our pension schemes.

Risk continued	**Mitigation** continued
Health, safety and security AMEC is involved in activities and environments which have the potential to cause serious injury to personnel or damage to property or the environment and damage to our reputation.	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 setting of an effective health and safety policy and ensuring effective leadership and organisational arrangements are in place to deliver this policy. The personal security risk to AMEC employees whilst travelling or working in potentially hazardous locations is mitigated by providing professional advice and support, together with appropriate contingency planning. Health and safety performance is regularly reviewed against agreed targets to facilitate continuous improvement. The KPIs on page 26 show details of our recent performance.
Legacy risk Litigation and business claims from divested and non-core businesses remain a risk to AMEC.	The established legacy team manages these claims with internal and external legal advice. The aim is to seek cost-effective management of litigation and promote commercially sensible settlements where appropriate. AMEC has made provisions for the legacy issues which are believed to be adequate and is not aware of any current issues relating to disposed businesses which are likely to have a material impact.
Managing non-core legacy assets until divestment may require skills which are not common to the rest of the company.	Specialist teams with the appropriate knowledge are brought in as required.
Information technology (IT) AMEC is exposed to the risks that the IT systems on which it relies fail and/or that sensitive data held by the group is lost.	AMEC has appropriate controls in place in order to mitigate the risk of systems failure and data loss, including systems back-up procedures and disaster recovery plans and also has appropriate virus protection, network security controls and encryption of mobile devices.
Staff recruitment and retention An inability to attract and retain sufficient high-calibre employees could become a barrier to the continued success and growth of AMEC.	This risk is mitigated with a clear Human Resources (HR) strategy, which is aligned to the business strategy and focused on attracting, developing and retaining the best people for AMEC. It is underpinned by an employee framework which describes how we manage our people consistently. In addition, there is a continuous review of compensation and benefits to ensure sector and geographic competitiveness and there are localised recruitment teams capable of recruiting large numbers into AMEC using common systems. AMEC Academy delivers development activities to enhance delivery and prepare employees for more advanced roles.
Ethical breach A substantive ethical breach and/or non-compliance with laws or regulations could potentially lead to damage to AMEC's reputation, fines, litigation and claims for compensation.	AMEC has a number of measures in place across the group to mitigate this risk, including: ■ embedded policies and procedures ■ Code of Business Conduct ■ segregation of duties ■ management oversight ■ financial and operational controls ■ independent whistle-blowing mechanism ■ appointment of Ethics officers ■ anti-fraud and other internal audits ■ legal team advice ■ ethics training programme ■ oversight by the ethics committee of the board.

Sustainability

This section provides a brief summary of our approach to sustainability. Further details can be found elsewhere in this report, in our sustainability report and on our website at amec.com/sustainability.

Our aim is to create a successful, sustainable company for the long-term. To achieve this, we need to balance economic, social and environmental issues in our decision-making processes, ensuring sustainable working is integrated into the very core of our business.

In 2011 we revised our sustainability strategy to strengthen the visible linkage with the core business strategy – from our values to Vision 2015 and beyond. We are now using three interwoven elements - **living our values**, excellent **project delivery** and **sustainable growth** – to support the delivery of our vision. See diagram opposite.

Living our values

We believe that AMEC's vision and strategy for growth cannot be achieved without a solid foundation – AMEC's values. Our values are integral to how we do business and how we deliver projects successfully for our customers. They create the cultural context in which we work, and form the foundation to our sustainability strategy in four key areas;

- People
- Safety
- Environment
- Integrity.

Policies, processes and standards are in place globally so we can manage these areas consistently wherever we work.

Highlights include:

- Over 230 safety tours were undertaken by members of our leadership team, putting safety leadership into action and driving engagement on safety (safety)
- We achieved our best ever score within the Carbon Disclosure Project (environment)
- Total Recordable Case Frequency Rate (TRCFR) was at our lowest ever recorded level in 2011 (safety)
- Record numbers of graduates, trainees and interns were hired - 471 during 2011 (people)
- Became a member of a new Disaster Recovery Partnership, designed to mobilise qualified employees to assist during and after a natural disaster (integrity)
- Nearly 22,000 career path profiles have been created by employees wanting to progress their careers within AMEC (people)
- We continued to support SOS Children as our global strategic charity, by employee fundraising and matched funding programmes and activities (integrity)
- Revised and rolled out new Business Code of Conduct. This includes human rights clauses, responding to our UN Global Compact commitments (integrity)
- Rolled out global environmental standards – consistent minimum standards covering 14 topics, across all AMEC operations (environment).

Excellent project delivery

Our growth aspirations will only be achieved by focusing on our customers and how we deliver to them safely and sustainably in line with our values.

Our customers face increasing legislative and other pressures to operate in a sustainable way and we at AMEC are in an ideal place to support them, working with our partners and supply chain.

They are looking for sustainability solutions: sustainability consulting services such as greenhouse gas management; 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 utilise our internal programmes and tools, along with AMEC's technical and scientific expertise, to ensure excellent customer delivery.

Highlights include:

- Consistent project management systems and processes are enabling our minerals & metals groups in Canada, South Africa and the Philippines to work as one team, delivering the ArcelorMittal Nimba Western Range iron ore project and utilising our global expertise, knowledge and resource (consistent delivery)
- Publication of the Supply Chain Code of Business Conduct is ensuring our suppliers are aware and agree to work in line with our values and

expectations in areas such as health, safety and environment, ethics and human rights (aligned supply chain)

- We were selected to design and deliver a Marine Well Containment System to ensure a rapid response if a subsea well is damaged, minimising environmental impact by capturing, storing and offloading hydrocarbons in a safety manner (environment and safety in design)
- We were commissioned to create a system (Ecospacial Information Database) that will improve the speed in which scientifically defensible environmental and ecological data for offshore waters is available (innovation).

Sustainable growth

This third element of our sustainability strategy - sustainable growth - provides the linkage from living our values and excellent project delivery to our Vision 2015 business strategy and delivery of the company vision, and beyond. For further details on how we are implementing our Vision 2015 see page 18.

Highlights include:

- Undertook first stakeholder panel to review the effectiveness of AMEC's external reporting on sustainability, and the updated sustainability strategy
- Sustainability event held in London for an audience of analysts and investors. It focused on sustainability and business strategy, people and safety. The material and a webcast recording can be found on our website
- Included in Dow Jones Sustainability Index for the eighth year in succession, continuing as industry leader within our sector
- Carbon associated with our office utilities was down 16 per cent from 2010 levels giving a saving of some £1 million on our energy costs.

In our reporting on sustainability we focus on those areas which are most important for us, 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, some of which are incorporated into this report. The 2011 Annual Sustainability Performance report is on our website and provides full details.

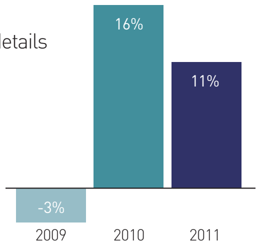
For 2012, our priorities include:

- Communication of the revised sustainability strategy ensuring our employees understand their part in the delivery of the strategy and our vision
- Further improve engagement with our employees utilising the feedback from our 2011 employee survey
- Continue carbon reduction improvements in order to meet our first milestone in 2013. Key areas for 2012 are the implementation of new carbon software which will improve transparency at local and employee level, implementation of power management software which will reduce our power usage from IT devices and the implementation of awareness campaigns focusing on the carbon and costs associated with travel
- Further develop and market AMEC's sustainability services, focusing on clean energy solutions and adapting to climate change.

Key Performance Indicators

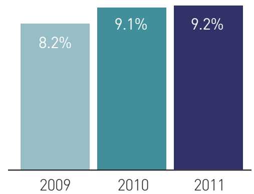
Financial

Revenue growth
See pages 28 to 34 for more details

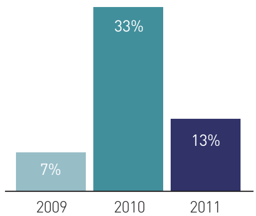


Margin
See pages 28, 30 and 32 for more details

(EBITA as percentage of revenue)

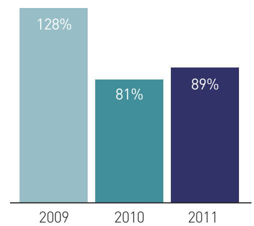


EPS growth
See page 34 for more details



Cash conversion
See page 35 for more details

(Operating cash flow as a percentage of EBITA)



Non-financial

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

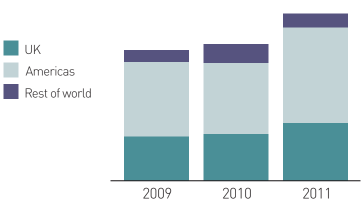
See pages 8 to 20 for more details

Safety (continuing operations)
Number of fatalities at work

0

for the past four years (2008 – 2011)
We have the same target for 2012.

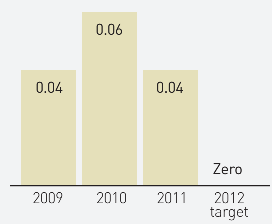
Growth in employee base
See pages 28 to 34 for more details



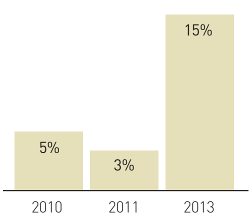
Year-end employees, including agency

Lost time incident frequency rate

(per 200,000 exposure hours)



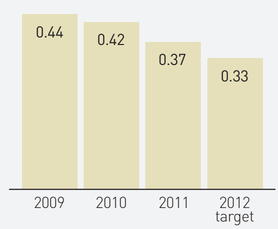
Carbon emission reduction



See page 6 for more details
(reduction since 2008 baseline in carbon emissions per employee)

Total recordable case frequency rate

(per 200,000 exposure hours)



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 2011. It should be read in conjunction with the information on our markets and sectors (page 8), our services (page 16) and our Vision 2015 strategy (page 18). 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 and exceptional items but including joint venture profit before interest, tax and intangible amortisation (EBITA).

During 2011, the basis of preparation has been revised to present the results to the nearest million rather than to one decimal place. Calculated numbers, such as EPS and margin rates, continue to be based on the underlying numbers to one decimal place precision.

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.

Segmental analysis

Segmental analysis is provided for the group's core activities in the Natural Resources, Power & Process and Environment & Infrastructure (previously 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 and intangible amortisation (EBITA) are stated before corporate costs of £34 million (2010: £36 million) and pre-tax exceptional costs of £6 million (2010: income of £11 million). The segmental analysis for the year ended 31 December 2010 has been restated for certain changes to the reporting allocation as explained on page 71.

The average number of employees for the years ended 31 December 2011 and 31 December 2010 stated in this review includes agency staff and 2010 figures have been restated in line with the changes to reporting allocations.

*International Financial Reporting Standard 5: Non-current assets held for sale and discontinued operations

Natural Resources

Description of business

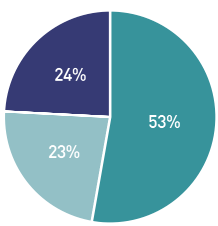
Principal activities: Operates in three sectors: oil & gas, unconventional oil & gas and minerals & metals. Further details on each are shown on pages 8 to 15. Total life of asset services provided, ranging from engineering design through to asset support and decommissioning. Examples can be found on page 16.

71 per cent of 2011 revenues were generated by asset development (capex) services, with the remainder in asset support (opex). Oil and gas activities are concentrated mainly in the upstream sector (some 90 per cent of 2011 revenues), with the balance being in downstream.

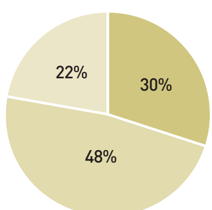
£ million	2011	2010[3]	Change (%)	Underlying[1] (%)
Revenue	**1,742**	1,603	+9	+4
EBITA	**192**	179	+7	+7
EBITA margin (%)	**11.0**	11.1	-10bps	
Order book (£bn)	**2.2**	1.9	+17	
Average number of employees[2]	**12,239**	10,704	+14	

1 Growth measured against 2010 as restated for material acquisitions and movements in material currencies.
2 Full time equivalents, including agency staff.
3 2010 figures restated as explained on page 71.

Revenue split by sector:



Revenue split by geography:



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).

Business model: AMEC has a low-risk business model, with the majority of services being provided on a cost reimbursable basis. Contracts may include additional payments if key performance indicators (KPIs) are met. These KPIs are agreed in advance and based on the priorities of that specific customer. They might typically include finishing on time, on budget and without causing harm to people or the environment. Some limited lump sum or fixed price work is also undertaken, where the customer and type of work are well-known to AMEC. This represented just 4 per cent of the division's revenues in 2011.

Customers include: Agip KCO, Apache, Azerbaijan International Operating Company (AIOC), Barrick Gold, BG Group, BP, CEPT, Chevron, ConocoPhillips, Detour Gold, ExxonMobil, Fairfield Energy, Fortescue, INPEX, Kuwait Oil Company, Marine Well Containment Company, PotashCorp, SABIC, Shell, Teesside Gas & Liquids Processing.

Significant new contracts in 2011 included:
Oil & gas - Teesside Gas and Liquid Processing: EPC construction contract for the modification and extension of Teesside gas processing plant, UK. BP Oil UK Ltd: engineering, procurement, construction management (EPCM) contract for the client's investment projects for existing oil storage terminals, UK. BASF Polyurethane Specialities (China) and Chongqing Chemical and Pharmaceutical Holding Company: project management services for the development of a new US$5 billion diphenylmethane diisocyanate facility, China. Marine Well Containment Company (MWCC): design and delivery of the MWCC's

expanded containment system, Gulf of Mexico, US. BP: extended scope of engineering and project management services to include onshore projects, together with extension of the contract life, Azerbaijan. Centrica: asset support contract for a mixture of manned and unmanned offshore assets as well as onshore gas terminals, UK. ConocoPhillips: two-year contract extension to provide operations and maintenance services to the Bayu Undan facilities, Indonesia East Timor Sea.

In the North Sea – BP Exploration and Production: programme management for BP's existing portfolio of on and offshore projects. BG: five-year services contract for all BG's North Sea upstream assets. BP: engineering and project management services for the main platform design for Clair Ridge, west of Shetland, following the completion of the conceptual engineering studies and the 'define' phase of the same project. GDF SUEZ: front end engineering design for the Cygnus gas field development.

Minerals & Metals – Paladin Energy: definitive feasibility study for the Kanger Heinrich uranium project, Namibia. Bannerman Resources: definitive feasibility study for the Etango uranium project, Namibia. Southdown Magnetite JV: definitive feasibility study for iron ore project, Australia. Fortescue Metals Group: AMEC JV awarded EPC contract for the Cloudbreak ore handling wet front end project, Australia.

Other on-going projects include: ConocoPhillips: detailed engineering, procurement and hook up services for the Judy and Jasmine fields, UK North Sea. KOC: long-term project management contract (PMC), Kuwait; and work in the oil sands for Imperial Oil, Syncrude, Teck, Suncor and Connacher, among others.

In addition, in January 2012 AMEC was awarded extensions to two asset support contracts worth £70 million over three years for SABIC.

2011 performance

Revenue in the Natural Resources division improved 9 per cent to £1,742 million through a mix of organic growth and acquisitions. The oil and gas and mining sectors were the primary drivers, both up compared to 2010. This was offset by a decline in oil sands activities due to the phasing of work on Imperial Oil's Kearl project, which peaked in 2010 at the height of the first phase.

EBITA (£192 million) was up 7 per cent, and the EBITA margin remained broadly stable at 11.0 per cent.

Contract wins in 2011 reflect continued customer spending in core energy and commodity markets, the strength of UK North Sea activity and AMEC's work on strategic customer relationships.
Further details can be found on our website.

Order intake has improved with oil and gas and mining activity driving the increase. The order book at 31 December 2011 was up 17 per cent at £2.2 billion.

The outlook for growth in 2012 is good. This is driven by positive trends in the oil and gas market, particularly within the UK North Sea and the Gulf of Mexico, and the minerals and metals market, with oil sands volumes also expected to improve.

The shift in business mix and the increase in procurement activities for strategic customers will impact margins.

Power & Process

Description of business

Principal activities: Focused on clean energy market, operating in nuclear, renewables / bioprocess, power and transmission & distribution sectors (see pages 8 to 15 for further details on market growth characteristics and AMEC's position).

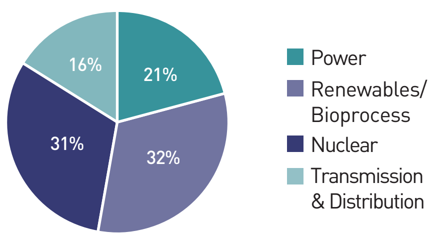
Provide total life of asset services, particularly in Europe and the Americas. Examples are shown on page 16.

49 per cent of 2011 revenues was generated by capex services with the rest in opex.

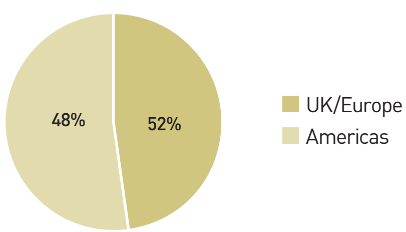
£ million	2011	2010[3]	Change (%)	Underlying[1] (%)
Revenue	**849**	802	+6	+6
EBITA	**72**	65	+11	+11
EBITA margin (%)	**8.5**	8.1	+40bps	
Order book (£bn)	**1.0**	1.0	+5	
Average number of employees[2]	**7,042**	6,536	+8	

1 Growth measured against 2010 as restated for material acquisitions and movements in material currencies.
2 Full time equivalents, including agency staff.
3 2010 figures restated as explained on page 71.

Revenue split by sector:



Revenue split by geography:



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).

Business model: AMEC has a low-risk business model, with the majority of services being provided on a target price or cost plus basis. Some limited lump sum or fixed price work is also undertaken, where the customer and type of work are familiar to AMEC. This represented some 18 per cent of the division's revenues in 2011.

Customers include: Atomic Weapons Establishment, BC Hydro, Bruce Power, Dominion Power, EDF Energy, General Mills, HALEF Partnership, INEOS, International Power, MOD, National Grid, NDA, Nova Scotia Power, Ontario Power Generation, PCA, Recurrent Energy, Sapphire Energy, Sellafield Limited, Southern Company, University of Wisconsin.

Significant new contracts in 2011 included:

Nuclear - URENCO: three-year contract to provide a range of nuclear services, UK. Magnox Limited: four-year contract to provide hazard reduction services at eight nuclear sites, UK and two-year contract to provide nuclear and safety case services for the NDA's 10 Magnox sites, UK. Sellafield: radiological, environmental and site characterisation support in Cumbria, UK.

Bioprocess - INEOS Bio: selected to be global license support engineering firm for the licensing programme roll-out for bioenergy facilities using INEOS Bio's advanced waste-to-energy technology. Sappi: EPCM services for its GoCell project, South Africa.

T&D - National Grid: AMEC JV awarded five-year extension to the Electricity Alliance West contract worth £650 million to upgrade overhead power lines and underground cables across the western half of England and all of Wales (announced January 2012).

Elsewhere in the North American clean energy market, good progress is being made on the Sapphire Energy biofuel project in the US and new contracts were signed for the 99 MW Erieau wind project and the 10 MW Brockville PV solar project in Canada.

2011 performance

Revenue increased 6 per cent, to £849 million in 2011 (2010: £802 million), reflecting increased activity in North America and in the UK nuclear sector in particular.

EBITA was up 11 per cent, to £72 million (2010: £65 million), with the Sellafield decommissioning joint venture contributing £20 million (2010: £16 million). The overall EBITA margin improved by 40 basis points to 8.5 per cent.

Contract awards in 2011 reflect the focus on the clean energy market, particularly nuclear where AMEC has benefited from an increase in safety engineering work.
Further details can be found on our website.

The order book at 31 December 2011 was £1.0 billion, (2010: £1.0 billion). The tier one Sellafield decommissioning contract, as it is an equity accounted joint venture, is not included in these figures.

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.

Looking ahead, activity levels are expected to improve through the ongoing customer focus and the growing market for AMEC's engineering, project management and consultancy services in the clean energy market.

Environment & Infrastructure

Description of business

Principal activities: Works in each of AMEC's eleven sectors, including those common to the Natural Resources and Power & Process divisions. See pages 8 to 15 for the growth characteristics of each market and AMEC's position.

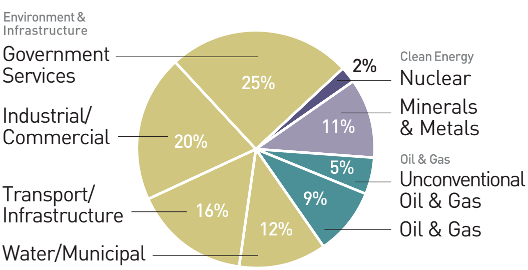
Specialist environmental, geotechnical, programme management, engineering and consultancy services provided to a broad range of customers in the public and private sectors, including many common to the other divisions. See page 16 for further details.

Typically characterised by a large number of small value contracts.

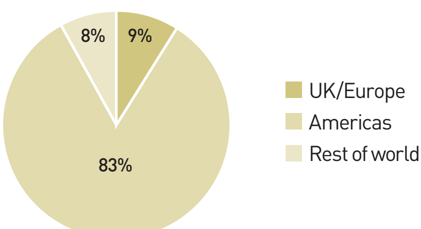
£ million	2011	2010[3]	Change (%)	Underlying[1] (%)
Revenue	**722**	593	+22	-2
EBITA	**66**	55	+21	-3
EBITA margin (%)	**9.2**	9.2	–	
Order book	**0.5**	0.3	+78	
Average number of employees[2]	**6,262**	4,517	+39	

1 Growth measured against 2010 as restated for material acquisitions and movements in material currencies.
2 Full time equivalents, including agency staff.
3 2010 figures restated as explained on page 71.

Revenue split by sector:



Revenue split by geography (destination):



Locations: Operates from a regional network of around 250 offices, mainly across North America but with an increasing presence in the growth markets of Europe, South America and Australasia.

Business model: The majority of the division's revenue comes from smaller scale consultancy projects, with an average contract size of $40,000. Some lump sum or fixed price activity is carried out in the government sector.

Customers include: ABB Inc., Alberta Transportation, Atlantic Richfield Company, Cape Environmental Management, CSX Transportation, ExxonMobil (Imperial Oil), General Electric Company, Hatch Mott MacDonald, Honeywell, Newmont Mining Corp, Northumbrian Water, Pacific Gas and Electric Company, Southwestern Illinois Flood Prevention, Suncor Energy, Syncrude, US Air Force, US Army, US Dept Of The Interior, US Environmental Protection Agency, US Navy.

Significant ongoing contracts include:
Northumbrian Water Limited: technical and commercial services framework contracts to provide multidisciplinary engineering, contract supervision services and associated environmental support as well as contract and cost management services, UK
ArcelorMittal: investigation, design and implementation services across a range of distinct projects, from annual dyke raises for the disposal facility to a culvert replacement programme across their rail line, Canada.

2011 performance

Revenue increased by 22 per cent to £722 million in 2011 (2010: £593 million), driven by the MACTEC acquisition. There were lower levels of activity in the federal sector, but performance in the industrial / commercial and mining sectors was strong.

EBITA increased 21 per cent in 2011 to £66 million (2010: £55 million), driven by the North American acquisitions. Overall EBITA margin was maintained at 9.2 per cent (2010: 9.2 per cent).

The order book improved to £0.5 billion (31 December 2010: £0.3 billion) largely due to the inclusion of MACTEC.

In 2012, revenue growth is expected to continue, boosted by the MACTEC acquisition and a more favourable outlook for both the natural resource sectors and the North American economy in general.

Investments and other activities

This principally comprises the Incheon Bridge PPP project in Korea, now in operational phase, the Lancashire Waste PPP project, and AMEC's residual UK wind development activities. Revenue was £7 million (2010: £7 million) with EBITA £3 million (2010: £6 million).

Financial review

Changes arising from corporate activity

Acquisitions

The group invested £263 million in acquisitions in 2011 and integration is progressing well.

Natural Resources

- In February 2011, qedi was acquired for a cash consideration of £33 million. Headquartered in Aberdeen, qedi is a 350-person project delivery company focused on completion and commissioning services for major projects in the oil and gas industry. See page 105 for further details
- Also in February 2011, Zektingroup was acquired for an initial consideration of £26 million. This is a 200-person specialist engineering consultancy for the oil and gas and resources industries, headquartered in Melbourne, Australia. Further details can be found on page 105.

Environment & Infrastructure

- BCI Engineers and Scientists Inc (BCI), a Florida-based 200-person consulting firm focused on the water and mining sectors, was acquired for an initial consideration of £9 million
- In June 2011, MACTEC was acquired for £183 million. MACTEC employs some 2,600 people, is based in Atlanta, GA, US and is an environmental consultancy focused on engineering services, water and mining. See page 106.

Basis of preparation of the accounts

The 2011 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 2011.

The directors have identified the policies for accounting for retirement benefits, long-term contracts 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
Revenue for the year increased 11 per cent to £3,261 million (2010: £2,951 million). Underlying revenue increased by 3 per cent, driven by a strong performance within the oil and gas and minerals and metals markets, offset by a decline in oil sands and US federal activities.

EBITA increased 12 per cent to £299 million (2010: £269 million) with margins broadly in line at 9.2 per cent (2010: 9.1 per cent). The underlying EBITA increased by 6 per cent.

Adjusted profit before tax of £311 million was ahead of the previous year (2010: £280 million) driven by volume growth and acquisitions. There was joint venture tax of £7 million (2010: £7 million), amortisation of £39 million (2010: £25 million) and exceptional losses of £6 million (2010: profits of £11 million) resulting in profit before tax of £259 million (2010: £259 million). The tax charge for the year, including tax on amortisation and exceptional items, was £52 million (2010: £23 million) resulting in a total profit for the year from continuing operations of £207 million (2010: £236 million).

Adjusted diluted earnings per share from continuing operations were 70.5 pence (2010: 62.5 pence), an increase of 13 per cent.

Operating cash flow for the period was £267 million (2010: £219 million), up £48 million from last year, reflecting EBITA growth and the continued focus on cash management. Cash conversion was 89 per cent (2010: 81 per cent).

The average number of employees was up 17 per cent in 2011, to 25,757. This reflects increased activity levels, particularly in UK North Sea and the Americas, as well as the impact of acquisitions. The largest increase was seen in the Environment & Infrastructure division, which was up 39 per cent to 6,262 (2010: 4,517) boosted by the impact of MACTEC and ten months' impact of BCI.

Geographical analysis
The group's largest market was the UK with 30 per cent of revenue (2010: 29 per cent), driven by oil and gas, nuclear, power and environmental services. Canada was the group's largest market in 2010, but in 2011 revenue was affected by the decline in oil sands activity, as previously referenced.

Administrative expenses
Administrative expenses increased by £2 million to £209 million (2010: £207 million) as a result of acquisitions during the period. The impact was partially offset by a reduced charge in respect of share-based payments.

Net financing income

Net financing income of £16 million was £1 million higher than last year (2010: £15 million) and included bank interest of £4 million (2010: £6 million), net interest on pensions assets and liabilities of £9 million (2010: £7 million) and foreign exchange gains and other items of £3 million (2010: £2 million).

The average interest rate received was approximately 0.8 per cent compared to 0.9 per cent in 2010.

In addition, AMEC's share of interest payable of equity accounted joint ventures was £4 million (2010: £4 million).

Taxation

Continuing operations

The group's effective tax rate in 2011 for the continuing businesses (including tax attributable to joint venture interests) before exceptional items and excluding intangible amortisation was 24.1 per cent (2010: 25.9 per cent). The reduction principally reflects the benefit of previously unrecognised tax losses, decreases in statutory tax rates, the agreement of historical items with various tax authorities and more proactive management.

The tax rate in 2012 and beyond is expected to be in the mid-20s.

Deferred tax

At 31 December 2011, the group had deferred tax assets of £72 million (2010: £60 million) arising primarily from short-term timing differences relating to provisions, property, plant and equipment, retirement benefits and tax losses, offset by liabilities in respect of intangible assets.

Changes to reporting allocations

In 2011 the allocation of certain items was changed:

- The UK Asset Support business was transferred from Power & Process to Natural Resources
- The net interest on pension assets and liabilities and the net interest within equity accounted JVs were transferred from EBITA to net financing income.

These were reallocations only and there was no overall impact to profit before tax or earnings.

Financial position and net cash

The group remains in a strong financial position, with net cash as at 31 December 2011 of £521 million (2010: £740 million).

Cash generated from operations in 2011 was £209 million (2010: £172 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 £267 million (2010: £219 million).

Going concern

The directors are satisfied that the group has adequate resources to operate for the foreseeable future.

Intangible amortisation and goodwill impairment

The charge of £39 million for 2011 (2010: £25 million) includes intangible amortisation of £37 million and goodwill impairment of £2 million. Intangible amortisation relates to capitalised software and intangible assets acquired as part of the group's expansion programme. The 2011 charge is £12 million higher than the prior year (2010: £25 million) with the increase due to the acquisitions in the year and the full-year impact of acquisitions in 2010.

In line with IAS 36 'Impairment of assets', annual impairment reviews have been performed on the goodwill carried on the balance sheet. As a result of the disposal of a small business during the year, there was £2 million impairment charge in 2011 (2010: nil).

Exceptional items

One small business was divested during 2011 and there were various adjustments to existing provisions in respect of prior year disposals. Other exceptional items include transaction and deferred compensation costs on acquisitions, costs associated with exiting the group's activities in Libya and restructuring costs in Environment & Infrastructure following the acquisition of MACTEC.

In aggregate, there was a post-tax exceptional gain of £25 million (2010: £45 million).

Legacy issues
No new significant contingent liabilities were added in 2011. Provisions currently held for future costs of litigation total £54 million (2010: £50 million).

Balance sheet highlights
Key movements in the balance sheet are discussed below:

Intangible assets
The net book value of intangible assets as at 31 December 2011 was £848 million (2010: £621 million) comprising goodwill £725 million, software £27 million and other acquired intangible assets £96 million.

The increase in goodwill of £164 million primarily relates to the acquisitions in the year of Zektingroup, qedi, BCI and MACTEC. Other acquired intangible assets include the value of customer relationships, brand names/trademarks, non-compete agreements and order backlogs of acquired businesses.

Working capital
Days' sales in inventory / WIP and receivables are as follows:

	2011 Days	2010 Days
Group	**80**	78

The increase in days' sales in inventory / WIP and receivables reflects the increase in activity during the second half of the year compared with the same period in 2010.

Derivative financial instruments
As at 31 December 2011, there were derivative financial instruments with a net liability of £14 million (2010: £37 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 2011, distributable reserves of AMEC plc stood at £820 million (2010: £696 million).

	£ million
As at 1 January 2011	696
Dividends approved during 2011	(86)
Dividends received by subsidiaries	188
Other movements	22
As at 31 December 2011	**820**

A dividend of £19 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 2011 of £32 million was lower than in 2010 (£63 million) reflecting principally a reduction on the discount rate, which was partly offset by higher than expected asset returns and other actuarial gains.

The triennial valuation of the main UK schemes was finalised during 2011. The actuarial assumptions adopted for IAS 19 purposes as at 31 December 2011 have been updated in line with the scheme experience identified as part of the triennial valuation. The revised mortality assumption was 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 S1 series of tables, taking into account each member's year of birth adjusted by an age rating of -½ year for males and +¼ year for females, and allowing for an underpin of 1.25 per cent per annum improvements in longevity. For a male/female aged 65 in 2011, these tables show a life expectancy of 22.7/24.1 years. For a male/female aged 45 in 2011, these tables show a life expectancy from age 65 of 24.5/26.1 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 £28 million were paid to the company's defined benefit schemes during the year (2010: £22 million). This included special contributions agreed with the trustees of £5 million (2010: £5 million).

There are a number of smaller schemes which are in a deficit position. The combined deficit as at 31 December 2011 was £81 million (2010: £36 million) with the increase in the year being due to an actuarial loss in a Canadian scheme and a deficit on a scheme which was acquired with MACTEC.

Provisions

Provisions held at 31 December 2011 were £169 million (31 December 2010: £187 million). During 2011, £36 million of the brought forward provisions were utilised. As part of the ongoing review of the potential liabilities, £29 million of provisions were released as they were no longer required but an additional £47 million of provisions were created, which included £23 million arising from business combinations matched by a corresponding indemnity asset. Provisions are analysed as follows:

As at 31 December 2011	£ million
Litigation provisions	**54**
Indemnities granted to buyers and retained obligations on disposed businesses	**66**
Insurance, onerous property contracts and provisions to fund joint ventures	**49**
Total	**169**

Our group management team

Samir Brikho
Chief Executive

Samir Brikho was appointed Chief Executive in 2006. He is a director of the United Kingdom-Japan 21st Century Group. He currently sits on the Advisory Board of Stena AB. He also chaired Offshore Europe in 2011 and the World Economic Forum's Engineering and Construction Board in 2009. From May 2008 to May 2010, he 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 & Newcastle plc.

Neil Bruce OBE
Chief Operating Officer

Neil Bruce became Chief Operating Officer for AMEC group in August 2010, having been Chief Operating Officer for the Natural Resources division since 2006, and Power & Process since December 2009. He was appointed an executive director for AMEC plc in January 2009. Since March 2009 he has been Chairman of the UK Oil & Gas Sector Advisory Group of UK Trade & Investment (UKTI). 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.

François-Philippe Champagne
Strategic Development Director

François-Philippe Champagne is Strategic Development Director and acting General Counsel. He is responsible for mergers and acquisitions activity, strategy and legal matters. He was previously Group Vice President and Senior Counsel of ABB Ltd, based in Zurich, Switzerland. François serves on the board of a few non-profit organisations in Canada 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 North East Asia, 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.

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).

"We need to be sensitive to our customer needs and able to mobilise our people to provide the right solutions at the right time."

Samir Brikho Chief Executive

Dr Hisham Mahmoud

President, Environment & Infrastructure

Dr Hisham Mahmoud joined AMEC in October 2010 as President, Environment & Infrastructure. Prior to joining AMEC, Hisham worked for URS Corporation and its predecessor companies for 19 years. He 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 lifecycle; 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 UK Government's Nuclear Development Forum and Carbon Capture & Storage Development Forum. Mike has an MBA and is a graduate of the Wharton Advanced Management programme. He is a chartered engineer and a Fellow of the Nuclear Institute.

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 board of the Investor Relations Society.

Will Serle

Group Human Resources Director

Will Serle is Group Human Resources Director and is also responsible for sustainability at AMEC. He joined AMEC in 2000 as Human Resources Director for the Oil and Gas business, moving to the Natural Resources role in 2006. In 2009 he assumed the role of Human Resources Director for Natural Resources and Power & Process; in 2010, after all three divisions merged, he became Human Resources Operations Director.

“What makes us different? Excellent delivery, focus on customers, and most of all, our people.”

Neil Bruce Chief Operating Officer

Our board of directors

John Connolly (61) – Chairman of the board and Chairman of the nominations committee

Biography – a chartered accountant, John spent his career until May 2011 with global professional services firm Deloitte, was Global Chairman between 2007 and 2011, and prior to that, Global Managing Director between 2003 and 2007. He was Senior Partner and CEO of the UK Partnership from 1999 until his retirement from the Partnership.

John continues to be a Special Adviser to Deloitte, and is also chairman of a number of private companies.

Beyond commercial business roles, John is on the Board of Governors of London Business School, a member of the Strategic Advisory Council of CityUK, member of the IBLF Leaders Council, Chairman of the "Chairman's Group" of London 2012 sponsors, a member of the Advisory Board of the Mayor of London, and a member of the British American Business International Advisory Board. He is also Chairman of the appeal board for The Centre for Children's Rare Disease Research at Great Ormond Street Hospital.

Term of office* – John was appointed as non-executive Chairman on 1 June 2011. In accordance with the articles of association of the company, John will retire from office at the forthcoming annual general meeting and offer himself for election by shareholders.

Committee membership – John is Chairman of the nominations committee and a member of the remuneration committee. He attends audit committee and ethics committee meetings by invitation.

Samir Brikho (53) – Chief Executive

Biography – Prior to joining AMEC, Samir was a member of the Group Executive Committee of ABB Ltd., Switzerland, Head of the Power Systems Division and Chairman of ABB Lummus Global, ABB's international projects and services business. Samir holds an engineering degree, a Master of Science in Thermal Technology from the Royal Institute of Technology in Stockholm, Sweden, and completed the YMP Program at INSEAD in France in 1991. In 2000 he also completed a Senior Executive Programme in Stanford, US. Samir speaks Swedish, Arabic, English, German and French fluently.

Term of office* – Samir was appointed Chief Executive in October 2006 and has no fixed term of office. His service contract is terminable on six and twelve months' notice by himself and the company respectively.

External appointments – Samir is a director of the United Kingdom-Japan 21st Century Group, co-chair of the UK-UAE CEO Forum, chair of the steering board of the World Economic Forum Disaster Resource Partnership, a member of the steering committee of the UK-Korea Forum for the Future and a member of the Advisory Board of Stena AB. In February 2010 Samir was appointed a UK Business Ambassador by the Prime Minister.

Ian McHoul (52) – Chief Financial Officer

Biography – prior to joining AMEC, Ian was Group Finance Director of Scottish & Newcastle plc.

Term of office* – Ian was appointed Chief Financial Officer in September 2008 and has no fixed term of office. Ian's service contract is terminable on six and twelve months' notice by himself and the company respectively.

External appointments – Ian is a non-executive director and Chairman of the audit committee of Premier Foods plc.

Neil Bruce OBE (51) – Executive Director

Biography – Neil is AMEC's Chief Operating Officer and has over 30 years' experience in energy and process industries. He joined AMEC in 1997, having previously been construction and field development director with Arco British. A chartered engineer, Neil also has a Master's degree and a Doctorate in Business Administration.

Term of office* – Neil was appointed Chief Operating Officer in August 2010 and has no fixed term of office. Neil's service contract is terminable on six and twelve months' notice by himself and the company respectively.

External appointments – Neil is Chairman of UKTI's Oil & Gas Sector Advisory Group and an adviser to the Scotland Office on trade and economic growth. He is a fellow of both the Energy Institute and the Institute of Directors, where he won an award for developing young people. Neil is a trustee of the Engineers Against Poverty charity and patron of Clan (Cancer Link Aberdeen North-East). He is also an Honorary Professor of Aberdeen Business School at The Robert Gordon University.

Neil Carson (54) – Non-Executive Director

Biography – Neil has held a number of senior management positions in both the UK and the US and since 2004 has been Chief Executive of Johnson Matthey Plc, the FTSE100 speciality chemical company which he joined in 1980 after completing an engineering degree.

Term of office* – Neil was appointed a non-executive director in August 2010 for an initial three-year term.

Committee membership – Neil is a member of the audit, remuneration, nominations and ethics committees.

Colin Day (56) – Non-Executive Director and Chairman of the audit committee

Biography – Colin was appointed Chief Executive Officer of Filtrona plc on 1 April 2011, prior to which he was Chief Financial Officer of Reckitt Benckiser Group plc. Colin is a Fellow of the Association of Chartered Certified Accountants and holds an MBA from Cranfield School of Management. Colin is also a non-executive director of WPP Group plc.

Term of office* – Colin was appointed a non-executive director in October 2010 for an initial term of three years.

Committee membership – Colin is Chairman of the audit committee and a member of the remuneration, nominations and ethics committees.

Tim Faithfull (67) – Senior Independent Director and Chairman of the remuneration committee.

Biography – Tim was President and Chief Executive of Shell Canada Limited from 1999 to 2003, having joined the Royal Dutch Shell Group in 1967. 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.

Term of office* – Tim was appointed a non-executive director in February 2005 and became the Senior Independent Director in May 2009. Tim's term of office was extended in February 2011 to the date of the 2014 annual general meeting.

Committee membership – Tim is Chairman of the remuneration committee and a member of the audit, nominations and ethics committees.

Simon Thompson (52) – Non-Executive Director and Chairman of the ethics committee

Biography – Simon was previously an executive director of Anglo American plc and Chairman of the Tarmac Group, and has held positions with S G Warburg and N M Rothschild. Simon is non-executive chairman of Tullow Oil plc and a non-executive director of Newmont Mining Corporation (USA) and Sandvik AB (Sweden).

Term of office* – Simon was appointed a non-executive director in January 2009. His initial three-year term of office expired in January 2012 and, subject to his re-election by shareholders at the forthcoming annual general meeting, his appointment has been extended for a further three-year term until the date of the annual general meeting in 2015.

Committee membership – Simon is Chairman of the ethics committee and a member of the audit, remuneration and nominations committees.

* In accordance with the recommendations of the UK Corporate Governance Code, all directors are subject to re-election at each annual general meeting of the company.

Directors' report

The directors present their annual report and the accounts of AMEC plc for the year ended 31 December 2011.

Principal activities

The principal activities of the group can be found on pages 28 to 33 and are incorporated into this report by reference.

Business review

Information fulfilling the requirements of the business review is also incorporated into this report by reference and can be found in the business and financial review on pages 27 to 37. This includes a comprehensive review of AMEC's development and performance during the year ended 31 December 2011, key events, principal business acquisitions and disposals, AMEC's position at the year end and the outlook for the future. Additional information can also be found in markets and sectors (page 8), services (page 16) and Vision 2015 (page 18).

Dividends

The directors are recommending a final ordinary dividend in respect of the year ended 31 December 2011 of 20.3 pence per share. This final dividend will be payable on 2 July 2012 to shareholders on the register at the close of business on 1 June 2012. An interim dividend for the year ended 31 December 2011 of 10.2 pence per share was paid on 3 January 2012.

Dividends paid during 2011 comprised an interim dividend of 7.3 pence per share and a final dividend of 19.2 pence per share, both in respect of the year ended 31 December 2010.

Changes to the board of directors

Details of the directors of the company as at the date of this report, together with brief biographical details and board committee memberships, are set out on pages 40 to 41.

Changes to the board since 1 January 2011 are as follows:

John Connolly	**Non-executive Chairman**	Appointed 1 June 2011
Jock Green-Armytage	**Non-executive Chairman**	Retired 31 May 2011
Peter Byrom	**Non-executive director**	Retired 9 February 2011

Directors' indemnity arrangements

The company maintains directors' and officers' liability insurance cover. In addition, throughout the financial year and at the date of this report, qualifying third party indemnity provisions within the meaning of Sections 232-234 of the Companies Act 2006 were in place for all of the directors. Equivalent indemnities remain in force for the benefit of those directors who stood down during the year ended 31 December 2011.

Directors' interests

None of the directors is or was materially interested in any contract of significance to AMEC's businesses during or at the end of the financial year.

Details of directors' share interests and of their rights to subscribe for shares are shown in the remuneration report on pages 56 to 64.

Corporate governance statement

The company's statement on corporate governance is set out on pages 46 to 55, and is incorporated into this report by reference.

Share capital

The issued share capital of the company as at 31 December 2011, movements during the year and the rights attaching to the shares are set out in note 22 on pages 101 to 104. The rights and obligations attaching to the shares are more fully set out in the articles of association of the company. In summary, 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 2011, 1,000,000 shares (representing 0.30 per cent of the total called-up share capital of the company) were purchased at a total cost of £11,536,345 and 1,922,253 shares were utilised in satisfying awards made under the UK and international Save As You Earn (SAYE) share option schemes. As at 31 December 2011, 5,735,806 shares remained in treasury, all of which have been allocated to the group's SAYE scheme awards to date.

Given the strength of the balance sheet, on 21 February 2012 the board commenced an on-market share buyback programme of £400 million. It is expected that this programme will be completed over the following 12 months. Accordingly, a resolution will be proposed at the 2012 annual general meeting to extend the authority of the directors to make market purchases of up to 14.99 per cent of the company's shares within prescribed limits. It is expected that the first purchases under this programme will be held as treasury shares to satisfy obligations under the company's employee and executive share schemes. It is the company's intention that the significant majority of the shares purchased under the programme will be cancelled.

Authority to allot shares

Authority was granted to the directors at the 2011 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 £54,891,707 (Section 551 amount) of which up to £8,316,925 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 1 June 2013. The revised Section 551 amount will be £55,382,860 and the revised Section 561 amount will be £8,307,429.

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.

Major interests in shares

On the basis of notifications received under the Disclosure and Transparency Rules (DTR 5) and other notifications received by AMEC from shareholders, shareholdings of 3 per cent or more of the voting rights of the company as at 31 December 2011 were as follows:

	Number	Per cent
BlackRock, Inc	33,121,639	9.94
Legal & General Assurance	13,197,514	3.96

The shareholding percentages have been adjusted from those notified to reflect the current issued share capital net of treasury shares. There were no other notifications received under DTR 5 between 31 December 2011 and 21 February 2012.

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

Financial instruments

Disclosures relating to the group's use of financial instruments can be found in note 19 on page 97 and are incorporated into this report by reference.

Significant arrangements - change of control

The company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

Employees

In 2011 AMEC employed on average 25,757 people worldwide including agency staff.

At AMEC, we give high priority to the development of our employees to ensure that we have the necessary skills and behaviours to deliver our 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 9 for further information).

It is of key importance that we engage 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 we operate. Our employees embody our knowledge, brand and reputation and it is through their activities, day by day, that we deliver on our business objectives and commitments to shareholders, clients and the wider community.

A regular survey of employee opinion is conducted and we are committed to sharing and acting on the outcomes (see page 25). 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 in our values and Code of Business Conduct. Our 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 full and 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. Where 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.

Our SAYE share option schemes allow employees to participate in AMEC's share price growth. They are 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.

Sustainability

Summary details about our commitment to sustainability and its importance to our day-to-day activities are set on pages 24 to 25. Further detail is available in our sustainability report and on our website.

Donations

Total donations worldwide amounted to £506,000 for the year ended 31 December 2011 (2010: £553,000). Of these, donations to UK charities amounted to £240,000 (2010: £295,000).

Our policy is not to make political donations and none were made during 2011 (2010 – £nil).

Creditor payment policy

Individual group businesses are responsible for agreeing terms and conditions under which transactions with their suppliers are conducted.

It is our 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 29 days' purchases outstanding as at 31 December 2011 (2010: 41 days) based on the average daily amount invoiced by suppliers during the year.

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 72.

Auditors

A resolution will be proposed at the annual general meeting for the re-appointment of Ernst & Young LLP as auditor of the company.

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.

Responsibility statements

The statement of directors' responsibilities in respect of the annual report and accounts can be found on page 111. The statement by the company's auditors relating to their reporting responsibilities can be found on page 112.

Annual general meeting

This year's annual general meeting will be held at The Auditorium, Ground Floor, Deutsche Bank AG, Winchester House, 1 Great Winchester Street, London, EC2N 2DB on 19 April 2012 at 10.30 am. The notice of meeting, which includes explanatory notes on the business to be transacted at the meeting, accompanies this report and is also available on our website.

Separate resolutions will be proposed at the annual general meeting to receive the annual report and accounts and approve the remuneration report and remuneration policy they contain; to declare a final dividend; to re-appoint Ernst & Young LLP as auditors; to elect the Chairman following his retirement in accordance with the articles of association of the company and to re-elect all of the other current directors who will retire in accordance with the provisions of the UK Corporate Governance Code (the Code).

Shareholders will also be asked to renew both the general authority of the directors to allot shares in the company and to allot such shares without the application of statutory pre-emption rights. In addition, shareholders will be requested to authorise the company to make market purchases of its own shares within prescribed limits and approve the resolution, to be repeated at each annual general meeting going forward, to authorise the calling of general meetings, other than annual general meetings, on 14 clear days' notice.

The board views the annual general meeting as an opportunity to directly communicate the group's progress and engage with shareholders. Where possible, the entire board will attend the annual general meeting and will be available to answer questions from those shareholders present. The board encourages all shareholders to attend and participate where possible.

On behalf of the board

Christopher Fidler
Company Secretary

21 February 2012

Notes

1) Between 21 and 24 February 2012, AMEC has purchased 1,080,000 of its shares in the market for a total of approximately £11.94 million. These shares are being held as treasury shares.

2) In response to a Section 793 disclosure request, BlackRock advised on 29 February 2012 that their interest in AMEC shares was 25,893,612 shares, which represents 7.80 per cent of the voting rights of the company.

Corporate governance statement

The ultimate goal of your board is to collectively and effectively lead the company in delivering long-term, sustainable success for the benefit of our stakeholders. A vital responsibility of the board, which contributes to this, is maintaining strong corporate governance practices - and essentially strong corporate governance is about helping to run our company well. It is about the approach we take to governance, what we do, how we do it, the values we embed in our people and the company, and how the leadership sets the tone for the organisation. Strong governance is about leadership, collaboration and constantly seeking improvement. We have welcomed the recent debate and guidance in this area and continue to seek to incorporate improvements into our way of working.

Since I became your chairman in June 2011, I have concentrated on a few key governance issues. A particular priority has been to establish the right kind of relationship with the Chief Executive and the executive team based upon an appropriate balance of positive support combined with healthy, constructive challenge where required. I have sought specific input from all directors on board priorities, areas where our practices can improve and on the extent and appropriateness of information provided to the board by the executives. I have reviewed the composition and remit of our board committees and the results can be seen on pages 51 to 53. In particular, the terms of reference for the ethics committee have been refocused and strengthened, in support of AMEC's core value of 'acting with integrity.' Our Code of Business Conduct has been updated and reissued, ethics officers appointed and our ethics helpline re-launched in multiple languages, so better reflecting the global nature of our business.

I have undertaken an internal evaluation of the effectiveness of the board, both by discussions with individual members and using board debate. I believe we have a good, strong mix of skills represented, though further work is required to ensure the diversity of our business is reflected at a board level. In particular, I am very aware that we currently have no women on our board and will be seeking to remedy this as part of the process of board renewal. I am planning an externally-led board evaluation process in 2012, by which time I believe we will have bedded in recent changes and be in a position to provide the necessary rigour to the process. The last such review was in 2008.

The board has placed particular emphasis on monitoring risk and on the structured approach to the management of risk in the company. This has included an emphasis on risk segmentation to ensure the more significant risks are continually focused upon by management. Our approach to risk management and a review of key risks are presented on pages 21 to 23. Continuous improvement in this area will be an ongoing priority.

The discussions I have had with many of our major shareholders have allowed me to understand more about their views on our company, its strategy and management. In return I have explained what I have found since joining the company and my priorities going forward. I find these discussions invaluable and will continue to prioritise them. I am looking forward to meeting many more shareholders at our annual general meeting in April and would encourage you to attend.

As a board, we support the UK Corporate Governance Code and believe we have largely complied with its provisions throughout the year ended 31 December 2011. The only exception is the requirement for an externally facilitated evaluation of the board's performance at least every three years (provision B.6.2), as discussed above. Further details on how we have applied the principles of the Code to our activities can be found in this statement and in the remuneration report on pages 56 to 64.

John Connolly
Chairman

21 February 2012

Printed copies of the Code can be obtained free of charge at frcpublications.com.

The board

Board composition

As at 31 December 2011, the board comprised the non-executive Chairman (John Connolly); three executive directors: the Chief Executive (Samir Brikho), Chief Financial Officer (Ian McHoul) and Chief Operating Officer (Neil Bruce); and four non-executive directors. Taking into account the provisions of the Code, the board has determined the non-executive directors remain independent and free from any relationships or circumstances which could affect their independent judgement. The Chairman was considered to be independent on appointment at 1 June 2011.

The directors consider the size, combination of skills and weight of industry experience on the board appropriate to the range and breadth of markets AMEC operates in. The balance of executive and non-executive directors, reinforced by adherence to sound governance procedures and the fostering of mutual respect and individual director integrity, ensures no one individual, or group of individuals, dominates the board's decision-making process. The varied backgrounds and commercial experience provided by the non-executive directors, and their independence of management, ensure rigorous debate at meetings and the constructive challenge of the executive directors in relation to both the strategic direction and performance of the group. The entire board receives a succession planning presentation each year and is mindful, when considering recommendations from the nominations committee, of the maintenance of an appropriate balance of skills and experience both at, and directly below, board level to ensure the delivery of the group's strategy and performance.

In line with the recommendations of the Code, and in accordance with article 81 of the articles of association of the company, the Chairman will retire from office at our 2012 annual general meeting and offer himself for election. In compliance with the Code and, as commenced last year in the interests of good corporate governance, all of the other directors wishing to continue serving, and considered eligible by the board, will offer themselves for re-election. Details of the directors, including their biographies, other significant commitments and committee memberships can be found on pages 40 and 41 and will enable shareholders to take an informed decision on their re-election. In addition, details of the directors' service contracts, emoluments and share interests are set out in the remuneration report on pages 56 to 64.

The Chairman and Chief Executive

The company does not combine the role of Chairman and Chief Executive. There is a clear and well established division of accountability and responsibility between the roles of the Chairman and Chief Executive and these are set out in writing and have been agreed by the board. The consequence of a clear division of responsibility at the head of the company is such that no individual has unfettered powers of decision.

The Chairman is principally responsible for the leadership and effectiveness of the board. At a high level, he is accountable for facilitating constructive relations between, and the participation of, all board members, so as to encourage a culture of openness and debate and enable the board to fulfil all aspects of its role. The Chairman has undertaken to ensure that the board discharges its duties in the best interests of all of the company's stakeholders, and to guide AMEC's business and conduct in accordance with the highest ethical standards. In setting the board's agenda, the Chairman ensures sufficient time is available for discussion and meaningful challenge of all matters before the board, particularly strategy, performance, value creation and accountability.

The Chief Executive's principal responsibility is running AMEC's businesses with the primary objective of creating shareholder value. Consistent with this objective, the Chief Executive has ultimate responsibility for the proposal, development and implementation of the group's strategy. The building and maintenance of an effective executive team, and the allocation of responsibility within it, are key components of, and essential to, the performance of the Chief Executive's role. The Chief Executive takes the lead role in the promotion of AMEC and gives personal leadership to the preservation of AMEC's culture and values and encourages the highest standards of safety, health and environmental performance.

Senior Independent Director

Tim Faithfull has acted as the board's Senior Independent Director since 13 May 2009. He was selected for the role on account of his extensive experience of serving as both an executive and non-executive director. In this role, he is responsible for:

- providing additional support to, and acting as a sounding board for, the Chairman
- acting as an additional channel of communication between the Chairman and the other directors
- being available to shareholders for concerns they may have that have not been resolved through the normal channels of the Chairman, Chief Executive or other executive directors, or which are not appropriate to raise through the normal channels
- acquiring an objective understanding of the issues and concerns of AMEC's shareholders through attendance at a sufficient number of meetings with the company's major shareholders and financial analysts
- at least annually establishing the views of the non-executive directors as to the performance of the Chairman
- following completion of the above evaluation exercise, providing feedback to the Chairman on his performance
- overseeing the recruitment of the Chairman.

Non-executive directors

Our non-executive directors are crucial in bringing an external view and wide range of skills, experience and expertise to the board's deliberations and development of strategy. They constructively challenge and scrutinise the performance of management against agreed objectives and provide an invaluable contribution to the work of the board's committees. The board benefits greatly from the contribution and balance provided by the non-executive directors. To ensure the preservation of this benefit, the Chairman holds regular meetings with the non-executive directors, without the executive directors present.

AMEC's non-executive directors are appointed for specified terms of three years, subject now to annual re-election in accordance with the Code. Prior to appointment and on any material changes, the external commitments of each non-executive director, including those of the Chairman, are reviewed. Any significant external commitments are disclosed to the board to ensure they will be able to commit sufficient time to meet what is expected of them. Each director's undertaking as to their ongoing commitment to the role, together with an assessment of their continued independence, is reviewed as part of their performance evaluation.

The non-executive directors are not employed by the company in any capacity, nor have they been in the past. The letters of appointment of the non-executive directors are available for inspection at the company's registered office, by request to the Company Secretary, and will be available for inspection at the company's forthcoming annual general meeting.

Role and responsibilities

The board is ultimately responsible for ensuring the long term success of the company in accordance with the expectations of, and its obligations to, all stakeholders. In order to discharge its role the board must provide leadership of the company within an entrenched system of effective controls to ensure the assessment and management of risk. It is responsible for setting the company's strategy and ensuring the security of the resources necessary to achieve the resulting objectives. Fundamentally the board must also set and guarantee the dissemination of, and adherence to, the company's values and standards. The directors believe that the board leads and controls the group effectively and that all directors act in accordance with what they consider to be the best interests of the company, consistent with their statutory duties under the Companies Act 2006 and other legislation.

In order to ensure it retains appropriate overall control of the group, the board maintains a schedule of matters reserved for its approval. The matters reserved include the following areas:

- annual strategic plans
- financial and treasury policies
- risk identification, risk appetite, risk management and internal control systems
- major acquisitions and disposals
- annual and interim accounts
- dividend policy
- succession planning for directors and senior executives

- group-wide policy framework
- ensuring the effectiveness of governance practices.

The reserved powers of the board are complemented by the management of AMEC's businesses on a decentralised basis. Overall operational management has been passed to the Chief Executive who has in turn delegated authorities to the Chief Financial Officer and the Chief Operating Officer. The Chief Operating Officer has further delegated authorities to divisional management and they have further delegated authority to their teams. The management philosophy is to empower the Chief Operating Officer and divisional management to take the actions necessary to deliver the company's operational business objectives. The board regularly reviews its operational structure and during the year reviewed the schedule of matters reserved for its approval and the delegations of authority to the Chief Executive, Chief Financial Officer and Chief Operating Officer to take account of the changing requirements of the business, changes in governance requirements and overall risk appetite.

To ensure the operation of AMEC's businesses in accordance with a cohesive policy framework, the board has issued a number of group-wide policies, including the recently revised Code of Business Conduct, which set out the standards all AMEC employees are expected to achieve and adhere to. The board also takes a significant interest in the group's commitment to health and safety.

The board is supported in its work by four board committees (audit, remuneration, nominations and ethics), chaired solely by non-executive directors, and a number of management committees, chaired by executive directors, to which specific responsibilities have been formally allotted. Details of the membership, duties and responsibilities of the committees are set out on pages 51 to 54.

Attendance at meetings

The board holds regular meetings throughout the year, scheduled in accordance with an annual timetable and as otherwise required to ensure the effective discharge of its duties. Directors are expected to attend all board and relevant committee meetings, unless they are prevented from doing so by unavoidable prior work commitments or other valid reasons. Where a director is unable to attend a meeting, they are provided with the papers scheduled for discussion and fully briefed as appropriate. The table below is a record of director attendance at the board and board committee meetings held during the year ended 31 December 2011.

In addition to the matters reserved for the board, certain items are considered at every scheduled board meeting, including financial results, health and safety reports, short range plan progress and strategy performance review. The Chief Executive updates the board on market trends, developments and opportunities, the competitive positioning of the company and its current priorities. Divisional management are invited to present at board meetings from time to time.

	Board	Audit committee	Remuneration committee	Nominations committee	Ethics committee
Number of meetings	**10**	**3**	**3**	**2**	**4**
John Connolly (appointed 1 June)	7	–	1	–	–
Jock Green-Armytage (retired 31 May)	3	–	–	1	–
Samir Brikho	10	–	–	–	–
Ian McHoul	10	–	–	–	–
Neil Bruce	10	–	–	–	–
Neil Carson	9	3	3	2	4
Colin Day	9	3	3	2	4
Tim Faithfull	10	3	3	2	4
Simon Thompson	8	3	3	1	4
Peter Byrom (retired 9 February)	1	–	–	1	–

Corporate governance statement continued

To ensure effective strategic planning, the board holds an additional meeting each year to perform a full strategic review of the group. In 2011, the board spent a day focused, within the context of AMEC's performance, on industry developments and key Vision 2015 priorities, on the direction and shape of AMEC's business, the strategic challenges ahead and updating AMEC's sector plans.

Conflicts of interest

The board has procedures in place for the disclosure of conflicts of interest. Prior to appointment, director-elects provide information on any conflicts of interest by means of a questionnaire, and thereafter potential conflicts of interest are considered at the start of each board meeting. An effective procedure is in place for the board to deal with any conflicts, should they arise, in accordance with the company's articles of association. Accordingly, each director is aware of their responsibility, under the Companies Act 2006, to avoid a situation where they have an actual or potential conflict of interest, the requirement to keep the same under review and inform the Chairman and Company Secretary of any change in their situation. The Company Secretary is responsible for keeping appropriate records, including the scope, of any authorisations granted by the board, and ensuring the board undertakes regular reviews of conflict authorisations. During the financial year under review, no conflicts have arisen.

Professional development

A comprehensive induction programme is in place for all new directors which, taking into account their previous experience, background and role on the board, is designed to further their knowledge and understanding of the group and their associated role and responsibilities. The Chairman is responsible and focused on ensuring, with the assistance of the Company Secretary, the provision and development of an effective programme in accordance with best practice and feedback received from members of the board. All new directors are provided with key board, corporate and financial information; attend meetings with other members of the board, group management and their extended teams; receive briefings on governance within AMEC; and, where possible, meet AMEC's major shareholders. Where a new director is to serve on a board committee, induction material relevant to the committee is also provided.

Following induction, the Chairman is keen to continue regular reviews of each director's individual training and development needs to ensure the continued cultivation of their skills and knowledge, in order that they may best fulfil their role on the board and its committees. Internally-facilitated training is arranged as necessary by the Company Secretary on topical issues which, in the course of the year under review, has included the introduction of the UK's Bribery Act. During the year the legal / HSSE team delivered training to the board on their individual and collective duties. The board receive presentations from management on changes and developments in the business. It also receives regular updates on HSSE matters and changes in legislation from the HSSE Director and bi-monthly communications from the Company Secretary's office on key developments in corporate governance. To further develop the directors' understanding of the group's operations and culture, the board undertakes a number of visits throughout the year to various places of AMEC business. A formal process also exists for the directors to receive, where appropriate, external training organised by the Company Secretary, at the company's expense.

Evaluation

The board has the benefit of an open and honest atmosphere on all matters and is cognisant of the value of continued self assessment as a key component in its performance. During the year, the Chairman co-ordinated a discussion with each director, and thereafter with the board as a whole, on continued collective and individual effectiveness. The Chairman is confident in the continued commitment to the role, and effective contribution of each director, and is focused on the regular review of their developmental priorities. As referred to by the Chairman in his introduction to the corporate governance statement, the last externally-led review of the effectiveness of the board and its committees was in 2008. The board has been keen to ensure the optimal timing of its next externally facilitated review. Because of the material number of changes in its membership, and so of its committees, over the past two years (including the appointment of the Chairman on 1 June 2011), the next such review has been deferred until 2012. The board regards the postponement as essential to allow the complete integration of its new members, and the bedding-in of any consequent changes. This will enable the necessary rigour of evaluation, and consideration thereafter, as anticipated by the Code. The usual internal evaluation process was continued in 2011, the results of which will help to shape the focus of the external evaluation. The board looks forward to focusing in 2012 on further improving its behaviours, processes and effectiveness as part of this process. In line with its support for the direction of the Davies Report, the board is also fully accepting of the addition to the Code of new supporting principle B.6 and will ensure that the 2012 evaluation process considers the board's 'diversity, including gender' as one of the factors relevant to its effectiveness.

As required by the Code during the year the Senior Independent Director, apprised of the views of the non-executive and the executive directors, reviewed the performance of the then Chairman, Jock Green-Armytage. The Senior Independent Director is scheduled to meet with the current Chairman in March 2012, to review his performance since joining the board. The Chief Executive conducts annual performance development reviews with the executive directors and his direct reports.

Information and support

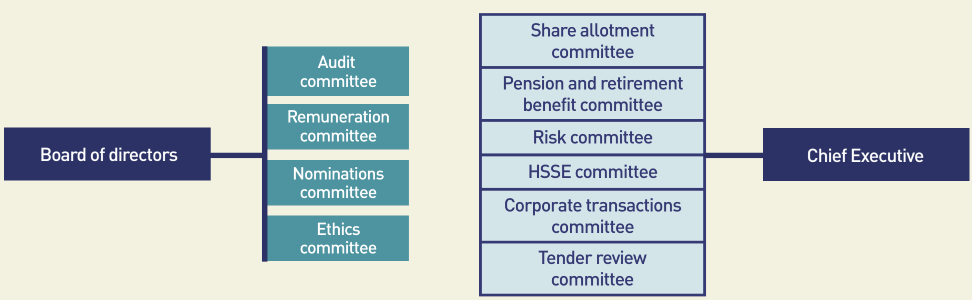
The Chairman's responsibilities for ensuring that the directors receive accurate, timely and clear information are, in the main, discharged via the Company Secretary, who is fundamental in ensuring the efficiency and effectiveness of the board.

The Company Secretary ensures that all board procedures are followed and that the board is informed of all legislative, regulatory and governance matters related to its operation. The Company Secretary is also responsible for ensuring the flow of information to, and within, the board and its committees. Agendas and supporting papers are circulated approximately one week prior to all meetings to allow sufficient time for digestion and reflection and to ensure informed debate and challenge at meetings. Where the directors, particularly any non-executive director, require further insight on any issue, the Company Secretary will facilitate the same from the business or relevant members of the senior management team. Members of senior management are also regularly invited to attend board meetings to present on specific projects and issues as required. In addition to the advice and services of the Company Secretary, which are available to all of the directors, a formal process exists for the directors to take independent professional advice, at the company's expense, where they conclude it necessary to discharge their responsibilities. The Company Secretary is responsible for the organisation and co-ordination of access to such advice.

The Company Secretary is also accountable for ensuring that an accurate record of all meetings of the board and its committees is taken. If a director had a concern about the running of the company or a proposed action which could not be resolved, this would be recorded in the minutes. Further, on resignation, should a director have any such concerns, they would be invited to provide the Chairman with a written statement for circulation to the board. No such statements were received during 2011. The appointment and removal of the Company Secretary is one of the matters reserved for the board.

Board committees

As mentioned above, the board governs through and has formally allotted specific responsibilities and duties to various committees. The Chairman is responsible for



ensuring the board committees have appropriate terms of reference, which are reviewed by the board against best practice on a regular basis. Full written terms of reference for the audit, nominations, remuneration and ethics committees can be found at amec.com/aboutus/culture/corporategovernance. The Chairman is also responsible for ensuring that the board committees are properly structured. All of the board's non-executive directors are members of each of the board committees. The board considers that this structure and consistency of membership contributes to the effectiveness of the committees, such that no one member is unduly relied upon and the benefit of each member's independence and external viewpoint is extended to their work. The secretary to each board committee ensures that a proper and timely record of all meetings is made and circulated to each member. The chairman of each board committee provides regular updates on its proceedings, as appropriate, to the board.

A diagram illustrating the board's governance structure is shown on the previous page. Details of each committee, including membership, duties and responsibilities, is set out on the following pages.

Audit committee

Chaired by Colin Day, its membership comprises all the non-executive directors. Colin has significant relevant and recent competence in auditing and accounting (see biography on page 41). The quorum for the committee is two members.

The audit committee monitors the integrity of AMEC's accounts, 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 reviews the company's internal financial controls and 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 to it and the audit representation letters and makes recommendations to the board. In 2009/2010, 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 level of service, fees and value being delivered and to make appropriate recommendations to the board.

In 2011, 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 2011, the fees paid to the company's auditor, Ernst & Young LLP and its associates, for non-audit work relating to taxation were £0.4 million (including a minimal amount for other work) (2010: £0.6 million, of which £0.5 million related to taxation and £0.1 million to other work).

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 Head of Internal Audit and the external auditors are both given the opportunity to discuss matters with the audit committee, without the executive directors being present. There were no matters raised in this context during the year. The audit committee has unrestricted access to company documents and meets with any other relevant member of staff, without the executive directors being present, as necessary.

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 2011, 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 Head of Internal Audit formally reports to the committee chairman.

Nominations committee

Chaired by John Connolly and comprising all the non-executive directors, it leads the process for identifying, and makes recommendations to the board concerning the appointment or termination 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 appointments to the board committees. The quorum for the committee is three members.

The committee regularly evaluates the structure, size and composition of the board, including the mix of skills, experience, independence and knowledge of the directors. In considering recommendations to the board, with regard to any changes considered necessary to maintain the appropriate balance of skills and experiences to progress the group's strategy, the committee is cognisant of the benefits of diversity, including but not limited to gender.

The committee also reviews board succession planning, in conjunction with reports from the Chief Executive and Group HR 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 2011, the committee, chaired by the Senior Independent Director, with the assistance of external search consultants, conducted the rigorous recruitment processes that led to the appointment of the Chairman.

Remuneration committee

Chaired by Tim Faithfull and comprising the Chairman and all the 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. The quorum for the committee is two members.

It considers and determines the individual remuneration packages and contracts for the Chief Executive, the 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.

Ethics committee

Chaired by Simon Thompson and comprising all the non-executive directors, the purpose of the committee is to assist the board in upholding AMEC's core value of integrity.

It reviews and monitors business ethics within AMEC, including compliance with relevant legislation, regulation and current best practice relating to such matters as the prevention of bribery and corruption, government contracting, competition and import/export restrictions, trade compliance and discrimination or inappropriate behaviour in the workplace. It also 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 with the support of the General Counsel. The committee may use internal resources and is also authorised to employ external consultants to carry out any such investigation.

Management committees

Corporate transactions

Members: Chief Executive (chair); Chief Financial Officer; Company Secretary; Strategic Development Director

Responsibilities: To consider and approve corporate purchase or sale transactions where the consideration or assumption of liabilities, as appropriate, is less than £5 million, and above this level to submit recommendations to the board for approval.

In addition to determine transaction guidelines, including the extent of any financial and commercial due diligence.

Risk

Members: Chief Executive (chair); Chief Financial Officer; Chief Operating Officer; Company Secretary; Strategic Development Director; Head of Risk Management and Insurance

Responsibilities: To perform an integral role in the governance of risk within AMEC. Helping the board fulfil its responsibility to determine the risk appetite of the group, and ensure the soundness of the risk management and internal control systems which support it. To keep under review, and make recommendations in respect of, the AMEC plc risk register and the potential impact of any issue on the risk appetite, and the risk profile, of the group. To report where necessary on key risk issues such as new business and geographical locations. Also to make recommendations on the insurance programme for the group.

Tender review

Members: Chief Executive (chair); Chief Financial Officer; Company Secretary; Head of Risk Management and Insurance

Responsibilities: Prior to submission, and upon any material change, to review and approve tenders and associated matters, outside of the delegated authority of the Chief Operating Officer and the clearance of any related open issues.

Pensions and retirement benefits

Members: Chief Financial Officer (chair); Chief Operating Officer; Group HR Director
Required attendee: Corporate Pensions Manager

Responsibilities: To review and recommend the establishment of any new or replacement pension arrangements; any significant amendments to existing pension schemes; and the discontinuance, winding up or merger of any existing arrangement. To agree with the trustees of those pension arrangements appropriate funding plans to secure the benefits promised.

Share allotment

Members: All directors; Company Secretary; Deputy Company Secretary (the chair to be appointed from those directors present)

Responsibilities: The allotment of new shares or issue of existing shares held in treasury (the current policy), including the exercise of options under the Savings Related Share Option Scheme.

Health, safety, security and environmental review

Members: Chief Executive (chair); Group HR Director; General Counsel

Responsibilities: To assist the board in fulfilling its responsibilities to oversee the company's management of risk in the areas of health, safety, security and the environment.

Internal control

The board is responsible for reviewing AMEC's systems of internal control. Their reviews cover the effectiveness and adequacy of financial, operational, compliance and risk management systems and are undertaken regularly. These systems can however only provide reasonable assurance against material misstatement or loss, as they are designed to manage rather than eliminate the risk of failure to achieve business objectives.

The board and its committees have an ongoing process, that is reviewed regularly by the board and accords with the Turnbull guidance, 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. This process has been in place for the year under review and up to the date of approval of this report. 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 21 to 23 and are incorporated into this report by reference.

The threats and opportunities associated with tender submissions are reviewed by commercial review boards at various levels in the group, in line with delegated authorities. The highest value tenders are, in addition, reviewed by the tender review committee. AMEC applies a set of contracting principles, under which the level of approval required is dependent on the contractual provision in question. The most significant issues in terms of risk require the approval of the tender review committee.

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

AMEC has interests in a number of joint ventures and joint arrangements where controls may not be reviewed as part of AMEC's formal corporate governance process because of the joint management responsibilities. Responsibility for such reviews rests with the joint venture boards and these are reviewed from time to time as part of AMEC's normal internal audit process. Details of significant joint ventures can be found on page 120.

Relations with shareholders

The executive directors and senior management undertake an extensive programme of meetings with institutional shareholders during each year. Events such as results presentations and other capital market events are webcast and made available on our website for those unable to attend in person.

Each year, the Chairman and Senior Independent Director write to all major shareholders, reminding them that they are available for meetings or telephone calls with them, as required. Jock Green-Armytage wrote such a letter in March 2011.

Soon after his appointment as Chairman, John Connolly met three of AMEC's most significant shareholders to understand more about their views on the company. In December 2011, he hosted a group lunch attended by a wider group of representatives from institutional shareholders. The Chairman also attends preliminary results presentations.

Ad-hoc requests from shareholders for meetings with members of the board are facilitated by the investor relations team. In 2011, these requests largely related either to the remuneration report prior to the 2011 annual general meeting, or the Chairman's appointment.

An in-depth perception study of investors' views is prepared each year by an independent third party and presented to the board. In 2011, this took place in January at a meeting also attended by the company's brokers. The board also receives unedited feedback reports following shareholder meetings and all material brokers' research notes on the company.

Directors' remuneration report

The purpose of this report is to show how the company determines the remuneration arrangements for executive directors and how this relates to the Vision 2015 growth strategy and the company's performance.

How we operate

The remuneration committee's membership comprises all the non-executive directors and the Chairman. Its 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 our Human Resources department and independently by New Bridge Street (NBS). The terms of engagement between the company and NBS are available from the Company Secretary. NBS does not undertake any material additional work for AMEC. NBS is 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 normally meets three times a year and has an established annual agenda of items that it considers at the various meetings, 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 ■ New LTI awards
June/August	■ Committee processes ■ Appointment of consultants ■ Incentive plan structures

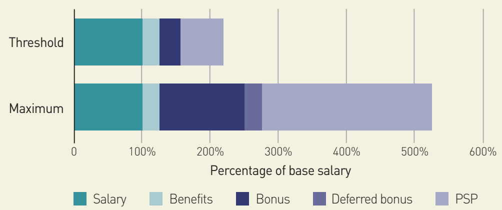
Remuneration structure and policy

Executive remuneration comprises four elements: base salary, benefits, annual bonus and long-term incentive (LTI). The committee's aim is to balance each of these elements so as to provide remuneration packages that are competitive in the markets in which the executives are based and which incentivise senior executives to achieve superior short-term performance while increasing the medium and long-term value of AMEC for its shareholders. We are particularly keen to encourage executives to build and retain a significant shareholding in AMEC.

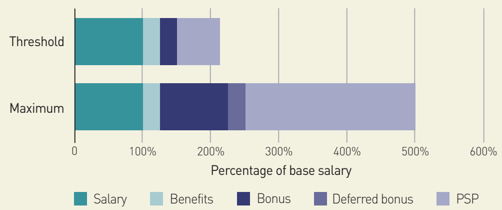
More specifically our approach is to:

- Review base salaries annually taking account of pay levels more broadly within the company and the market including a review of the mid-market practices of a relevant group of companies regarded as comparable by virtue of, amongst other factors, revenue, employee numbers, market capitalisation and/or geographic coverage
- Set annual bonus financial targets that provide an incentive to achieve and improve on the company's demanding short-range plan and which link to the achievement of the company's longer-term strategy. The threshold for the EBITA element is also normally set higher than the previous year's actual result. The structure of the annual bonus plan is described in more detail on page 58
- Make annual share-based awards that are subject to both absolute and comparative performance targets over a three-year period. A key element of this plan is that part of each year's award is dependent on the executives investing their own money in AMEC shares and holding these for the three-year period. The structure of the long-term incentive plan (Performance Share Plan – PSP) is described in more detail on pages 58 and 59
- Review overall remuneration levels and the balance between these elements to ensure that they are in line with competitive market practice as determined by external research. Our current approach is to have a higher weighting on long-term than annual incentives to support the focus on delivering our Vision 2015 growth strategy.

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 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 (see page 58) and 25 per cent vesting of the PSP award.



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



2011 performance and its reflection in pay levels

The company had another strong year with EBITA growing year on year by 12 per cent. The result was above the level that had been set for target bonus but below the target for maximum and hence also did not achieve the additional stretch for the deferred element. Cash flow was just above the threshold level. Achievement against strategic personal bonus targets was strong. This resulted in the following annual bonus payments to each of the three executive directors (expressed as percentage of base salary earned in the year):

	Max	Actual	2010
Samir Brikho	150	96	121
Ian McHoul	125	77	92
Neil Bruce	125	77	97

Three-year earnings per share growth (2011 versus 2008) on the basis used for the PSP was 64.0 per cent.

This exceeded the required growth of 45.5 per cent (10 per cent per annum plus RPI) for maximum payment for that element of the 2009 PSP awards. The second element is dependent on comparative Total Shareholder Return based on the average share price for the first quarter of each year. The outcome of this will not be known until April when the relevant portion of the shares will vest.

The table on page 63 shows the number of shares vesting during 2011 under both the PSP and the one-off Transformation Incentive Plan. However both of these awards vested on the basis of 2010 performance as explained in notes (ii) and (iii) to the table.

As set out in last year's remuneration report, the one-off Transformation Incentive Plan covered the period 2008 to 2010 and was designed to give additional impetus to the transformation of the company and to aid retention of selected top executives through this critical period. The main performance measure was 2010 operating margin. A full description of the plan and the outcome against the performance measures was included in last year's remuneration report. The plan is now ended and no further awards can be made under it.

Changes for 2012

The following annual salaries have been approved from 1 January 2012:

	From 1 Jan 2012 salary	From 1 Jan 2012 % increase	1 Jan 2011 % increase
Samir Brikho	£900,000	2.8	Nil
Ian McHoul	£500,000	2.7	Nil
Neil Bruce	£475,000	5.6	15.4

These increases are within the range of those awarded to AMEC UK-based employees generally. Awards to employees in other countries were generally higher with average increases by country ranging from 3 to 9 per cent. Neil Bruce's increase reflects his continuing development in the Group COO role to which he was appointed in the second half of 2010.

The methodology for the cash element of the annual bonus has been adjusted to provide additional focus on the conversion of profit to cash.

Annual bonus plan

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 and link to the achievement of our overall Vision 2015 objectives.

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, higher targets have to be met. In determining targets, the committee 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. Executive directors have an additional bonus opportunity for super-stretch EBITA performance, with any such additional bonus being deferred in AMEC shares for three years during which it is subject to forfeiture and claw-back. The additional bonus only begins to be earned for performance that exceeds the maximum target that applies to other executives below board level.

Cash flow is split into two elements, one based on profit to cash conversion for the year as a whole and one based on average year-to-date cash flow.

The breakdown of bonus potential (as a percentage of base salary) for each executive director at various performance levels is as follows:

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

*This element, introduced in 2011, is paid as shares deferred for three years during which it is subject to forfeiture and claw-back.

Performance Share Plan

Long-term incentives for the top management group are provided through the Performance Share Plan under which annual awards are made of shares that will vest after three years only to the extent that pre-determined performance targets are met. For awards from 2011 onwards, the number of shares vesting from these awards is increased to take account of reinvested dividends during the three-year performance period. Where awards are made in the form of nil cost options, participants have an eighteen-month period following vesting in which to exercise.

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 and matched two for one. If investment shares are withdrawn before the end of the performance period, the matching shares lapse. The policy for executive directors is 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 75 per cent of base salary. This latter assumes the maximum investment of 37.5 per cent of post-tax salary – participants may invest less than this and the matching award reduces accordingly. Awards are normally made in April.

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. Half of the basic part of the award is dependent on earnings per share and half on total shareholder return. The matching share part of the award is solely dependent on earnings per share.

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. The comparator group for the awards to be made in 2012 is set out on the next page.

	Country
Aker Solutions	Norway
AMEC	UK
Babcock Intl.	UK
Baker Hughes	US
Balfour Beatty	UK
Cameron Intl.	US
Carillion	UK
Chicago Bridge & Iron	US
Fluor	US
Foster Wheeler	US
Halliburton	US
IMI	UK
Jacobs	US
KBR	US
Melrose	UK
Petrofac	UK
Rotork	UK
Saipem	Italy
Schlumberger	US
Serco Group	UK
SNC-Lavalin Group	Canada
Spirax-Sarco	UK
Technip	France
URS	US
Weir Group	UK
Wood Group (John)	UK
Worley Parsons	Australia

Lists of the comparator companies for the 2008 awards that vested during the year and the awards made in 2009, 2010 and 2011 were disclosed in previous years' reports.

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. In line with the PSP awards granted in 2011, for the awards to be made in 2012, the real growth requirement for minimum vesting is 5 per cent per annum and for maximum vesting it is 12 per cent per annum. For the awards made in 2009 and 2010 the growth requirement is 3 to 10 per cent with, in the case of the 2010 awards, an underpin that 2012 earnings per share must be greater than 62 pence. The 2008 awards had a range of 45 to 53 pence for 2010 earnings per share.

The earnings per share figure is 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 also made under the Plan to a wider group of senior managers, with lower levels of face value. The application of performance conditions and matching criteria may also be varied for this group.

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

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 that provide options, without performance conditions, related to savings contracts with an aggregate limit of £250 savings per month.

Directors' share interests

The beneficial interests in the share capital of the company of the directors holding office as at 31 December 2011 were as follows:

	As at 31 December 2011	As at 31 December 2010
John Connolly	**35,000**	n/a
Samir Brikho	**1,609,508**	1,137,416
Ian McHoul	**223,834**	82,794
Neil Bruce	**105,152**	74,267
Neil Carson	**5,000**	-
Colin Day	**20,000**	10,000
Tim Faithfull	**10,000**	10,000
Simon Thompson	**4,744**	4,744

Except for interests under share option schemes and the Performance Share Plan, details of which are contained in this report, no director as at 31 December 2011 had any other interests, beneficial or otherwise, in the share capital of the company or any of its subsidiaries.

On 9 January 2012, John Connolly acquired 190 shares, which he elected to receive for part of his shareholding, in lieu of the interim dividend paid on 3 January 2012. There were no other changes in the directors' interests in the share capital of the company between 31 December 2011 and 21 February 2012. Up to date details of the interests and transactions of current directors are available on our website.

Share ownership guidelines

Guidelines are in place requiring executive directors and members of the Group Management team to build up over a three-year period and retain a holding of AMEC shares received from incentive plans or purchased by them. The level of targeted shareholding was increased during 2011 from 200 to 250 per cent of base salary for executive directors and from 100 to 125 per cent of base salary for other senior executives. Executives have until the end of 2013 to build up to the higher target. Based on the average share price and salaries during December 2011, the shareholdings shown above represented the following percentages of base salary:

Samir Brikho	1,660 per cent
Ian McHoul	415 per cent
Neil Bruce	211 per cent

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 that 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 £141,250 for the 2011/12 tax year (£149,000 for 2012/13). 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.

Samir 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. Neil 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. Ian 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 the loss. Executive directors are required to give six months' notice of resignation. This policy is followed for all current executive directors.

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 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. Ian 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. Samir Brikho and Neil Bruce each hold one external directorship with a charity for which they receive no remuneration.

Samir Brikho's role as a member of the Advisory Board of Stena AB is not a non-executive directorship. He received fees of CHF60,000 during the year in relation to this appointment.

Chairman

The remuneration committee is responsible for determining the remuneration and other terms of appointment of the Chairman of the board. John Connolly receives an annual fee of £300,000 which is due to be reviewed on 1 January 2013. He does not participate in any AMEC benefit schemes or incentive schemes. His engagement may be terminated on six months' notice on either side. The previous Chairman, Jock Green-Armytage, retired in May 2011, and was paid until the end of the second quarter.

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 2012 and increased by an average 2.8 per cent. The current base fee is £55,500 per annum. There is an additional fee of £8,350 per annum paid to the Senior Independent Director. Additional fees are paid for chairing committees of the board as follows:

Audit committee	£13,500
Remuneration committee	£8,350
Ethics committee	£5,550

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 2011 have fixed-term contracts that run until the dates set out below:

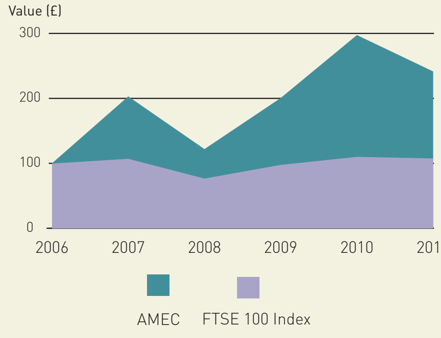
	Date of contract	Service review date
Tim Faithfull	10 February 2005	2014 AGM
Simon Thompson	21 January 2009	2012 AGM
Neil Carson	31 August 2010	2014 AGM
Colin Day	14 October 2010	2014 AGM

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. However, our practice is that all directors 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. 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 2011, of £100 invested in AMEC plc on 31 December 2006 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year-ends.



Directors' remuneration and related matters

The auditors are required to report on the following information on pages 62 to 64 of the directors' remuneration report. Individual aspects of remuneration were as follows:

	Salary/fee £000	Pension supplement(i) £000	Other benefits(ii) £000	Bonus £000	2011 Total £000	2010 Total £000
Executive						
Samir Brikho	**875**	**147**	**45**	**839**	**1,906**	2,127
Ian McHoul	**487**	**97**	**14**	**374**	**972**	1,046
Neil Bruce	**450**	**62**	**43**	**346**	**901**	808
Non-executive						
John Connolly (from June 2011)	**175**	**–**	**–**	**–**	**175**	–
Jock Green-Armytage (to May 2011)	**123**	**–**	**–**	**–**	**123**	245
Tim Faithfull	**70**	**–**	**–**	**–**	**70**	68
Simon Thompson	**59**	**–**	**–**	**–**	**59**	56
Neil Carson (from Aug 2010)	**54**	**–**	**–**	**–**	**54**	18
Colin Day (from Oct 2010)	**66**	**–**	**–**	**–**	**66**	11
Peter Byrom (to Feb 2011)	**17**	**–**	**–**	**–**	**17**	66
Martha Hesse (to May 2010)	**–**	**–**	**–**	**–**	**–**	22
Total board	**2,376**	**306**	**102**	**1,559**	**4,343**	4,467

Notes

(i) Samir Brikho and Neil Bruce received a taxable supplement of 20 per cent of salary above the pension earnings cap. Ian 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. In the case of Neil Bruce, it also included an accommodation allowance paid in lieu of claiming expenses.

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 2011 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 2011 Number	End of restricted period
Samir Brikho	PSP	208,912	-	Apr 2008	718.00	174,441	34,471	–	Mar 2011
	TIP	546,780	-	May 2008	890.00	426,488	120,292	–	May 2011
	PSP	318,300	-	Apr 2009	534.08	-	-	318,300	Mar 2012
	PSP	219,148	-	Apr 2010	799.00	-	-	219,148	Mar 2013
	PSP	-	146,893	Apr 2011	1192.00	-	-	146,893	Mar 2014
	PSP	-	37,802	June 2011	1158.00	-	-	37,802	Mar 2014
Ian McHoul	PSP	120,643	-	Sept 2008	746.00	100,736	19,907	–	Sept 2011
	TIP	205,360	-	Sept 2008	636.50	160,181	45,179	–	Sept 2011
	PSP	176,937	-	Apr 2009	534.08	-	-	176,937	Mar 2012
	PSP	121,819	-	Apr 2010	799.00	-	-	121,819	Mar 2013
	PSP	-	81,655	Apr 2011	1192.00	-	-	81,655	Mar 2014
	PSP	-	21,012	June 2011	1158.00	-	-	21,012	Mar 2014
Neil Bruce	PSP	74,371	-	Apr 2008	718.00	62,099	12,272	–	Mar 2011
	TIP	129,768	-	May 2008	890.00	101,219	28,549	–	May 2011
	PSP	108,595	-	Apr 2009	534.08	-	-	108,595	Mar 2012
	PSP	85,104	-	Apr 2010	799.00	-	-	85,104	Mar 2013
	PSP	-	75,501	Apr 2011	1192.00	-	-	75,501	Mar 2014
	PSP	-	19,430	June 2011	1158.00	-	-	19,430	Mar 2014

Notes

(i) The terms and conditions of the above awards have not been varied during the year.

(ii) For the PSP awards made in 2008, AMEC met the performance condition for maximum vesting of the portion dependant on earnings per share growth from 2007 to 2010 (actual adjusted EPS of 65.5 pence versus a target of 53 pence) and for 67 per cent vesting of the portion dependant on total shareholder return (ranking 10th out of 26). The share prices at the dates of vesting were 1192.0 pence for Samir Brikho and Neil Bruce and 899.0 pence for Ian McHoul.

(iii) As reported last year, the achievement against the 2010 margin based performance condition for the TIP awards resulted in 78 per cent vesting. The vesting dates for awards under the TIP were three years from the dates the individuals lodged their investment shares and hence did not occur until 2011. The share prices at the respective dates of vesting were Samir Brikho 1175.0 pence, Neil Bruce 1154.0 pence and Ian McHoul 896.5 pence.

(iv) The award made in June 2011 was a top-up to the award made in April, following shareholder approval at the AGM and the lodging of additional investment shares by the individual, and is subject to the same performance conditions and period.

(v) The dividends which accrue on the PSP awards from 2011 onwards have increased the number of shares under the 2011 awards by 1.7 per cent at 31 December 2011. These will be awarded to the extent that the three-year performance targets are met.

(vi) The closing price of the shares at 30 December 2011, the last trading day before year end, was 907.5 pence (2010: 1150.0 pence). Had the outstanding restricted shares detailed above vested in full, including the dividend accrual on the awards from 2011 onwards, on that date the approximate latent value before appropriate taxes for each of the current directors would have been: Samir Brikho £6,582,000, Neil Bruce £2,634,000 and Ian McHoul £3,660,000. These hypothetical figures assume that all relevant performance conditions would have been fully met, which in practice may not transpire.

(vii) The range of the closing prices for the shares during the year was 740.5 pence to 1251.0 pence.

(viii) 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 2011 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	As at 31 December 2011 Number	Option price Pence	Market price on date of exercise Pence	Exercise period for options outstanding on 31 December 2011
Samir Brikho	Dec 2007	1,624	–	1,624	–	–	591.00	1129.00	–
	Oct 2011	–	1,335	–	–	1,335	674.00	–	Jan – June 2015
Ian 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 2011 £000	Value of net increase in accrual over period £000	Total change in value during period £000	Value of accrued pension at 31 December 2011 £000	Value of accrued pension at 31 December 2010 £000
Samir Brikho	**5**	**4**	**24**	**75**	**177**	**528**	336
Neil Bruce	**5**	**2**	**44**	**30**	**249**	**941**	676

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.

Tim Faithfull
Chairman, remuneration committee
On behalf of the board

21 February 2012

Consolidated income statement

For the year ended 31 December 2011

	Note	2011 Before amortisation, impairment and exceptional items £ million	2011 Amortisation, impairment and exceptional items (note 5) £ million	2011 Total £ million	2010 Before amortisation, impairment and exceptional items (restated) £ million	2010 Amortisation, impairment and exceptional items (note 5) (restated) £ million	2010 Total (restated) £ million
Continuing operations							
Revenue	2 & 3	**3,261**	**–**	**3,261**	2,951	–	2,951
Cost of sales		**(2,779)**	**–**	**(2,779)**	(2,499)	–	(2,499)
Gross profit		**482**	**–**	**482**	452	–	452
Administrative expenses		**(209)**	**(47)**	**(256)**	(207)	(33)	(240)
Profit on business disposals and closures		**–**	**2**	**2**	–	19	19
Profit/(loss) before net financing income	4	**273**	**(45)**	**228**	245	(14)	231
Financial income		**18**	**–**	**18**	18	–	18
Financial expense		**(2)**	**–**	**(2)**	(3)	–	(3)
Net financing income	7	**16**	**–**	**16**	15	–	15
Share of post-tax results of joint ventures	2	**15**	**–**	**15**	13	–	13
Profit/(loss) before income tax	2	**304**	**(45)**	**259**	273	(14)	259
Income tax	8	**(69)**	**17**	**(52)**	(66)	43	(23)
Profit/(loss) for the year from continuing operations		**235**	**(28)**	**207**	207	29	236
Profit/(loss) for the year from discontinued operations	9	**–**	**25**	**25**	(4)	(2)	(6)
Profit/(loss) for the year		**235**	**(3)**	**232**	203	27	230
Attributable to:							
Equity holders of the parent				**232**			231
Non-controlling interests				**–**			(1)
				232			230
Basic earnings/(loss) per share:	10						
Continuing operations		**71.9p**		**63.3p**	64.0p		73.0p
Discontinued operations		**–**		**7.5p**	(1.3)p		(2.1)p
		71.9p		**70.8p**	62.7p		70.9p
Diluted earnings/(loss) per share:	10						
Continuing operations		**70.5p**		**61.9p**	62.5p		71.3p
Discontinued operations		**–**		**7.4p**	(1.3)p		(2.0)p
		70.5p		**69.3p**	61.2p		69.3p

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £ million	2010 £ million
Profit for the year		**232**	230
Actuarial (losses)/gains on defined benefit pension schemes	14	**(71)**	21
Tax on actuarial (losses)/gains		**23**	(7)
Exchange movements:			
On translation of foreign subsidiaries		**–**	70
Net gain/(loss) on hedges of net investment in foreign subsidiaries	19	**4**	(11)
Tax on exchange movements		**–**	1
Cumulative exchange movements recognised in profit on disposal		**–**	(6)
Cash flow hedges:			
Effective portion of changes in fair value		**–**	1
Transferred to the income statement	19	**–**	1
Tax on effective portion of changes in fair value of cash flow hedges		**–**	(1)
Other comprehensive income		**(44)**	69
Total comprehensive income		**188**	299
Attributable to:			
Equity holders of the parent		**188**	300
Non-controlling interests		**–**	(1)
Total comprehensive income		**188**	299

Consolidated balance sheet

As at 31 December 2011

	Note	2011 £ million	2010 £ million
ASSETS			
Non-current assets			
Property, plant and equipment	11	**35**	32
Intangible assets	12	**848**	621
Interests in joint ventures	13	**41**	43
Derivative financial instruments	19	**–**	1
Retirement benefit assets	14	**32**	63
Other receivables	20	**23**	–
Deferred tax assets	15	**72**	60
Total non-current assets		**1,051**	820
Current assets			
Inventories	16	**4**	1
Trade and other receivables	17	**844**	697
Derivative financial instruments	19	**4**	1
Current tax receivable		**31**	4
Bank deposits (more than three months)	23	**28**	196
Cash and cash equivalents	23	**493**	544
Total current assets		**1,404**	1,443
Total assets		**2,455**	2,263
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(758)**	(685)
Derivative financial instruments	19	**(15)**	(27)
Current tax payable		**(55)**	(34)
Total current liabilities		**(828)**	(746)
Non-current liabilities			
Trade and other payables	20	**–**	(7)
Derivative financial instruments	19	**(3)**	(12)
Retirement benefit liabilities	14	**(81)**	(36)
Provisions	21	**(169)**	(187)
Total non-current liabilities		**(253)**	(242)
Total liabilities		**(1,081)**	(988)
Net assets		**1,374**	1,275
EQUITY			
Share capital	22	**169**	169
Share premium account	22	**101**	101
Hedging and translation reserves	22	**131**	127
Capital redemption reserve	22	**17**	17
Retained earnings	22	**955**	858
Total equity attributable to equity holders of the parent		**1,373**	1,272
Non-controlling interests		**1**	3
Total equity		**1,374**	1,275

The accounts on pages 65 to 110 were approved by the board of directors on 21 February 2012 and were signed on its behalf by:

Samir Brikho, Chief Executive

Ian McHoul, Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2011

	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 2011	169	101	(4)	131	17	858	**1,272**	3	**1,275**
Profit for the year	–	–	–	–	–	232	**232**	–	**232**
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(71)	**(71)**	–	**(71)**
Tax on actuarial losses	–	–	–	–	–	23	**23**	–	**23**
Net gain on hedges of net investment in foreign subsidiaries	–	–	–	4	–	–	**4**	–	**4**
Other comprehensive income for the year	–	–	–	4	–	(48)	**(44)**	–	**(44)**
Total comprehensive income for the year	–	–	–	4	–	184	**188**	–	**188**
Dividends	–	–	–	–	–	(86)	**(86)**	–	**(86)**
Equity-settled share based payments	–	–	–	–	–	11	**11**	–	**11**
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	–	–	(11)	**(11)**	–	**(11)**
Utilisation of treasury shares	–	–	–	–	–	11	**11**	–	**11**
Acquisition of treasury shares	–	–	–	–	–	(12)	**(12)**	–	**(12)**
Business disposal	–	–	–	–	–	–	**–**	(2)	**(2)**
As at 31 December 2011	**169**	**101**	**(4)**	**135**	**17**	**955**	**1,373**	**1**	**1,374**

Consolidated statement of changes in equity continued

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	101	(5)	77	17	663	**1,022**	3	**1,025**
Profit/(loss) for the year	–	–	–	–	–	231	**231**	(1)	**230**
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	21	**21**	–	**21**
Tax on actuarial gains	–	–	–	–	–	(7)	**(7)**	–	**(7)**
Exchange movements on translation of foreign subsidiaries	–	–	–	70	–	–	**70**	–	**70**
Net loss on hedges of net investment in foreign subsidiaries	–	–	–	(11)	–	–	**(11)**	–	**(11)**
Tax on exchange movements	–	–	–	1	–	–	**1**	–	**1**
Cumulative exchange movements recognised in profit on disposal	–	–	–	(6)	–	–	**(6)**	–	**(6)**
Effective portion of changes in fair value of cash flow hedges	–	–	1	–	–	–	**1**	–	**1**
Transferred to the income statement	–	–	1	–	–	–	**1**	–	**1**
Tax on effective portion of changes in fair value of cash flow hedges	–	–	(1)	–	–	–	**(1)**	–	**(1)**
Other comprehensive income for the year	–	–	1	54	–	14	**69**	–	**69**
Total comprehensive income for the year	–	–	1	54	–	245	**300**	(1)	**299**
Dividends	–	–	–	–	–	(58)	**(58)**	–	**(58)**
Shares issued	–	–	–	–	–	–	**–**	1	**1**
Equity-settled share based payments	–	–	–	–	–	14	**14**	–	**14**
Tax on equity–settled share based payments	–	–	–	–	–	5	**5**	–	**5**
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	–	–	(5)	**(5)**	–	**(5)**
Utilisation of treasury shares	–	–	–	–	–	2	**2**	–	**2**
Acquisition of treasury shares	–	–	–	–	–	(8)	**(8)**	–	**(8)**
As at 31 December 2010	**169**	**101**	**(4)**	**131**	**17**	**858**	**1,272**	**3**	**1,275**

Consolidated cash flow statement

For the year ended 31 December 2011

	Note	2011 £ million	2010 (restated) £ million
Cash flow from operating activities			
Profit before income tax from continuing operations		**259**	259
Loss before income tax from discontinued operations	9	**(2)**	(18)
Profit before income tax		**257**	241
Financial income		**(18)**	(18)
Financial expense		**2**	3
Share of post-tax results of joint ventures		**(15)**	(13)
Intangible amortisation and goodwill impairment		**39**	25
Depreciation		**10**	12
Loss/(profit) on disposal of businesses		**2**	(4)
Difference between contributions to retirement benefit schemes and current service cost		**(7)**	(3)
Equity settled share-based payments		**11**	14
		281	257
Increase in inventories		**(3)**	(1)
Increase in trade and other receivables		**(62)**	(165)
(Decrease)/increase in trade and other payables and provisions		**(7)**	81
Cash generated from operations		**209**	172
Tax paid		**(36)**	(38)
Net cash flow from operating activities		**173**	134
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		**(254)**	(94)
Funding of joint ventures		**(12)**	(16)
Purchase of property, plant and equipment		**(12)**	(6)
Purchase of intangible assets		**(11)**	(7)
Movements in short-term bank deposits		**168**	(66)
Disposal of businesses (net of cash disposed of)		**(9)**	12
Disposal of property, plant and equipment		**1**	1
Interest received		**6**	6
Dividends received from joint ventures		**17**	17
Amounts paid on maturity of net investment hedges		**(20)**	–
Net cash flow from investing activities		**(126)**	(153)
Net cash flow before financing activities		**47**	(19)
Cash flow from financing activities			
Dividends paid		**(86)**	(58)
Acquisition of treasury shares (net)		**(1)**	(6)
Acquisition of shares by trustees of the Performance Share Plan		**(11)**	(5)
Net cash flow from financing activities		**(98)**	(69)
Decrease in cash and cash equivalents		**(51)**	(88)
Cash and cash equivalents as at the beginning of the year		**544**	612
Exchange gains on cash and cash equivalents		**–**	20
Cash and cash equivalents as at the end of the year	23	**493**	544
Cash and cash equivalents consist of:			
Cash at bank and in hand		**130**	177
Bank deposits (less than three months)		**363**	367
Cash and cash equivalents as at the end of the year	23	**493**	544
Bank deposits (more than three months)		**28**	196
Net cash as at the end of the year		**521**	740

Notes to the consolidated accounts

1 Significant accounting policies

AMEC plc is a public limited company, which is listed on the London Stock Exchange and incorporated and 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 2011 ('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 113 to 118.

Accounting standards adopted in the year

There are no IFRS or IFRIC interpretations effective for the first time this financial year that have had a material impact on the group.

New standards, amendments and interpretations issued but not effective which have not been early adopted by the group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's annual accounting periods beginning on or after 1 January 2012 or later periods. The group has elected not to adopt early the standards described below:

IAS 19, 'Employee benefits' was amended in June 2011 and is effective for periods commencing 1 January 2013. The impact on the group will be to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and is effective for periods commencing 1 January 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess and is effective for periods commencing 1 January 2013.

IFRS 11, 'Joint arrangements' replaces IAS 31 'Interests in Joint Ventures' and is effective for periods commencing 1 January 2013. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is effective for periods commencing 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. It is effective for periods commencing 1 January 2013.

Restatements

The accounts for the year ended 31 December 2010 have been restated to present the results rounded to the nearest million rather than to one decimal place. Following this change in presentation, all calculated numbers, for example earnings per share, continue to be calculated on the underlying numbers to one decimal place precision.

The consolidated income statement for the year ended 31 December 2010 has been restated to present pension financing income within net financing income rather than within administrative expenses. The purpose of this restatement is to report the results of financing the pension schemes within net financing income. The impact of this restatement is an increase in administrative expenses of £7 million for the year ended 31 December 2010. Net financing income has increased by the same amount. The restatement has no impact on the group's reported profit.

The segmental analysis of the results for the year ended 31 December 2010 has been restated, in line with the group's internal reporting structure, to present the UK asset support business within the Natural Resources division rather than the Power & Process division. In addition, the segmental analysis has also been restated to include net financing income of equity accounted joint ventures within net financing income not EBITA.

1 Significant accounting policies continued

The net impact of the above restatements is to increase revenue and EBITA of the Natural Resources division by £82 million and £4 million respectively for the year ended 31 December 2010. Revenue and EBITA of the Power & Process division has reduced by £82 million and £10 million respectively. In addition, EBITA of the Investments and other activities segment and net financing income have both increased by £3 million.

Basis of preparation

The accounts are presented in Sterling, rounded to the nearest million. 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.

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 'Construction Contracts' 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, 'Non-current Assets Held for Sale and Discontinued Operations' 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 2011 the group held net cash of £521 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.

1 Significant accounting policies continued

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 and are based primarily on credit ratings set by Moody's, Standard & Poor's and Fitch. Credit ratings are monitored continuously by the group treasury department.

Accounting policies

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 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 part of a plan to run down a line of business. An operation is classified as a discontinued operation in the year that the above criteria are met.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Certain legacy settlements and relevant provision adjustments are allocated to discontinued operations when appropriate.

1 Significant accounting policies continued

Dividend income

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

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 in other comprehensive income in the year in which they arise.

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 in other comprehensive income and accumulated within 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. 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.

Foreign currencies

The group's consolidated accounts are presented in Sterling, which is also the parent company's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. An entity's functional currency reflects the underlying transactions, events and conditions that are relevant to it.

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 the functional currency at the rates of exchange ruling at the balance sheet date and any foreign exchange differences arising are recognised in the income statement except those arising on intra-group balances settlement of which is neither planned nor probable to occur which are recognised in other comprehensive income. 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

1 Significant accounting policies continued

using a monthly average exchange rate. The net assets of such entities are translated into Sterling at the closing exchange rate.

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.

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 2011 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, pension financing income, 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.

1 Significant accounting policies continued

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.

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. These possible but not probable liabilities are disclosed in note 26 as contingent liabilities.

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.

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: Natural Resources, Power & Process and Environment & Infrastructure, that offer consultancy, engineering and project management services to customers in the world's oil and gas, minerals and metals, clean energy, and environment and infrastructure markets. Each of the divisions is considered to be a reportable segment. Following the acquisition of MACTEC, the Earth & Environmental division has been rebranded to Environment & Infrastructure to better reflect the services and scope of the current business and its global growth strategy. 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 being commissioned and AMEC's remaining UK wind development 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 27 to 37.

Revenue and results

	Revenue		Profit/(loss)	
	2011 £ million	2010 (restated) £ million	**2011 £ million**	2010 (restated) £ million
Class of business:				
Natural Resources	**1,742**	1,603	**192**	179
Power & Process	**849**	802	**72**	65
Environment & Infrastructure	**722**	593	**66**	55
Investments and other activities	**7**	7	**3**	6
	3,320	3,005	**333**	305
Internal revenue	**(59)**	(54)	**–**	–
External revenue	**3,261**	2,951	**–**	–
Corporate costs[1]			**(34)**	(36)
EBITA[2]			**299**	269
Net financing income[3]			**12**	11
Adjusted profit before tax			**311**	280
Tax on results of joint ventures[4]			**(7)**	(7)
			304	273
Intangible amortisation and goodwill impairment			**(39)**	(25)
Exceptional items			**(6)**	11
Profit before income tax			**259**	259

Notes

1 Corporate costs comprise the costs of operating central corporate functions and certain regional overheads.
2 EBITA is earnings from continuing operations before net financing income, tax, intangible amortisation and goodwill impairment and pre-tax exceptional items of £273 million (2010: £245 million), but including joint venture EBIT of £26 million (2010: £24 million).
3 Net financing income includes AMEC's share of net interest payable of joint ventures.
4 The share of post-tax results of joint ventures is further analysed as follows:

	2011 £ million	2010 £ million
EBIT	**26**	24
Net financing income	**(4)**	(4)
Tax	**(7)**	(7)
	15	13

2 Segmental analysis of continuing operations continued

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

	2011 £ million	2010 £ million
Natural Resources	**21**	23
Power & Process	**16**	9
Environment & Infrastructure	**22**	20
Investments and other activities	**–**	2
	59	54

Other information

	Share of post-tax results of joint ventures		Depreciation		Intangible amortisation and goodwill impairment	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Class of business:						
Natural Resources	**1**	–	**3**	5	**19**	11
Power & Process	**16**	12	**3**	4	**1**	4
Environment & Infrastructure	**–**	–	**4**	3	**19**	10
Investments and other activities	**(2)**	1	**–**	–	**–**	–
	15	13	**10**	12	**39**	25

	Interests in joint ventures		Capital expenditure: Property, plant and equipment		Capital expenditure: Intangible assets	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Class of business:						
Natural Resources	**16**	17	**4**	2	**6**	2
Power & Process	**8**	7	**2**	1	**4**	2
Environment & Infrastructure	**–**	–	**6**	3	**4**	3
Investments and other activities	**17**	19	**–**	–	**–**	–
	41	43	**12**	6	**14**	7

Geographical origin

	Revenue		Non-current assets	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
United Kingdom	**976**	852	**173**	136
Canada	**929**	1,087	**222**	231
United States	**844**	604	**313**	99
Rest of the world	**512**	408	**239**	230
	3,261	2,951	**947**	696

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

3 Revenue

	2011 £ million	2010 £ million
Construction contracts	**399**	325
Services	**2,862**	2,626
	3,261	2,951

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

	2011 £ million	2010 £ million
Depreciation of property, plant and equipment	**10**	12
Minimum payments under operating leases	**79**	68

There are no material receipts from subleases.

	2011 £ million	2010 £ 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	**1.0**	0.9
Other services relating to taxation	**0.4**	0.5
All other services	**–**	0.1
	1.7	1.8

5 Amortisation, impairment and exceptional items

	2011 £ million	2010 £ million
Continuing operations:		
Administrative expenses – exceptional items	**(8)**	(8)
Administrative expenses – intangible amortisation and goodwill impairment	**(39)**	(25)
	(47)	(33)
Profit on business disposals and closures	**2**	19
	(45)	(14)
Taxation credit on exceptional items of continuing operations	**6**	36
Taxation credit on intangible amortisation and goodwill impairment	**11**	7
	17	43
Post-tax amortisation, impairment and exceptional items of continuing operations	**(28)**	29
Exceptional items of discontinued operations (post–tax)	**25**	(2)
Post–tax amortisation, impairment and exceptional items	**(3)**	27

Post-tax exceptional profits for 2011 are further analysed as follows:

2011	Profit/(loss) on disposals £ million	Profit in respect of business closures £ million	Profit/(loss) on business disposals and closures £ million	Other exceptional items £ million	Total £ million
Continuing operations	**–**	**2**	**2**	**(8)**	**(6)**
Discontinued operations	**(2)**	**–**	**(2)**	**–**	**(2)**
(Loss)/profit before tax	**(2)**	**2**	**–**	**(8)**	**(8)**
Tax	**27**	**1**	**28**	**5**	**33**
Profit/(loss) after tax	**25**	**3**	**28**	**(3)**	**25**

Adjustments to provisions held in respect of businesses sold in prior years, including the release of a tax provision relating to the disposal of AMEC's Built Environment businesses in 2007, resulted in a post-tax profit on disposal and closures of £28 million.

Other exceptional losses of £8 million include IFRS 3 acquisition, transaction and deferred compensation costs along with the costs of exiting the group's activities in Libya and restructuring costs in the Environment & Infrastructure segment following the acquisition of MACTEC. Transaction costs of £3 million have been incurred in the year.

Post-tax exceptional profits for 2010 are further analysed as follows:

2010	Profit/(loss) on disposals £ million	Profit in respect of business closures £ million	Profit/(loss) on business disposals and closures £ million	Other exceptional items £ million	Total £ million
Continuing operations	13	6	19	(8)	11
Discontinued operations	(9)	–	(9)	(5)	(14)
Profit/(loss) before tax	4	6	10	(13)	(3)
Tax	45	–	45	3	48
Profit/(loss) after tax	49	6	55	(10)	45

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 million. The tax credit of £45 million in respect of profit on disposals includes the release of a provision of £36 million relating to the disposal of AMEC's UK Wind Developments business in 2008 and results in a post-tax profit on disposals and closures of £55 million in the year.

Other exceptional losses of £13 million include transaction costs of £4 million, elements of deferred consideration on acquisitions of £4 million, and certain legacy settlements of £6 million.

6 Staff costs and employee numbers – continuing operations

	2011 £ million	2010 £ million
Wages and salaries	**1,269**	1,100
Social security costs	**83**	70
Equity settled share-based payments (note 22)	**11**	14
Contributions to defined contribution schemes	**30**	26
Defined benefit pension scheme expense (note 14)	**12**	12
	1,405	1,222

The average number of people employed was as follows:	2011 number	2010 number
Natural Resources	**8,931**	7,532
Power & Process	**6,086**	6,460
Environment & Infrastructure	**6,199**	4,412
Investments and other activities	**206**	206
	21,422	18,610

Details of directors' remuneration are provided in the directors' remuneration report on pages 56 to 64.

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

7 Net financing income – continuing operations

	2011 £ million	2010 £ million
Financial income:		
Interest income on bank deposits	**4**	6
Other interest and similar income	**2**	–
Pension financing income	**9**	7
Foreign exchange gains	**3**	5
	18	18
Financial expense:		
Unwind of discount on deferred consideration	**–**	(1)
Foreign exchange losses	**(2)**	(2)
	(2)	(3)
Net financing income	**16**	15

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

	2011 £ million	2010 £ million
Total interest income on financial assets	**6**	6

8 Income tax – continuing operations

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

	2011 £ million	2010 £ million
Income tax expense on continuing operations before exceptionals, intangible amortisation and goodwill impairment	**69**	66
Income tax credit on intangible amortisation	**(11)**	(7)
Income tax credit in respect of exceptional items	**(6)**	(36)
Total income tax expense from continuing operations in the income statement	**52**	23

	2011 £ million	2010 £ million
Current tax:		
UK corporation tax at 26.5 per cent (2010: 28.0 per cent)	**12**	18
Double tax relief	**(2)**	–
Overseas tax	**47**	48
Adjustments in respect of prior years	**(2)**	(48)
	55	18
Deferred tax:		
UK deferred tax at 25.0 per cent (2010: 27.0 per cent), pension surplus at 35.0 per cent (2010: 35.0 per cent) – origination and reversal of temporary differences	**11**	5
Overseas deferred tax	**(11)**	–
Adjustments in respect of prior years	**(3)**	–
	(3)	5
Total income tax expense for continuing operations	**52**	23

On 23 March 2011, in his Budget Speech, the UK Chancellor of the Exchequer announced a reduction in the rate of Corporation Tax from 28 per cent to 26 per cent from 1 April 2011, with further reductions of 1 per cent per annum to 23 per cent by 1 April 2014. As at 31 December 2011, the reduction in the rate to 25 per cent on 1 April 2012 has been substantively enacted.

The change in deferred tax has resulted in a reduction in deferred tax liabilities of £2 million which has been recognised in the income statement. 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 25 per cent to 23 per cent would reduce the balance sheet deferred tax asset by approximately £1 million and would reduce unrecognised deferred tax assets by approximately £1 million. During the period to 2014, AMEC estimate that the effect of the proposed changes to income and equity would be a charge of £1 million to the income statement.

8 Income tax – continuing operations continued

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

	2011 £ million	2010 £ million
Profit before income tax from continuing operations	**259**	259
Expected income tax expense	**69**	72
Non-deductible expenses – pre-exceptional	**6**	4
Non-deductible expenses – exceptional	**2**	1
Non-taxable income – pre-exceptional	**(8)**	(8)
Non-taxable income – exceptional	**(4)**	(4)
Impact of providing deferred tax on pension surplus at 35.0 per cent (2010: 35.0 per cent)	**1**	1
Impact of change in UK tax rate to 25.0 per cent (2010: 27.0 per cent) on deferred tax	**2**	2
Overseas income and expenses taxed at rates other than 26.5 per cent (2010: 28.0 per cent)	**3**	9
Change in recognition of deferred tax assets	**(9)**	(2)
Utilisation of current year tax losses	**(1)**	–
Adjustments in respect of prior years – release of tax provision on disposal of business	**–**	(36)
Other adjustments in respect of prior years	**(5)**	(12)
Effects of results of joint ventures	**(4)**	(4)
Total income tax expense for the year for continuing operations	**52**	23

	2011 £ million	2010 £ million
Tax recognised directly in equity:		
Current tax	**(3)**	(2)
Deferred tax (note 15)	**(20)**	4
Tax (credit)/charge recognised directly in equity	**(23)**	2

9 Profit/(loss) for the year from discontinued operations

Discontinued operations represent the residual assets and retained obligations in respect of businesses sold in prior years.

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:

	2011 £ million	2010 £ million
Cost of sales and net operating expenses	**–**	(4)
Loss before exceptional items and income tax	**–**	(4)
Loss on disposal	**(2)**	(9)
Attributable tax on loss on disposal	**3**	10
Adjustments in respect of prior years – release of tax provision on disposal of business	**24**	–
Other exceptional items	**–**	(5)
Attributable tax on exceptional items	**–**	2
Profit/(loss) for the year from discontinued operations	**25**	(6)

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.

	2011			2010		
	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	**207**	**327**	**63.3**	237	326	73.0
Share options	**–**	**3**	**(0.6)**	–	2	(0.5)
Employee share and incentive schemes	**–**	**4**	**(0.8)**	–	5	(1.2)
Diluted earnings from continuing operations	**207**	**334**	**61.9**	237	333	71.3
Basic earnings/(loss) from discontinued operations	**25**	**327**	**7.5**	(6)	326	(2.1)
Share options	**–**	**3**	**–**	–	2	0.1
Employee share and incentive schemes	**–**	**4**	**(0.1)**	–	5	–
Diluted earnings/(loss) from discontinued operations	**25**	**334**	**7.4**	(6)	333	(2.0)

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

	2011 £ million	2010 £ million
Profit for the year from continuing operations	**207**	236
Loss attributable to non-controlling interests	**–**	1
Basic and diluted profit from continuing operations	**207**	237

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.

	2011			2010		
	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	**207**	**327**	**63.3**	237	326	73.0
Exceptional items (post-tax)	**–**	**–**	**0.2**	(47)	–	(14.4)
Amortisation and impairment (post-tax)	**28**	**–**	**8.4**	18	–	5.4
Basic earnings from continuing operations before amortisation, impairment and exceptional items	**235**	**327**	**71.9**	208	326	64.0
Share options	**–**	**3**	**(0.6)**	–	2	(0.4)
Employee share and incentive schemes	**–**	**4**	**(0.8)**	–	5	(1.1)
Diluted earnings from continuing operations before amortisation, impairment and exceptional items	**235**	**334**	**70.5**	208	333	62.5
Basic earnings from discontinued operations	**25**	**327**	**7.5**	(6)	326	(2.1)
Exceptional items (post-tax)	**(25)**	**–**	**(7.5)**	2	–	0.8
Basic earnings from discontinued operations before amortisation, impairment and exceptional items	**–**	**327**	**–**	(4)	326	(1.3)
Share options	**–**	**3**	**–**	–	2	–
Employee share and incentive schemes	**–**	**4**	**–**	–	5	–
Diluted earnings from discontinuing operations before amortisation, impairment and exceptional items	**–**	**334**	**–**	(4)	333	(1.3)

11 Property, plant and equipment

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Cost:			
As at 1 January 2011	28	104	132
Exchange and other movements	–	(1)	(1)
Acquired through business combinations	1	3	4
Additions	4	8	12
Disposals	(1)	(6)	(7)
Disposal of businesses	(1)	(2)	(3)
As at 31 December 2011	**31**	**106**	**137**
Depreciation:			
As at 1 January 2011	15	85	100
Exchange and other movements	–	(1)	(1)
Provided during the year	2	8	10
Disposals	(1)	(5)	(6)
Disposal of businesses	–	(1)	(1)
As at 31 December 2011	**16**	**86**	**102**
Cost:			
As at 1 January 2010	23	124	147
Exchange and other movements	2	5	7
Acquired through business combinations	1	2	3
Additions	2	4	6
Disposals	–	(3)	(3)
Disposal of businesses	–	(28)	(28)
As at 31 December 2010	28	104	132
Depreciation:			
As at 1 January 2010	12	91	103
Exchange and other movements	1	4	5
Provided during the year	2	10	12
Disposals	–	(2)	(2)
Disposal of businesses	–	(18)	(18)
As at 31 December 2010	15	85	100
Net book value:			
As at 31 December 2011	**15**	**20**	**35**
As at 31 December 2010	13	19	32
As at 1 January 2010	11	33	44

	31 December 2011 £ million	31 December 2010 £ million
The net book value of land and buildings comprised:		
Freehold	**6**	6
Short leasehold	**9**	7
	15	13

12 Intangible assets

	Goodwill £ million	Software £ million	Other £ million	Total £ million
Cost:				
As at 1 January 2011	597	27	105	729
Exchange and other movements	5	–	3	8
Acquired through business combinations	164	5	74	243
Additions	–	14	–	14
Disposals	(2)	–	(18)	(20)
As at 31 December 2011	**764**	**46**	**164**	**974**
Amortisation:				
As at 1 January 2011	40	15	53	108
Exchange and other movements	(1)	–	–	(1)
Provided during the year*	2	4	33	39
Disposals	(2)	–	(18)	(20)
As at 31 December 2011	**39**	**19**	**68**	**126**
Cost:				
As at 1 January 2010	494	18	72	584
Exchange and other movements	46	2	3	51
Acquired through business combinations	59	–	30	89
Additions	–	7	–	7
Disposal of business	(2)	–	–	(2)
As at 31 December 2010	597	27	105	729
Amortisation:				
As at 1 January 2010	37	11	29	77
Exchange and other movements	3	1	2	6
Provided during the year	–	3	22	25
As at 31 December 2010	40	15	53	108
Net book value:				
As at 31 December 2011	**725**	**27**	**96**	**848**
As at 31 December 2010	557	12	52	621
As at 1 January 2010	457	7	43	507

* Amounts provided during the year include £2 million of goodwill allocated to a small business divested during the year.

12 Intangible assets continued

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

	31 December 2011 £ million	31 December 2010 £ million
Brand/trademarks	**15**	10
Order backlog	**4**	1
Non-compete agreement	**3**	2
Customer relationships	**71**	36
Licences	**3**	3
	96	52

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

The review of unamortised goodwill for indications of impairment by management is performed against the three core segments of Natural Resources, Power & Process and Environment & Infrastructure 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 2 per cent growth per annum (2010: 2 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 £3.7 billion as at 31 December 2011 (2010: £3.1 billion). The margin selected is based on management's review of the margins on orders received and is consistent with Vision 2015 objectives.

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 1 per cent decrease in margin, with all other assumptions held constant, did not identify any impairments. Similarly, zero growth after the initial two-year period, with all other assumptions held constant or a 1 per cent increase in discount rate, did not identify any material impairments.

Goodwill of £2 million has been allocated to a small business divested during the year.

Unamortised goodwill is as follows:

	Unamortised goodwill 31 December 2011 £ million	Pre-tax discount rate 2011 per cent	Unamortised goodwill 31 December 2010 £ million	Pre-tax discount rate 2010 per cent
Natural Resources	**393**	**11**	359	12
Power & Process	**85**	**11**	86	12
Environment & Infrastructure	**247**	**11**	112	12

13 Interests in joint ventures

	Joint ventures £ million
Net book value:	
As at 1 January 2011	43
Exchange and other movements	(1)
Additions	2
Disposals	(1)
Total comprehensive income	15
Dividends received	(17)
As at 31 December 2011	**41**
As at 1 January 2010	36
Exchange and other movements	1
Additions	11
Reclassifications	(1)
Total comprehensive income	13
Dividends received	(17)
As at 31 December 2010	43

Total comprehensive income of £15 million (2010: £13 million) is net of provisions of £nil (2010: £2 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 120.

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

	31 December 2011 £ million	31 December 2010 £ million
Current assets	**364**	319
Non-current assets	**222**	254
Current liabilities	**(74)**	(74)
Non-current liabilities	**(461)**	(434)
Group share of net assets	**51**	65
Fair value adjustment	**(10)**	(22)
Interests in joint ventures	**41**	43

The net book value of joint ventures of £41 million (2010: £43 million) includes a fair value adjustment on acquisition of £10 million (2010: £22 million) in addition to the group's share of joint ventures' net assets of £51 million (2010: £65 million).

13 Interests in joint ventures continued

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

	2011 £ million	2010 £ million
Revenue	**115**	127
Expenses	**(89)**	(103)
Share of profit before net financing expense	**26**	24
Net financing expense	**(4)**	(4)
Share of profit before tax	**22**	20
Tax	**(7)**	(7)
Share of post-tax results	**15**	13

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	£16m
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 31 March 2011 and updated by the schemes' actuaries for the requirement to assess the present value of the liabilities of the schemes as at 31 December 2011. The assets of the schemes are stated at their aggregate market value as at 31 December 2011.

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

	31 December 2011 Per cent	31 December 2010 Per cent
Rate of discount	**4.7**	5.4
Rate of inflation	**3.0**	3.4
Rate of increase in salaries	**4.0**	4.4
Rate of increase in pensions in payment (service before/after 1 January 2008)	**3.0/2.3**	3.4/2.4
Expected rate of return on scheme assets:		
Equities	**8.1**	7.7
Bonds	**4.7**	5.4
Gilts	**3.1**	4.2
Property	**5.1**	6.2

The main overseas schemes as at 31 December 2011 consist of three defined benefit schemes held in Canada and The Law Companies Group, Inc Pension Plan that was acquired as part of the acquisition of MACTEC. The obligations have been measured in accordance with IAS 19. A discount rate of 4.6 per cent (2010: 5.4 per cent) and salary inflation rate of 2.75 per cent (2010: 3.25 per cent) have been used for the three defined benefit schemes held in Canada. A discount rate of 4.6 per cent has been used for the Law Companies Group, Inc Pension Plan retirement scheme. No further benefits are being accrued in this scheme.

14 Retirement benefit assets and liabilities continued

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

	31 December 2011 Male years	31 December 2011 Female years	31 December 2010 Male years	31 December 2010 Female years
Member aged 65 (current life expectancy)	**22.7**	**24.1**	21.4	23.7
Member aged 45 (life expectancy at 65)	**24.5**	**26.1**	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 5.4 per cent assumption as at 31 December 2011 (2010: 5.9 per cent).

The amounts recognised in the balance sheet are as follows:

	31 December 2011 £ million	31 December 2010 £ million
Retirement benefit assets	**32**	63
Retirement benefit liabilities	**(81)**	(36)
Retirement benefit net (liability)/assets	**(49)**	27

The retirement benefit liabilities of £81 million (2010: £36 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 2011 Per cent	31 December 2010 Per cent
Equities	**37.6**	39.7
Bonds (including gilts)	**55.1**	53.7
Property	**7.1**	6.4
Other	**0.2**	0.2
	100.0	100.0

The amounts recognised in the income statement are as follows:

	2011 £ million	2010 £ million
Current service cost	**20**	18
Interest cost	**78**	76
Expected return on scheme assets	**(86)**	(82)
Total amount recognised in the income statement and included within staff costs (note 6)	**12**	12
The total amount is recognised in the income statement as follows:		
Cost of sales	**11**	10
Administrative expenses	**10**	9
Net financing income	**(9)**	(7)
Total amount recognised in the income statement	**12**	12

14 Retirement benefit assets and liabilities continued

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

	2011 £ million	2010 £ million
As at 1 January	**1,408**	1,328
Exchange and other movements	**(1)**	7
Current service cost	**20**	18
Interest cost	**78**	76
Plan participants' contributions	**10**	9
Actuarial losses	**100**	29
Acquired through business combinations	**59**	–
Benefits paid	**(56)**	(59)
As at 31 December	**1,618**	1,408

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

	2011 £ million	2010 £ million
As at 1 January	**1,435**	1,324
Exchange and other movements	**–**	7
Expected return on plan assets	**86**	82
Actuarial gains	**29**	50
Employer contributions	**28**	22
Plan participants' contributions	**10**	9
Acquired through business combinations	**37**	–
Benefits paid	**(56)**	(59)
As at 31 December	**1,569**	1,435

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

	2011 £ million	2010 £ million
Scheme net asset/(liability) as at 1 January	**27**	(4)
Exchange and other movements	**1**	–
Total charge as above	**(12)**	(12)
Employer contributions	**28**	22
Acquired through business combinations	**(22)**	–
Actuarial (losses)/gains recognised in reserves	**(71)**	21
Scheme net (liability)/asset as at 31 December	**(49)**	27

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

	2011 £ million	2010 £ million
As at 1 January	**(240)**	(261)
Net actuarial (losses)/gains recognised in the year	**(71)**	21
As at 31 December	**(311)**	(240)

The actual return on scheme assets is as follows:

	2011 £ million	2010 £ million
Actual return on scheme assets	**115**	132

14 Retirement benefit assets and liabilities continued

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

	2011 £ million	2010 £ million	2009 £ million	2008 £ million	2007 £ million
Defined benefit obligation as at 31 December	**(1,618)**	(1,408)	(1,328)	(1,065)	(1,091)
Fair value of assets as at 31 December	**1,569**	1,435	1,324	1,221	1,328
(Deficit)/surplus	**(49)**	27	(4)	156	237
Difference between expected and actual return on scheme assets	**29**	50	58	(170)	(5)
Percentage of scheme assets (%)	**1.8**	3.5	4.4	(13.9)	(0.3)
Experience gains on scheme liabilities	**29**	–	8	6	4
Percentage of scheme liabilities (%)	**1.8**	–	0.6	0.5	0.3

Contributions

The group expects to contribute £30 million to its defined benefit pension schemes in 2012. This includes special contributions of £5 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 2011 £ million	31 December 2010 £ million	**31 December 2011 £ million**	31 December 2010 £ million
Property, plant and equipment	**15**	16	**–**	(1)
Intangible assets	**–**	–	**(37)**	(13)
Retirement benefits	**25**	9	**(11)**	(22)
Derivative financial instruments	**2**	2	**(1)**	(1)
Provisions	**57**	48	**–**	–
Employee share schemes	**6**	12	**–**	–
Other items	**8**	4	**(9)**	(8)
Tax losses carried forward	**17**	14	**–**	–
Deferred tax assets/(liabilities)	**130**	105	**(58)**	(45)
Offset of deferred tax assets and liabilities relating to income tax levied by the same taxation authority	**(58)**	(45)	**58**	45
Net deferred tax assets	**72**	60	**–**	–

15 Deferred tax assets and liabilities continued

Recognised net deferred tax assets and liabilities and movements during the year

	As at 1 January 2011 £ million	Exchange and other movements £ million	Acquisitions £ million	Disposals £ million	Recognised in income £ million	Recognised in equity £ million	**As at 31 December 2011 £ million**
Property, plant and equipment	15	–	–	–	–	–	**15**
Intangible assets	(13)	–	(29)	–	5	–	**(37)**
Retirement benefits	(13)	–	8	–	(4)	23	**14**
Derivative financial instruments	1	–	–	–	–	–	**1**
Provisions	48	–	1	–	8	–	**57**
Employee share schemes	12	–	–	–	(3)	(3)	**6**
Other items	(4)	–	4	–	(1)	–	**(1)**
Tax losses carried forward	14	–	2	–	1	–	**17**
	60	–	(14)	–	6	20	**72**

	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	15	–	–	1	(1)	–	15
Intangible assets	(11)	(1)	(10)	–	9	–	(13)
Retirement benefits	(2)	-	–	–	(4)	(7)	(13)
Derivative financial instruments	2	–	–	–	–	(1)	1
Provisions	54	3	(3)	–	(6)	–	48
Employee share schemes	5	1	–	–	1	5	12
Other items	(5)	–	6	2	(6)	(1)	(4)
Tax losses carried forward	12	–	–	–	2	–	14
	70	3	(7)	3	(5)	(4)	60

The deferred tax credit of £6 million (2010: charge of £5 million) recognised in income consists of a credit of £3 million (2010: charge of £4 million) relating to continuing operations and a credit of £3 million (2010: charge of £1 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 2011 £ million	31 December 2010 £ million
Deductible temporary differences	**15**	20
Tax losses	**20**	48
	35	68

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 HM Revenue & Customs ('HMRC') to offset tax losses of up to £79 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 and availability of the refund depends on a number of factors which are currently being discussed with HMRC.

This potential refund is not included as an asset in the accounts.

Unrecognised deferred tax liabilities

No deferred tax liability has been recognised in respect of £474 million (2010: £382 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 £24 million (2010: £19 million).

16 Inventories

	31 December 2011 £ million	31 December 2010 £ million
Development land and work in progress	**4**	1

17 Current trade and other receivables

	31 December 2011 £ million	31 December 2010 £ million
Amounts expected to be recovered within one year:		
Gross amounts due from customers	**348**	328
Trade receivables	**418**	316
Amounts owed by joint ventures	**12**	1
Other receivables	**23**	15
Prepayments and accrued income	**36**	33
	837	693
Amounts expected to be recovered after more than one year:		
Trade receivables	**6**	2
Amounts owed by joint ventures	**1**	1
Other receivables	**–**	1
	7	4
	844	697

Trade receivables expected to be recovered within one year include retentions of £15 million (2010: £17 million) relating to contracts in progress. Trade receivables expected to be recovered after more than one year include retentions of £5 million (2010: £2 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 £4,645 million (2010: £4,899 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 2011 £ million	31 December 2010 £ million
Amounts expected to be settled within one year:		
Trade payables	**416**	404
Gross amounts due to customers	**82**	49
Other taxation and social security costs	**57**	38
Other payables	**123**	124
Accruals and deferred income	**76**	67
	754	682
Amounts expected to be settled after more than one year:		
Other payables	**2**	2
Accruals and deferred income	**2**	1
	4	3
	758	685

Gross amounts due to customers includes advances received of £26 million (2010: £21 million).

Trade payables, other taxation and social security costs and other payables are classified as other financial liabilities.

19 Capital and financial risk management

Capital management

The objective of the group's capital management is to ensure that it has a strong financial position from which to grow the business to meet 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 would be determined by considering business profile and strategy, financial policies and availability and cost of funding.

The group is currently in a net cash position. If debt is subsequently required, the long-term net debt is expected to be no more than two times EBITDA. The group 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.

In February 2012, the board approved a share buyback programme of £400 million which is expected to be completed over the next 12 months.

No changes were made to the objectives, policies or processes for managing capital during 2011 or 2010.

Financial risk management

The principal financial risks to which the group is exposed are: foreign currency exchange risk; funding and liquidity risk; counterparty credit risk; and interest rate risk. The board has approved policies for the management of these 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. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the board, most recently in October 2011.

Foreign currency exchange risk

The group publishes its consolidated accounts in Sterling. The majority 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. There are currently no material transactional exposures which have been identified and remain unhedged. AMEC has no reason to believe that any outstanding forward contract will not be able to be settled from the underlying commercial transactions.

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 designated in net investment hedges using cross-currency instruments. 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.

Hedging of foreign currency exchange 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:

	2011 Notional contract amount £ million	2010 Notional contract amount £ million	**2011 Carrying amount and fair value £ million**	2010 Carrying amount and fair value £ million
Current assets	**4**	13	**–**	–
Current liabilities	**39**	17	**(4)**	(3)
	43	30	**(4)**	(3)

19 Capital and financial risk management continued

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:

					2011
	Carrying amount £ million	**Expected cash flows £ million**	**12 months or less £ million**	**1-2 years £ million**	**2-5 years £ million**
Forward exchange contracts					
Assets	**–**	**4**	**4**	**–**	**–**
Liabilities	**(4)**	**39**	**38**	**1**	**–**
	(4)	**43**	**42**	**1**	**–**

					2010
	Carrying amount £ million	Expected cash flows £ million	12 months or less £ million	1-2 years £ million	2-5 years £ million
Forward exchange contracts					
Assets	–	13	11	2	–
Liabilities	(3)	17	7	9	1
	(3)	30	18	11	1

In 2011, £nil (2010: charge of £1 million) of ineffectiveness was recognised in cost of sales in the income statement.

Hedging of foreign currency exchange risk – fair value through 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:

	2011 Notional contract amount £ million	2010 Notional contract amount £ million	**2011 Carrying amount and fair value £ million**	2010 Carrying amount and fair value £ million
Current assets	**76**	121	**2**	1
Current liabilities	**125**	36	**(3)**	(2)
	201	157	**(1)**	(1)

Hedging of foreign currency exchange risk – net investment hedges

The group currently 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 group has revised its policy and no new contracts will be taken out in the future. The notional contract amount, carrying amount and fair values of swaps designated as net investment hedges are as follows:

	2011 Notional contract amount £ million	2010 Notional contract amount £ million	**2011 Carrying amount and fair value £ million**	2010 Carrying amount and fair value £ million
Current assets	**118**	–	**2**	–
Non-current assets	**–**	22	**–**	1
Current liabilities	**33**	101	**(8)**	(22)
Non-current liabilities	**14**	143	**(3)**	(12)
	165	266	**(9)**	(33)

A net foreign exchange gain for the year of £4 million (2010: loss of £11 million) was recognised in the translation reserve in respect of these forward foreign exchange contracts and currency interest rate swaps.

19 Capital and financial risk management continued

Sensitivity analysis

The group hedges its material transaction related exposures and hence has no material transactional profit or loss sensitivity. With respect to translation related exposure, the group hedges a proportion of assets denominated in foreign currencies. A 10 per cent movement in Sterling/Canadian dollar and Sterling/US dollar rates results in a £14 million credit/charge (2010: £25 million credit/charge) to other comprehensive income arising on net investment hedges.

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 and as such no additional facilities are currently in place. The requirement to enter into external facilities has been kept under review during 2011.

Appropriate facilities will be maintained to meet ongoing requirements for performance related bonding and letters of credit.

Counterparty credit risk

The group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The effective monitoring and controlling of credit risk is a key component of the group's risk management activities.

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.

Credit risks arising from treasury activities are managed by a central treasury function in accordance with the board approved treasury policy. The objective of the policy is to diversify and minimise the group's exposure to credit risk from its treasury activities 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 and are based primarily on credit ratings set by Moody's, Standard & Poor's 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.

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 31 December 2011 £ million	**Impairment 31 December 2011 £ million**	Gross receivables 31 December 2010 £ million	Impairment 31 December 2010 £ million
Not past due	**238**	**–**	182	(1)
Past due 0-30 days	**102**	**–**	78	–
Past due 31-120 days	**54**	**(1)**	30	(2)
Past due 121-365 days	**15**	**(6)**	13	(3)
More than one year	**15**	**(13)**	18	(16)
	424	**(20)**	321	(22)

The above analysis excludes retentions relating to contracts in progress of £15 million (2010: £17 million) expected to be recovered within one year and £5 million (2010: £2 million) expected to be recovered after one year. Net receivables as at 31 December 2011 include £2 million (2010: £2 million) in respect of amounts overdue by more than one year. The group believes there is no material exposure in respect of these balances.

19 Capital and financial risk management continued

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

	2011 £ million	2010 £ million
As at 1 January	**(22)**	(20)
Exchange movements	**–**	(2)
Net impairment allowance credited	**2**	–
As at 31 December	**(20)**	(22)

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 2011 accounted for around 14 per cent (2010: 22 per cent) of continuing revenues, and a similar percentage of current trade and other receivables.

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.

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:

			2011
	Effective interest rate Per cent	Total £ million	6 months or less £ million
Short-term investments	**1.15**	**28**	**28**
Cash and cash equivalents	**0.99**	**493**	**493**
		521	**521**

			2010
	Effective interest rate Per cent	Total £ million	6 months or less £ million
Short-term investments	1.08	196	196
Cash and cash equivalents	0.55	544	544
		740	740

Fair values
The carrying values of all financial instruments held at 31 December 2011 and 31 December 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.

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.

20 Other non-current assets and liabilities

Other non-current receivables of £23 million (2010: £nil) represent indemnities received on the acquisition of MACTEC which are matched by liabilities included within provisions.

Trade and other payables of £nil (2010: £7 million) 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 2011	50	66	44	27	187
Utilised	(6)	(12)	(4)	(14)	(36)
Charged/(credited) to the income statement:					
Additional provisions	3	21	–	–	24
Unused amounts reversed	(16)	(9)	(3)	(1)	(29)
Arising on business combinations	23	–	–	–	23
As at 31 December 2011	**54**	**66**	**37**	**12**	**169**

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.

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.

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 68 and 69.

Share capital

The authorised share capital of the company is £350 million (2010: £350 million). This comprises 700 million (2010: 700 million) ordinary shares of 50 pence each. All the ordinary shares rank pari 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 2011 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 million.

Reserves

The group has acquired 1,000,000 shares (2010: 1,000,000) during the year which are held in treasury. During the year 1,922,253 shares (2010: 468,814) were transferred to share scheme participants leaving a balance held in treasury as at 31 December 2011 of 5,735,806 shares (2010: 6,658,059). £49 million (2010: £51 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 2011 or 2010.

22 Share capital and reserves continued

As at 31 December 2011 the Quest held 259 (2010: 259) shares.

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.

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 were subject to non-market based conditions related to 2010 performance. Detailed terms of these plans are included in the remuneration report on pages 58 to 59.

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 2011 pence	**Number of options 2011**	Weighted average exercise price 2010 pence	Number of options 2010
Outstanding on 1 January	**601**	**6,361,127**	553	6,176,174
Lapsed/cancelled	**656**	**(654,060)**	540	(401,097)
Exercised	**577**	**(1,929,259)**	523	(524,631)
Granted	**682**	**3,869,075**	808	1,110,681
Outstanding on 31 December	**643**	**7,646,883**	601	6,361,127
Exercisable on 31 December	**685**	**72,559**	397	173,569

Options were exercised on a regular basis during the year, and the average share price for the year was 1,042 pence (2010: 902 pence).

Options outstanding on 31 December 2011 have weighted average remaining contractual lives as follows:

	Weighted average remaining contractual life 2011 (years)	**Number of options 2011**	Weighted average remaining contractual life 2010 (years)	Number of options 2010
300.00 pence to 399.99 pence	**–**	**–**	–	140,554
500.00 pence to 599.99 pence	**–**	**1,812,188**	0.4	3,855,756
600.00 pence to 699.99 pence	**1.5**	**4,497,993**	0.4	1,148,108
700.00 pence to 799.99 pence	**0.3**	**1,224,593**	0.5	1,216,709
Over 800.00 pence	**–**	**112,109**	–	–
		7,646,883		6,361,127

22 Share capital and reserves continued

The number of shares held under the Performance Share Plan are as follows:

	Number of shares 2011	Number of shares 2010
As at 1 January	**4,059,359**	3,938,838
Lapsed	**(444,298)**	(137,278)
Vested	**(933,045)**	(1,089,680)
Granted	**1,249,353**	1,347,479
As at 31 December	**3,931,369**	4,059,359

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)	
	2011	2010	**2011**	2010
Weighted average fair value at measurement date	**285p**	316p	**937p**	571p
Weighted average share price at measurement date	**909p**	994p	**1,184p**	799p
Exercise price	**682p**	795p	**n/a**	n/a
Expected share price volatility	**34%**	40%	**33%**	35%
Option life	**3.3 years**	3.3 years	**n/a**	n/a
Expected dividend yield	**2.5%**	2.5%	**n/a**	2.5%
Risk-free interest rate	**1.1%**	1.2%	**n/a**	n/a
Comparator share price volatility	**n/a**	n/a	**42%**	34%
Correlation between two companies in comparator group	**n/a**	n/a	**50%**	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 2011 of 20.3 pence per share, which will absorb an estimated £67 million of equity. Subject to approval, it will be paid on 2 July 2012 to shareholders on the register of members on 1 June 2012. This 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 10.2 pence (2010: 7.3 pence) per share results in a total dividend for the year of 30.5 pence per share (2010: 26.5 pence).

22 Share capital and reserves continued

	2011 £ million	2010 £ million
Dividends charged to reserves and paid		
Interim dividend in respect of 2010 of 7.3 pence (2010: interim dividend in respect of 2009 of 6.1 pence) per share	**24**	20
Final dividend in respect of 2010 of 19.2 pence (2010: final dividend in respect of 2009 of 11.6 pence) per share	**62**	38
	86	58

The amounts waived by trustees of the Performance Share Plan in respect of the interim and final dividends was £1 million (2010: £1 million).

23 Analysis of cash, cash equivalents and net cash

	As at 1 January 2011 £ million	Cash flow £ million	Exchange and other non-cash movements £ million	As at 31 December 2011 £ million
Cash at bank and in hand	177	(49)	2	**130**
Short-term investments (less than three months)	367	(2)	(2)	**363**
Cash and cash equivalents	544	(51)	–	**493**
Short-term investments (more than three months)	196	(168)	–	**28**
Net cash as at the end of the year	740	(219)	–	**521**

Short-term investments comprise short-term bank deposits.

Cash and cash equivalents as at 31 December 2011 includes £22 million (2010: £14 million) that is held in countries from which prior approval is required to transfer funds abroad. There are restrictions on the use of £4 million (2010: £nil) of cash held on behalf of joint venture arrangements. In addition, there are restrictions on the use of a further £19 million (2010: £21 million) of cash and cash equivalents in respect of commitments of the group's captive insurance subsidiary to certain insurers.

24 Acquisitions and disposals

Acquisitions in 2011

The following purchases have been accounted for as acquisitions. MACTEC, Inc contributed £126 million to consolidated revenue and £10 million to consolidated EBITA in the period from the date of its acquisition to 31 December 2011. If the acquisition had taken place at the beginning of the year, the EBITA of the group would have been £307 million and consolidated revenue would have been £3,386 million. None of the other businesses acquired made a material contribution to consolidated revenue and profit in the period from their acquisition to 31 December 2011, nor would they have done in the year ended 31 December 2011 if they had been acquired on 1 January 2011.

Intangible assets recognised at fair value on the acquisition of these businesses included brands, trade names, customer relationships, order backlogs and non-compete agreements.

QED International Limited

On 21 February 2011, the group acquired all of the shares in QED International Limited ('qedi'). qedi is a market-leading project delivery company, focused on delivering specialist completion and commissioning services for major projects in the oil and gas industry. The acquisition strengthens AMEC's project delivery capability across its key sectors, supports the Vision 2015 strategy, and reinforces AMEC's excellent track record through commissioning into operation.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition of qedi were as follows:

	Recognised value £ million
Intangible assets	14
Trade and other receivables	10
Bank loans	(1)
Trade and other payables	(4)
Deferred tax liability	(3)
Net identifiable assets and liabilities	16
Goodwill on acquisition	17
	33
Consideration	
Cash – paid on completion	28
– paid to repay debt	5
	33

Goodwill has arisen on the acquisition of qedi primarily through the recognition of the specialist expertise of its workforce in completion and commissioning services for major projects in the oil and gas industry, which did not meet the criteria for recognition as intangible assets at the date of acquisition. The acquisition also provides opportunities for expansion of the qedi business utilising AMEC's geographic coverage.

Zektin Group Pty Limited

On 28 February 2011, the group acquired all of the shares in Zektin Group Pty Limited ('Zektingroup'). Zektingroup is an Australian-based specialist engineering consultancy for the oil and gas and resources industries. The acquisition provides AMEC with oil and gas capability on the east coast of Australia, as well as access to the coal seam methane sector. This is fully aligned with AMEC's Vision 2015 strategy of assured growth through a strengthened geographic footprint and enhanced capabilities in key sectors.

Notes to the consolidated accounts continued

24 Acquisitions and disposals continued

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition of Zektingroup were as follows:

	Recognised value £ million
Intangible assets	5
Trade and other receivables	7
Cash and cash equivalents	1
Current tax payable	(1)
Trade and other payables	(3)
Deferred tax liability	(1)
Net identifiable assets and liabilities	8
Goodwill on acquisition	25
	33
Consideration	
Cash – paid on completion	26
Contingent consideration	7
	33

Goodwill has arisen on the acquisition of Zektingroup through recognition of the value of its workforce of circa 220 which has strong capabilities and experience in target markets which did not meet the criteria for recognition as intangible assets at the date of acquisition. The acquisition also provides opportunities for synergies with and cross-selling for existing AMEC businesses.

At December 2011, the latest forecasts indicate that due to events that have occurred since the acquisition, the contingent consideration will not be payable and the provision has been released to the income statement.

MACTEC, Inc

On 3 June 2011, the group acquired all of the shares in MACTEC, Inc ('MACTEC'). MACTEC is a leading US engineering and environmental services company which provides a similar wide range of services to the group's existing Environment & Infrastructure business. The acquisition provides greater access to new customers and regions, is fully aligned with the Vision 2015 strategy and provides the group with the right scale to service the important and growing environmental and infrastructure engineering services market.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition of MACTEC were as follows:

	Recognised value £ million
Property, plant and equipment	4
Intangible assets	54
Indemnities received	23
Trade and other receivables	65
Cash and cash equivalents	14
Current tax payable	(2)
Trade and other payables	(45)
Deferred tax liability	(7)
Retirement benefit liabilities	(20)
Provisions	(23)
Net identifiable assets and liabilities	63
Goodwill on acquisition	120
	183
Consideration	
Cash – paid on completion	123
– paid to repay debt	60
	183

24 Acquisitions and disposals continued

Goodwill has been recognised on this acquisition through recognition of the value of its workforce of circa 2,600 mostly highly skilled technical professionals which did not meet the criteria for recognition as intangible assets as at the date of acquisition. MACTEC's 70 offices are mainly based in eastern USA, complementing the strength of the existing AMEC Environment & Infrastructure business in western USA and Canada. The acquisition also provides significant opportunities for synergy benefits and cost savings.

Other acquisitions
Other acquisitions were made in the year for a total consideration of £14 million of which £11 million was paid on completion with the balance of £3 million dependent on the achievement of set targets for labour revenue growth. The aggregate fair value of identifiable net assets was £6 million, which consisted of £6 million relating to other intangible assets, cash and cash equivalents of £1 million and other net liabilities of £1 million. Goodwill arising was £8 million and has been recognised as a result of expected synergies.

A further £16 million was paid in the period in respect of businesses acquired in 2010 and prior years.

Disposal in 2011
There was one small disposal made during the year. 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 loss of £2 million and a net cash outflow of £9 million.

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 Limited
On 29 January 2010, the group acquired all of the shares in Currie & Brown (Australia) Pty Limited. The name of this company was subsequently changed to Aquenta Consulting Pty Limited ('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 Limited 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 earlier 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	1
Intangible assets	2
Trade and other receivables	5
Cash and cash equivalents	2
Trade and other payables	(7)
Deferred tax liability	(1)
Net identifiable assets and liabilities	2
Goodwill on acquisition	16
	18
Consideration	
Cash - paid on completion	18

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 date of acquisition.

24 Acquisitions and disposals continued

Entec Holdings Limited
On 29 March 2010, the group acquired all of the shares in Entec Holdings Limited ('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.

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
Intangible assets	27
Trade and other receivables	15
Cash and cash equivalents	1
Trade and other payables	(11)
Deferred tax liability	(8)
Net identifiable assets and liabilities	25
Goodwill on acquisition	43
	68

Consideration	
Cash – paid on completion	51
– paid to repay debt	11
Contingent consideration	6
	68

In addition to the consideration set out above, up to a further £1 million was 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 million shown above was dependent upon achievement of a profit target for the year following the acquisition date. The profit targets were achieved and the deferred consideration was paid during the year ended 31 December 2011.

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 2010 for £9 million in cash paid on completion. The aggregate fair value of identifiable net assets was £nil (including cash acquired of £1 million and goodwill arising on the acquisitions was £9 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 at the dates of acquisition.

A further £9 million was paid in 2010 in respect of businesses acquired in 2009 and prior. The aggregate goodwill on these acquisitions was reduced by £8 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	19
Goodwill	2
Property, plant and equipment	10
Inventories	1
Current tax receivable	2
Trade and other receivables	8
Trade and other payables	(3)
Cash and cash equivalents	2
Deferred tax liability	(4)
Net assets sold	18
Cumulative foreign exchange gains recycled from the translation reserve	6
Profit on disposal	7

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 million and a net cash outflow of £5 million.

Net cash flows attributable to discontinued operations

The net cash flows attributable to discontinued operations during the year were as follows:

	2011 £ million	2010 £ million
Net cash flow from operating activities	**(7)**	(8)
Net cash flow from investing activities	**(7)**	(4)
	(14)	(12)

25 Operating leases

The total obligations under non-cancellable operating lease rentals for continuing operations are as follows:

	31 December 2011 £ million	31 December 2010 £ million
In one year or less	**71**	55
Between one and five years	**145**	128
Over five years	**56**	56
	272	239

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.

26 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 £54 million (2010: £50 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.

AMEC Group Limited ('AGL') is currently the subject of ongoing Health and Safety Executive investigations, in respect of an incident involving a fatality to a subcontractor at the Leftbank Apartments project in Manchester in April 2004 where AMEC was principal contractor. A summons has been received and AMEC entered a not guilty plea. The case was heard at Liverpool Crown Court in June 2011 and resulted in a hung jury and a retrial will be held in March 2012. If AGL is found guilty and prosecuted for this case, it could be liable to unlimited fines.

However it is considered improbable that this case will result in a material liability for AGL.

27 Related party transactions

During 2011 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 0.61 per cent of the voting rights of the company as at 31 December 2011.

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:

	2011 £ million	2010 £ million
Short-term employee benefits	**4**	5
Equity settled share-based payments	**2**	7
	6	12

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**	
	2011 £ million	2010 £ million	**2011 £ million**	2010 £ million
Services rendered	**41**	91	**16**	21
Provision of finance	**12**	10	**31**	20

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.

Samir Brikho
Chief Executive

Ian McHoul
Chief Financial Officer

21 February 2012

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 2011 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 27. 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 111, 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 2011 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 111, 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 2011 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

21 February 2012

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.

Company balance sheet

As at 31 December 2011

	Note	2011 £ million	2010 £ million
Fixed assets			
Tangible assets	2	**13**	6
Investment in subsidiaries	3	**1,888**	1,647
		1,901	1,653
Current assets			
Debtors: including amounts falling due after one year of £6 million (2010: £21 million)	4	**22**	81
Cash at bank and in hand		**144**	210
		166	291
Current liabilities			
Creditors: amounts falling due within one year	5	**(84)**	(72)
Net current assets		**82**	219
Total assets less current liabilities		**1,983**	1,872
Creditors: amounts falling due after one year	6	**(857)**	(864)
Net assets		**1,126**	1,008
Capital and reserves			
Called up share capital	7, 8	**169**	169
Share premium account	8	**101**	101
Capital redemption reserve	8	**17**	17
Profit and loss account	8	**839**	721
Equity shareholders' funds		**1,126**	1,008

The accounts on pages 113 to 118 were approved by the board of directors on 21 February 2012 and were signed on its behalf by:

Samir Brikho
Chief Executive

Ian 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 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.

Restatement

The accounts for the year ended 31 December 2010 have been restated to present the results rounded to the nearest million rather than to one decimal place.

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.

Dividend income

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

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.

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. Where equity settled share based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the company and the investment in subsidiaries are adjusted to reflect this capital contribution.

Pensions

The company participates in a UK group wide funded defined benefit pension scheme. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Details of the defined benefit scheme can be found in note 14 of the consolidated accounts.

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 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 not achieving the threshold for vesting.

1 Accounting policies continued

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:			
As at 1 January 2011	6	4	10
Additions	7	–	7
As at 31 December 2011	**13**	**4**	**17**
Depreciation:			
As at 1 January and 31 December 2011	**–**	**4**	**4**
Net book value:			
As at 31 December 2011	**13**	**–**	**13**
As at 1 January 2011	6	–	6

3 Investments (held as fixed assets)

	Shares in subsidiaries £ million	Amounts owed by subsidiaries £ million	Total investment in subsidiaries £ million
Cost:			
As at 1 January 2011	1,479	249	1,728
Additions	52	195	247
Other movements	–	(6)	(6)
As at 31 December 2011	**1,531**	**438**	**1,969**
Provisions:			
As at 1 January and 31 December 2011	**81**	**–**	**81**
Net book value:			
As at 31 December 2011	**1,450**	**438**	**1,888**
As at 1 January 2011	1,398	249	1,647

Principal group companies are listed on page 120.

Notes to the company balance sheet continued

4 Debtors

	31 December 2011 £ million	31 December 2010 £ million
Debtors: amounts falling due within one year		
Trade debtors	**1**	4
Amounts owed by subsidiaries	**–**	25
Derivative financial instruments	**14**	19
Corporation tax	**–**	9
Prepayments and accrued income	**1**	3
	16	60
Debtors: amounts falling due after one year		
Derivative financial instruments	**3**	13
Deferred tax	**3**	8
	6	21
	22	81

The deferred tax asset is analysed as follows:

	31 December 2011 £ million	31 December 2010 £ million
Tax losses	**–**	4
Other timing differences	**3**	4
	3	8

On the 23 March 2011, in his budget speech, the UK Chancellor of the Exchequer announced a reduction in the rate of Corporation Tax from 28 per cent to 26 per cent from 1 April 2011, with further reductions of 1 per cent per annum to 23 per cent by 1 April 2014. As at 31 December 2011, the reduction in the rate to 25 per cent on 1 April 2012 has been substantively enacted.

The change in deferred tax has resulted in a reduction in deferred tax liabilities of £nil which has been recognised in the income statement. 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 decreases in the rate from 25 per cent to 23 per cent would reduce the balance sheet deferred tax asset by approximately £nil and would reduce unrecognised deferred tax assets by approximately £nil. During the period to 2014, AMEC estimate that the effect of the proposed changes to income and equity would be a charge of £nil to the profit and loss account.

5 Creditors: amounts falling due within one year

	31 December 2011 £ million	31 December 2010 £ million
Bank and other loans and overdrafts	**40**	5
Trade creditors	**3**	6
Amounts owed to subsidiaries	**1**	–
Derivative financial instruments	**18**	31
Corporation tax	**1**	–
Other taxation and social security costs	**10**	11
Other creditors	**3**	9
Accruals and deferred income	**8**	10
	84	72

6 Creditors: amounts falling due after one year

	31 December 2011 £ million	31 December 2010 £ million
Amounts owed to subsidiaries	**854**	848
Derivative financial instruments	**3**	16
	857	864

7 Share capital

The authorised share capital of the company is £350 million (2010: £350 million).

	31 December 2011 £ million	31 December 2010 £ million
Allotted, called up and fully paid ordinary shares of 50 pence each	**169**	169

There was no movement in issued share capital during the year:

	Number	£ million
As at 1 January and 31 December 2011	**337,965,871**	**169**

Share-based payment

Details of share-based payment schemes operated by the company are provided in note 22 to the consolidated accounts.

8 Reserves

	Share capital £ million	Share premium account £ million	Capital redemption reserve £ million	Profit and loss account £ million	Total £ million
As at 1 January 2011	169	101	17	721	1,008
Equity settled share-based payments and similar items	–	–	–	21	21
Dividends	–	–	–	(86)	(86)
Utilisation of treasury shares	–	–	–	11	11
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	(11)	(11)
Acquisition of treasury shares	–	–	–	(12)	(12)
Profit for the year	–	–	–	195	195
As at 31 December 2011	**169**	**101**	**17**	**839**	**1,126**

Details of dividends paid by the company and approved during the year are disclosed in note 22 to the consolidated accounts.

The company's profit for the year in 2010 was £10 million.

Notes to the company balance sheet continued

9 Contingent liabilities

Guarantees and indemnities
Guarantees given by the company in respect of borrowings of subsidiaries amounted to £nil as at 31 December 2011 (2010: £nil).

10 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 0.61 per cent of the voting rights of the company as at 31 December 2011.

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:

	2011 £ million	2010 £ million
Short-term employee benefits	**4**	4
Equity settled share-based payments	**2**	6
	6	10

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 2011 which comprise the company balance sheet and the related notes 1 to 10. 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 111, 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 2011;
- 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 2011.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London

21 February 2012

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 2011

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 E&I Holdings, Inc. (US)
AMEC E&I, Inc. (US)
AMEC Environment & Infrastructure UK Limited
AMEC Environmental & Infrastructure, Inc. (US)
AMEC Earth & Environmental (UK) Limited
AMEC E&C Services, Inc. (US)
*AMEC Finance Limited
AMEC Geomatrix, Inc. (US)
AMEC GRD SA BV (Netherlands)
*AMEC Group Limited
AMEC Holdings, Inc. (US)
AMEC Inc. (Canada)
AMEC International Ingenieria y Construcción Limitada (Chile)
AMEC Kamtech, Inc. (US)
AMEC Minproc Engenharia e Consultoria Ltda (Brazil)
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 Petroleo e Gas Ltda. (Brazil)
AMEC (Peru) S.A. (Peru)
AMEC Project Investments Limited
*AMEC Property and Overseas Investments Limited
AMEC Zektin Pty Limited (Australia)
Aquenta Consulting Pty Limited (Australia)
Atlantic Services Limited (Bermuda)
MACTEC Development Corporation (US)
MACTEC Federal Programs, Inc. (US)
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

	2011 £ million	2010 £ million	2009 £ million	2008 £ million	2007 £ million
Summarised consolidated results					
Continuing operations					
Revenue	**3,261**	2,951	2,539	2,606	2,356
Adjusted profit before tax[1]	**311**	280	216	210	127
Amortisation and impairment	**(39)**	(25)	(16)	(9)	(3)
Joint ventures tax	**(7)**	(7)	(5)	(1)	(1)
	265	248	195	200	123
Exceptional items	**(6)**	11	9	107	28
Profit before income tax	**259**	259	204	307	151
Income tax	**(52)**	(23)	(47)	(97)	(30)
Profit for the year from continuing operations	**207**	236	157	210	121
Profit/(loss) for the year from discontinued operations (net of income tax)	**25**	(6)	16	(11)	223
Profit for the year	**232**	230	173	199	344
Basic earnings per share from continuing operations	**63.3p**	73.0p	47.6p	64.5p	36.9p
Diluted earnings per share from continuing operations[2]	**70.5p**	62.5p	46.9p	44.0p	28.0p
Dividends per share	**30.5p**	26.5p	17.7p	15.4p	13.4p
Dividend cover[2]	**2.3x**	2.4x	2.6x	2.8x	2.1x
Summarised consolidated balance sheets					
Non-current assets	**1,051**	820	686	660	574
Net working capital	**55**	(43)	(131)	(111)	(153)
Net cash	**521**	740	743	764	733
Other non-current liabilities	**(253)**	(242)	(272)	(307)	(259)
Net assets classified as held for sale	**–**	–	–	–	14
Net assets	**1,374**	1,275	1,026	1,006	909
Total attributable to equity holders of the parent	**1,373**	1,272	1,023	1,003	908
Non-controlling interests	**1**	3	3	3	1
Total equity	**1,374**	1,275	1,026	1,006	909

The five year record has been prepared under adopted IFRS and is stated in accordance with the accounting policies set out on pages 71 to 76.

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 2007 through 2011 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	ssd@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 0381[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 0391[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	February
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/2012.

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
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United Kingdom
Registered in England No 1675285

Our values

Sustainably delivering **excellence** to our customers by:

Believing in **people**
Never compromising on **safety**
Acting with **integrity**

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