AMEC plc
Old Change House
128 Queen Victoria Street
London EC4V 4BJ
United Kingdom
Tel: +44 (0)20 7429 7500
amec.com

Delivering excellence to our customers | AMEC plc annual report and accounts 2012

Delivering excellence to our customers

AMEC plc annual report and accounts 2012

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

We are a focused supplier of consultancy, engineering and project management services to our customers in the world's oil and gas, mining, clean energy, environment and infrastructure markets.

Our values

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

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

Our customers include: Apache, Arizona Public Service, BG, BP, Bruce Power, Canadian Natural Resources Limited (CNRL), ConocoPhillips, EDF, ExxonMobil, Fairfield Energy, Fortescue Metals, Kuwait Oil Company (KOC), Kruger, Marine Well Containment Company (MWCC), National Grid, Nuclear Decommissioning Authority (NDA), Newmont Mining Corporation, PotashCorp, Shell, Teesside Gas and Liquid Processing, US Air Force.

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.

You can read this report and more online at amec.com

* 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

Our values

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

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

Front cover shows (clockwise from top left): Mary Kelly, Senior Consultant, Mississanga, ON, Canada; Savio Mendonca, HR Administrator, Stuaiba, Kuwait; Stu Warlow, Instrument Design Technologist, Vancouver, BC, Canada; Richard Evans, Corrosion Scientist, Birchwood, UK.
Photography by: Justin Grainge, Roth and Ramberg and William King

FSC www.fsc.org MIX Paper from responsible sources FSC® C022913

This report is printed using vegetable-based inks by Pureprint Group, a company totally committed to reducing the impact printing has on the environment. The production of this report is carbon neutral and Pureprint Group is certified to ISO 14001, registered to EMAS (Eco Management Audit Scheme) and holds the FSC® Chain of Custody; number SCS-COC-000620 as well as the Queen's Award for Enterprise: Sustainable Development.

This report is printed on Hello Silk, a paper produced from virgin wood fibre from well managed forests certified in accordance with the rules of the FSC (Forest Stewardship Council) and is ECF (elemental chlorine free). The producing mill is certified to ISO 14001 and EMAS environmental management systems.

Designed and produced by AMEC Corporate Communications in association with The Design Portfolio Marketing Services.

Overview

Providing an introduction to AMEC and including a summary of our 2012 performance highlights and the Chairman's statement.

Strategy

Looking in more detail at our market positioning and Vision 2015 strategy and showing, in the Chief Executive's review, the progress made in 2012.

Vision 2015

We are halfway through the implementation of our Vision 2015 strategy

Find out more on page 10

Performance

Discussing both our business and financial performance and providing detail for each of our three existing divisions as well as the three new geographies.

Governance

Reviewing our approach to corporate governance and including reports from the directors and each of the board committees.

Financials

Presenting the accounts and their accompanying notes.

Our business model

In each of our businesses	What this means
Our **employees** are clever people – highly skilled engineers, project managers, consultants and scientists with the technical expertise and experience to deliver on our customers' requirements. Read more on pages 10, 12 and 24	These skills are a scarce resource. Our future success relies on us attracting, developing and retaining the best people. We use common tools and processes, so we can share work between offices.
We provide high-value **services** – consulting, engineering, project and construction management, and supply chain management – across the lifecycle of our customers' assets. Read more on pages 18 and 19	We sell expertise and solutions. This specialist capability drives higher margins. We diversify our risk by working across the asset lifecycle, on our customers' capital and operating expenditure projects.
We have a low-risk **contracting model**. We sell our people's time and may get additional payments if pre-agreed measures are achieved (KPIs). We only take fixed price (lump sum) work under certain, controlled conditions.	Our exposure to cost increases is limited. We have greater predictability of earnings from any project.
We want our **customers** to trust our ability to deliver. Our customer base is diverse. With each customer we seek to create a long-term relationship. We have a particularly strong reputation for our expertise in remote and harsh locations. Read more on pages 26, 28 and 29	Our reputation for delivery is very important to our success. We win business because of this trust and the strength of our long-term customer relationships. Our diversified customer base limits our dependence on any one customer.
We have **common systems, tools and processes**. Our project delivery framework is flexible and scalable.	This consistent delivery facilitates workshare and the local provision of services to global clients.
We are deliberately **technology-independent**.	Using our experience, we can recommend the most appropriate solution for our customers' issues.
We are **asset-light**, owning typically only cars and computers.	We sell the knowledge and expertise of our people.
We work in 40 countries and aspire to be increasingly **global**. Our new, geographic organisational structure allows the creation of more sustainable, localised positions. Read more on pages 4, 5 and 30–33	Geographic diversification reduces risk and creates new growth opportunities. We can serve our customers from a location that suits them, using distributed engineering when appropriate.
We work in four **markets** – oil & gas, mining, clean energy and environment & infrastructure – with good growth fundamentals. Read more on pages 12–17	Many skills are transferable across markets. Our customers are looking for a wider range of solutions. We are not dependent on any one part of the energy mix.

Creating an **asset-light**, **cash-generative** business with a **strong balance sheet** and **good growth prospects**, diversified across markets and geographies.

Delivering excellence to our customers

Performance highlights

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.

	2012 £ million	2011 £ million
Revenue	**4,158**	3,261
EBITA[1]	**331**	299
Adjusted profit before tax[3]	**336**	311
Profit before tax	**263**	259
Operating cash flow[5]	**309**	267
Adjusted diluted earnings per share[4] (EPS)	**80.4p**	70.5p
Diluted earnings per share from continuing operations	**65.8p**	61.9p
Dividend per share	**36.5p**	30.5p

Read more about Vision 2015 on page 10

Good performance continued in 2012

Revenue £4,158 million, up 28 per cent on 2011

- Underlying[7] revenue up 21 per cent; excluding £320 million of incremental procurement, up 12 per cent

EBITA[1] £331 million, up 11 per cent

Margin[2] 8.0 per cent (2011: 9.2 per cent)

- Excluding impact of incremental procurement, 8.6 per cent

Diluted EPS from continuing operations[4] 80.4 pence, up 14 per cent

Operating cash flow[5] £309 million, up 16 per cent

Order intake strong and forward visibility good

- Order book £3.6 billion (31 December 2011: £3.7 billion)

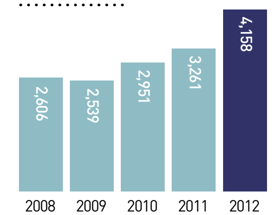
Invested £159 million in acquisitions in 2012; pipeline remains good

Completed £400 million share buyback on 8 February 2013

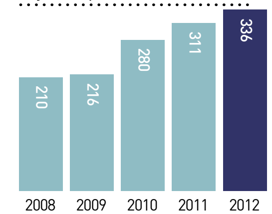
Dividend per share up 20 per cent, to 36.5 pence

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 £5 million (2011: £12 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, the difference between pension payments and amounts recognised in the income statement and certain foreign exchange movements 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
7 References to 'underlying' refer to growth adjusted for the impact of currency movements and acquisitions. 'Underlying excluding incremental procurement' is underlying as previously defined and also adjusted for incremental procurement.

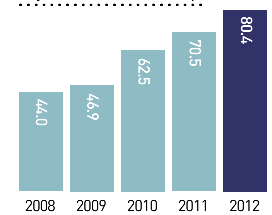
Revenue (£m)



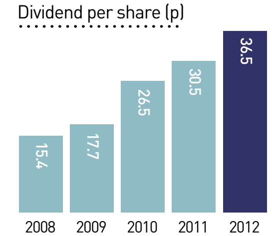
Adjusted profit before tax[3] (£m)



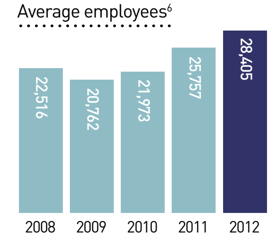
Adjusted diluted EPS[4] (p)



Dividend per share (p)



Average employees[6]



AMEC at a glance

With revenues of some £4.2 billion, we operate in around 40 countries, working for customers ranging from blue-chip companies to national and local governments. We support assets such as oil & gas production facilities, mines and nuclear power stations, from inception to decommissioning.

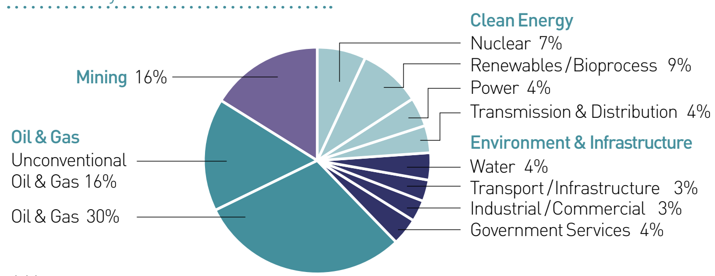
We are focused on the provision of similar services in each of our four markets

Read more about our markets on page 12 and the services we provide on page 18

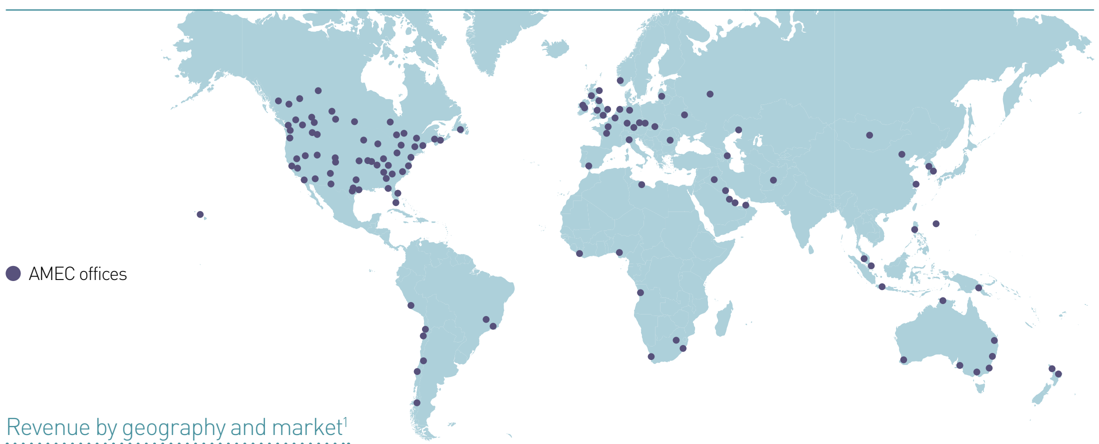
Our four markets

- Oil & Gas
- Mining
- Clean Energy
- Environment & Infrastructure (E&I)

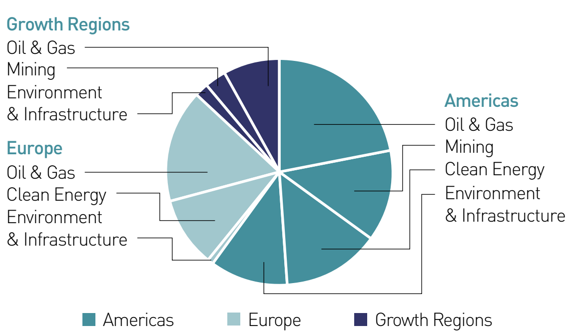
Revenue by markets and sectors[1]



1 2012 figures, excluding Investments and other activities



Revenue by geography and market[1]



1 2012 figures, excluding Investment Services

Offering high-value services to customers across the globe

We look to create growth by expanding our capabilities and enhancing our geographic footprint. Our new structure will promote opportunities to sell our services across all of our markets and in each of our geographies, filling in the gaps in our coverage.

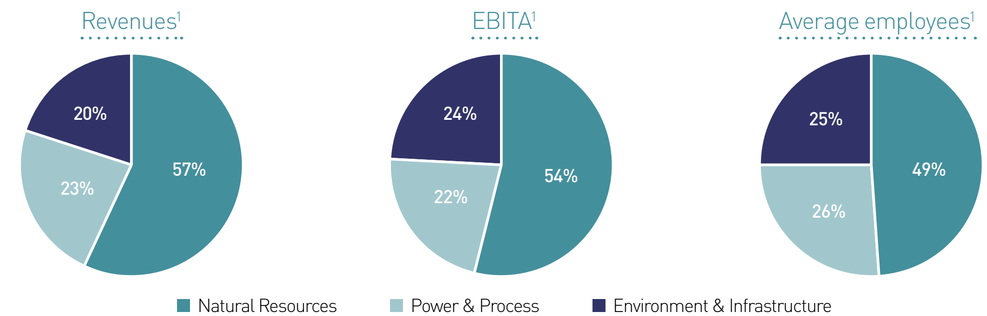
Our three divisions

Historically, up until 31 December 2012, our company was structured into three divisions. 2012 reporting has been prepared on this basis.

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 and in extending the life of assets.

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.

Environment & Infrastructure is a leading international environmental, engineering and 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.



1 2012 figures, excluding Investments and other activities. For basis of preparation, see page 26

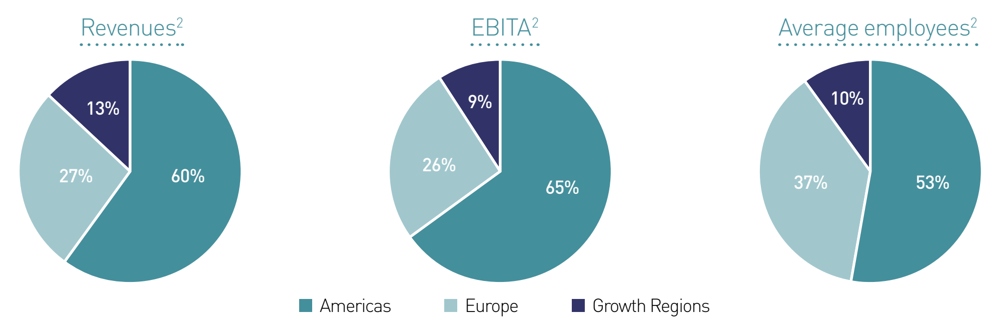
From 2013 – new structure supports additional growth

From 2013, reporting will be on a geographic rather than divisional basis. This reflects our new structure, introduced to strengthen our customer focus and so maximise potential growth opportunities. The 2012 figures on this basis are shown below. Restated 2010 and 2011 comparatives can be found on page 34 and on our website.

Americas Our largest geography, with the best balance across our markets. Our oil & gas position is growing, with recent investment in Brazil; we are the market leader in mineable oil sands; a leader in consulting and EPCM in mining; have good positions in solar and bioprocess; and are a major player in the diverse E&I market. See page 30.

Europe Principally UK-based with some smaller activities elsewhere. Strong position in oil & gas, with market-leading position in North Sea brownfield activities. Leading position in the nuclear market, where services range from new build right through to decommissioning. See page 31.

Growth Regions We expect each of our geographies to grow, but see Growth Regions as the area with the greatest potential. We want to apply our global skills base to create a sustainable, localised presence in these regions. See page 32.



2 2012 figures, excluding Investment Services. For basis of preparation, see page 26

Chairman's statement

Key highlights

- Independent evaluation of board effectiveness concluded positively with only minor improvement recommendations
- As a result of the board review process, board diversity has improved
- New operational structure better supports future growth strategy and facilitates greater board interaction with senior management
- Final dividend of 24.8 pence recommended, which would make a total of 36.5 pence, 20 per cent above 2011.

> Your company has in place a strong, highly competent, board that performs well."

John Connolly
Chairman

This time last year, I wrote about what I had found since joining AMEC some months beforehand. My knowledge of the company – its governance procedures, strategy, customers, people and markets – has increased dramatically since that time, but my fundamental opinion has not changed. We have a highly energised and extremely able team at AMEC, who demonstrate their sheer professionalism and expertise every day. Our customers rely on our ability to deliver their projects on time, on budget, and without causing harm. We take this responsibility seriously and it is this proven ability to deliver excellence that will underpin our future growth.

During 2012 we made progress on each of the priorities I identified at the start of the year. In particular I would like to highlight the work we have been doing on board effectiveness and composition, on AMEC's strategy beyond 2015, on succession planning and on improving our governance framework.

The board

Let me start by commenting on our board. One of our key priorities for 2012 was to conduct an independent evaluation of board effectiveness, an exercise which had last been undertaken in 2008. This took place in the first half and, I am delighted to say, concluded that your company has in place a strong, highly competent, board that performs well. There were some relatively minor suggestions for improvements and these are explained further on page 46.

The ultimate goal of your board is to collectively and effectively lead the company in delivering long-term sustainable success for the benefit of all of our shareholders. If it is to achieve this, the board needs to contain the right mix of individuals, each with the relevant experience, skills and determination to take the company forward. Importantly, the board should reflect the diversity of the organisation.

We all recognise that increasing diversity is vital for our future success. We need greater diversity of thought to inform our decisions, whether represented by the gender mix, nationality, ethnic background or any other measure. Simplistically, AMEC is an engineering company with its roots in the UK, Canada and the US and our employee base reflects this history. We are looking to widen the pool of talent from which we select our most senior leaders. I am delighted that AMEC's management team is now 30 per cent female and that during 2012, a rigorous external search resulted in the appointment of Linda Adamany as a non-executive director. These are important signals to the organisation about our objectives.

Linda joined the board in 1 October 2012 and has already made a valuable contribution to our discussions. A qualified accountant and US citizen, she has more than 30 years' experience of the global energy sector and significant knowledge of the operations of AMEC's major customers. On a wider point, the board objectives for 2013 include agreeing our policy on diversity and the measurable objectives we wish to set to track progress.

I will discuss AMEC's new organisational structure and its impact on our strategy in a moment. One immediate impact was that Neil Bruce left the company and the board on 5 October 2012. I would like to thank him for his contribution to the board and to AMEC over the years.

In Colin Day and Neil Carson, the AMEC board contains two non-executive directors who are highly respected, serving chief executives at other companies. I am sometimes challenged on whether they have sufficient time to allocate to AMEC, given the commitments of their executive roles. I firmly believe the board gains enormous benefit from the up-to-date and highly relevant experience they bring to discussions and each has demonstrated that they dedicate the amount of time needed to meet what is expected of them in their roles as directors of AMEC. Together with our other non-executive directors I believe we have in place the appropriate mix of skills and experiences which make this an effective board.

Board priorities

I believe there are three key elements to the role the board should take in supporting successful, sustainable growth.

The first is to debate and agree the strategy the company is to follow – and then monitor performance against the strategic goals. AMEC is now halfway through its Vision 2015 growth strategy and is delivering ahead of schedule. Hence board discussions in the latter part of 2012 turned to how we achieve success beyond 2015. We agreed that strategic fundamentals remain broadly unchanged but felt that a new structure could better maximise future growth opportunities. The company's operations are now managed by three presidents, one in each geography, each reporting to the Chief Executive and responsible for our business in their region with a specific focus on our four markets – oil & gas, mining, clean energy and environment & infrastructure.

The second element is ensuring the company has the right people in place to deliver its targets. This means not only assessing the management skills currently in place but also ensuring that mechanisms exist to develop future talent and plan for succession. The board now has more regular, and deeper, interaction with the leaders of the company's three geographies. I see this as a positive result of the new organisational structure. Remuneration is a key part of our people plan and that of directors remains very much in the public eye. We have redesigned our remuneration report to show more clearly how we link short and long-term incentives to hard measures of improvement in the company's performance, in line with the strategy – see page 56.

The final element is ensuring there is an appropriate level of governance in place, a topic I elaborate on later, on page 38. During 2012 we updated our Code of Business Conduct training and made it compulsory for all employees. We have been working to simplify our global mandatory policies and procedures, making them easier to understand and so comply with. The revisions will be launched in early 2013. But good governance needs to be more than just a set of policies and procedures; it should inform the decisions our employees take every day. I have the pleasure of talking to our employees on a regular basis and so see how seriously we take our commitment to safety, how involved we are with our communities and how hard we work to win repeat business from our customers. Others recognise this too: in 2012 we were yet again sector leader in the Dow Jones Sustainability index and judged to be one of Canada's top 100 employers.

Performance and shareholder returns

The company's performance in 2012 remained good, particularly when viewed against a backdrop of economic uncertainty. As reported in more detail in the Chief Executive's review and elsewhere, our company achieved revenue growth in 2012 of 28 per cent and growth in earnings per share[1] of 14 per cent. We expect continued growth in 2013.

As a result of our confidence in the future, the board is recommending a final dividend of 24.8 per share. This makes a total of 36.5 pence per share for the year, a 20 per cent increase over 2011 and a dividend cover of 2.2 times (2011: 2.3 times). If approved, it will be paid on 1 July 2013 to those shareholders on the register at 31 May 2013. It is the board's intention to continue with a progressive dividend policy.

Given the strength of the balance sheet, a £400 million share buyback programme was instigated in February 2012 and has now been completed.

Looking ahead

On your behalf, I would like to thank Samir Brikho, his management team and all of AMEC's 29,000 people for their hard work and valuable contribution in 2012.

We at AMEC understand what we do well, have built solid, long-term customer relationships, and are well positioned across the energy market. The economic outlook remains challenging but we remain firmly focused on delivering our Vision 2015 goals.

John P. Connolly

John Connolly
Chairman

14 February 2013

1 Adjusted diluted earnings per share from continuing operations before intangible amortisation and exceptional items

Chief Executive's review

Key highlights

- Another good performance in 2012, marking the halfway point of our Vision 2015 growth strategy
- With our continued focus on our customers and our people, we expect to deliver our targeted EPS[2] of greater than 100 pence before 2015
- Our new, simplified, geographic structure is designed to promote collaboration and so maximise growth opportunities. It positions us for 2015 and beyond.

"No company can take success for granted: we need to adapt if we are to survive and prosper in a changing world."

Samir Brikho
Chief Executive

2012 marked the halfway point in the implementation of our Vision 2015 growth strategy. We can be proud of what we have achieved so far. Despite uncertain macro-economic conditions, we have made significant progress on many of our goals.

Looking forward, it is clear that we cannot afford complacency. We have already started to consider what the company needs to look like beyond 2015. John F Kennedy said: "Change is the law of life and those who look only to the past or present are certain to miss the future." This is a philosophy we will continue to adopt on our journey to success.

Let me talk in turn about our 2012 performance, our progress towards Vision 2015 and how we are positioning AMEC for a successful future.

2012 results

Our performance in 2012 remained good. Revenues were up 28 per cent, or 12 per cent if currency, acquisitions and incremental procurement are excluded. Margins at 8.0[1] per cent were down, influenced in particular by increased levels of procurement. Further detail can be found on pages 27, 28 and 29. Our targeted EPS[2] of greater than 100 pence is now expected to be achieved before 2015: in 2012 we were up 14 per cent at 80.4 pence[2], 71 per cent higher than when the target was set in 2009.

I would to thank AMEC's employees for their hard work and commitment in achieving the successes shown here and elsewhere in this report.

1 As defined on page 3
2 Adjusted diluted earnings per share from continuing operations before intangible amortisation and exceptional items.

Vision 2015 – the halfway point

Ours is a straightforward business. We operate in four markets – oil & gas, mining, clean energy, and environment & infrastructure. In each we provide people with the technical expertise to support our customers as they build, operate or decommission their assets. We win work because of our reputation for consistent and successful delivery – and we do this by employing, training and retaining high-quality people.

Vision 2015 is explained on page 10. Shown there is what we have done to develop our customer relationships; how we have developed our people; how our project delivery framework provides a flexible, scalable method of delivering consistently to our customers across the world; and how we have been achieving growth, organically and by acquisition. Importantly, we are achieving our financial targets ahead of our original plans. Let me pick out a few examples which typify our approach:

- our vision is that by continually delivering excellence, we inspire trust and loyalty in our customers. We have worked with many of our customers for many years and continue to build on these long-term relationships. For example, the strength of our relationship with Kuwait Oil Company (KOC) helped us win a 16-month project management consultancy (PMC) project, remediating and disposing of highly contaminated material resulting from the Gulf War. New customers won in 2012 include Talisman, TAQA and Centrica
- we need to recruit and retain the best people and keep them safe at work. This has a direct impact on our reputation and financial results. We track a number of non-financial metrics in this area, some of which are shown on pages 10 and 24. Successfully resourcing for new projects is vital and in 2012 we recruited some 800 people each month to join AMEC
- our safety focus remains crucial. Although our lost time injury frequency rate reduced from 0.04 per 200,000 exposure hours to 0.03, our Total Recordable Case Frequency Rate increased slightly, from 0.37 to 0.38. We will continue to focus on improvements in 2013 and will continue to seek to engineer safety into our designs
- the quality of submissions for our HSSE awards continues to climb. The 2012 winners included those who intervened to perform CPR and so save the life of a colleague; and the team working on the Chirag oil project in Azerbaijan. Here there are 16 different nationalities on a major fabrication site yet by improving two-way communication they have achieved over 15 million exposure hours without a lost time incident
- we continue to focus on our carbon footprint. Sadly, greater transparency of North American activities has caused an apparent increase from 2.3 to 3.8 tonnes of carbon per employee, despite many good initiatives in other areas
- we have been taking an increasingly collaborative approach, providing consistent quality to our customers, despite projects being worked on across offices and countries. One example is the Oyu Tolgoi project in Mongolia, where our project staff are drawn from locations as far apart as China and Canada
- we continue to promote a strong engagement with the communities in which we work. For example, in 2012 we provided solar power and rainwater harvesting to an SOS Children's Village in Nigeria and worked with the children at an elementary school in Georgia, US on similar issues
- our growth is both organic and by acquisition. In 2012 we expanded our position in the UK with the acquisition of 600 nuclear specialists, positioned ourselves in Australia for the provision of environmental and infrastructure services, and invested in Brazil. We also expanded future growth opportunities with the creation of a joint venture with Samsung and a collaboration agreement with Aibel. These and other similar examples are expanded on elsewhere in this report.

2015 and beyond

With a strong track record of success, it would be easy for us to be complacent. However, I firmly believe that no company can take success for granted: we need to adapt if we are to survive and prosper in a changing world.

In October 2012 we introduced a new, geographic structure and promoted Simon Naylor, John Pearson and Hisham Mahmoud to the new roles of Group Presidents of Americas, Europe and Growth Regions respectively. We want to maximise growth opportunities in each of our four markets, providing consistent services across each of the geographies. This is not about changing our vision, mission, values or strategy – it is about our tactics and our sense of urgency. We now have a simplified, more agile structure with a greater focus on collaboration and fostering sustainable growth.

At the global conference in December 2012, some 60 of AMEC's senior managers discussed how the new structure will operate; what new opportunities it throws up; and how quickly these can be crystallised. We are clear that we expect growth to continue in both the Americas and in Europe, but see the greatest opportunities in Growth Regions, where we need to establish more – and stronger – localised positions.

Summary

In 2013, we expect ongoing economic uncertainty and more challenging conditions in certain areas. Overall we continue to expect growth, with our conventional oil & gas business forecast to grow strongly.

The next stage on our journey is '2015 and beyond'. Our focus on our customers and our people will continue but increasingly we will be promoting how – by collaborating, improving and growing – we can ensure we are achieving our targets. Our goal is to be a trusted partner: the supplier of choice for our customers; the employer of choice for our people; and the company of choice for our investors.

The words may sound glib – our task is to turn these aspirations into reality as successfully as we have done previously. We will do this by focusing on what we are good at and what matters to our clients.

Samir Brikho
Chief Executive

14 February 2013

Implementing Vision 2015

We are over halfway through our Vision 2015 growth strategy and expect to deliver our financial target ahead of schedule. Our areas of focus remain unchanged, as we look to sustainable growth beyond 2015.

Earnings per share[1]

80.4p +14%

Our financial goal for Vision 2015 was to achieve earnings per share[1] of greater than 100 pence in 2015, more than double the starting point in 2009. We now expect to achieve this target before 2015. We focus on a number of key areas, shown below, as we look to achieve sustainable growth.

1 Adjusted diluted earnings per share from continuing operations before intangible amortisation and exceptional items

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.

2012 achievements included:

- Strengthened and diversified customer base: new customers included Centrica, Talisman and TAQA in the North Sea and an important new offshore customer in the Middle East, Abu Dhabi Marine Operating Company (ADMA OPCO)
- Developed existing customers: for example, we moved from providing front-end engineering and design (FEED) services for GDF SUEZ to the detailed design stage for the Cygnus field, currently the UK's largest gas field development. We were awarded a contract to provide FEED services for the topside facilities for the second phase of BP's Mad Dog field. This followed completion of the conceptual design development which we undertook during the select stage in 2011
- Continued momentum in nuclear: contracts awarded in 2012 included one in Slovakia for waste treatment at the Bohunice nuclear power plant, three at the Sellafield site in the UK and a project management support contract for the National Nuclear Laboratory in the UK
- Contract extensions were awarded by long-term customers National Grid and SABIC.

Further details on these and many other contract wins can be found on pages 27, 28 and 29 and on our website

Our people

Our success lies in the success of our employees and the way in which they deliver to our customers.

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.

2012 achievements included:

- Recruited successfully in resource-constrained markets, such as Aberdeen, London, Houston, Saskatoon, and Santiago
- Average number of employees increased 10 per cent to 28,400 people, including over 10,000 gross new hires and 270 new graduates. Over 600 people were referred by our employees and more than 140 returned to AMEC because of our alumni programmes
- Continue to see about one-third of our people participating in share ownership schemes
- Strong HSSE performance continued: the All Injury Frequency Rate reduced to 2.40 per 200,000 exposure hours, though our Total Recordable Cases Frequency Rate was slightly worse than 2011 at 0.38 per 200,000 exposure hours
- Over 25,000 people have benefited from AMEC Academy development programmes and the e-cademy learning management system, launched in the summer, has already had 120,000 hits
- Sustainability commitment remains: over 100 employees from across the company took part in a structured sustainability debate as part of our stakeholder engagement programme. The results are helping to develop the focus for 2013 and beyond.

See also the Key Performance Indicators on page 20

Further details on each of these items can be found in the 2012 sustainability report at amec.com/aboutus/sustainability

Achieving growth

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.

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. Our new organisation structure is designed to promote collaboration between markets and geographies, to deliver enhanced growth.

2012 achievements included:

- Grew through acquisition: including Serco's 600-person nuclear ESRC business in the UK; Unidel, a 260-person energy, resources and infrastructure engineering and consultancy business in Australia; and a 50 per cent stake in Kromav Engenharia S.A. (KROMAV), a 200-person privately owned Brazilian offshore oil and gas and marine engineering company
- Created partnerships: a joint venture with Samsung Heavy Industries and Samsung Engineering (see page 14); a collaboration agreement with Aibel to jointly deliver projects for the oil and gas industry in the Norwegian Continental Shelf
- Expanded in the Middle East: awarded £330 million PMC contract by the Kuwait National Petroleum Company (KNPC) for a new oil refinery at Al Zour, Kuwait, which will be the largest refinery in the Middle East
- Promoted collaboration: a Dundee Precious Metals Inc subsidiary selected AMEC in Eastern Europe for the first time, to provide engineering services for a gold mine. Elsewhere, we combined our global mining capability with local South African delivery to support Vedanta Resources' major new zinc mine
- Underlying revenue growth, excluding incremental procurement[1] was 12 per cent in 2012, with further growth expected in 2013.

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 sustainable growth for the future.

2012 achievements included:

- Restructured organisation: simplifying decision-making and driving collaboration to maximise growth opportunities across markets
- Increasingly providing integrated services to customers across group: 32 per cent of Environment & Infrastructure division's revenues came from oil and gas, mining and clean energy customers
- Relaunched Code of Business Conduct training for all employees.

Improving financial metrics

Vision 2015 also looks at financial metrics, recognising that AMEC needs a more efficient capital structure.

2012 achievements included:

- Invested £159 million in three acquisitions
- To 31 December 2012, purchased £358 million of shares under £400 million share buyback programme. The programme was completed on 8 February 2013
- Dividend declared and proposed increased by 20 per cent to 36.5 pence
- Tax charge[2] reduced further, from 24.1 per cent in 2011 to 23.0 per cent in 2012
- Operating cash flow[1] for the period was £309 million, with cash conversion of 93 per cent.

2013 outlook

The priority remains to grow the business, across all four markets and all three geographies, by continuing to deliver for customers while investing in AMEC's people.

In 2013, AMEC expects low-to-mid single digit revenue growth for the group on an underlying basis, excluding procurement[1]. A strong conventional oil & gas performance across the board and more modest growth in the clean energy and environment & infrastructure markets in the Americas are expected to offset reduced oil sands revenue and softening demand in the mining market, and in Australia more generally. The full-year impact of acquisitions made in 2012 will further boost revenue growth. Procurement activity in 2013 is expected to be £200 million lower than in 2012.

Group margins[1] are expected to improve gradually at the headline level in 2013, taking into account the reduced procurement. Cost efficiencies from the reorganisation are expected come through during the year and offset a dilutive mix effect from lower oil sands activity.

The group remains on track to achieve earning per share[1] of greater than 100 pence ahead of 2015.

Overall a further year of good progress is expected. Further details on outlook by geography can be found on pages 31, 32 and 33.

2015 and beyond

Further detail on how we expect to achieve continued growth beyond 2015 can be found on our website.

1 See definition on page 3
2 For continuing business before amortisation, impairment and exceptional items and including joint venture tax.

Our markets

We provide similar services in each of our four markets – oil & gas, mining, clean energy, and environment & infrastructure – winning work through strong customer relationships and our proven ability to deliver successfully, even in harsh or remote environments.

The services we provide (see pages 18 and 19) run across the lifecycle of our customers' assets, from consulting, engineering and construction management to project management, operations and maintenance and decommissioning.

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. The areas in which AMEC operates are 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.

Competitive environment

There is no one competitor operating in the same markets, with the same geographic footprint and with a similar approach to risk as AMEC.

Further details on the competitive landscape by market can be found in our introductory investor presentation on amec.com

Global market trends

The International Energy Agency (IEA) World Energy Outlook 2012 predicts that world primary energy demand will increase from some 12,700 million tonnes of oil equivalent (Mtoe) in 2010 to 17,200 Mtoe in 2035, a 35 per cent increase. The forecast (New Policies Scenario) assumes that recent government policy commitments are implemented in a cautious manner. Fossil fuels continue to satisfy the bulk of the energy needs, though their share of the total is predicted to fall.

ExxonMobil's report, '2013 The Outlook for Energy: A View to 2040', identifies population growth and increasing urbanisation as key factors causing the increase. It sees 35 per cent growth from 2010 to 2040, even with significant efficiency gains and expects the world's population to grow by more than 25 per cent between 2010 and 2040, to nearly nine billion people. BP (Energy Outlook 2030) suggests world income in 2030 will be double that of 2011 in real terms.

The growth in primary energy demand comes from non-OECD countries, with China, India and the Middle East accounting for 60 per cent of the increase. OECD countries are expected to see a shift away from oil and coal, towards natural gas and renewables. Statoil's Energy Perspectives June 2012 suggests that global oil demand will peak in 2030, with natural gas still seen as the fuel of the future.

Technology is facilitating the development of resources such as tight oil and shale gas, which are expected to turn North America into a net exporter of oil by about 2030. At the same time, developing new sources of energy is becoming more complex, with resources often in harsh or remote regions.

IEA believes a global investment in energy supply infrastructure of $37 trillion is required between 2012 and 2035, with a disproportionately high share taken by OECD countries because of higher unit costs for capacity additions and the need to replace ageing infrastructure. Oil and gas collectively account for almost $19 trillion of the total investment, with most of the balance being power.

A more detailed analysis is shown in each market section below

The skills challenge

This growth will inevitably put further pressure on the availability of suitably qualified engineers, consultants and project managers.

Evidence of a skills shortage abounds. In November 2012, the Western Australia Chamber of Minerals and Energy said that a shortage of skilled workers was the sector's biggest challenge. In the UK, the Royal Academy of Engineering warns that the current pool of science, technology and engineering experts is already 'stretched thin' and ageing rapidly. It estimates that the median age of chartered engineers rises by 10 years for every 14 that pass.

It is vital that AMEC continues to attract, develop and retain skilled employees, particularly those with experience in successfully delivering complex projects. Our people strategy is a core enabler of our Vision 2015 growth aspirations. Our 2012 achievements are shown on pages 10 and 11.

Our internal development activities are discussed in more detail on pages 10 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

Growth is driven by the long-term rise in energy demand. Resources are becoming increasingly difficult to access with a shift towards more frontier and deepwater developments. This plays to AMEC's expertise in complex and harsh locations.

The market

The IEA forecasts primary oil demand increasing from 87.4 million barrels per day (mb/d) in 2011 to 99.7 mb/d by 2035. This is driven by the transport sector in China, India and Middle East and occurs despite the dampening effect of efficiency measures, environmental policies and relatively high prices in OECD countries. Over the period to 2040, ExxonMobil expects natural gas to overtake coal as the number two global fuel.

A change in the production mix is also expected, with crude oil falling and a greater share being taken by natural gas liquids and unconventional sources. Non-OPEC output is forecast to rise until the mid-2020s and then fall back, the rise being driven by light tight oil, Canadian oil sands, natural gas liquids and increased deepwater production in Brazil.

The IEA suggests that unconventional oil and liquids supply will grow from 3.9 mb/d in 2011 to 13.2 mb/d by 2035. Within this, Canadian oil sands are expected to increase from 1.6 mb/d to 4.3 mb/d, assuming concerns about the environmental impact of development can be addressed. Surface mining currently accounts for around one-half of Canadian oil sands production, though in-situ is expected to increase its share of the market over the next 10 years. In Canada, Alberta has proven oil reserves of 170.8 billion barrels and estimates capital expenditure of some Cdn$218 billion over the next 25 years.

The IEA forecasts an upstream oil and gas capital spending requirement between 2011 and 2035 of about $615 billion per annum on average, similar to that seen in 2012.

JP Morgan's latest global exploration and production spending analysis suggests that in 2013, organic upstream spending could be 8 per cent higher than 2012.

In general, oil and 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, evermore sophisticated performance and efficiency improvement solutions are required, particularly in brownfield operations. Oil and gas producers want oil services companies, such as AMEC, to provide experts with proven experience in delivering projects on time, on budget, without harming people or the environment.

AMEC's position

AMEC offers a wide range of services to a broad range of customers, including 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'. We also support onshore oil and gas fields, booster stations, gathering centres, tank farms, gas–oil separation plants, and pipelines.

AMEC has global experience of delivering large and complex greenfield 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 and have a good track record in proactively helping customers deal with environmental pressures. Recent examples include:

- BP Clair Ridge: engineering and project management services (EPMS) for the main platform design
- MWCC: designing and delivering components of the modular equipment for the marine well containment system (MWCS)

Our markets continued

Oil & Gas continued

AMEC's position continued

- AIOC – BP, Chirag Oil Project – West Chirag (COP-WC): part of consortium project managing the fabrication of a new asset and providing construction management, hook-up support and brownfield integration
- GDF SUEZ, Cygnus gas field: following FEED work, now working on detailed design.

AMEC is also a leading international provider of asset support services. Recent activity includes:

- Chevron, Wheatstone: Clough AMEC joint venture working on the operability, reliability and maintainability (ORM) component of this offshore facility.

We are a 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. One example is:

- EnQuest Producer vessel: engineering design of topside modifications to this existing FPSO, together with procurement activities and project management services.

AMEC is the market leader in the provision of project management and engineering services to the upstream surface mining Canadian oil sands sector, with a history stretching back to the world's first oil sands plant in 1967. Historically our focus has been on mineable oil sands, though we also have in-situ expertise. This newer technology is increasingly being used and on larger projects. Recent projects include:

- Imperial Oil: Kearl initial development and expansion phase
- Southern Pacific's McKay steam assisted gravity drainage (SAGD) facility: helped achieve an industry benchmark for lowest capital expenditure per flowing barrel.

We also work 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 activities in many of these areas. The full range of our environmental and infrastructure services can be used to ensure that customers meet and, where possible, exceed local legislation, providing them with solutions to environmental challenges. For example:

- Kuwait, Gulf War remediation: PMC contract to remediate/dispose of highly contaminated material arising from the first Gulf War, with the project managed by a long-standing AMEC customer, KOC.

AMEC's position was strengthened in 2012 by the creation of new opportunities for future growth:

- signing of a collaboration agreement with Aibel, one of the largest oil and gas services companies in Norway
- creation of a joint venture with Samsung to carry out detailed engineering for fixed and floating offshore platforms, FPSOs and subsea pipelines for Samsung's offshore oil and gas projects
- investment in Brazil through AMEC KROMAV, allowing the development of fully integrated services capabilities in the country.

Further details on the customer base and recent project wins are on pages 27 and 29

Information on our recent projects can be found on our website amec.com. Our capital market event in October 2012 (also available on the website) provided a fuller explanation of AMEC's position in this market

Mining

General macro uncertainty is affecting the near-term outlook for the mining industry, increasing volatility. Long-term fundamentals remain robust, supported by increasing urbanisation in emerging markets.

The market

An additional 2 billion people in emerging markets are expected to become urbanised in the period to 2030, a key underlying driver of long-term growth in this industry. Short-term views are more cautious, with lower commodity prices and general economic uncertainty causing some softening of exploration spending and the postponement or cancellation of more marginal projects. At the same time, investors in major mining companies are looking for greater cash returns.

Supply issues are at the forefront as fewer easy-to-produce resources are leading to more challenging, complex and expensive developments, in more remote and riskier locations. Increasingly new mining projects are underground rather than surface mines and more logistical infrastructure and environmental controls are required. Rio Tinto also points to a scarcity of suitable, highly skilled labour.

PwC suggested in June 2012 that capital programmes planned by the top 40 mining companies amount to more than $410 billion.

As in oil & gas, the mining majors are looking for suppliers, such as AMEC, with proven ability in project delivery.

Sources: Rio Tinto analyst presentation December 2012; PwC 2012 review 'Mine – the growing disconnect'; Bank of America Merrill Lynch 'Mining capex: The long and the short of it (2)'

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. As well as potash, iron ore, copper and gold, our customers are producing commodities such as uranium, lead, zinc, nickel and diamonds. We offer mining consultancy (including ore resource estimation, mine planning and feasibility studies), design, project and construction management services; and believe the provision of consulting and environmental services provides a distinct competitive advantage.

Our customer base is largely mid-sized mining companies, with around 40 per cent of revenues in this market in 2012 coming from juniors (market capitalisation below $10 billion) and independents and some 7 per cent coming from companies with a market capitalisation greater than US$40 billion.

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 engineering, procurement and construction management (EPCM) markets, where we have provided services for many of the world's leading mining companies. We now have critical mass in Australia and a growing position in Africa.

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. Going forward, we are looking to increase our position with major mining firms and on large scale developments.

Recent projects include:

- Rio Tinto, Oyu Tolgoi mine: over 100 AMEC people from various locations collaborating to provide underground services on this copper–gold project
- New Gold, New Afton mine: provision of a 5km conveyor infrastructure including all transfer stations and EPCM services for underground workshops.

Further details on the customer base and recent project wins are on pages 27 and 29 and on our website

AMEC's position in the mining market was explained during a capital markets event in April 2012. See amec.com

Clean Energy

Clean energy provides an increasingly significant part of the global energy mix, its growth driven by increasing demand for power and environmental concerns. AMEC's proven expertise, depth of technology understanding and strong customer relationships provide further growth opportunities.

The market

The role of nuclear power has been impacted by the Fukushima Daiichi disaster in 2011, by continued economic turbulence and by the availability of cheap fossil fuels. The position is mixed, with some countries looking to dismantle and others reduce their nuclear position, yet in the US permission has been granted for four new 1,000MW reactors. Non-OECD countries, particularly China, are leading the investment in new nuclear.

The UK currently has 16 nuclear reactors generating 10 GWe, around one-sixth of the UK's requirements, and plans to build up to 16 GWe of new nuclear power capability. EDF's development plans are the most advanced, with a final investment decision expected in the first half of 2013. At the other end of the asset life, the next major contract of the UK's decommissioning programme is due to be awarded in early 2014.

Around 15 per cent of Canada's electricity comes from nuclear power, with 19 reactors mostly in Ontario. Broad support remains for the further expansion of nuclear capacity, with the World Nuclear Association reporting plans for a further two reactors over the next decade.

Statoil expects a 2.2 per cent growth in nuclear each year between 2010 and 2040, while the IEA suggests nuclear will be used to generate around 12 per cent of electricity in 2035, a little lower than today.

Irrespective of decisions on new build, 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.

Clean Energy continued

The market continued

Renewables' share of total primary energy demand will increase from 13.5 to almost 20 per cent by 2040 (Statoil), driven by climate change and environmental policies, energy security concerns and by price and cost developments. Growth is linked to the growth in electricity as a source of final energy demand. The IEA also expects growth and points to falling technology costs, increased fossil fuel prices and carbon pricing in some areas, together with increased use of incentives. By 2035 renewables are expected to account for one-third of total electricity output, of which half comes from hydro and a quarter from wind. Biofuels use will more than triple over the period, while solar photovoltaics will grow 26-fold to some 7.5 per cent of the renewables mix. To support this growth, IEA forecasts an investment of $6.4 trillion between 2011 and 2035. BP suggests the key factor limiting the growth of renewables is the affordability of subsidies and believes that continued rapid cost reductions are required to keep the subsidy burden at an acceptable level.

The conventional power market comprises generation of electricity from conventional sources such as natural gas, oil, hydro and coal. BP forecasts that the energy used for power generation will grow by 49 per cent between 2011 and 2030, with IEA predicting that fossil fuels' share of total inputs will fall from 75 per cent in 2010 to 63 per cent in 2035. At the same time, however, there is a need to replace ageing infrastructure.

Growth in the transmission and distribution (T&D) market is driven by the shifts in supply and demand points and the need to replace ageing infrastructure.

AMEC's position

Our **nuclear** capability has been developed over 50 years, positioning us to support the full lifecycle of nuclear energy; from new build and reactor support (including lifetime extension), to nuclear decommissioning and waste management. We have experience of all types of nuclear technology. We work with our customers in long-term relationships based on partnering and have significant experience in effectively managing complex stakeholder relationships.

Our customers include major utilities, governments, national regulators and other significant stakeholders. We have a particularly strong presence in the UK and Canada, a growing business in the US and a good presence in Central and Eastern Europe and South Africa.

In 2012 we expanded our position in the UK with the acquisition of the 600-person ESRC business, providing consulting and project solutions for customers including the Ministry of Defence, EDF, Magnox and the Nuclear Decommissioning Authority (NDA).

In **renewables**, our focus is on wind, solar, biomass and biofuels projects. Our customers include power utilities, financial institutions, government agencies, technology developers, original equipment manufacturers and specialist consultants. They appreciate the flexibility our technology neutrality brings, our focus and our ability to provide a full service engineering, procurement and construction (EPC) solution.

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

Our major customers in **T&D** are system owners with which we have had long-standing relationships. We have an existing position in the UK and a growing presence in Canada.

Recent activities include:

- Sellafield Limited, UK: various projects including a multi-discipline site works framework agreement
- EDF, UK: supporting EDF's architect engineer operations on its UK nuclear new build programme; the operations of the existing nuclear fleet; and partnering on Lewis windfarm development
- NDA, UK: decommissioning of the Sellafield site as a part of Nuclear Management Partners (NMP)
- Sapphire Energy, US: construction of an integrated algal biorefinery in New Mexico
- Arizona Public Service, US: EPC contract for our largest photovoltaic project to date, 52MW on a 400 acre site
- BC Hydro, Canada: augmenting our customer's in-house engineering group and undertaking a range of projects
- National Grid, UK: five-year extension to the Electricity Alliance West contract announced in January 2012.

Further details on the customer base and recent project wins can be found on pages 28 and 29 and on our website

Environment & Infrastructure (E&I)

The overall environmental consulting and engineering market includes services provided to all four of AMEC's markets. Our E&I market alone consists of four sectors: water, transportation/infrastructure, government services, and industrial/commercial.

The market

Estimates of the size of the global environmental consultancy market vary from £26.5 billion (Environment Analyst) to over $54 billion (Engineering News Record), with design and construction-specific revenue on top of this. The market has historically been both large and diverse though there has been recent consolidation as large private sector clients are increasingly looking for seamless global project delivery.

A compound annual growth rate of 3.5 per cent is expected over the next five years, with services related to climate change, energy and contaminated land/remediation expected to grow particularly strongly (Environmental Analyst).

Many believe that water scarcity and environmental concerns provide additional opportunities for growth. Growing water constraints are set to impose additional costs on the energy sector and in some cases threaten the viability of projects. The IEA suggests that the volume of water consumed to produce energy will increase by 85 per cent from 2010 to 2035. This is more than twice the rate of growth of energy demand, driven by more water-intensive power generation and expanding output of water-thirsty biofuels.

AMEC's position

We work predominately in the US, Canada and the UK, with an emerging presence in the Middle East, Africa and Australasia. In 2012 we acquired Unidel, a 260-person consulting, engineering and technical services company based in Australia.

Environment and infrastructure services are provided to all of AMEC's four markets, with the skills highly transferable across customers. Indeed, 32 per cent of the division's revenues come from oil & gas, mining, and clean energy and this percentage is growing.

See page 29 for further details

AMEC's Environment & Infrastructure market itself can be divided into four sectors.

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 public and private sector customers. Our primary areas of focus are water resource management, water policy, coastal management, asset planning and management, and wastewater collection and treatment.

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

In **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.

A broad range of **government services** is provided, including to the US Federal Government, which is the largest procurer of environmental services in the world. Customers also include the various branches of the military and state/provincial agencies. Services range from remediation programmes to design and delivery of infrastructure facilities, including airfield facilities, housing and site improvements at installations globally.

In **industrial/commercial**, 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.

Recent projects include:

- Northumbrian Water, UK: framework agreement for the provision of technical, commercial and environmental services
- US Army Corps of Engineers, Qatar: design and construction of facilities and warehousing, including demolition and site improvements at Al Udeid Air Base
- McCain Foods, Canada: wastewater effluent reclaim/recycle design project
- Windsor Essex Parkway, Canada: design and environmental services, including geotechnical investigation, pavement design habitat studies and sustainability planning.

See amec.com for further detail on projects and strategy in this market

Our services

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

Our new organisational structure is designed to maximise growth opportunities, by ensuring the widest range of AMEC services is provided in each of our three geographies, and for each of our four markets.

AMEC offers its customers engineering and project management services across the asset lifecycle, together with 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 mining market we are involved in ore resource estimation, mine planning and feasibility studies.

Recent examples include:

- Northumbrian Water, UK: multi-disciplinary engineering, contract supervision services and associated environmental support as well as contract and cost management services
- Sellafield Limited, UK: three-year environmental support framework agreement
- UNCC/KOC, Kuwait: PMC contract for the remediation of oilfield properties damaged in the first Gulf War.

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. 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, UK: detailed design for the Cygnus gas field development in the North Sea
- BP, UK: engineering and project management services for the main platform design for Clair Ridge
- Talisman, UK: provision of brownfield engineering, procurement, construction and commissioning services under five-year call-off contract
- 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.

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:

- Sapphire Energy, US: recently completed first stage of construction of integrated algal biorefinery in New Mexico
- GDF SUEZ, Canada: with our JV partner, Black & McDonald, engineering, procurement, construction (EPC) contract for Brockville 10 MW solar photovoltaic plant
- Sappi, South Africa: EPCM services for Go Cell project, modifications to enable the production of chemical cellulose.

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:

- BP, Azerbaijan: AMEC consortium has a master services agreement for the provision of project management, engineering services, construction management and commissioning and completions, including the Chirag Oil Project – West Chirag (COP-WC) project valued at US$340 million
- KNPC, Kuwait: PMC contract worth £330 million for a new oil refinery at Al Zour, due to be completed in 2018
- Over 100 AMEC employees based in Canada, Mongolia, Australia and the US are working on 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, mechanical and electrical (M&E) 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, such as Fairfield Energy.

Recent examples include:

- Sellafield Limited, UK: multi-discipline site works framework agreement, covering maintenance tasks, asset care and restoration projects
- Chevron, Australia: asset support contract for Clough AMEC JV on Wheatstone project, including specialist support from PI
- Centrica, UK: five-year contract for the provision of engineering, construction and project support services for East Irish Sea onshore and offshore gas production assets.

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:

- NDA, UK: AMEC plays a key role as part of Nuclear Management Partners in managing the decommissioning of the Sellafield complex
- BP, UK: decommissioning services provided by qedi on the Valhall platforms
- JAVYS, Slovakia: provision of waste treatment services to the Bohunice nuclear plant.

Other services

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

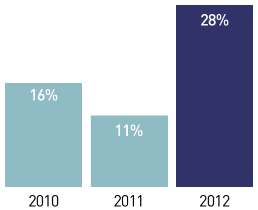
See amec.com and our sustainability report

Key Performance Indicators

Financial

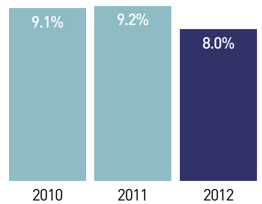
Revenue growth

See pages 26 to 33 for more details



Margin

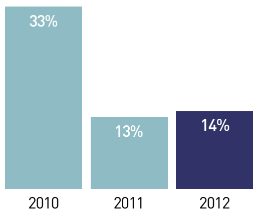
See pages 26 to 33 for more details



As defined on page 3, note 2

EPS growth

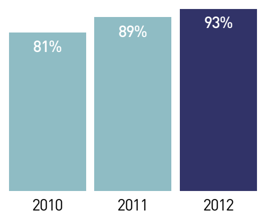
See page 35 for more details



As defined on page 3, note 4

Cash conversion

See pages 35 to 36 for more details



Operating cash flow as defined on page 35, note 1

Non-financial

Vision 2015

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

See pages 10 to 11 for more details

Safety (continuing operations)

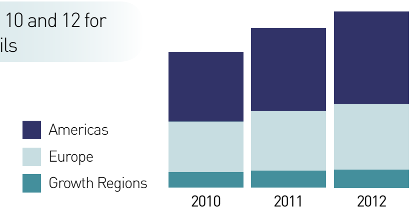
Number of fatalities at work

0

for the past five years (2008–2012). We have the same target for 2013

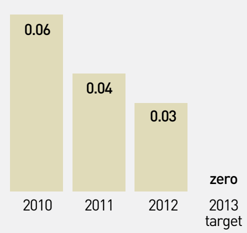
Growth in employee base

See pages 10 and 12 for more details



Average employees, as defined in note 6 on page 3

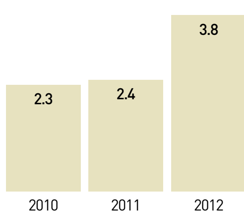
Lost time incident frequency rate



(per 200,000 exposure hours)

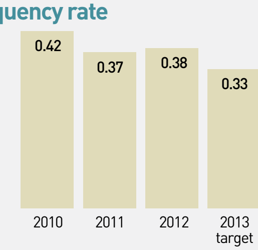
Carbon emissions

See 2012 sustainability report and pages 24 to 25 for more details



(tonnes per employee. 2012 figures are draft)

Total recordable case frequency rate



(per 200,000 exposure hours)

Managing risk

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.

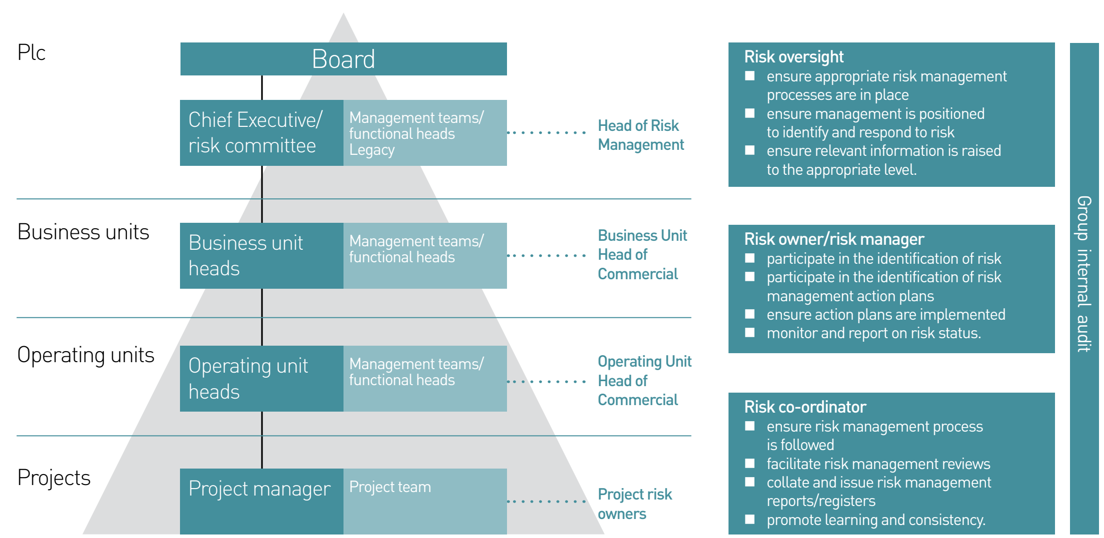
The risk registers are reviewed and updated at least quarterly with the relevant risk owners.

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



Reporting and monitoring 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.

Principal business and strategic risks

Other financial risks are shown on page 95

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. Recent instability and heightened security concerns in North Africa may hinder growth opportunities in this region. 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.	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. 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 continuing 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 from page 12
Major third party environmental event A major third party event resulting in significant environmental damage may lead to adverse developments in one of AMEC's key markets.	The impact of such an event would be mitigated by closely monitoring the developments of such an event, the concerns of stakeholders and other interested parties and by actively engaging with local regulators and maintaining close communication with customers.
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.
Restructure to focus on expansion of global footprint AMEC recently restructured the business to focus on delivering growth generally and expanding the global footprint specifically into Growth Regions. A failure of this strategy could result in failure to meet targeted growth levels.	Closely defined roles and responsibilities have been identified across operations and functions with a formal review process initiated to monitor performance and ensure appropriate remedial actions are put in place without delay. 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 and/or claims against AMEC.	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 89 for further details on our pension schemes

Risk continued	Mitigation continued
Health, safety and security AMEC is involved in activities and environments that 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 while 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 continual improvement. The KPIs on page 20 show details of our recent performance
Legacy risk Litigation and business claims from divested and non-core businesses remain a risk to AMEC. Managing non-core legacy assets until divestment may require skills that are not common to the rest of the company.	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 that are believed to be adequate and is not aware of any other current issues relating to disposed businesses which are likely to have a material impact. 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 continual 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

AMEC believes sustainable business is the balance of economic, environmental and social responsibilities, meeting the requirements of our stakeholders, consistently, in line with living our values.

To achieve this we have to ensure that sustainability is integrated into the very core of our business and within our decision-making processes. Our sustainability strategy is described using three interwoven elements – **living our values**, **excellent project delivery** and **sustainable growth**, each of which is described in more detail below and within our sustainability report.

Living our values

Living our 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; and integrity.

Policies, processes and standards are in place globally to ensure we are able to manage these areas consistently wherever we work.

Highlights include:

- During 2012 we recruited over 10,000 people into the business (people)
- Our e-academy, a learning management system designed to help us improve our global reach to everyone at AMEC, was launched in June 2012. To date we have had over 120,000 hits to the system (people)
- During 2012 we had a target to focus on high potential incidents. To this end, all 36 high potential incidents recorded were reviewed at senior management level (in 2011 we had 48 high potential incidents) (safety)
- During 2012 we achieved better than our All Injury Frequency Rate target and although we missed our overall Total Recordable Frequency Rate target we improved on our 2011 performance (safety)
- We had our fifth year supporting SOS Children's Villages as our global strategic charity. During the year we partnered with SOS Children to support their village in Baku, Azerbaijan (integrity)
- New online Code of Business Conduct training rolled out to all employees – by 2 January 2013 17,838 employees had completed the training (integrity)
- Power management software is being implemented on our networked equipment in all our locations globally. To date the system has saved nearly 15,000 kWh in energy use. Once fully rolled out we estimate the annual saving to be in the region of 1.49 GWh of electricity (environment)
- Water strategy has been developed in 2012, along with baseline water usage. A programme in line with the strategy will be rolled out 2013 onwards (environment).

Excellent project delivery

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: minimising resource use (water, materials, energy), considering long-term social requirements on our projects (utilising local workforce and suppliers, supporting the local communities in which we work) and ensuring the delivery of safe projects (inherent within the design, on site during delivery and onwards during the operation).

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:

- Roll out of our new global supplier registration and qualification system began to those suppliers viewed as critical to successful project delivery. This new process incorporates health, safety and environmental requirements, compliance with the supplier code of conduct and specific ethics questions
- We are supporting EDF Energy Nuclear Generation as a strategic partner for the lifetime of the existing UK nuclear power station fleet, focused on efficient low carbon asset operation with minimal losses and maximising the generation lifetime of the fleet, while ensuring zero harm to personnel and the environment
- Roll out of the 'Essentials of engineering safety and environmental protection through the project lifecycle' training programme through AMEC Academy, to 1,414 people during 2012
- In 2011, the Jabulani skills training centre was established as part of the Sappi GoCell project at Ngodwana in South Africa to maximise local community involvement and provide the project and local area with construction skills. During 2012 the training centre won two 'achiever' awards from BHP Billiton
- Our Environment & Infrastructure division held its innovation summit in October, showcasing best practice and innovative solutions from across the business.

Sustainable growth

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.

Highlights include:

- As part of our stakeholder engagement in 2012 we hosted a sustainability debate amongst our employees. Over 100 people from across the business actively took part, discussing their thoughts on what sustainability meant for AMEC, what we do well and what we could improve on. The results of this debate are helping us to shape our focus for 2013 and beyond
- We were included in Dow Jones Sustainability Index for the ninth year in succession, continuing as industry leader within our sector.

Fit for the future

Priorities include:

- Focus on communicating sustainability in practice as part of an employee awareness and engagement programme
- Ensure our carbon reporting and data capture processes are in line with new mandatory carbon reporting requirements
- Full review of our carbon footprint with the aim of re-baselining during 2013 to take into account key changes within the organisation from 2008
- Roll out of a project framework for sustainability – ensuring that sustainability is embedded within our projects in a consistent manner
- Articulate our Employee Value Proposition (EVP) to build employee engagement
- Continue to focus on roll out of the Code of Business Conduct training to ensure that all of our employees have completed it.

In our reporting on sustainability we focus on those areas that are most important for us and to our stakeholders and those that 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.

See also 2012 sustainability report

On reflection, our employee magazine, highlights these and similar achievements

Our KPIs are shown on page 20

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 2012. It should be read in conjunction with the information on our markets (page 12), our services (page 18), our KPIs (page 20) and our Vision 2015 strategy (page 10). 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). Results are presented to the nearest million. Calculated numbers, such as EPS and margin rates, are 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 activities in the Natural Resources, Power & Process and Environment & Infrastructure divisions, as well as for non-core Investments and other activities.

* International Financial Reporting Standard 5 'Non-current Assets Held for Sale and Discontinued Operations'

Amounts and percentage movements relating to continuing segmental earnings before net financing income, tax and intangible amortisation (EBITA) are stated before corporate costs of £33 million (2011: £34 million) and pre-tax exceptional costs of £24 million (2011: £6 million).

The average number of employees for the years ended 31 December 2012 and 31 December 2011 stated in this review includes agency staff.

Change in basis of reporting

From 1 January 2013, the basis of reporting will be switched from a divisional to a geographic basis, in line with the management of the business. For information, following the analysis of performance by division, the key characteristics of each geography are shown.

Further prior year comparative data is available on page 34 and our website

Divisional breakdown
Natural Resources

	2012	2011	Change %	Underlying %[1]
Revenue (£m)	**2,416**	1,742	+39	+20
EBITA (£m)	**192**	192	in line	in line
EBITA margin (%)	**8.0**	11.0	(300) bps	
Order book (£bn)	**2.3**	2.2	+4	
Average number of employees[2]	**13,849**	12,239	+13	

1 Growth measured against 2011 as restated for material acquisitions, movements in material currencies, and the impact of incremental procurement

2 Full time equivalents, including agency staff.

Description of business

Principal activities: operates in two markets: oil & gas (77 per cent of 2012 revenues) and mining. Further details on each are shown on pages 13 to 15.

Total life of asset services provided, ranging from engineering design through to asset support and decommissioning. Examples can be found on page 18 and 19.

Key facts

- Approximately 68 per cent of 2012 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 2012 revenues)
- 63 per cent of revenue in 2012 came from Americas, 25 per cent from Europe and 12 per cent from Growth Regions.

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

Business model: explained in more detail on page 2. Typical KPIs might 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 9 per cent of the division's revenues in 2012.

Customers include: Agip KCO, Apache, Arcelor Mittal, Azerbaijan International Operating Company (AIOC), BG Group, BP, Canadian Natural Resources Limited, ConocoPhillips, ExxonMobil, Fairfield Energy, Fortescue Metals, Freeport-McMoran, GDF SUEZ, K&S Potash, Kuwait Oil Company, Marine Well Containment Company, Newmont Mining Corporation, PotashCorp, Shell, Teck Resources Ltd, Teesside Gas and Liquids Processing.

Significant new contracts in 2012 included:

Oil & gas: KNPC: PMC for new oil refinery at Al Zour, Kuwait; ADGAS: PMC contract for FEED phase of flaring and emissions reduction project for LNG facilities, Das Island, UAE; ADMA OPCO: PMC for 'execute phase' of Nasr Phase 1 and Umm Lulu Phase 1 field development projects, Offshore Abu Dhabi, UAE; BP: decommissioning services for Valhall production and compression platform, Norway; Talisman: five-year call-off contract to provide brownfield engineering, UK North Sea; BP: £10 million contract to modify and extend its Kinneil Terminal, UK; GDF SUEZ: £60 million detail design contract for GDF SUEZ's Cygnus field, UK North Sea; Centrica: five-year asset support contract for mixture of manned and unmanned offshore assets, as well as onshore gas terminals, East Irish Sea; SABIC: extension to two asset support contracts worth over £70 million over three years, UK; MWCC: designing and delivering components of the Marine Well Containment Company's (MWCC) expanded containment system, US Gulf of Mexico; BP: FEED services for the second phase of Mad Dog field, US Gulf of Mexico; Chevron: asset support contract for the Wheatstone offshore facility, Australia; Chevron: contract extension to provide engineering services to oil production facilities at Barrow Island, Australia; ENI: 'Blacktip' contract to provide maintenance support to onshore gas treatment plant and offshore unmanned wellhead platform, Australia; Conoco Phillips: two-year contract extension to provide operations and maintenance services to the Bayu Undan facilities, East Timor Indonesia.

Mining: Swakop Uranium: AMEC joint venture awarded Husab EPCM project, with AMEC responsible for engineering and project management, Namibia; Balkans Minerals & Metals: engineering and procurement services for the Krumovgrad Gold project, Bulgaria.

Ongoing projects include detailed engineering and procurement for ConocoPhillips' existing Judy platform and the hook-up and commissioning of the new Jasmine facilities in the North Sea; a long-term project management project for KOC in Kuwait; and ongoing oil sands work for Imperial Oil, Syncrude, Teck, Suncor and Connacher among others.

2012 performance

Revenue in the Natural Resources division improved 39 per cent to £2,416 million with good growth in both oil & gas and mining. A strong performance in conventional oil & gas in the UK North Sea and the Gulf of Mexico and in mining throughout the Americas was further boosted by incremental procurement (£320 million) on three key projects. Excluding incremental procurement, underlying growth was 20 per cent.

EBITA (£192 million) was in line with 2011, and the **EBITA margin** was 8.0 per cent, down 300 basis points. Incremental procurement contributed to this decline as did the shift in work mix to the more mature regions of the UK North Sea and Gulf of Mexico, as previously flagged. In addition, and as discussed in the half-year results, there were delays to the Kearl initial development in the oil sands, which resulted in first half profits being lower than anticipated. As a result, the group chose to adopt a more cautious approach to profit-recognition in the second half. Finally, market softening in Australia had an impact on margin that was accentuated by comparison with 2011, which saw successful claim settlements in the GRD Minproc business and a number of positive project close-outs.

Order intake improved with oil & gas activity driving the increase. The order book at 31 December 2012 was up 4 per cent at £2.3 billion.

Business and financial review
Divisional breakdown continued

Power & Process

	2012	2011	Change %	Underlying %[1]
Revenue (£m)	**973**	849	+15	+11
EBITA (£m)	**78**	72	+8	+4
EBITA margin (%)	**8.0**	8.5	(50) bps	
Order book (£bn)	**0.8**	1.0	(22)	
Average number of employees[2]	**7,426**	7,042	+5	

1 Growth measured against 2011 as restated for material acquisitions and movements in material currencies
2 Full time equivalents, including agency staff.

Description of business
Principal activities: focused entirely on clean energy market, operating in nuclear, renewables/bioprocess, power and transmission & distribution sectors (see pages 15 to 16 for further details). Provide total life of asset services, particularly in Europe and the Americas. Examples are shown on page 18 to 19.

Key facts
Revenue split by geography: 55 per cent from Americas, 44 per cent from Europe and 1 per cent from Growth Regions.

Revenue split by sector: 41 per cent renewables/bioprocess; 28 per cent nuclear (excluding the equity accounted joint venture undertaking decommissioning work at Sellafield); balance split evenly between power and T&D.

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: The majority of services in this division are provided on a target price or cost plus basis. Lump sum work represented some 35 per cent of the division's revenues in 2012.

Customers include: Arizona Public Service, Atomic Weapons Establishment, BC Hydro, Boldt AMEC LLC, Bruce Power, EDF Energy, Georgia Pacific, INEOS, International Power, Kruger, Meadwestvaco, National Grid, NDA, Ontario Power Generation, Research Triangle Institute, Sapphire Energy, Sellafield Limited, Siemens, Smith Falls, Southern Company, Wales & West Utilities.

Significant new contracts in 2012 included: Sellafield Ltd: four-year extension to existing contract to provide maintenance, asset care and restoration across the Sellafield site; three-year framework contract to provide environmental services; and Axiom joint venture awarded a 15-year design and support framework contract, UK; National Nuclear Lab: five-year contract to provide project management support for the refurbishment of customer's active handling facility, UK; JAVYS: three-year contract to provide waste treatment services to the Bohunice nuclear power plant, Slovakia; International Power Canada: EPC contract for the Brockville solar project, a 10-megawatt (MW) solar photovoltaic plant, Canada; 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.

In the North American clean energy market, good progress is being made on the Sapphire Energy biofuels project in the US, and in Canada, the 99 MW Erieau wind project continues to advance. Work is also continuing on a number of other clean energy projects.

2012 performance
Revenue increased 15 per cent, to £973 million in 2012 (2011: £849 million). This reflected the continued refocusing of the business, with a strong performance in the renewable/bioprocess sector in the Americas in particular and a six-month impact of the ESRC acquisition. This was offset by a decline in conventional power, driven by the phasing down of the West Burton combined-cycle gas turbine power station project.

EBITA was up 8 per cent, to £78 million (2011: £72 million), which reflected revenue growth and the ESRC acquisition, with the Sellafield decommissioning joint venture contributing £15 million (2011: £20 million).

The overall **EBITA margin** was down 50 basis points to 8.0 per cent. The margin decline was largely the result of a reduced contribution from the Sellafield joint venture, where results, though in line with original expectations, were below 2011.

The **order book** at 31 December 2012 was £0.8 billion (2011: £1.0 billion). The decline reflected a reduction in conventional power and transmission & distribution activity, consistent with the shift to cleaner energy sectors. The tier one Sellafield decommissioning contract, as it is an equity accounted joint venture, was not included in these figures.

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

Environment & Infrastructure

	2012	2011	Change %	Underlying %[1]
Revenue (£m)	**820**	722	+14	(3)
EBITA (£m)	**87**	66	+31	+21
EBITA margin (%)	**10.6**	9.2	+140 bps	
Order book (£bn)	**0.5**	0.5	+9	
Average number of employees[2]	**6,953**	6,262	+11	

1 Growth measured against 2011 as restated for material acquisitions and movements in material currencies
2 Full time equivalents, including agency staff.

Description of business
Principal activities: worked in each of AMEC's four markets, including those common to the Natural Resources and Power & Process divisions. See pages 12 to 17 for the growth characteristics of each market and AMEC's position.

Specialist environmental, geotechnical, programme management, engineering and consultancy services are provided to a broad range of customers in the public and private sectors, including many common to the other divisions. See pages 18 and 19 for further details.

Typically characterised by a large number of small value contracts, with an average size of approximately $100,000.

Key facts
Revenue split by geography: 84 per cent from Americas, 7 per cent from Europe and 9 per cent from Growth Regions.

Revenue split by market: 12 per cent oil & gas; 15 per cent mining; 5 per cent clean energy; 68 per cent environment & infrastructure.

Locations: operates from a regional network of around 210 offices, mainly across North America but with an increasing presence in Europe, South America, the Middle East and Australasia.

Business model: the majority of the division's revenue comes from smaller scale consultancy projects. Some lump sum or fixed price activity is carried out in the government sector.

Customers include: Alberta Transportation, Atlantic Richfield Company, Consolidated Thompson Iron Mines Ltd, CSX Transportation Inc., Enbridge Pipelines Inc., Honeywell International Inc., Imperial Oil, National Parks Service, Newmont Mining Corporation, Northumbrian Water Limited, Pacific Gas and Electric Company, Shaw Constructors Inc., State of Florida, Suncor Energy Inc, Syncrude Canada Ltd, US Air Force, US Army, US Coast Guard, US Navy, US Environmental Protection Agency.

Significant ongoing contracts include: Northumbrian Water Limited: technical and commercial services framework contracts to provide multi-disciplinary engineering, contract supervision services and associated environmental support as well as contract and cost management services, UK; Sydney Water: programme, cost and risk management (PCRM) role with the network and facilities renewals programme, Australia; KOC: PMC contract to provide environmental remediation of land damaged during 1990–91 Iraqi invasion of Kuwait; Government Procurement Services: three-year framework agreement to provide environmental and sustainability advice, support and delivery services across the UK public sector, UK; North London Waste Authority: four-year framework agreement to help deliver state-of-art new waste services infrastructure for North London, UK.

2012 performance
Revenue increased by 14 per cent to £820 million in 2012 (2011: £722 million), driven by acquisitions; MACTEC in June 2011 and Unidel in Australia in May 2012. Underlying revenue was down, reflecting a good performance in the oil & gas, mining and clean energy markets but slower performance in other sectors, particularly government services. Some 32 per cent of revenues in this division came from markets common to Natural Resources and Power & Process (2011: 27 per cent).

EBITA increased 31 per cent in 2012 to £87 million (2011: £66 million). The sector mix improved towards the higher margin energy markets, there were overhead synergies and pension benefits resulting from the integration of MACTEC, and increased Canadian government incentives were received for research and development. Overall **EBITA margin** increased to 10.6 per cent (2011: 9.2 per cent).

The **order book** was up nine per cent at £0.5 billion, benefiting from contract awards during the year.

Investments and other activities
This principally comprised the Incheon Bridge PPP project in Korea, now in operational phase, the group's insurance captive, and AMEC's residual UK wind development activities. Revenue was £9 million (2011: £7 million) with EBITA of £7 million (2011: £3 million).

Business and financial review
Geographic breakdown

Americas

	2012	2011	Change %	Underlying %[1]
Revenue (£m)	**2,500**	1,807	+38	+14
EBITA (£m)	**233**	200	+16	+14
EBITA margin (%)	**9.3**	11.1	(180) bps	
Order book (£bn)	**1.3**	1.5	(15)	
Average number of employees[2]	**14,828**	13,286	+12	

1 Growth measured against 2011 as restated for material acquisitions, movements in material currencies and the impact of incremental procurement
2 Full time equivalents, including agency staff.

Description of business

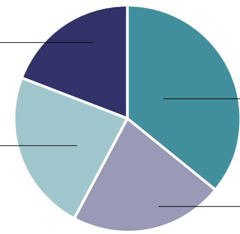
Americas generated 60 per cent of group revenues in 2012. The portfolio of activities is well-balanced across AMEC's four markets.

- We have a growing conventional oil & gas position, strengthened by recent contract wins such as MWCS and BP Mad Dog; by the creation of AMEC KROMAV in Brazil; and by the signing of the joint venture agreement with Samsung
- AMEC is the market leader in the provision of project management and engineering services to the Canadian mineable oil sands (see page 14) and also has in-situ expertise
- We are a leading mining consultant and a tier 1 EPCM player
- We have good solar and bioprocess positions in the US and are well positioned in nuclear and wind in Canada, particularly in Ontario
- We are a leading player in the provision of environmental services in North America.

The introductory investor presentation on our website carries further details on our market position, competitors and growth priorities

Key facts

Revenue split by market



Locations: There are major offices in Calgary, Toronto, Saskatoon, Vancouver in Canada; Atlanta, GA, Greenville, SC, Houston, TX, in the US; Santiago, Chile; Belo Horizonte, Brazil; and Lima, Peru. In addition, environmental and infrastructure services are provided through a large number of local offices throughout North America.

Customers include: Arizona Public Service (APS), BP, Bruce Power, Canadian Natural Resources Limited, ExxonMobil, Kruger, MWCC, Newmont Mining Corporation, PotashCorp, US Air Force. See also pages 27, 28 and 29.

Recent projects include: Oil & gas: BP: conceptual design and then FEED services for topside facilities, second phase of Mad Dog field; CNRL: Horizon oil sands project expansion, Canada; Imperial Oil: Kearl programme, Canada; MWCC: marine well containment system, US; Petrobras: engineering services, Brazil; Quip: work on P63, Brazil; Sunshine Oilsands Limited: West Ells in-situ project.

Mining: Cap Mineria: Cerro Negro Norte iron ore project, Chile; Detour Gold: Detour Lake gold project, Canada; New Gold: infrastructure and EPCM services at New Afton mine; Newmont Mining Corporation: Geology, resource and reserve audits, front-end studies and EPC services, Leeville Turf gold project, US; PotashCorp: expansion project, including EPCM work at Rocanville, Canada.

Clean energy: APS: 52MW photovoltaic solar project, US; BC Hydro: range of T&D projects, augmenting the client's in-house engineering group, Canada; OPG: owner's support services, preliminary engineering design, safety review and site evaluation, client training programme for refurbishment and new build at Darlington plant, Canada; International Power Canada: Brockville solar project; Sapphire Energy: integrated algal biorefinery in New Mexico, US.

Environment & infrastructure: Honeywell: alliance agreement, working on more than 80 environmental remediation and stewardship projects; McCain Foods: waste water effluent reclaim/recycle design project; Windsor Essex Parkway: design and environmental services.

2012 performance

Revenue in Americas improved 38 per cent to £2.5 billion, with good growth across all markets, boosted by incremental procurement. Excluding this incremental procurement (£320 million), underlying growth was 14 per cent.

EBITA was up 16 per cent, to £233 million (2011: £200 million). The **EBITA margin** was 9.3 per cent, down 180 basis points from 2011, largely as the result of the increased procurement activities on three Americas' projects. It was also impacted by a decline in profits from the Kearl project, as discussed on page 27. Excluding incremental procurement, margins were similar to last year at 10.7 per cent.

Order book was down 15 per cent at £1.3 billion (2011: £1.5 billion), reflecting softer conditions in some markets and a reduction in incremental procurement.

Americas outlook

Looking ahead to 2013, and on an underlying basis excluding procurement, revenue growth is expected to be in the low-to-mid single digit range, with growth in conventional oil & gas, clean energy and environment & infrastructure offset by a significant reduction in oil sands. Mining, whilst still robust, is expected to be relatively stable, excluding incremental procurement. Overall, incremental procurement in Americas is expected to be £200 million lower than in 2012.

Headline margins are expected to improve in 2013 as incremental procurement reduces. The negative impact from the shift in business mix away from oil sands will be offset in part by cost efficiencies from the organisational restructure.

Europe

	2012	2011	Change %	Underlying %[1]
Revenue (£m)	**1,150**	1,027	+12	+8
EBITA (£m)	**91**	83	+10	+6
EBITA margin (%)	**7.9**	8.1	(20) bps	
Order book (£bn)	**1.6**	1.6	(2)	
Average number of employees[2]	**10,473**	9,558	+10	

1 Growth measured against 2011 as restated for material acquisitions and movements in material currencies
2 Full time equivalents, including agency staff.

Description of business

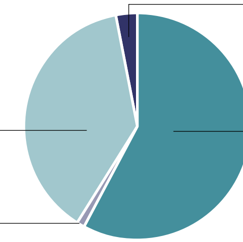
Europe generated 27 per cent of group revenue in 2012, largely from conventional oil & gas and nuclear.

- We have a long-standing oil & gas business in the North Sea, with a market-leading position in brownfield activities. Our recent collaboration agreement with Aibel opens up opportunities in the Norwegian Continental shelf
- Our nuclear capability has developed over the last 50 years and supports the full lifecycle of nuclear energy, from new build to reactor support and onto decommissioning. In 2012 we acquired the 600–person ESRC business, so building our capabilities and footprint
- We are positioned for further growth in the environment & infrastructure market.

The introductory investor presentation on our website carries further details on our market position, competitors and growth priorities

Key facts

Revenue split by market



Business and financial review
Geographic breakdown continued

Europe continued

Key facts continued

Locations: In the UK, there are major offices in Aberdeen, Darlington, Great Yarmouth, London, Knutsford, Newcastle. We also have smaller offices elsewhere in the UK and in Europe.

Customers include: Apache, BG, BP, ConocoPhillips, EDF, Fairfield Energy, National Grid, NDA, Shell, Teesside Gas and Liquid Processing. See also pages 27, 28 and 29.

Recent projects include: Oil & gas: BG: engineering and construction (E&C) term contract for facilities including Armada, North Everest and Lomond platforms; BP: EPMS for the main platform design Clair Ridge; ConocoPhillips: brownfield detailed engineering and procurement for existing Judy platform and the hook-up and commissioning of the new Jasmine facilities; GDF SUEZ: detailed design, Cygnus gas field; Fairfield Energy: duty holder position, Dunlin; SABIC: asset support contracts; Shell: integrated services contract for Shell OneGas assets in Southern North Sea; Talisman: five-year frame agreement.

Mining: Balkans Minerals & Metals: engineering and procurement services for Krumovgrad gold project, Bulgaria.

Clean energy: NDA: Sellafield site decommissioning as a part of NMP; Sellafield Limited: various projects, UK; EDF: supporting architect engineer operations on UK nuclear new build programme; National Grid: Electricity Alliance West contract, UK; JAVYS: waste management at Bonhince nuclear power plant, Slovakia.

Environment & infrastructure: Northumbrian Water: framework agreement, UK; North London Waste Authority: framework for waste management; Government Procurement Services: environmental and sustainability advice, support and delivery services, UK.

2012 performance

Revenue in Europe improved 12 per cent to £1,150 million through a mix of organic growth and acquisition. The oil and gas market was the primary driver, boosted by a six-month impact of the ESRC acquisition in clean energy.

EBITA was up 10 per cent, to £91 million (2011: £83 million) and the **EBITA margin** was 7.9 per cent, down 20 basis points from 2011. The margin decline is largely the result of a reduced contribution from the Sellafield joint venture as discussed on page 28, offset by a stronger oil & gas mix.

The **order book** was stable at £1.6 billion, reflecting the decline in conventional power and transmission & distribution in the UK, offset by a strong position in oil & gas.

Europe outlook

Underlying revenue growth in 2013 is expected in the low-to-mid single digit range, driven by oil & gas in the North Sea, while in clean energy, growth in the nuclear sector is expected to offset a reduction in conventional power.

Margins are expected to improve in 2013, as result of the shift in business mix and efficiencies from the integration of operations.

Growth Regions

	2012	2011	Change %	Underlying %[1]
Revenue (£m)	**531**	442	+20	+15
EBITA (£m)	**32**	46	(30)	(32)
EBITA margin (%)	**6.1**	10.3	(420) bps	
Order book (£bn)	**0.8**	0.6	+28	
Average number of employees[2]	**2,874**	2,655	+8	

1 Growth measured against 2011 as restated for material acquisitions and movements in material currencies
2 Full time equivalents, including agency staff.

Description of business

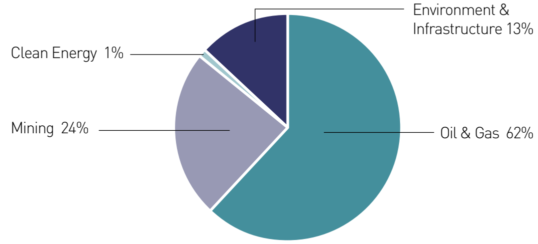
This is the smallest of AMEC's geographies, contributing 13 per cent of group revenue in 2012 driven by conventional oil & gas and mining. It is the geography with the greatest potential for growth.

- We have a strong engineering and PMC position in the oil & gas market in the Middle East and a long-standing position in Azerbaijan. The Clough AMEC joint venture is based in Australia
- Our mining position was developed with the acquisition of GRD Minproc in 2009
- In clean energy, we have a presence in the nuclear sector in South Africa
- The acquisition of Unidel in Australia in 2012 provides additional growth opportunities.

The introductory investor presentation on our website carries further details on our market position, competitors and growth priorities

Key facts

Revenue split by market



Locations: There are major offices in Baku (Azerbaijan); Kuala Lumpur (Malaysia); Kuwait City (Kuwait); Abu Dhabi (UAE); Perth, Brisbane (Australia); Shanghai (China); Singapore; Johannesburg (South Africa).

Customers include: AIOC, Adgas, Adma Opco, BP, Chevron, ConocoPhillips, ExxonMobil, Fortescue Metals, KNPC, KOC, Rio Tinto, Sappi, Socar. See also pages 27, 28 and 29.

Recent projects include: Oil & gas: Middle East – Abu Dhabi Marine Operating Company: 30-month PMC services contract; Adgas: PMC services for FEED phase of flaring and emission reduction project at LNG facilities on Das Island; KNPC: PMC contract for new oil refinery at Al Zour; KOC: PMC remediation project.

Australia – Chevron: AMEC joint venture working on operability, reliability and maintainability of the Wheatstone offshore facility; ENI: Blacktip contract, providing maintenance support.

Asia – ConocoPhillips: operations and maintenance services for Bayu Undan facilities.

CIS – BP: Chirag oil project, Azerbaijan.

Africa – ExxonMobil: Kizomba Satellites, Angola.

Mining: Swalcop Uranium: engineering and project management, Namibia; Rio Tinto: Oyu Tolgoi underground mine; Fortescue Metals Group: with JV partner, completed EPC contract for the Cloudbreak ore handling plant wet front-end project.

Clean energy: Sappi: EPCM contractor for the GoCell project at Ngodwana in South Africa, modifying one of the mill's production lines to enable the production of chemical cellulose.

Environment & infrastructure: Sydney Water: programme, cost and risk management role with the networks and facilities renewal programme, Australia; US Army Corps of Engineers: design and construction of facilities and warehousing, Qatar.

2012 performance

Revenue in Growth Regions improved 20 per cent to £531 million primarily driven by organic growth in the oil & gas and mining markets and boosted by the Unidel acquisition.

EBITA was down 30 per cent, to £32 million (2011: £46 million) and the **EBITA margin** was 6.1 per cent, down 420 basis points from 2011. The margin decline is largely the result of general market softening in Australia in 2012, which was only partly offset by contract wins in the Middle East and which was accentuated by a particularly strong year in 2011, on the back of successful claim settlements arising in the GRD Minproc business and a number of positive project close-outs.

Order book was £0.8 billion in 2012 (2011: £0.6 billion), benefiting from a strong oil & gas performance in the Middle East including the award of the KNPC's PMC contract.

Growth Regions outlook

Looking ahead, overall revenue in 2013 is expected to be stable, with good performance in most regions, but significant weakness in Australia where demand has softened.

Margins are expected to improve gradually as a result of efficiencies from the integration of operations and as the business matures.

Restatement of prior years by geography

Revenue and EBITA

£ million	2012 Revenue	2012 EBITA	2012 Margin	2011 Revenue	2011 EBITA	2011 Margin	2010 Revenue	2010 EBITA	2010 Margin
Americas	**2,500**	**233**	**9.3%**	1,807	200	11.1%	1,691	185	10.9%
Europe	**1,150**	**91**	**7.9%**	1,027	83	8.1%	905	82	9.0%
Growth Regions	**531**	**32**	**6.1%**	442	46	10.3%	365	29	8.0%
Investment Services	**9**	**8**		6	4		8	9	
Corporate costs	**–**	**(33)**		–	(34)		–	(36)	
Internal revenue	**(32)**	**–**		(21)	–		(18)	–	
	4,158	**331**	**8.0%**	3,261	299	9.2%	2,951	269	9.1%
Oil & Gas	**1,918**			1,375			1,290		
Mining	**682**			507			342		
Clean energy	**1,015**			860			896		
Environment & Infrastructure	**566**			534			433		
Investment Services	**9**			6			8		
Internal revenue	**(32)**			(21)			(18)		
	4,158	**331**	**8.0%**	3,261	299	9.2%	2,951	269	9.1%

Average employees

	2012	2011	2010
Americas	**14,828**	13,286	11,106
Europe	**10,473**	9,558	8,182
Growth Regions	**2,874**	2,655	2,425
Centre	**230**	258	260
	28,405	25,757	21,973

Order book

£ billion	2012	2011	2010
Americas	**1.27**	1.49	0.96
Europe	**1.57**	1.61	1.59
Growth Regions	**0.78**	0.61	0.58
Centre	**–**	–	–
	3.62	3.71	3.13

Changes arising from corporate activity

Acquisitions

The group invested £159 million in three acquisitions in 2012 and integration is progressing well.

The largest was **Serco's** 600-person nuclear business, **Energy, Safety and Risk Consultants** (ESRC), based in the UK, which was acquired in June 2012 with the acquisition cleared by the Office of Fair Trading in January 2013. The second was **Unidel**, a 260-person energy, resources and infrastructure engineering and consultancy business in Australia; and the group also acquired a 50 per cent stake in Kromav Engenharia S.A., a 200-person privately owned Brazilian offshore oil and gas and marine engineering company.

In October, AMEC formed a joint venture with **Samsung Heavy Industries** and **Samsung Engineering** to carry out the design engineering for fixed and floating offshore platforms, FPSOs and subsea pipelines for Samsung's future offshore oil and gas projects. In June the group signed a collaboration agreement with **Aibel**, one of the largest service companies in Norway, to jointly deliver projects for the oil and gas industry in the Norwegian Continental Shelf.

Basis of preparation of the accounts

The 2012 annual report and accounts has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU (adopted IFRS) as at 31 December 2012. The directors have identified the policies for accounting for long-term contracts, provisions for litigation matters and liabilities related to the sale of businesses and retirement benefits, as the most critical because they involve high levels of judgement and estimation.

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 bases its 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.

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.

Results

Revenue for the year increased 28 per cent to £4,158 million (2011: £3,261 million). **Underlying revenue**, excluding incremental procurement, increased by 12 per cent, driven by a strong performance within the Natural Resources division.

EBITA increased 11 per cent to £331 million (2011: £299 million) with **margins** at 8.0 per cent (2011: 9.2 per cent).

Adjusted profit before tax of £336 million was 8 per cent ahead of the previous year (2011: £311 million) driven by volume growth and acquisitions. After joint venture tax of £5 million (2011: £7 million), amortisation of £44 million (2011: £39 million) and exceptional losses of £24 million (2011: £6 million), **profit before tax** was £263 million (2011: £259 million). The **tax charge** for the year, including tax on amortisation and exceptional items, was £51 million (2011: £52 million) resulting in a **total profit** for the year from continuing operations of £212 million (2011: £207 million).

Adjusted diluted earnings per share from continuing operations were 80.4 pence (2011: 70.5 pence), an increase of 14 per cent. Diluted earnings per share were 67.3 pence (2011: 69.3 pence) reflecting the impact of the exceptional charges, increased amortisation and a lower contribution from discontinued operations.

Operating cash flow[1] for the period was £309 million (2011: £267 million), up £42 million from last year, reflecting EBITA growth and the continued focus on cash management. Cash conversion was strong at 93 per cent (2011: 89 per cent).

Dividend

The board is recommending a final **dividend** of 24.8 pence per share, which, together with the interim dividend of 11.7 pence, results in a total dividend of 36.5 pence per share (2011: 30.5 pence), an increase of 20 per cent.

The board expects to maintain a progressive policy with dividend cover in the range of 2.0 to 2.5 times. The final dividend will be payable on 1 July 2013 to shareholders on the register at the close of business on 31 May 2013.

Share buyback programme

At 31 December 2012, 33 million shares at a cost of £358 million had been purchased under the £400 million share buyback programme announced in February 2012. The group completed the buyback programme on 8 February 2013 and in total 37.4 million shares were purchased at a total cost of £403 million. The average cost was £10.70 per share.

1 Compared with 'cash generated from operations' per the statutory format cash flow, operating cash flow excludes exceptional items, discontinued operations and legacy settlements £(15) million (2011: £(34) million), the difference between pension payments and amounts recognised in the income statement £(6) million (2011: £(7) million) and certain foreign exchange movements £(6) million (2011: £nil), but includes dividends received from joint ventures £11 million (2011: £17 million)

Results continued

Geographical analysis

The group's largest country of operation was Canada with 30 per cent of revenue (2011: 28 per cent), driven by growth across all markets and increased procurement activity. The UK was the group's largest revenue generating country in 2011.

Administrative expenses

Administrative expenses increased by £16 million to £225 million (2011: £209 million) principally as a result of acquisitions and higher share-based payment charges.

Net financing income

Net financing income of £11 million was £5 million lower than last year (2011: £16 million) and included bank interest of £2 million (2011: £4 million) and net interest on pensions assets and liabilities of £9 million (2011: £9 million). 2011 also included foreign exchange gains and other items totalling £3 million.

The average interest rate received was approximately 0.6 per cent compared with 0.8 per cent in 2011.

In addition, AMEC's share of interest payable of equity accounted joint ventures was £6 million (2011: £4 million).

Taxation

Continuing operations

The group's effective tax rate in 2012 for the continuing businesses (including tax attributable to joint venture interests) before exceptional items and excluding intangible amortisation was 23.0 per cent (2011: 24.1 per cent). The reduction principally reflects decreases in statutory tax rates, the benefit of previously unrecognised tax losses, and the agreement of historical items with various tax authorities.

The tax rate in 2013 and beyond is expected to be in the mid-20s.

Deferred tax

At 31 December 2012, the group had net deferred tax assets of £33 million (2011: £72 million) arising from short-term timing differences relating to provisions, property, plant and equipment, and tax losses, offset by liabilities in respect of intangible assets and retirement benefits.

Financial position and net cash

The group remains in a strong financial position, with net cash as at 31 December 2012 of £99 million (2011: £521 million).

Cash generated from operations in 2012 was £271 million (2011: £209 million). After adjusting for exceptional items and discontinued operations and legacy settlements of £(15) million (2011: £(34) million); pension payments in excess of amounts recognised in the income statement of £(6) million (2011: £(7) million); certain foreign exchange movements of £(6) million (2011: nil) and dividends received from joint ventures of £11 million (2011: £17 million), operating cash flow was £309 million (2011: £267 million).

Going concern

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

Intangible amortisation and goodwill impairment

Intangible amortisation relates to capitalised software and intangible assets acquired as part of the group's expansion programme. The 2012 charge of £44 million is £5 million higher than the prior year (2011: £39 million) with the increase due to the acquisitions in the year and the full-year impact of acquisitions in 2011. 2011 also included a £2 million goodwill impairment charge.

In line with IAS 36 'Impairment of assets', annual impairment reviews have been performed on the goodwill carried on the balance sheet. There were no impairment charges required in 2012 (2011: £2 million).

Exceptional items

Total pre-tax exceptional losses of £18 million (2011: £8 million) include:

- a loss on business disposals and closures of £11 million arising from adjustments to existing provisions made in respect of prior year disposals and closures
- other exceptional costs of £7 million which include the transaction costs of acquisitions made in the period and certain deferred compensation costs on prior year acquisitions, along with the costs of funding a joint venture which was part of a recent acquisition and restructuring costs associated with the management reorganisation into geographic business units. These costs have been offset by the recognition, within discontinued operations, of an insurance receivable following the Supreme Court judgement on mesothelioma liability, a provision against which was established a number of years ago.

In aggregate, there was a post-tax exceptional charge of £10 million (2011: gain of £25 million).

Legacy issues

No new significant contingent liabilities were added in 2012. Provisions currently held for future costs of litigation total £40 million (2011: £54 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 2012 was £969 million (2011: £848 million) comprising goodwill £791 million, software £32 million, customer relationships £130 million and other acquired intangible assets £16 million.

The increase in goodwill of £66 million primarily related to the acquisitions in the year of Unidel and ESRC. Other acquired intangible assets included the value of brand names and trademarks, non-compete agreements and order backlogs of acquired businesses.

Derivative financial instruments

As at 31 December 2012, there were derivative financial instruments with a net liability of £3 million (2011: £14 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 2012, distributable reserves of AMEC plc stood at £620 million (2011: £820 million).

	£ million
As at 1 January 2012	820
Dividends approved during 2012	(98)
Dividends received from subsidiaries	66
Distributable reserves generated in the year	217
Share buyback	(403)
Other movements	18
As at 31 December 2012	**620**

During the year, the group holding company, AMEC plc, generated a significant profit from an internal restructuring. This profit becomes distributable as qualifying consideration is passed to AMEC plc to settle the associated loan balance.

Pensions

The IAS 19 surplus of the principal UK pension schemes at the end of 2012 of £86 million increased compared with 2011 (£32 million) reflecting reductions in both the discount rate and price inflation, along with higher than expected asset returns.

The UK schemes have operated on a career average salary basis since January 2008. During 2012, the UK defined benefit schemes were closed to new entrants but will remain open to future accrual for existing members.

There are a number of smaller schemes which are in a deficit position. The combined deficit as at 31 December 2012 was £93 million (2011: £81 million) with the increase in the year being due to actuarial losses. During 2012, some 30 per cent of the members of the scheme acquired with MACTEC accepted a lump sum settlement of their liabilities.

Contributions of £30 million were paid to the company's defined benefit schemes during the year (2011: £28 million). This included special contributions agreed with the trustees of £5 million (2011: £5 million).

Provisions

Provisions held at 31 December 2012 were £171 million (31 December 2011: £169 million). During 2012, £22 million of the brought-forward provisions were utilised. As part of the ongoing review of the potential liabilities, £5 million of provisions were released as they were no longer required but additional provisions were created in respect of indemnities granted on prior year disposals, which have been charged as an adjustment to the profit on disposal within discontinued operations; and the expected cost of funding a joint venture that was part of a recent acquisition, which has been charged as an exceptional item.

Provisions are analysed as follows:

As at 31 December 2012	£ million
Litigation provisions	**40**
Indemnities granted to buyers and retained obligations on disposed businesses	**69**
Insurance, onerous property contracts and provisions to fund joint ventures	**62**
Total	**171**

Effective corporate governance

The ultimate goal of your board is to collectively and effectively lead the delivery of long-term, sustainable success. Maintaining strong corporate governance practices is a core board responsibility in support of this goal.

I firmly believe that strong corporate governance is about helping our company to run well and needs to be deeply embedded in the DNA of our organisation. It is about leadership, collaboration and constantly seeking improvement. We welcome the ongoing discussion in this area and continue to seek to incorporate improvements into our way of working. As a board, we need to ensure that we focus on those issues that are key to achieving our goals. Our board agenda is carefully planned to facilitate this and I am cognisant of my responsibility as Chairman in ensuring we deliver.

We have made progress on a number of fronts during 2012.

I said last year that we had strengthened the terms of reference of the ethics committee. During 2012, we updated our Code of Business Conduct training, compulsory for all employees. In addition, we have made our mandatory global policies and procedures simpler and clearer and these changes are due to be introduced in early 2013.

I touched on external board evaluation in my introductory statement. This took place in the first half of the year and concluded that the company has in place a strong, highly competent board that performs well. Key areas for improvement were relatively minor and included the further development of the board's role in the development and stewardship of strategy, consideration of the efficacy of the group's organisational structure and continued focus on succession management and improving board diversity. Following the review in October 2012, we appointed Linda Adamany to the board and implemented a revised organisational structure. In accordance with the terms of the UK Corporate Governance Code (Code), the next externally facilitated review will be undertaken no later than 2015. Our priorities for 2013 include agreeing our policy on diversity and the measurable objectives we wish to set to track progress.

Your board continues to place particular emphasis on monitoring risk and on the structured approach to the management of risk in the company. Our approach to risk management and a review of key risks are presented on pages 21 to 23.

Executive remuneration is under increased scrutiny, with legislation planned around reporting and approval. Your board continues to monitor and discuss proposals in this area and the conclusions reached inform the work of the remuneration committee. We welcome the moves to increase clarity, as can be seen in the report on page 56. We will continue to seek to attract and retain good management, incentivising them to increase the value of AMEC for its shareholders.

AMEC has an extensive investor relations programme for executive management. The board is regularly updated on this interaction and supports it, with non-executive directors also happy to meet with shareholders when requested. During 2012, I hosted investor group lunches in London and Edinburgh and found the informal setting a good conduit to meaningful discussions on the company, its strategy, management and the approach of the board. I will continue to prioritise these and other similar interactions.

We work hard to provide, in this report, the information you need to assess our strategy (see page 10) and performance (see pages 26 to 37) and to present this in such a way that it can be readily understood. I would also encourage you to make use of the additional information contained on our website amec.com and to attend our annual general meeting (AGM) on 4 April 2013.

As a board, we support the Code and believe we have complied with the provisions of the June 2010 edition throughout the year ended 31 December 2012. Although it is not a formal requirement to comply with the new Code for this period, we have endeavoured as far as practicable to report in accordance with the provisions of the revised Code published in September 2012.

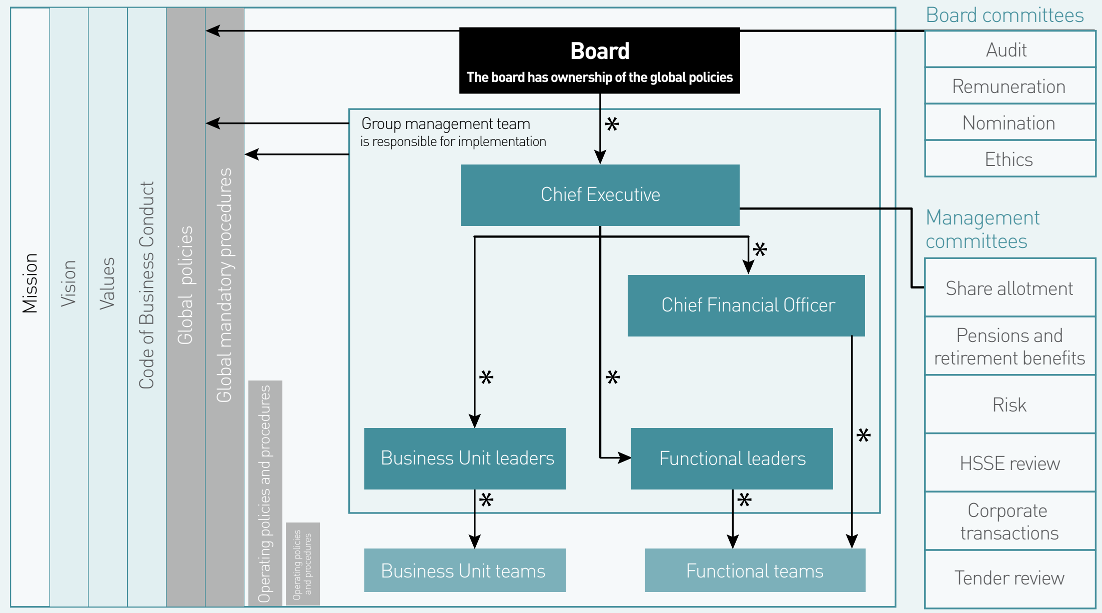
Further details on how we have applied the principles of the Code to our activities can be found in the corporate governance statement on pages 43 to 51 and in the remuneration report on pages 56 to 64

John Connolly
Chairman

14 February 2013

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

AMEC governance overview



* Delegated authority

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 2012. All directors attended scheduled board and board committee meetings. Neil Carson, Colin Day and Simon Thompson were occasionally unable to attend unscheduled meetings due to prior work commitments.

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 reviews. The Chief Executive updates the board on market trends, developments and opportunities, the competitive positioning of the company and its current priorities. Business unit management is invited to present at board meetings from time to time.

To ensure effective strategic planning, the board holds an additional meeting each year to perform a full strategic review of the group. In October 2012, the board spent a day focused, within the context of AMEC's performance, on market strategies and growth opportunities, particularly those facilitated by the recently announced reorganisation.

	Board	Audit committee	Remuneration committee	Nominations committee	Ethics committee
Number of meetings	**12**	**3**	**5**	**4**	**2**
John Connolly	12	–	5	4	–
Samir Brikho	12	–	–	–	–
Ian McHoul	12	–	–	–	–
Neil Bruce (resigned 5 October 2012)	8	–	–	–	–
Linda Adamany (appointed 1 October 2012)	4	1	3	–*	1
Neil Carson	11	3	5	3	2
Colin Day	10	3	5	4	2
Tim Faithfull	12	3	5	4	2
Simon Thompson	11	3	5	3	2

* Linda Adamany's appointment took place after the last nominations committee meeting held in 2012

Our board of directors

Our board members were selected to ensure a good mix of skills and experience. The recent board evaluation concluded that the company has a strong, highly competent board that performs well.

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

John Connolly (62)

Chairman of the board and Chairman of the nominations committee

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 is the chairman of G4S plc and also 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 CBI President's Advisory Council and 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 for an initial term of three years, which will end at the 2015 annual general meeting.

Committee membership

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

Samir Brikho (54)

Chief Executive

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.

Term of office

Samir was appointed Chief Executive on 1 October 2006 and has no fixed term of office. His service contract is terminable on six and twelve months' notice by him and the company respectively.

External appointments

Samir is a member of the advisory board of Stena AB. He is co-chair of the UK-UAE CEO Forum, a member of the steering committee of the UK-Korea Forum for the Future, a director of the United Kingdom –Japan 21st Century Group, has an advisory board role on the School of Oriental and African Studies and is a UK Business Ambassador. He is Chairman of the Step Change Charity.

Ian McHoul (53)

Chief Financial Officer

Ian qualified as a Chartered Accountant with KPMG in 1985. His early career was spent in the brewing industry where he spent 10 years with Foster's Brewing Group in a variety of roles. He was Finance and Strategy Director of the Inntrepreneur Pub Group Ltd from 1995 to 1998 and then served at Scottish & Newcastle plc between 1998 and 2008, holding the position of Finance Director from 2001.

Term of office

Ian was appointed Chief Financial Officer on 8 September 2008 and has no fixed term of office. His service contract is terminable on six and twelve months' notice by him and the company respectively.

External appointments

Ian is Senior Independent Director and Chairman of the audit committee of Premier Foods plc.

Linda Adamany (60)

Non-executive Director

Between 1980 and 2007 Linda held a number of senior executive positions at BP plc and from 2006 to 2012, prior to joining AMEC, was a non-executive director of National Grid plc and a member of their audit, nominations and safety, environment and health committees. Linda is a qualified accountant (CPA) with a BSc in Business Administration from John Carroll University, Ohio, and has also undertaken post-graduate study at Harvard, Cambridge and Tsinghua universities.

Term of office

Linda was appointed a non-executive director on 1 October 2012 for an initial term of three years, which will end at the 2016 annual general meeting.*

Committee membership

Linda is a member of the audit, remuneration, ethics and nominations committees.

Neil Carson (55)

Non-executive Director

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. Neil was previously a member of the advisory board of the Cambridge Programme for Sustainability Learning and a founder member of the Prince of Wales' Corporate Leaders Group on Climate Change.

Term of office

Neil was appointed a non-executive director on 31 August 2010 for an initial term of three years, which will end at the 2014 annual general meeting.

Committee membership

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

Colin Day (57)

Non-executive Director and Chairman of the audit committee

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. A Fellow of the Association of Chartered Certified Accountants, Colin holds an MBA from Cranfield School of Management, UK. He is also a non-executive director of WPP Group plc.

Term of office

Colin was appointed a non-executive director on 14 October 2010 for an initial term of three years, which will end at the 2014 annual general meeting.

Committee membership

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

Tim Faithfull (68)

Senior Independent Director and Chairman of the remuneration committee

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 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 on 10 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 (53)

Non-executive Director and Chairman of the ethics committee

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 on 21 January 2009. His term of office was extended in January 2012 to the date of the 2015 annual general meeting.

Committee membership

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

* In accordance with the company's articles of association, Linda will retire from office at the forthcoming annual general meeting and offer herself for re-election

Our group management team

The team is comprised of senior operational and functional management, each of whom brings a depth of knowledge and experience to their role.

In addition to the executive directors shown on pages 40 and 41, AMEC's group management team (GMT) consists of the following individuals:

Dr Hisham Mahmoud

Group President, Growth Regions

Hisham joined AMEC in October 2010 as President, Environment & Infrastructure and was appointed to his current role in October 2012. He had previously worked for URS Corporation for 19 years. He has a Bachelor of Science degree in Civil Engineering from the University of Qatar and a Masters and a PhD, both in Civil Engineering, from Arizona State University in the US.

Simon Naylor

Group President, Americas

Simon was appointed to this role in October 2012, having previously been President of the Natural Resources Americas business since 2007. Since joining AMEC in 1993 he has worked across the project lifecycle; from consulting to engineering and project management. His experience includes project development, asset support, strategy, customer relationship management and operations leadership.

John Pearson

Group President, Europe

Appointed to this position in October 2012, John had previously held the role of Managing Director, Natural Resources Europe and West Africa, since 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 Contractor Vice-Chair of Oil & Gas UK and immediate past Chairman of the Offshore Contractors Association.

Sue Scholes

Director of Communications

Sue joined AMEC in 2007. She was previously Head of Investor Relations at Brambles Industries plc. Sue is a Chartered Management Accountant and sits on the Investor Relations Society's board of directors.

Will Serle

Group Human Resources Director

Will is also responsible for sustainability and first joined the company in 2000 as Human Resources Director for the oil and gas business. He moved 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.

Mark Watson

Commercial Director

Mark's background is in the oil & gas industry and he has spent most of his AMEC career working in this sector, since he joined in 1989. He is a Chartered Quantity Surveyor, holds an LLM in Construction Law and Arbitration and is a Fellow of the Chartered Institute of Arbitrators.

Alison Yapp

General Counsel and Company Secretary

Alison joined AMEC on 1 December 2012, having most recently been Company Secretary and General Legal Counsel at Hays plc. She qualified as a solicitor in 1990 and has around 20 years' experience as a lawyer in industry.

Appointed to GMT 28 January 2013

Nina Schofield

Group Health, Safety, Security and Environment Director

Nina first joined AMEC in 2003. She is a Chartered Health and Safety Practitioner and holds a Master of Arts Degree and a Bachelors in Law. Nina started out in the Offshore Drilling sector before joining AMEC as the Oil and Gas HSE Manager in 2003. In 2004, she became the HSE Director for the Natural Resources division before becoming the Group HSSE Director in 2007. She has worked in the UK, Azerbaijan, Canada and the US.

Further details on each member of the team can be found on our website

Corporate governance statement

AMEC supports the UK Corporate Governance Code and we believe we have complied with the provisions of the June 2010 edition throughout the year. This section explains in more detail how we have applied these provisions.

The board

Board composition

As at 31 December 2012, the board comprised the non-executive Chairman (John Connolly); two executive directors: the Chief Executive (Samir Brikho) and the Chief Financial Officer (Ian McHoul); and five non-executive directors. Neil Bruce resigned from the board on 5 October 2012 and Linda Adamany was appointed a director on 1 October 2012. 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 that 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 in which AMEC operates. 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 from 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, Linda Adamany will retire from office at the 2013 AGM and offer herself for election. In compliance with the Code, 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 this will enable shareholders to make an informed decision on their re-election.

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 roles 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 this 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 to promote the success of the company, 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 management 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, gives personal leadership to the preservation of AMEC's culture and values and encourages the highest standards of safety, health and environmental performance.

The board continued

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 these 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, expertise and diversity of views 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. Such meetings are scheduled to be held after each regular board meeting.

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. In accordance with the company's articles of association, 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 of 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 that the non-executive directors will be able to commit sufficient time to meet what AMEC expects of them. On 8 June 2012, the Chairman was appointed Chairman of G4S plc, a FTSE 100 company. The board concluded that given the relinquishment of his roles with Deloitte and the relatively small commitment to his other business interests, this would not have a detrimental effect on the fulfilment of his role as Chairman of AMEC. 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 AGM.

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 and short-range plans
- financial and treasury policies
- risk identification, risk appetite, risk management and internal control systems
- major acquisitions and disposals
- Code of Business Conduct
- 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 (CFO) and the business unit leads. The business unit leads have further delegated authorities to their respective teams. The management philosophy is to empower the business unit leads and their teams to take the actions necessary to deliver the company's operational business objectives. The board regularly reviews its operational structure and in October 2012 announced a new geographic structure, designed to more fully support the future needs of AMEC's customers. During the year the board also reviewed the schedule of matters reserved for its approval and the delegations of authority to take account of the revised organisational structure.

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 Code of Business Conduct, which set out the standards all AMEC employees are expected to achieve and adhere to. During the year a team was set up to produce a global mandatory policies and procedures framework, which will support AMEC's vision and values and the Code of Business Conduct, and this will be an integral part of AMEC's corporate governance process. The board also takes a significant interest in the group's commitment to health, safety, security and the environment (HSSE).

The board is supported in its work by four board committees (audit, remuneration, nominations and ethics), chaired solely by either the Chairman or another non-executive director, 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 47 to 50

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, 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. Executive directors are not permitted to accept external directorships without the prior approval of the board. Where applicable, details of any remuneration received by an executive director from an external directorship can be found on page 62. 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 for 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 enhancement 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. The board receives 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 regular 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 visits to various places of AMEC business. During the year, the board visited a UK-based project site. A formal process also exists for the directors to receive, where appropriate, external training organised by the Company Secretary, at the company's expense.

The board continued

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. Additionally, during the year, the Chairman asked the Inzito Partnership to undertake a rigorous independent external assessment of the effectiveness of the board and its main committees. Inzito have not undertaken any other work of any kind for the board or the company. The conclusion of this board evaluation review was that the company has in place a strong, highly competent board that performs well. Key areas for improvement were relatively minor and included the further development of the board's role in the development and stewardship of strategy, consideration of the efficacy of the group's organisational structure and continued focus on succession management and improving board diversity. Following the review in October 2012, we appointed Linda Adamany to the board and implemented a revised organisational structure. In accordance with the terms of the Code the next externally facilitated review will be undertaken no later than 2015. 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 and the improvement of the board's behaviours, processes and effectiveness in line with the results of the 2012 performance evaluation.

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 Chairman. The Senior Independent Director met with the Chairman in February 2013, to review his performance during 2012. The Chief Executive conducts annual performance development reviews with 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 by 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 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 non-executive directors, require further insight on any issue, the Company Secretary will facilitate this 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 is taken of all meetings of the board and its committees. If a director had a concern about the running of the company or a proposed action that 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 2012. 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/about us/culture/corporate governance. The Chairman is also responsible for ensuring that the board committees are properly structured. All of the board's independent 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. Details of each committee, including membership, duties and responsibilities, are set out on the following pages.

Audit committee

The purpose of the audit committee is to provide independent scrutiny of the company's financial and non-financial performance and of the adequacy of the risk management framework and the internal controls. There is a wide diversity of experience and knowledge on the committee to enable this purpose to be achieved effectively and provide constructive challenge and guidance to the executive team.

Members

The audit committee comprises all the independent non-executive directors. The quorum for the committee is two members.

- Colin Day – chair
- Linda Adamany
- Neil Carson
- Tim Faithfull
- Simon Thompson

Colin Day has relevant and recent experience in auditing and accounting. Biographies of all committee members can be found on pages 40 to 41.

Details of the committee meetings during the year and of members' attendance can be found on page 39

Roles and responsibilities

The committee reviews the annual and half yearly results, the report and accounts and other formal announcements in connection with the company's financial performance and recommends their approval to the board. It also reviews the company's internal financial controls and internal control and risk management systems.

It oversees AMEC's relations with the external auditor, including making recommendations on its appointment which is subject to review annually, re-appointment, removal, remuneration and terms of engagement. It assesses its qualifications, expertise, effectiveness and independence at least annually and discusses the nature and scope of the audit, together with any issues arising from the audit process. No significant issues were raised during the year.

It also reviews the auditor's management letter, management's responses to it and the audit representation letters and makes recommendations to the board. Ernst & Young LLP replaced the previous auditor incumbent in 2010 following a formal tender review by the committee to benchmark the level of service, fees and value being delivered. In 2012, the review of the effectiveness of the external auditor was carried out on behalf of the committee by the Head of Internal Audit. The committee concluded the outcome of the review was positive.

AMEC has a formal procedure for the provision of non-audit services to ensure that neither the nature of such services nor the level of reliance placed on it by the company impair the objectivity and independence of the external auditor. The procedure clearly outlines the category of work the external auditor is permitted to carry out and the rules governing what is not permitted. The procedure follows the guidelines set out by the Institute of Chartered Accountants in England and Wales and has an approval matrix for all non-audit services, and fees for 'other services' that total £100,000 or more require advance approval from both the Chief Financial Officer and the Chairman of the audit committee. This process is also continually monitored by the Head of Internal Audit. Details of all 'other services' performed are formally presented to the audit committee twice a year. It is the responsibility of the audit committee to monitor the overall level of non-audit fees in relation to audit fees from an independence point of view.

During 2012, the fees paid to Ernst & Young LLP and its associates for non-audit work were £0.7 million, which comprised £0.4 million relating to taxation and £0.3 million for other work (2011: £0.4 million relating to taxation (including a minimal amount for other work)). All Ernst & Young fees for non-audit work 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 this additional work on behalf of the company.

Continued on page 48 ▶

Audit committee continued

Roles and responsibilities continued

The Head of Internal Audit and the external auditor are both given the opportunity to discuss matters with the committee, without the executive directors being present. There were no matters raised in this context during the year. The 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 2012, this assessment 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.

During the year, the committee reviewed certain policies relating to the external auditor including the policy regarding the provision by the auditor of non-statutory audit work and the terms of reference of both the committee and the internal audit department. In December 2012, the committee received a presentation on AMEC's IT strategy.

Nominations committee

The nominations committee 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 make recommendations to the board on appointments to board committees.

Members

The nominations committee comprises all the non-executive directors including the Chairman. The quorum for the committee is three members.

- John Connolly – chair
- Linda Adamany
- Neil Carson
- Colin Day
- Tim Faithfull
- Simon Thompson

The number of meetings of the committee during the year and details of members' attendance can be found on page 39.

Roles and responsibilities

The committee 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 2012, the committee recommended to the board that Simon Thompson be appointed as non-executive director for a second term and, with the assistance of external search consultants the Zygos Partnership, conducted the rigorous recruitment processes that led to the appointment of Linda Adamany as a new non-executive director. Zygos had previously worked with AMEC to assist with the search for a new Chairman in 2011 but other than this have not undertaken any other work of any kind for the board or the company.

During 2013, the committee will consider and make recommendations to the board on its policy on diversity.

Remuneration committee

The remuneration committee ensures that its remuneration packages enable AMEC to fulfil its strategic aims by recruiting, motivating and retaining its key management team.

Members

The remuneration committee comprises all the non-executive directors including the Chairman. The quorum for the committee is two members.

- Tim Faithfull – chair
- Linda Adamany
- Neil Carson
- John Connolly
- Colin Day
- Simon Thompson

Roles and responsibilities

The committee sets and reviews the overall remuneration policy framework for the Chairman, the executive directors and the Company Secretary and other designated executives, including a risk assessment of the policy, in conjunction with the audit committee, relating to such matters as financial performance setting and measurement for both bonus and long-term incentives.

It considers and determines the individual remuneration packages and contracts for the Chief Executive, 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 also approves the structure, performance targets, participation and level of awards for any executive share-based incentive scheme.

For further information, see the remuneration report on pages 56 to 64

Ethics committee

The purpose of the ethics committee is to assist the board in upholding AMEC's core value of integrity.

Members

The ethics committee comprises all the independent non-executive directors. The quorum for the committee is two members.

- Simon Thompson – chair
- Linda Adamany
- Neil Carson
- Colin Day
- Tim Faithfull

Roles and responsibilities

The committee 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.

The company has in place arrangements with an independent third party provider for employees to raise concerns or report compliance issues in confidence. 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 matter with the support of the General Counsel and Company Secretary. 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; General Counsel and Company Secretary

Responsibilities
To consider mergers, acquisitions and disposals and to approve transactions where the consideration or assumption of liabilities, as appropriate, is £5 million or less, and above this level to submit recommendations to the board for approval. In addition, to determine transaction guidelines that are in line with group policies and procedures.

Pensions and retirement benefits

Members
Chief Financial Officer (chair); Group HR Director; 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.

Risk

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

Responsibilities
To perform an integral role in the governance of risk within AMEC. To help 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 that 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.

Share allotment

Members
All directors; General Counsel and 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 following the exercise of options under the Savings Related Share Option Scheme.

Tender review

Members
Chief Executive (chair); Chief Financial Officer; General Counsel and Company Secretary; Head of Risk Management and Insurance; Group Commercial Director; Head of Finance Operations

Responsibilities
Prior to submission and upon any material change, to review and approve proposed tender submissions for contracts to be undertaken by the business units that are outside the delegated authority of the business unit leads.

Health, safety, security and environmental review

Members
Chief Executive (chair); Group HR Director; General Counsel and Company Secretary

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 through particular focus on the safety management arrangements implemented by members of the executive management of the operating units.
To make recommendations on the group's annual HSSE objectives.

Internal control

The board is responsible for reviewing AMEC's systems of internal control. The 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.

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. John Connolly wrote such a letter in March 2012.

Major UK-based shareholders were invited to join the Chairman for an informal lunch in London or Edinburgh, depending on their location. Eight institutions in total accepted the invitation and contributed to interesting and wide-ranging discussions. The Chairman and the Senior Independent Director attend full-year results presentations.

Ad-hoc requests from shareholders for meetings with members of the board are facilitated by the investor relations team. In 2012, two such meetings were arranged.

An in-depth perception study of investors' views is prepared each year by an independent third party and presented to the board. In 2012, this took place in February 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' report

The directors present their annual report and the accounts of AMEC plc for the year ended 31 December 2012.

Principal activities

The principal activities of the group can be found on pages 26 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 across pages 26 to 37. This includes a comprehensive review of AMEC's development and performance during the year ended 31 December 2012, key events, principal business acquisitions and disposals, AMEC's position at the year end and the outlook for the future. A description of AMEC's principal business and strategic risks are set out on pages 21 to 23. Additional information can also be found in AMEC at a glance (page 4), KPIs (page 20), markets (page 12), services (page 18) and Vision 2015 (page 10).

Dividends

The directors are recommending a final ordinary dividend in respect of the year ended 31 December 2012 of 24.8 pence per share. This final dividend will be payable on 1 July 2013 to shareholders on the register at the close of business on 31 May 2013. An interim dividend for the year ended 31 December 2012 of 11.7 pence per share was paid on 2 January 2013.

Dividends paid during 2012 comprised an interim dividend of 10.2 pence per share and a final dividend of 20.3 pence per share, both in respect of the year ended 31 December 2011.

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 2012 are as follows:

Neil Bruce	Executive director	Resigned 5 October 2012
Linda Adamany	Non-executive director	Appointed 1 October 2012

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, in respect of their period of office, remain in force for the benefit of directors who stood down during the year ended 31 December 2012.

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 43 to 51 and is incorporated into this report by reference.

Share capital

The issued share capital of the company as at 31 December 2012, movements during the year and the rights attaching to the shares are set out in note 22 on pages 100 to 103. 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.

Given the strength of the balance sheet, on 21 February 2012 the board commenced an on-market share buyback programme of £400 million. This was completed on 8 February 2013. During the year ended 31 December 2012, 33,218,301 shares of 50 pence each (representing 10.79 per cent of the total called up share capital of the company) were purchased at a total cost of £357,500,993, including commission and stamp duty. The average purchase price, excluding commission and stamp duty, was 1,069.44 pence, the highest price being 1,188.00 pence and the lowest 923.00 pence. During the year, 29,968,301 of the shares that had been purchased by the company (representing 9.73 per cent of the total called up share capital of the company) were cancelled. The maximum number of shares held in treasury by the company at any time during the year was 7,346,420 shares. As at 31 December 2012, 7,291,522 shares (representing 2.37 per cent of the total called up share capital of the company) remained in treasury, all of which have been allocated to the group's Save As You Earn (SAYE) scheme awards to date. During the year 1,694,284 shares (representing 0.55 per cent of the total called up share capital of the company) were utilised in satisfying awards made under the UK and International SAYE share option schemes. Between 1 January 2013 and the date of this report, the company has purchased 4,174,716 of its shares in the market for a total cost of £45,260,627.

A resolution will be proposed at the 2013 AGM to extend the authority of the directors to make market purchases of up to 10 per cent of the company's shares within prescribed limits.

Authority to allot shares

Authority was granted to the directors at the 2012 AGM to allot shares or grant rights to subscribe for or to convert any security to shares up to a nominal amount of £55,382,860 (Section 551 amount) of which up to £8,307,429 could be allotted for cash other than in connection with a pre-emptive offer (Section 561 amount). Resolutions will be proposed at the forthcoming AGM to extend this authority to the end of the AGM in 2014 or on 1 June 2014, whichever is the earlier. The revised Section 551 amount will be £49,018,515 and the revised Section 561 amount will be £7,427,048.

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 2012 were as follows:

	Number	%
BlackRock, Inc*	33,121,639	9.97
Legal & General Assurance	13,197,514	3.98

* In response to a Section 793 disclosure request, BlackRock, Inc advised on 19 December 2012 that their holding had reduced to 16,589,015 shares (5.52 per cent)

The shareholding percentages reflect the issued share capital at the time of the notifications. There were no other notifications received under DTR 5 between 31 December 2012 and 14 February 2013.

There are no shareholdings that 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 pages 95 to 99 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 2012, AMEC employed on average 28,405 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 10 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.

Surveys of employee opinion are regularly conducted and we are committed to sharing and acting on the outcomes. 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.

Employees continued

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 out on pages 24 to 25. Further detail is available in our sustainability report and on our website.

Donations

Total donations worldwide amounted to £507,000 for the year ended 31 December 2012 (2011: £506,000). Of these, donations to UK charities amounted to £249,000 (2011: £240,000).

Our policy is not to make political donations and none were made during 2012 (2011: £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 17 days' purchases outstanding as at 31 December 2012 (2011: 29 days') based on the average daily amount invoiced by suppliers during the year.

It is our intention to sign up to the UK's Prompt Payment Code in 2013.

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.

Auditor

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

Disclosure of information to auditor

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 the directors have taken all the steps that they ought to have taken as directors to make themselves 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 auditor relating to their reporting responsibilities can be found on page 112.

Reporting

In January 2013, the company received a letter from the Financial Reporting Review Panel (FRRP) in respect of the 2011 accounts. This letter did not highlight any major concerns but did include some minor points whereby disclosures could be improved and these have been addressed in these accounts.

Annual general meeting

This year's AGM will be held at The Auditorium, Ground Floor, Deutsche Bank AG, Winchester House, 1 Great Winchester Street, London EC2N 2DB (entrance on London Wall) on 4 April 2013 at 10.30am. 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 AGM to receive the annual report and accounts, to declare a final dividend, to approve the remuneration report and remuneration policy, to elect Linda Adamany following her retirement in accordance with the articles of association of the company, to re-elect all of the other current directors who will retire in accordance with the provisions of the Code, to re-elect Ernst & Young LLP as auditor and to authorise the directors to fix the auditor's remuneration.

As special business, shareholders will be asked to approve a resolution to increase the cap on the ordinary remuneration of the directors of the company specified in article 70.1 of the company's articles of association, from £300,000 to £600,000 per annum in aggregate. The proposed increase to the cap will provide the board with additional flexibility as to board composition. The cap does not apply to the remuneration of the executive directors, the Chairman, or to any additional fees paid to the Senior Independent Director or any other directors in respect of services that are outside the scope of the ordinary duties of a director.

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 AGM going forward, to authorise the calling of general meetings, other than annual general meetings, on 14 clear days' notice.

The board views the AGM as an opportunity to directly communicate the group's progress and engage with shareholders. Where possible, the entire board will attend the AGM 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

Alison Yapp
General Counsel and Company Secretary

14 February 2013

Note
On 19 February 2013, Samir Brikho was nominated as an independent non-executive director of Skandinaviska Enskilda Banken AB (SEB). This appointment is subject to a shareholder vote at SEB's AGM on 21 March 2013.

The remuneration committee's principal aims are to attract and retain good management and to incentivise them to increase the value of AMEC for its shareholders.

This year's report takes place against a backdrop of increased scrutiny of executive reward in general and impending legislation (taking effect for 2014) on how this is reported to and approved by shareholders. We welcome these moves to increase clarity and engagement and have sought to reflect elements of the changes in this year's report. AMEC has for many years already had two separate shareholder votes; one for the forward-looking policy and one for the whole remuneration report. We intend to continue this practice for the 2013 AGM and the relevant resolutions are contained in the shareholder circular.

2012 was another year of record performance for AMEC despite some of our markets becoming more challenging. In line with the committee's record over several years, we set stretching performance targets which were not fully met. Thus, overall levels of executive reward were lower than 2011. We will continue to take a robust approach to setting incentive targets at levels that will require significant out-performance against expectations in order to achieve the highest levels of reward. The first part of our report sets out in more detail the payments that relate to 2012 performance. Information on the termination arrangements for Neil Bruce, who stood down as an executive director and left AMEC in October following the restructuring of the business and the removal of his role as COO, is given on page 62.

As we do every year, we have reviewed our overall approach for the year ahead and concluded that the mix we have of fixed and variable pay (split between annual bonus and long-term share awards) remains broadly appropriate. We are therefore not proposing any substantive changes to policy. We are making a few minor changes to the operation of some of our plans and these are set out in the second part of the report.

I believe that the consistently good performance that we have achieved as a business over the last six years indicates that our approach to executive reward is doing its job. We will remain vigilant to ensure that it continues to support the growth of the business and that shareholders' views are appropriately reflected.

Tim Faithfull
Chairman, remuneration committee

How we operate

The 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 obtained 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 and designated executives. It is advised both by the company's 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 the company. NBS is wholly owned by Aon plc 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. NBS was paid £62,000 during the year for the advice provided to the committee. New Bridge Street is a member of the Remuneration Consultants Group and is a signatory to its code of conduct.

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:

August	■ Shareholder feedback/consultation ■ Overall remuneration policy and practices ■ Committee processes and appointment of consultants.
December	■ Review of individual base salaries and total remuneration ■ Incentive plan targets.
February	■ Confirmation of short and long-term incentive outcomes ■ New LTI awards.

The committee had two additional meetings in October 2012; one to approve the termination arrangements for Neil Bruce and one to consider the directors' remuneration reporting regulations.

Part 1 – 2012 performance and its reflection in pay levels

2012 performance

The main financial metrics that affect the level of incentive pay for directors and other senior executives are set out below, with a description of the outcomes. Overall performance was strong but in some areas fell below the demanding targets set for target and stretch reward:

EBITA	Below target
Cash conversion	Met stretch
Average cash	Above target
Earnings per share (over three years)	Met stretch

Further details of the EPS outcomes for the long-term incentive awards made in 2009 (vested in 2012) are set out under 'Performance Share Plan' and for those made in 2010 (due to vest in 2013) are set out under 'Overall remuneration'.

Annual bonus

The bonus payments made to the two ongoing executive directors (expressed as a percentage of base salary earned during the year) are shown below reflecting the outcomes against the various performance elements described above:

	Samir Brikho	Ian McHoul
EBITA	95*	80*
Cash conversion	12.5*	10*
Average cash	12.5*	10*
Other strategic objectives	30*	25*
Maximum bonus	150	125
Actual bonus	85.4	68.5

* Maximum bonus opportunity for element

'Other strategic objectives' for the Chief Executive included actions to grow the business through customer relationships, acquisition and geographic expansion; improving further our safety culture and performance; and succession management. For the CFO, they included better use of the balance sheet; accelerated reporting; extracting value from legacy work; and implementation of a major IT project.

None of the bonus earned for 2012 has been deferred into shares/options.

The bonus amounts are shown in the table on page 62.

Performance Share Plan (PSP)

Awards made under the Performance Share Plan in 2009 vested during the year. This was based primarily on 2011 performance. The targets set and the results achieved were as set out below.

		% vesting
EPS (real CAGR)		
Threshold	RPI +3%	25%
Maximum	RPI +10%	100%
Result	RPI +13%	100%
TSR* ranking		
Threshold	Median	25%
Maximum	75th percentile	100%
Result	56th percentile	43%

* TSR = Total Shareholder Return

New awards were made under the plan in April 2012 to executive directors in line with current policy, namely a basic award with a face value of 175 per cent of base salary and a matching award with a face value up to 75 per cent of base salary. The matching award depends on the individual investing up to 37.5 per cent of post-tax salary in AMEC shares to be held for at least the three-year performance period, matched two for one. All executive directors took up the maximum opportunity. The basic award is subject to two performance conditions as before: EPS growth, with targets of RPI+ 5 per cent p.a. for threshold (25 per cent vesting) and RPI+ 12 per cent p.a. for maximum vesting; and relative TSR, underpinned by a financial growth. The matched award is subject to the EPS condition only.

The 2012 TSR comparator group comprises 12 UK companies, including AMEC, listed as being within the FTSE Oil & Gas or Industrials industries, with a market capitalisation greater than £1 billion, and the following international companies that AMEC competes directly with: Aker Solutions, Baker Hughes, Cameron Intl., Chicago Bridge & Iron, Fluor, Foster Wheeler, Halliburton, Jacobs, KBR, Saipem, Schlumberger, SNC-Lavalin Group, Technip, URS and Worley Parsons. Details of the companies in the TSR comparator groups for previous years' awards are available from the Company Secretary on request.

Details of the numbers of shares vesting and awarded are included in the table on page 63.

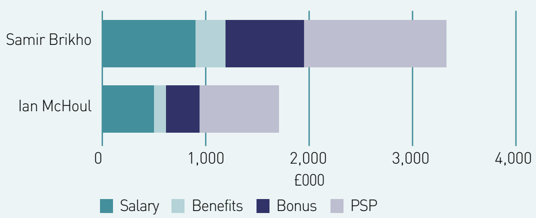
Part 1 – 2012 performance and its reflection in pay levels continued

Overall remuneration

The planned changes to the statutory reporting basis for future years include a requirement to show a single total remuneration figure for each director. The charts below illustrate the total remuneration paid to the two ongoing executive directors in respect of 2012 performance. This includes an estimate of the level of vesting of the award under the Performance Share Plan made in 2010 which is not certain at the time of writing this report. This award, which is due to vest in April 2013, is subject to two performance conditions, each applying to half of the award.

- The outcome of the earnings per share condition is dependent on the result achieved in 2012 compared to a base year of 2009. The EPS figure is adjusted for certain defined items and calculated on a consistent basis between base and final years. The remuneration committee takes appropriate advice on the method of calculation and any adjusting and potentially adjusting items. The actual growth achieved was 67.6 per cent compared to a required growth of 46.3 per cent for maximum payment (compound annual growth of 12 per cent plus inflation measured by UK RPI). This half of the award will therefore vest in full
- The outcome of the total shareholder return condition is dependent on the average share price in the period 1 January to 31 March 2013 compared to the corresponding period in 2010. For the purposes of this illustration, we have assumed threshold vesting which equals 25 percent of this half of the award. The actual level of vesting may be higher or lower than this.

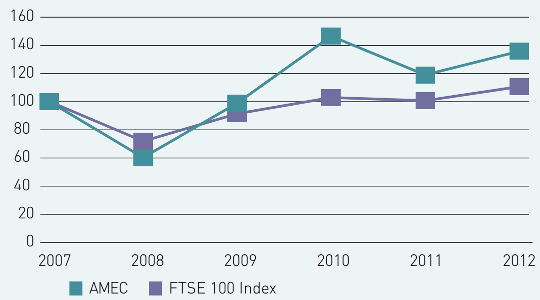
For this illustration, the estimated number of shares has been valued at the share price on 31 December 2012.



Payments made to directors on the current statutory reporting basis are set out on page 62.

Performance graph

This graph shows the value, by 31 December 2012, of £100 invested in AMEC plc on 31 December 2007 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year ends.



Statement of shareholder voting

At the annual general meeting held on 19 April 2012 votes were cast as follows:

Resolution	Shares for (including discretionary)	Shares against	Shares abstained
To approve the remuneration report	194,974,278	13,891,337	297,544
To approve the remuneration policy	203,657,335	2,336,362	3,139,462

The committee did not consider that the votes against either resolution were substantial and so requiring any explanation or action in response.

Part 2 – Remuneration policy and changes for 2013

	Operation	Opportunity	Performance metrics	2013 changes
Base salary Attraction and retention	Reviewed annually from 1 January. Interim reviews only in case of significant changes of responsibility.	Reflects individual experience and performance. Overall remuneration is benchmarked against market.	None	Salaries from 1 January 2013: Samir Brikho £927,000 (3 per cent increase), Ian McHoul £515,000 (3 per cent increase).
Pension and related benefits Attraction and retention	Defined benefit (DB) pension plan closed to new entrants from 1 October 2012. Defined contribution plan available to new entrants thereafter. Both plans have cap on pensionable salary. Cash supplement is payable in respect of above cap salary or full salary if individual opts out of pension.	Samir Brikho accrues DB pension at the rate of 1/30th of pensionable salary for each year of service and has a normal pension age of 60. Ian McHoul has not joined either plan. Pension salary supplement is 20 per cent.	None	Scheme earnings cap increased to £153,000 for 2013/14 tax year.
Other benefits Attraction and retention	Principal benefits are life, disability and healthcare insurance and car/travel allowance.		None	None
Annual bonus Rewards the achievement of annual financial and delivery of other strategic business targets	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. The additional stretch bonus is deferred in AMEC shares for three years during which time it is subject to forfeiture and claw-back. Bonus excluding additional stretch may at the directors' option, subject to the committee's agreement, be in the form of options over company shares of equivalent value instead of cash payment. The vesting is deferred for three months during which it is forfeit if the individual is a bad leaver. Options have a six-month exercise window.	Target bonus is 83.33 per cent of base salary for the Chief Executive and 66.67 per cent for the CFO. The maximum opportunity is 150 per cent for the CEO and 125 per cent for the CFO which includes an additional stretch bonus of 25 per cent in each case.	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. The additional stretch bonus is subject to EBITA targets and only begins to be earned for performance that exceeds the maximum target that applies to other executives.	None
Long-term incentives Incentivises directors to achieve growth in profitability in line with Vision 2015 and to enhance shareholder value longer term	Annual awards with a three-year performance period of restricted shares or nil-cost options with an 18-month exercise period after vesting. Part of award is a two for one match on investment shares that the individual lodges for the three years.	Basic award of 175 per cent and matching award of up to 75 per cent.	EPS and relative TSR. EPS is adjusted for certain defined items and calculated on a consistent basis between base and final years.	No changes to TSR comparator group but reference period changed to final quarter of same year as for EPS. EPS targets remain 5 per cent annual growth in excess of UK RPI for threshold vesting and 12 per cent for maximum.

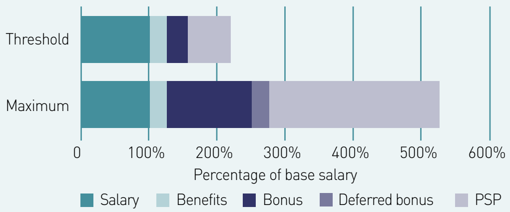
Copies of the rules of the Performance Share Plan are available from the Company Secretary on request.

Overview
Strategy
Performance
Governance
Financials

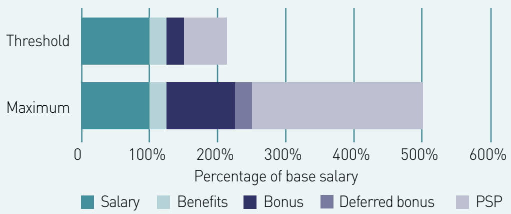
Part 2 – Remuneration policy and changes for 2013 continued

Link between reward and business strategy
In determining and applying remuneration policy, our aim is to provide a mix of incentives supporting the overall business strategy of delivering sustainable growth that builds to superior performance over the longer term. Targets are set to be ambitious and stretching but not at a level that might encourage inappropriate risk-taking or short-termism.

Scenarios
The chart below shows the balance between fixed and incentive based payments for Samir Brikho at threshold and maximum performance levels:



The chart below shows the same for Ian McHoul:



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 additional stretch element and 25 per cent vesting of the PSP award. The deferred bonus and PSP elements do not take account of any change in share price or reinvested dividend adjustments between award and vesting/exercise.

Consideration of conditions elsewhere in company and shareholder views
Our approach to the annual review of base salaries is to take account of personal performance, company performance and pay levels more broadly within the company. The increases for 2013 are within the range of increases awarded to AMEC staff in the UK generally. External benchmarking is also taken into account, particularly for new appointments.

Any proposals to change remuneration policy are considered against the 'best practice' guidelines produced by shareholder bodies and we consult directly with major shareholders and their representative bodies when formulating any proposals for significant changes.

The Chairman of the company and the Chairman of the remuneration committee make themselves available to discuss any issues raised.

Service contracts and exit payments policy
AMEC's policy is that on appointment, executive directors will normally be employed with a notice period of twelve months. Executive directors are required to give six months' notice of resignation. This policy is followed for all current executive directors. There are no specified termination payments included in contracts but they do provide for payment to be made in lieu of all or part of the required notice at the company's discretion; there is no prescribed methodology for calculating such payment in lieu.

In the event of employment being terminated by AMEC with less notice than that provided for contractually, damages will be determined at the time taking account the circumstances leading up to the termination and the individual's duty to mitigate his or her loss.

Chairman
The remuneration committee is responsible for determining the remuneration and other terms of appointment of the Chairman of the board. The annual fee was reviewed on 1 January 2013 and increased by 3 per cent to £309,000 per annum. He does not participate in any AMEC benefit schemes or incentive schemes. His engagement may be terminated on six months' notice on either side.

Non-executive directors
The remuneration of non-executive directors is determined by the Chairman and the Chief Executive 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 2013. The base fee was increased by 4.5 per cent to £58,000 per annum, subject to the approval of resolution 15 in the shareholder circular. There is an additional fee of £5,000 per annum paid to the Senior Independent Director. Additional fees are paid for chairing committees of the board as follows:

Audit committee	£17,500
Remuneration committee	£12,500
Ethics committee	£6,000

Linda Adamany receives a 20 per cent uplift that recognises the additional travelling time, given her home location in the US.

Fees are paid quarterly in advance. 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. As noted on page 43 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.

Directors' shareholdings
The beneficial interests in the share capital of the company of the directors holding office as at 31 December 2012 and their connected persons were as follows:

	Legally owned	Awarded subject to conditions other than performance	Awarded subject to performance conditions
John Connolly	35,538	–	–
Samir Brikho	1,807,023	1,335	601,037
Ian McHoul	284,558	1,512	334,037
Tim Faithfull	10,000	–	–
Neil Carson	5,000	–	–
Colin Day	20,000	–	–
Simon Thompson	4,744	–	–
Linda Adamany	3,100	–	–

On 7 January 2013, Colin Day acquired 222 shares in lieu of the interim dividend paid on 2 January 2013. There were no other changes in the directors' interests in the share capital of the company between 31 December 2012 and 14 February 2013. Up-to-date details of the interests and transactions of current directors are available on our website.

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 is 250 per cent of salary for executive directors and 125 per cent for other senior executives. Based on the average share price and salaries during December 2012, the shareholdings shown above represented the following percentages of base salary:

Samir Brikho	2,071%
Ian McHoul	587%

There is no shareholding requirement for the Chairman or non-executive directors.

Part 3 – Statutory information subject to audit

Individual aspects of remuneration were as follows:

	Salary/fee £000	Pension supplement[2] £000	Other benefits[3] £000	Bonus £000	2012 Total £000	2011 Total £000
Executive						
Samir Brikho	**900**	**151**	**42**	**769**	**1,862**	1,906
Ian McHoul	**500**	**100**	**15**	**343**	**958**	972
Neil Bruce (to October 2012)	**365**	**51**	**78**	**–**	**494**	901
Non-executive						
John Connolly (from June 2011)	**300**	**–**	**–**	**–**	**300**	175
Jock Green-Armytage (to May 2011)	**–**	**–**	**–**	**–**	**–**	123
Tim Faithfull	**72**	**–**	**–**	**–**	**72**	70
Simon Thompson	**61**	**–**	**–**	**–**	**61**	59
Neil Carson	**56**	**–**	**–**	**–**	**56**	54
Colin Day	**69**	**–**	**–**	**–**	**69**	66
Linda Adamany (from October 2012)	**17**	**–**	**–**	**–**	**17**	–
Peter Byrom (to February 2011)	**–**	**–**	**–**	**–**	**–**	17
Total board	**2,340**	**302**	**135**	**1,112**	**3,889**	4,343

Notes

1 Samir Brikho is a member of the advisory board of Stena AB and received fees of CHF60,000 during the year in relation to this appointment. Ian McHoul is a director and chairman of the audit committee of Premier Foods plc and received fees of £73,000 during the year in relation to this appointment. Such appointments are subject to prior approval of the board. Directors are permitted to retain fees

2 Samir Brikho and Neil Bruce received a taxable supplement of 20 per cent of salary above the pension cap. Ian McHoul received a taxable supplement of 20 per cent of full salary in lieu of pension accrual

3 The value of benefits received during the year relates principally to the provision of a car allowance and private medical expenses insurance In the case of Neil Bruce, it also included a payment made in March 2012 in respect of relocation expenses and an accommodation allowance for the part of the year prior to relocation.

Loss of office

Neil Bruce's employment terminated on the grounds of redundancy and he resigned from his executive directorship with immediate effect on 5 October 2012. His contractual notice period was 12 months. However, consistent with the company's policy of applying mitigation in determining severance, the company agreed with Neil Bruce that he would receive a payment in respect of six months' notice only as a severance package. The package of £621,186 comprised: six months' basic salary and contractual benefits; a sum in respect of his 2012 bonus (calculated as a pre-estimate of his bonus for 2012, pro-rated to reflect the period worked by him); a statutory redundancy payment; accrued but untaken holiday entitlement as at the termination date; and legal fees. The treatment of his long-term incentives and pension is set out in the following tables and notes.

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

	Plan	As at 1 January 2012 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 2012/ date of leaving Number	End of restricted period
Samir Brikho	PSP	318,300	–	April 2009	534.08	227,584	90,716	–	March 2012
	PSP	219,148	–	April 2010	799.00	–	–	219,148	March 2013
	PSP	146,893	–	April 2011	1,192.00	–	–	146,893	March 2014
	PSP	37,802	–	June 2011	1,158.00	–	–	37,802	March 2014
	PSP	–	197,194	April 2012	1,141.00	–	–	197,194	March 2015
Ian McHoul	PSP	176,937	–	April 2009	534.08	126,509	50,428	–	March 2012
	PSP	121,819	–	April 2010	799.00	–	–	121,819	March 2013
	PSP	81,655	–	April 2011	1,192.00	–	–	81,655	March 2014
	PSP	21,012	–	June 2011	1,158.00	–	–	21,012	March 2014
	PSP	–	109,551	April 2012	1,141.00	–	–	109,551	March 2015
Neil Bruce	PSP	108,595	–	April 2009	534.08	77,645	30,950	–	March 2012
	PSP	85,104	–	April 2010	799.00	–	–	85,104	March 2013
	PSP	75,501	–	April 2011	1,192.00	–	11,011	64,490	March 2014
	PSP	19,430	–	June 2011	1,158.00	–	–	19,430	March 2014
	PSP	–	104,074	April 2012	1,141.00	–	36,426	67,648	March 2015

Notes

1 The terms and conditions of the above awards have not been varied during the year. Details of the performance conditions applicable to each award are described in the remuneration report for the relevant year and are available on request from the Company Secretary

2 The outcome against the performance conditions for the PSP awards made in 2009 is set out on page 57. This resulted in 71.5 per cent of the original award vesting and the remainder lapsing. The share price at the date of vesting was 1,141.00 pence

3 Neil Bruce's employment terminated on the grounds of redundancy on 5 October 2012. His outstanding PSP awards granted in 2011 and 2012 have been time pro-rated in accordance with the PSP rules and company policy. All PSP awards (pro-rated as applicable) will vest on the normal vesting dates stated above, subject to the applicable performance conditions having been met

4 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

5 The awards made in 2012 are in the form of nil-cost options which have an 18 month exercise period following vesting

6 The dividends which accrue on the PSP awards from 2011 onwards have increased the number of shares under the 2011 awards by 4.9 per cent and the number of shares under the 2012 awards by 2.0 per cent at 31 December 2012. These will be awarded to the extent that the three-year performance targets are met

7 The closing price of the shares at 31 December 2012 was 1,003.0 pence (2011: 907.5 pence). Had the outstanding restricted shares detailed above vested in full on that date, including the dividend accrual to date, the approximate latent value before appropriate taxes for each of the current directors would have been: Samir Brikho £6,159,000 and Ian McHoul £3,423,000. These hypothetical figures assume that all relevant performance conditions would have been fully met, which in practice may not transpire

8 The range of the closing prices for the shares during the year was 923.0 pence to 1,172.0 pence

9 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.

Part 3 – Statutory information subject to audit continued

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 2012 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	**As at 31 December 2012 Number**	Option price Pence	Market price on date of exercise Pence	**Exercise period for options outstanding on 31 December 2012**
Samir Brikho	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 2012/ date of leaving £000**	**Value of net increase in accrual over period £000**	**Total change in value during period £000**	**Value of accrued pension at 31 December 2012/ date of leaving £000**	Value of accrued pension at 31 December 2011 £000
Samir Brikho	**6**	**5**	**30**	**95**	**84**	**629**	528
Neil Bruce	**4**	**3**	**48**	**48**	**44**	**993**	941

Notes

1 Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year

2 Transfer values have been calculated in accordance with the trustee's transfer value basis

3 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

4 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

5 Voluntary contributions paid by directors and resulting benefits are not shown

6 Neil Bruce left AMEC on 5 October 2012. His right to draw accrued pension from age 57 onwards without actuarial reduction only applied if he remained in service until that age and has therefore now lapsed. The accrued pension at the date of leaving shown above is payable from age 62.

Consolidated income statement

For the year ended 31 December 2012

	Note	2012 Before amortisation, impairment and exceptional items £ million	2012 Amortisation, impairment and exceptional items (note 5) £ million	2012 Total £ million	2011 Before amortisation, impairment and exceptional items £ million	2011 Amortisation, impairment and exceptional items (note 5) £ million	2011 Total £ million
Continuing operations							
Revenue	2,3	**4,158**	**–**	**4,158**	3,261	–	3,261
Cost of sales		**(3,625)**	**–**	**(3,625)**	(2,779)	–	(2,779)
Gross profit		**533**	**–**	**533**	482	–	482
Administrative expenses		**(225)**	**(68)**	**(293)**	(209)	(47)	(256)
Profit on business disposals and closures		**–**	**–**	**–**	–	2	2
Profit/(loss) before net financing income	4	**308**	**(68)**	**240**	273	(45)	228
Financial income		**19**	**–**	**19**	18	–	18
Financial expense		**(8)**	**–**	**(8)**	(2)	–	(2)
Net financing income	7	**11**	**–**	**11**	16	–	16
Share of post-tax results of joint ventures	2	**12**	**–**	**12**	15	–	15
Profit/(loss) before income tax	2	**331**	**(68)**	**263**	304	(45)	259
Income tax	8	**(72)**	**21**	**(51)**	(69)	17	(52)
Profit/(loss) for the year from continuing operations		**259**	**(47)**	**212**	235	(28)	207
Profit for the year from discontinued operations	9	**–**	**5**	**5**	–	25	25
Profit/(loss) for the year		**259**	**(42)**	**217**	235	(3)	232
Attributable to:							
Equity holders of the parent				**216**			232
Non-controlling interests				**1**			–
				217			232
Basic earnings per share:	10						
Continuing operations		**82.0p**		**67.0p**	71.9p		63.3p
Discontinued operations		**–**		**1.5p**	–		7.5p
		82.0p		**68.5p**	71.9p		70.8p
Diluted earnings per share:	10						
Continuing operations		**80.4p**		**65.8p**	70.5p		61.9p
Discontinued operations		**–**		**1.5p**	–		7.4p
		80.4p		**67.3p**	70.5p		69.3p

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Note	2012 £ million	2011 £ million
Profit for the year		**217**	232
Actuarial gains/(losses) on defined benefit pension schemes	14	**24**	(71)
Tax on actuarial gains/(losses)		**(19)**	23
Exchange movements:			
On translation of foreign subsidiaries		**(34)**	–
Net gain on hedges of net investment in foreign subsidiaries	19	**1**	4
Tax on exchange movements		**(1)**	–
Cash flow hedges:			
Effective portion of changes in fair value		**3**	–
Tax on effective portion of changes in fair value of cash flow hedges		**(1)**	–
Other comprehensive income		**(27)**	(44)
Total comprehensive income		**190**	188
Attributable to:			
Equity holders of the parent		**189**	188
Non-controlling interests		**1**	–
Total comprehensive income		**190**	188

Consolidated balance sheet

As at 31 December 2012

	Note	2012 £ million	2011 £ million
ASSETS			
Non-current assets			
Property, plant and equipment	11	**43**	35
Intangible assets	12	**969**	848
Interests in joint ventures	13	**47**	41
Retirement benefit assets	14	**86**	32
Other receivables	20	**27**	23
Deferred tax assets	15	**42**	72
Total non-current assets		**1,214**	1,051
Current assets			
Inventories	16	**4**	4
Trade and other receivables	17	**1,014**	844
Derivative financial instruments	19	**1**	4
Current tax receivable		**10**	31
Bank deposits (more than three months)	23	**17**	28
Cash and cash equivalents (excluding bank overdrafts)	23	**258**	493
Total current assets		**1,304**	1,404
Total assets		**2,518**	2,455
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	23	**(176)**	–
Trade and other payables	18	**(905)**	(758)
Derivative financial instruments	19	**(4)**	(15)
Current tax payable		**(66)**	(55)
Total current liabilities		**(1,151)**	(828)
Non-current liabilities			
Trade and other payables	20	**(11)**	–
Derivative financial instruments	19	**–**	(3)
Retirement benefit liabilities	14	**(93)**	(81)
Deferred tax liabilities	15	**(9)**	–
Provisions	21	**(171)**	(169)
Total non-current liabilities		**(284)**	(253)
Total liabilities		**(1,435)**	(1,081)
Net assets		**1,083**	1,374
EQUITY			
Share capital	22	**154**	169
Share premium account	22	**101**	101
Hedging and translation reserves	22	**99**	131
Capital redemption reserve	22	**32**	17
Retained earnings	22	**693**	955
Total equity attributable to equity holders of the parent		**1,079**	1,373
Non-controlling interests		**4**	1
Total equity		**1,083**	1,374

The accounts on pages 65 to 110 were approved by the board of directors on 14 February 2013 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 2012

	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 2012	169	101	(4)	135	17	955	**1,373**	1	**1,374**
Profit for the year	–	–	–	–	–	216	**216**	1	**217**
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	24	**24**	–	**24**
Tax on actuarial gains	–	–	–	–	–	(19)	**(19)**	–	**(19)**
Exchange movements on translation of foreign subsidiaries	–	–	–	(34)	–	–	**(34)**	–	**(34)**
Net gain on hedges of net investment in foreign subsidiaries	–	–	–	1	–	–	**1**	–	**1**
Tax on net gain on hedges of net investment in foreign subsidiaries	–	–	–	(1)	–	–	**(1)**	–	**(1)**
Effective portion of changes in fair value of cash flow hedges	–	–	3	–	–	–	**3**	–	**3**
Tax on effective portion of changes in fair value of cash flow hedges	–	–	(1)	–	–	–	**(1)**	–	**(1)**
Other comprehensive income for the year	–	–	2	(34)	–	5	**(27)**	–	**(27)**
Total comprehensive income for the year	–	–	2	(34)	–	221	**189**	1	**190**
Dividends	–	–	–	–	–	(98)	**(98)**	–	**(98)**
Equity-settled share-based payments	–	–	–	–	–	15	**15**	–	**15**
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	–	–	(6)	**(6)**	–	**(6)**
Utilisation of treasury shares	–	–	–	–	–	9	**9**	–	**9**
Acquisition of treasury shares	–	–	–	–	–	(36)	**(36)**	–	**(36)**
Acquisition of shares under the buyback programme	(15)	–	–	–	15	(322)	**(322)**	–	**(322)**
Forward share purchase agreement as at 31 December 2012*	–	–	–	–	–	(45)	**(45)**	–	**(45)**
Arising on business combinations	–	–	–	–	–	–	**–**	2	**2**
As at 31 December 2012	**154**	**101**	**(2)**	**101**	**32**	**693**	**1,079**	**4**	**1,083**

* See note 22 for further details

Consolidated statement of changes in equity continued

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 cash flow statement

For the year ended 31 December 2012

	Note	2012 £ million	2011 £ million
Cash flow from operating activities			
Profit before income tax from continuing operations		**263**	259
Profit/(loss) before income tax from discontinued operations	9	**6**	(2)
Profit before income tax		**269**	257
Financial income		**(19)**	(18)
Financial expense		**8**	2
Share of post-tax results of joint ventures		**(12)**	(15)
Intangible amortisation and goodwill impairment		**44**	39
Impairment of joint venture investment		**3**	–
Depreciation		**11**	10
Loss on disposal of businesses		**11**	2
Difference between contributions to retirement benefit schemes and current service cost		**(6)**	(7)
Profit on disposal of property, plant and equipment		**(2)**	–
Loss on disposal of intangible assets		**1**	–
Equity-settled share-based payments		**15**	11
		323	281
Increase in inventories		**–**	(3)
Increase in trade and other receivables		**(154)**	(62)
Increase/(decrease) in trade and other payables and provisions		**102**	(7)
Cash generated from operations		**271**	209
Tax paid		**(29)**	(36)
Net cash flow from operating activities		**242**	173
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		**(159)**	(254)
Funding of joint ventures		**(11)**	(12)
Purchase of property, plant and equipment		**(19)**	(12)
Purchase of intangible assets		**(15)**	(11)
Movements in short-term bank deposits		**11**	168
Disposal of businesses (net of cash disposed of)		**(6)**	(9)
Disposal of property, plant and equipment		**4**	1
Interest received		**8**	6
Dividends received from joint ventures		**11**	17
Amounts paid on maturity of net investment hedges		**(7)**	(20)
Net cash flow from investing activities		**(183)**	(126)
Net cash flow before financing activities		**59**	47
Cash flow from financing activities			
Proceeds from other borrowings		**150**	–
Interest paid		**(9)**	–
Dividends paid		**(98)**	(86)
Acquisition of shares for cancellation		**(322)**	–
Acquisition of treasury shares (net)*		**(27)**	(1)
Acquisition of shares by trustees of the Performance Share Plan		**(6)**	(11)
Net cash flow from financing activities		**(312)**	(98)
Decrease in cash and cash equivalents		**(253)**	(51)
Cash and cash equivalents as at the beginning of the year		**493**	544
Exchange losses on cash and cash equivalents		**(8)**	–
Cash and cash equivalents as at the end of the year	23	**232**	493
Cash and cash equivalents consist of:			
Cash at bank and in hand		**169**	130
Bank deposits (less than three months)		**89**	363
Bank overdrafts**		**(26)**	–
Cash and cash equivalents as at the end of the year	23	**232**	493
Bank deposits (more than three months)		**17**	28
Bank loans		**(150)**	–
Net cash as at the end of the year		**99**	521

* Net of £9 million (2011: £11 million) received from SAYE option holders on exercise of options

** Bank overdrafts arise from a new global cash pooling arrangement which from an accounting perspective must be shown gross.

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 2012 (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 accounting period beginning on or after 1 January 2013. The group has elected not to adopt early these standards which are described below:

IAS 19 'Employee Benefits' was amended in June 2011. 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.

The group has assessed the impact of the revised standard IAS 19 (2011). The impact on the results for the year ended 31 December 2012 will be to increase cost of sales by £1 million, to reduce the net finance income by £12 million and reduce the income tax charge by £5 million, resulting in a lower profit after tax of £8 million. Within the consolidated statement of other comprehensive income, the impact will be to increase the actuarial gains on defined benefit schemes by £13 million and to increase the tax on actuarial gains by £5 million resulting in an increased total comprehensive income of £8 million. There is no impact on either the net retirement benefit liability or related deferred tax balance within the balance sheet.

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 accounts of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures'. IFRS 11 considers the classification of joint arrangements in which two or more parties have joint control. 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.

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.

IFRS 10, 11, 12 and 13 are not expected to have a material impact on the group's reported results.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Basis of preparation

The accounts are presented in Sterling, rounded to the nearest million. All calculated numbers, for example earnings per share, are calculated on the underlying numbers to one decimal place precision. 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

1 Significant accounting policies continued

Basis of preparation continued

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 long-term contracts under IAS 11 'Construction Contracts', for provisions under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and for defined benefit pension schemes under IAS 19 (revised) 'Employee Benefits'.

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 bases its 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.

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.

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. As at 31 December 2012 the group held net cash of £99 million.

During the year, the group entered into a five-year multi-currency revolving credit facility of £377 million, to be used as required for general business purposes.

The group will finance operations and growth from its existing cash resources and the revolving credit facility. 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.

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.

1 Significant accounting policies continued

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.

In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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, abandoned or is part of a plan to dispose of a major line of business or geographic area. An operation is classified as a discontinued operation in the year that the above criteria are met.

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

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.

1 Significant accounting policies continued

Exceptional items

As permitted by IAS 1 '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; and profits or losses arising on the disposal of fixed assets. In addition, acquisition-related costs including transaction costs; changes in deferred consideration and elements of deferred compensation (those dependent on continued employment) which, in line with IFRS 3 'Business Combinations' are required to be charged to the income statement are also classified as exceptional.

Financial instruments

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

Cash, deposits, short-term investments, borrowings and trade receivables and payables 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 the income statement. 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 the income statement 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 accounts 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 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.

1 Significant accounting policies continued

Impairment

The carrying values of all of the group's assets other than inventories, balances on long-term contracts and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there are indications of an impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount.

For goodwill and assets not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised to the extent that the carrying value of an asset exceeds its recoverable amount.

Intangible assets other than goodwill

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

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

The estimated lives of intangible assets held at 31 December 2012 are as follows:

Software	Three to seven 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, including incentives received, 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 the income statement 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 public-private partnerships (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

Property, plant and equipment 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 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 accounts 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

In 2012 AMEC had three divisions, Natural Resources, Power & Process and Environment & Infrastructure, offering high-value consultancy, engineering and project management services to the world's oil and gas, mining, clean energy, and environment and infrastructure markets. Each of the divisions is considered to be a reportable segment. See page 5 for details of the new geographic structure to be adopted from 1 January 2013.

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 group's insurance captive and AMEC's residual UK wind development activities. Details of the services offered by each division and the end markets in which they operated are given in the segmental review on pages 12 to 19 and 26 to 29.

Revenue and results

	Revenue 2012 £ million	Revenue 2011 £ million	Profit/(loss) 2012 £ million	Profit/(loss) 2011 £ million
Class of business:				
Natural Resources	**2,416**	1,742	**192**	192
Power & Process	**973**	849	**78**	72
Environment & Infrastructure	**820**	722	**87**	66
Investments and other activities	**9**	7	**7**	3
	4,218	3,320	**364**	333
Internal revenue	**(60)**	(59)	**–**	–
External revenue	**4,158**	3,261	**–**	–
Corporate costs[1]			**(33)**	(34)
EBITA[2]			**331**	299
Net financing income[3]			**5**	12
Adjusted profit before tax			**336**	311
Tax on results of joint ventures[4]			**(5)**	(7)
			331	304
Intangible amortisation and goodwill impairment			**(44)**	(39)
Exceptional items			**(24)**	(6)
Profit before income tax			**263**	259

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 £308 million (2011: £273 million), but including joint venture EBITA of £23 million (2011: £26 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:

	2012 £ million	2011 £ million
EBITA	**23**	26
Net financing expense	**(6)**	(4)
Tax	**(5)**	(7)
	12	15

2 Segmental analysis of continuing operations continued

Revenue and results continued

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

	2012 £ million	2011 £ million
Natural Resources	**18**	21
Power & Process	**13**	16
Environment & Infrastructure	**29**	22
	60	59

Other information

	Share of post-tax results of joint ventures		Depreciation		Intangible amortisation and goodwill impairment	
	2012 £ million	2011 £ million	2012 £ million	2011 £ million	2012 £ million	2011 £ million
Class of business:						
Natural Resources	**3**	1	**4**	3	**14**	19
Power & Process	**12**	16	**3**	3	**7**	1
Environment & Infrastructure	**–**	–	**4**	4	**23**	19
Investments and other activities	**(3)**	(2)	**–**	–	**–**	–
	12	15	**11**	10	**44**	39

	Interests in joint ventures		Capital expenditure: Property, plant and equipment		Capital expenditure: Intangible assets	
	2012 £ million	2011 £ million	2012 £ million	2011 £ million	2012 £ million	2011 £ million
Class of business:						
Natural Resources	**20**	16	**10**	4	**5**	6
Power & Process	**10**	8	**4**	2	**4**	4
Environment & Infrastructure	**–**	–	**5**	6	**3**	4
Investments and other activities	**17**	17	**–**	–	**–**	–
	47	41	**19**	12	**12**	14

Geographical origin

	Revenue		Non-current assets	
	2012 £ million	2011 £ million	2012 £ million	2011 £ million
United Kingdom	**1,100**	976	**336**	173
Canada	**1,260**	929	**211**	222
United States	**1,097**	844	**278**	313
Rest of the world	**701**	512	**261**	239
	4,158	3,261	**1,086**	947

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

3 Revenue

	2012 £ million	2011 £ million
Construction contracts	**484**	399
Services	**3,674**	2,862
	4,158	3,261

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

	2012 £ million	2011 £ million
Depreciation of property, plant and equipment	**11**	10
Minimum payments under operating leases	**92**	79

There are no material receipts from subleases.

	2012 £ million	2011 £ million
Fees paid to the auditor and its associates:		
The auditing of accounts of any associate of the company	**1.3**	1.3
Taxation compliance services	**0.3**	0.4
All taxation advisory services other than compliance	**0.1**	–
All services relating to corporate finance transactions entered into, or proposed to be entered into, by or on behalf of the company or any of its associates	**0.2**	–
All other non-audit services	**0.1**	–
	2.0	1.7

5 Amortisation, impairment and exceptional items

	2012 £ million	2011 £ million
Continuing operations:		
Administrative expenses – exceptional items	**(24)**	(8)
Administrative expenses – intangible amortisation and goodwill impairment	**(44)**	(39)
	(68)	(47)
Profit on business disposals and closures	**–**	2
	(68)	(45)
Taxation credit on exceptional items of continuing operations	**9**	6
Taxation credit on intangible amortisation and goodwill impairment	**12**	11
	21	17
Post-tax amortisation, impairment and exceptional items of continuing operations	**(47)**	(28)
Exceptional items of discontinued operations (post–tax)	**5**	25
Post–tax amortisation, impairment and exceptional items	**(42)**	(3)

5 Amortisation, impairment and exceptional items continued

Post-tax exceptional items for 2012 are further analysed as follows:

	Loss on disposals £ million	Profit in respect of business closures £ million	Loss on business disposals and closures £ million	Other exceptional items £ million	2012 Total £ million
Continuing operations	–	–	–	(24)	(24)
Discontinued operations	(11)	–	(11)	17	6
(Loss)/profit before tax	(11)	–	(11)	(7)	(18)
Tax	3	–	3	5	8
(Loss)/profit before tax	**(8)**	**–**	**(8)**	**(2)**	**(10)**

Pre-tax costs of £24 million in continuing operations includes the cost of funding a joint venture which was part of a recent acquisition, costs associated with restructuring following the management reorganisation into geographic business units and transaction and deferred compensation costs which, in line with IFRS 3, are charged to the income statement. Transaction costs of £2 million were incurred in the year.

Pre-tax gains in discontinued operations of £6 million represents a £17 million credit from the recognition of an insurance receivable following the Supreme Court judgement on mesothelioma liability, a provision against which was established a number of years ago, offset by an £11 million loss on disposals and closures arising from adjustments to provisions held in respect of businesses sold in prior years and foreign exchange movements on provisions established on the disposal of SPIE.

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

	Profit/(loss) on disposals £ million	Profit in respect of business closures £ million	Profit/(loss) on business disposals and closures £ million	Other exceptional items £ million	2011 Total £ million
Continuing operations	–	2	2	(8)	(6)
Discontinued operations	(2)	–	(2)	–	(2)
Profit/(loss) 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 division following the acquisition of MACTEC. Transaction costs of £3 million were incurred in the year.

6 Staff costs and employee numbers – continuing operations

	2012 £ million	2011 £ million
Wages and salaries	1,424	1,269
Social security costs	94	83
Equity-settled share-based payments (note 22)	15	11
Contributions to defined contribution schemes	34	30
Defined benefit pension scheme expense (note 14)	19	12
	1,586	1,405

	2012 number	2011 number
The average number of people employed was as follows:		
Natural Resources	9,793	8,931
Power & Process	6,565	6,086
Environment & Infrastructure	6,849	6,199
Investments and other activities	172	206
	23,379	21,422

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

	2012 £ million	2011 £ million
Financial income:		
Interest income on bank deposits	7	4
Other interest and similar income	2	2
Pension financing income	9	9
Foreign exchange gains	1	3
	19	18
Financial expense:		
Interest payable on bank loans and overdrafts	(5)	–
Other interest and similar expense	(2)	–
Foreign exchange losses	(1)	(2)
	(8)	(2)
Net financing income	11	16

8 Income tax – continuing operations

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

	2012 £ million	2011 £ million
Income tax expense on continuing operations before exceptionals, intangible amortisation and goodwill impairment	72	69
Income tax credit on intangible amortisation and goodwill impairment	(12)	(11)
Income tax credit in respect of exceptional items	(9)	(6)
Total income tax expense from continuing operations in the income statement	51	52

8 Income tax – continuing operations continued

	2012 £ million	2011 £ million
Current tax:		
UK corporation tax at 24.5 per cent (2011: 26.5 per cent)	**15**	12
Double tax relief	**(4)**	(2)
Overseas tax	**56**	47
Adjustments in respect of prior years	**(7)**	(2)
	60	55
Deferred tax:		
UK deferred tax at 23.0 per cent (2011: 25.0 per cent), pension surplus at 35.0 per cent (2011: 35.0 per cent) – origination and reversal of temporary differences	**9**	11
Overseas deferred tax	**(15)**	(11)
Adjustments in respect of prior years	**(3)**	(3)
	(9)	(3)
Total income tax expense for continuing operations	**51**	52

On 21 March 2012, in his budget speech, the UK Chancellor of the Exchequer announced a reduction in the rate of corporation tax from 26 per cent to 24 per cent from 1 April 2012 and further reductions to 22 per cent by April 2014. In the autumn statement, a further 1 percentage point reduction to 21 per cent by April 2014 was announced.

As at 31 December 2012, the reduction in the rate to 23 per cent had been substantively enacted. However the remaining reductions in the rate were not substantively enacted before the year end and therefore the proposed changes are not reflected in the figures reported.

The decrease in the rate from 23 per cent to 21 per cent would increase the balance sheet deferred tax liability by approximately £2 million and would leave unrecognised deferred tax assets unchanged. During the period to 2014, the effect of the proposed changes to income and equity is estimated to be a charge of £2 million to the income statement.

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

	2012 £ million	2011 £ million
Profit before income tax from continuing operations	**263**	259
Expected income tax expense	**64**	69
Non-deductible expenses – pre-exceptional	**9**	6
Non-deductible expenses – exceptional	**1**	2
Non-taxable income – pre-exceptional	**(5)**	(8)
Non-taxable income – exceptional	**–**	(4)
Impact of providing deferred tax on pension surplus at 35.0 per cent (2011: 35.0 per cent)	**1**	1
Impact of change in UK tax rate to 23.0 per cent (2011: 25.0 per cent) on deferred tax	**3**	2
Overseas income and expenses taxed at rates other than 24.5 per cent (2011: 26.5 per cent)	**3**	3
Change in recognition of deferred tax assets	**(11)**	(9)
Utilisation of current year tax losses	**–**	(1)
Other adjustments in respect of prior years	**(10)**	(5)
Effects of results of joint ventures	**(4)**	(4)
Total income tax expense for the year for continuing operations	**51**	52

8 Income tax – continuing operations continued

	2012 £ million	2011 £ million
Tax recognised directly in equity:		
Current tax	**(1)**	(3)
Deferred tax (note 15)	**22**	(20)
Tax charge/(credit) recognised directly in equity	**21**	(23)

9 Profit 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:

	2012 £ million	2011 £ million
Loss on disposal	**(11)**	(2)
Attributable tax on loss on disposal	**3**	3
Adjustments in respect of prior years – release of tax provision on disposal of business	**–**	24
Other exceptional items	**17**	–
Attributable tax on exceptional items	**(4)**	–
Profit for the year from discontinued operations	**5**	25

Other exceptional items relate to the recognition of an insurance receivable, following the Supreme Court judgement on mesothelioma liability.

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, those held by the qualifying employee share ownership trust and those held in treasury by the company.

	2012			2011		
	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	**211**	**315**	**67.0**	207	327	63.3
Share options	**–**	**2**	**(0.4)**	–	3	(0.6)
Employee share and incentive schemes	**–**	**4**	**(0.8)**	–	4	(0.8)
Diluted earnings from continuing operations	**211**	**321**	**65.8**	207	334	61.9
Basic earnings from discontinued operations	**5**	**315**	**1.5**	25	327	7.5
Share options	**–**	**2**	**–**	–	3	–
Employee share and incentive schemes	**–**	**4**	**–**	–	4	(0.1)
Diluted earnings from discontinued operations	**5**	**321**	**1.5**	25	334	7.4

10 Earnings per share continued

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

	2012 £ million	2011 £ million
Profit for the year from continuing operations	212	207
Profit attributable to non-controlling interests	(1)	–
Basic and diluted profit from continuing operations	211	207

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

	2012			2011		
	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	211	315	67.0	207	327	63.3
Exceptional items (post-tax)	15	–	4.8	–	–	0.2
Amortisation and impairment (post-tax)	32	–	10.2	28	–	8.4
Basic earnings from continuing operations before amortisation, impairment and exceptional items	258	315	82.0	235	327	71.9
Share options	–	2	(0.6)	–	3	(0.6)
Employee share and incentive schemes	–	4	(1.0)	–	4	(0.8)
Diluted earnings from continuing operations before amortisation, impairment and exceptional items	258	321	80.4	235	334	70.5
Basic earnings from discontinued operations	5	315	1.5	25	327	7.5
Exceptional items (post-tax)	(5)	–	(1.5)	(25)	–	(7.5)
Basic earnings from discontinued operations before amortisation, impairment and exceptional items	–	315	–	–	327	–
Share options	–	2	–	–	3	–
Employee share and incentive schemes	–	4	–	–	4	–
Diluted earnings from discontinuing operations before amortisation, impairment and exceptional items	–	321	–	–	334	–

11 Property, plant and equipment

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Cost:			
As at 1 January 2012	31	106	137
Acquired through business combinations	–	2	2
Additions	4	15	19
Disposals	(3)	(20)	(23)
As at 31 December 2012	**32**	**103**	**135**
Depreciation:			
As at 1 January 2012	16	86	102
Provided during the year	3	8	11
Disposals	(2)	(19)	(21)
As at 31 December 2012	**17**	**75**	**92**
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
Net book value:			
As at 31 December 2012	**15**	**28**	**43**
As at 31 December 2011	15	20	35
As at 1 January 2011	13	19	32

	31 December 2012 £ million	31 December 2011 £ million
The net book value of land and buildings comprised:		
Freehold	5	6
Short leasehold	10	9
	15	15

12 Intangible assets

	Goodwill £ million	Software £ million	Customer relationships £ million	Other £ million	Total £ million
Cost:					
As at 1 January 2012	764	46	107	57	974
Exchange and other movements	(20)	(3)	(3)	(1)	(27)
Acquired through business combinations	87	1	85	5	178
Additions	–	12	–	–	12
Disposals and retirements	–	(3)	(1)	(5)	(9)
As at 31 December 2012	**831**	**53**	**188**	**56**	**1,128**
Amortisation:					
As at 1 January 2012	39	19	36	32	126
Exchange and other movements	1	(2)	(1)	(1)	(3)
Provided during the year	–	6	24	14	44
Disposals and retirements	–	(2)	(1)	(5)	(8)
As at 31 December 2012	**40**	**21**	**58**	**40**	**159**
Cost:					
As at 1 January 2011	597	27	57	48	729
Exchange and other movements	5	–	(1)	4	8
Acquired through business combinations	164	5	53	21	243
Additions	–	14	–	–	14
Disposals and retirements	(2)	–	(2)	(16)	(20)
As at 31 December 2011	764	46	107	57	974
Amortisation:					
As at 1 January 2011	40	15	21	32	108
Exchange and other movements	(1)	–	–	–	(1)
Provided during the year*	2	4	17	16	39
Disposals and retirements	(2)	–	(2)	(16)	(20)
As at 31 December 2011	39	19	36	32	126
Net book value:					
As at 31 December 2012	**791**	**32**	**130**	**16**	**969**
As at 31 December 2011	725	27	71	25	848
As at 1 January 2011	557	12	36	16	621

* Amounts provided during 2011 included £2 million of goodwill allocated to a small business divested during that year

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

	31 December 2012 £ million	31 December 2011 £ million
Brand/trademarks	**8**	15
Order backlog	**2**	4
Non-compete agreement	**3**	3
Licences	**3**	3
	16	25

12 Intangible assets continued

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 (2011: 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 reflect management's judgement of the future cash flows which includes past experience and expectations of future performance. The most significant assumptions relate to EBITA margin[1] and the conversion of EBITA into cash (cash conversion). Revenue is underpinned by a secure order book for each CGU and the order book remains strong at £3.6 billion as at 31 December 2012 (2011: £3.7 billion). The selection of EBITA margin takes into account the margins being generated on contracts in progress and management's view of the margin on orders received, and is consistent with Vision 2015 objectives. The cash conversion reflects past experience and current contract mix.

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 impairments.

Unamortised goodwill is as follows:

	Unamortised goodwill 31 December 2012 £ million	**Pre-tax discount rate 2012 per cent**	Unamortised goodwill 31 December 2011 £ million	Pre-tax discount rate 2011 per cent
Natural Resources	**387**	**11**	393	11
Power & Process	**159**	**11**	85	11
Environment & Infrastructure	**245**	**11**	247	11

1 Before intangible amortisation and exceptional items but including joint venture EBITA, as a percentage of revenue

13 Interests in joint ventures

	£ million
Net book value:	
As at 1 January 2012	41
Exchange and other movements	2
Additions	6
Impairment of investment	(3)
Total comprehensive income	12
Dividends received	(11)
As at 31 December 2012	**47**
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

Total comprehensive income of £12 million (2011: £15 million) is net of provisions of £4 million (2011: £nil) 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 2012 £ million	31 December 2011 £ million
Non-current assets	**397**	222
Current assets	**203**	364
Current liabilities	**(108)**	(74)
Non-current liabilities	**(431)**	(461)
Group share of net assets	**61**	51
Fair value adjustment	**(14)**	(10)
Interests in joint ventures	**47**	41

The net book value of joint ventures of £47 million (2011: £41 million) includes a fair value adjustment on acquisition of £14 million (2011: £10 million) in addition to the group's share of joint ventures' net assets of £61 million (2011: £51 million).

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

	2012 £ million	2011 £ million
Revenue	**120**	115
Expenses	**(97)**	(89)
Share of profit before net financing expense	**23**	26
Net financing expense	**(6)**	(4)
Share of pre-tax results	**17**	22
Tax	**(5)**	(7)
Share of post-tax results	**12**	15

13 Interests in joint ventures continued

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	£2m

14 Retirement benefit assets and liabilities

The group operates a number of pension schemes for UK and overseas employees. The principal defined benefit schemes are in the UK, with the main schemes being the AMEC Staff Pension Scheme and the AMEC Executive Pension Scheme. These schemes were closed to new members during the year but remain open to further accrual. 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 2012. The assets of the schemes are stated at their aggregate market value as at 31 December 2012.

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

	31 December 2012 per cent	31 December 2011 per cent
Rate of discount	**4.5**	4.7
Rate of inflation	**2.9**	3.0
Rate of increase in salaries	**2.9**	4.0
Rate of increase in pensions in payment (service before/after 1 January 2008)	**2.8/2.0**	3.0/2.3
Expected rate of return on scheme assets:		
Equities	**4.5**	8.1
Bonds	**4.5**	4.7
Gilts	**4.5**	3.1
Property	**4.5**	5.1

The main overseas schemes as at 31 December 2012 consist of three funded defined benefit schemes held in Canada and The Law Companies Group, Inc Pension Plan that was acquired as part of the acquisition of MACTEC. A discount rate of 4.3 per cent (2011: 4.6 per cent) and salary inflation rate of 2.75 per cent (2011: 2.75 per cent) have been used for the three defined benefit schemes held in Canada. A discount rate of 3.7 per cent (2011: 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.

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

	31 December 2012 Male years	**31 December 2012 Female years**	31 December 2011 Male years	31 December 2011 Female years
Member aged 65 (current life expectancy)	**22.8**	**24.3**	22.7	24.1
Member aged 45 (life expectancy at 65)	**24.6**	**26.2**	24.5	26.1

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

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. In line with IAS 19 (2011) the expected rate of return on scheme assets will in future be in line with the rate of discount.

The amounts recognised in the balance sheet are as follows:

	31 December 2012 £ million	31 December 2011 £ million
Retirement benefit assets	86	32
Retirement benefit liabilities	(93)	(81)
Retirement benefit net liability	(7)	(49)

The retirement benefit liabilities of £93 million (2011: £81 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 2012 per cent	31 December 2011 per cent
Equities	39.8	37.6
Bonds (including gilts)	51.8	55.1
Property	8.2	7.1
Other	0.2	0.2
	100.0	100.0

The amounts recognised in the income statement are as follows:

	2012 £ million	2011 £ million
Current service cost	28	20
Interest cost	76	78
Expected return on scheme assets	(85)	(86)
Total amount recognised in the income statement and included within staff costs (note 6)	19	12
Settlement gain	(4)	–
Total amount recognised in the income statement	15	12
The total amount is recognised in the income statement as follows:		
Cost of sales	14	11
Administrative expenses	10	10
Net financing income	(9)	(9)
Total amount recognised in the income statement	15	12

14 Retirement benefit assets and liabilities continued

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

	2012 £ million	2011 £ million
As at 1 January	1,618	1,408
Exchange and other movements	(6)	(1)
Current service cost	28	20
Interest cost	76	78
Plan participants' contributions	12	10
Actuarial losses	8	100
Acquired through business combinations	–	59
Settlements	(13)	–
Benefits paid	(71)	(56)
As at 31 December	1,652	1,618

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

	2012 £ million	2011 £ million
As at 1 January	1,569	1,435
Exchange and other movements	(3)	–
Expected return on plan assets	85	86
Actuarial gains	32	29
Employer contributions	30	28
Plan participants' contributions	12	10
Acquired through business combinations	–	37
Settlements	(9)	–
Benefits paid	(71)	(56)
As at 31 December	1,645	1,569

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

	2012 £ million	2011 £ million
Scheme net (liability)/asset as at 1 January	(49)	27
Exchange and other movements	3	1
Total charge as above	(19)	(12)
Employer contributions	30	28
Acquired through business combinations	–	(22)
Settlements	4	–
Actuarial gains/(losses) recognised in other comprehensive income	24	(71)
Scheme net liability as at 31 December	(7)	(49)

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

	2012 £ million	2011 £ million
As at 1 January	(311)	(240)
Net actuarial gains/(losses) recognised in the year	24	(71)
As at 31 December	(287)	(311)

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

The actual return on scheme assets is as follows:

	2012 £ million	2011 £ million
Actual return on scheme assets	**117**	115

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

	2012 £ million	2011 £ million	2010 £ million	2009 £ million	2008 £ million
Defined benefit obligation as at 31 December	**(1,652)**	(1,618)	(1,408)	(1,328)	(1,065)
Fair value of assets as at 31 December	**1,645**	1,569	1,435	1,324	1,221
(Deficit)/surplus	**(7)**	(49)	27	(4)	156
Difference between expected and actual return on scheme assets	**32**	29	50	58	(170)
Percentage of scheme assets (%)	**1.9**	1.8	3.5	4.4	(13.9)
Experience (losses)/gains on scheme liabilities	**(1)**	29	–	8	6
Percentage of scheme liabilities (%)	**(0.1)**	1.8	–	0.6	0.5

Contributions

The group expects to contribute £30 million to its defined benefit pension schemes in 2013. 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 31 December 2012 £ million	Assets 31 December 2011 £ million	Liabilities 31 December 2012 £ million	Liabilities 31 December 2011 £ million
Property, plant and equipment	**14**	15	**(4)**	–
Intangible assets	**–**	–	**(48)**	(37)
Retirement benefits	**19**	25	**(30)**	(11)
Derivative financial instruments	**1**	2	**(1)**	(1)
Provisions	**60**	57	**–**	–
Employee share schemes	**4**	6	**–**	–
Other items	**13**	8	**(10)**	(9)
Tax losses carried forward	**15**	17	**–**	–
Deferred tax assets/(liabilities)	**126**	130	**(93)**	(58)
Offset of deferred tax assets and liabilities relating to income tax levied by the same taxation authority	**(84)**	(58)	**84**	58
Net deferred tax assets	**42**	72	**(9)**	–

15 Deferred tax assets and liabilities continued

Recognised deferred tax assets and liabilities

	As at 1 January 2012 £ million	Exchange and other movements £ million	Acquisitions £ million	Recognised in income £ million	Recognised in equity £ million	As at 31 December 2012 £ million
Property, plant and equipment	15	–	(3)	(2)	–	**10**
Intangible assets	(37)	1	(22)	10	–	**(48)**
Retirement benefits	14	(1)	–	(5)	(19)	**(11)**
Derivative financial instruments	1	–	–	–	(1)	**–**
Provisions	57	(2)	–	5	–	**60**
Employee share schemes	6	–	–	–	(2)	**4**
Other items	(1)	–	–	4	–	**3**
Tax losses carried forward	17	–	–	(2)	–	**15**
	72	(2)	(25)	10	(22)	**33**

	As at 1 January 2011 £ million	Exchange and other movements £ million	Acquisitions £ 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

The deferred tax credit of £10 million (2011: £6 million) recognised in income consists of a credit of £9 million (2011: £3 million) relating to continuing operations and a £1 million credit (2011: £3 million) in respect of discontinued operations.

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 2012 £ million	31 December 2011 £ million
Deductible temporary differences	**20**	15
Tax losses	**14**	20
	34	35

15 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets continued

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 £551 million (2011: £474 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 £29 million (2011: £24 million).

16 Inventories

	31 December 2012 £ million	31 December 2011 £ million
Development land and work in progress	**4**	4

17 Current trade and other receivables

	31 December 2012 £ million	31 December 2011 £ million
Amounts expected to be recovered within one year:		
Gross amounts due from customers	**451**	348
Trade receivables	**482**	418
Amounts owed by joint ventures	**13**	12
Other receivables	**12**	23
Prepayments and accrued income	**48**	36
	1,006	837
Amounts expected to be recovered after more than one year:		
Trade receivables	**7**	6
Amounts owed by joint ventures	**1**	1
	8	7
	1,014	844

Trade receivables expected to be recovered within one year include retentions of £35 million (2011: £15 million) relating to contracts in progress. Trade receivables expected to be recovered after more than one year include retentions of £7 million (2011: £5 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 £4,504 million (2011: £4,645 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 2012 £ million	31 December 2011 £ million
Amounts expected to be settled within one year:		
Trade payables	**500**	416
Gross amounts due to customers	**77**	82
Other taxation and social security costs	**53**	57
Other payables	**156**	123
Accruals	**67**	76
Forward share purchase agreement	**45**	–
	898	754
Amounts expected to be settled after more than one year:		
Other payables	**2**	2
Accruals	**5**	2
	7	4
	905	758

Gross amounts due to customers include advances received of £26 million (2011: £26 million).

Trade payables, other payables and accruals 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 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. 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.

On 18 July 2012, a £377 million multi-currency revolving credit facility was entered into with a number of core relationship banks. The facility is committed for five years and is available for general corporate purposes. At 31 December 2012 £150 million of the facility had been utilised.

In February 2012, the board approved a share buyback programme of £400 million. As at 31 December 2012 a total of 33 million shares had been purchased under this programme, including through close periods by the use of forward share purchase contracts. The group completed the buyback programme on 8 February 2013.

No changes were made to the objectives, policies or processes for managing capital during 2012 or 2011.

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, credit risk 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 2012.

19 Capital and financial risk management continued

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. This is achieved 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, has 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:

	2012 Notional contract amount £ million	2011 Notional contract amount £ million	**2012 Carrying amount and fair value £ million**	2011 Carrying amount and fair value £ million
Current assets	**13**	4	**–**	–
Current liabilities	**13**	39	**–**	(4)
	26	43	**–**	(4)

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:

2012	**Carrying amount £ million**	**Expected cash flows £ million**	**12 months or less £ million**	**1 to 2 years £ million**	**2 to 5 years £ million**
Forward exchange contracts					
Assets	**–**	**13**	**12**	**1**	**–**
Liabilities	**–**	**13**	**9**	**3**	**1**
	–	**26**	**21**	**4**	**1**

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

In neither 2012 nor 2011 was there any charge for ineffectiveness recognised.

19 Capital and financial risk management continued

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:

	2012 Notional contract amount £ million	2011 Notional contract amount £ million	**2012 Carrying amount and fair value £ million**	2011 Carrying amount and fair value £ million
Current assets	**71**	76	**–**	2
Current liabilities	**73**	125	**–**	(3)
	144	201	**–**	(1)

Hedging of foreign currency exchange risk – net investment hedges

The group currently has forward foreign exchange contracts and currency interest rate swaps which have been designated as hedges of the net investments in core subsidiaries in Canada and the US. The group has revised its policy and the existing hedging contracts will not be replaced as they mature. The notional contract amount, carrying amount and fair values of swaps designated as net investment hedges are as follows:

	2012 Notional contract amount £ million	2011 Notional contract amount £ million	**2012 Carrying amount and fair value £ million**	2011 Carrying amount and fair value £ million
Current assets	**–**	118	**–**	2
Non-current assets	**–**	–	**–**	–
Current liabilities	**14**	33	**(3)**	(8)
Non-current liabilities	**–**	14	**–**	(3)
	14	165	**(3)**	(9)

A net foreign exchange gain for the year of £1 million (2011: £4 million) was recognised in the translation reserve in respect of these forward foreign exchange contracts and currency interest rate swaps.

Other financial derivative assets and liabilities

The group has other financial derivative assets of £1 million (2011: £nil) and financial derivative liabilities of £1 million (2011: £nil).

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 £2 million credit/charge (2011: £14 million) to other comprehensive income arising on net investment hedges. This would be offset by a credit/charge on the hedged net investment.

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 existing cash resources and the £377 million multi-currency revolving credit facility. The requirement to enter into additional external facilities has been kept under review during 2012.

Appropriate facilities will be maintained to meet ongoing requirements for bank guarantees and letters of credit.

19 Capital and financial risk management continued

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 through contract payment terms. 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 to 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 continually 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 ageing of trade receivables at the year end was:

	Gross receivables 31 December 2012 £ million	**Impairment 31 December 2012 £ million**	Gross receivables 31 December 2011 £ million	Impairment 31 December 2011 £ million
Not past due	**271**	**–**	238	–
Past due 0 to 30 days	**106**	**–**	102	–
Past due 31 to 120 days	**65**	**(3)**	54	(1)
Past due 121 to 365 days	**14**	**(6)**	15	(6)
More than one year	**6**	**(6)**	15	(13)
	462	**(15)**	424	(20)

The above analysis excludes retentions relating to contracts in progress of £35 million (2011: £15 million) expected to be recovered within one year and £7 million (2011: £5 million) expected to be recovered after one year. Net receivables as at 31 December 2012 include £nil (2011: £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.

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

	2012 £ million	2011 £ million
As at 1 January	**(20)**	(22)
Net impairment allowance credited	**5**	2
As at 31 December	**(15)**	(20)

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 2012 accounted for around 15 per cent (2011: 14 per cent) of continuing revenues, and a similar percentage of current trade and other receivables. The revenue was included in the group's Natural Resources and Environment & Infrastructure divisions.

19 Capital and financial risk management continued

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) was not considered appropriate as the surplus cash position is viewed as temporary.

The £377 million multi-currency revolving credit facility is subject to an interest rate of LIBOR plus a margin depending on leverage.

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:

			2012
	Effective interest rate per cent	**Total £ million**	**6 months or less £ million**
Short-term investments	**0.94**	**17**	**17**
Cash and cash equivalents (excluding bank overdrafts)	**0.98**	**258**	**258**
Bank overdrafts	**0.53**	**(26)**	**(26)**
Bank loans	**1.67**	**(150)**	**(150)**
		99	**99**

			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

Group borrowing

The group's borrowings (bank overdrafts and bank loans) are all denominated in Sterling.

There were no borrowings as at 31 December 2011.

All covenants attached to borrowings have been complied with throughout the year.

Fair values

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

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 receivables and payables

Other non-current receivables of £27 million (2011: £23 million) represent indemnities received on the acquisition of MACTEC and, in 2012, certain insurance receivables, both of which are matched by liabilities included within provisions.

Trade and other payables of £11 million (2011: £nil) represent lease incentives received which are being amortised over the period of the lease.

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 2012	54	66	37	12	169
Exchange and other movements	(2)	(1)	–	–	(3)
Utilised	(12)	(6)	–	(4)	(22)
Charged/(credited) to the income statement:					
Additional provisions	2	12	–	17	31
Unused amounts reversed	(2)	(2)	(1)	–	(5)
Arising on business combinations	–	–	–	1	1
As at 31 December 2012	**40**	**69**	**36**	**26**	**171**

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. To the extent that these provisions were charged as exceptional items, any reversals are also included as exceptional items.

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. These businesses are reported as discontinued operations and any adjustments to the provisions are treated as adjustments to the profits on disposal which were treated as exceptional items.

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.

Provision has been made for AMEC's potential liability to fund loss-making joint venture entities. The increase in the provision in 2012 includes an exceptional charge of £11 million in respect of funding a joint venture that was part of a recent acquisition.

Due to the nature of the other liabilities, the timing of any potential future outflows is uncertain.

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 (2011: £350 million). This comprises 700 million (2011: 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.

The movement in issued share capital during the year was as follows:

	Number	£ million
As at 1 January 2011 and 31 December 2011	337,965,871	169
As at 1 January 2012	337,965,871	169
Cancellation of shares acquired under the buyback programme	(29,968,301)	(15)
As at 31 December 2012	**307,997,570**	**154**

22 Share capital and reserves continued

Share buyback programme

During the year, 33 million ordinary shares were purchased at an average price of £10.76 and a total cost of £358 million. Of the shares purchased, 30 million shares have subsequently been cancelled.

As at 31 December 2012 the company was party to an irrevocable closed season buyback agreement for the purchase of its own ordinary shares for a maximum total cost of £45 million. The purchase of these shares was dependent upon the company's share price not reaching a pre-determined level during the remainder of the contract period. The outstanding share purchase mandate liability of £45 million has been presented as a current liability in accordance with IAS 32.23. The company was not party to any such contracts as at 31 December 2011.

Reserves

The group has acquired 3,250,000 shares (2011: 1,000,000) during the year which are held in treasury. During the year 1,694,284 shares (2011: 1,922,253) were transferred to share scheme participants leaving a balance held in treasury as at 31 December 2012 of 7,291,522 shares (2011: 5,735,806). £71 million (2011: £49 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 held shares issued by the company in connection with the savings related share option scheme. As at 31 December 2011 the Quest held 259 shares; these shares were sold during 2012 and the funds remitted to the company.

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, that have arisen since 1 January 2004, being the date of transition to adopted IFRS.

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.

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. Detailed terms of this plan are included in the remuneration report on pages 56 to 64.

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 and authority for its use lapsed in 2012.

The share-based payment arrangements operated by the group are 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.

22 Share capital and reserves continued

Share-based payments continued

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

	Weighted average exercise price 2012 pence	Number of options 2012	Weighted average exercise price 2011 pence	Number of options 2011
Outstanding on 1 January	**643**	**7,646,883**	601	6,361,127
Lapsed/cancelled	**645**	**(839,094)**	656	(654,060)
Exercised	**525**	**(1,752,145)**	577	(1,929,259)
Granted	**927**	**1,899,323**	682	3,869,075
Outstanding on 31 December	**751**	**6,954,967**	643	7,646,883
Exercisable on 31 December	**772**	**131,041**	685	72,559

Options were exercised on a regular basis during the year and the average share price for the year was 1,066 pence (2011: 1,042 pence).

Options outstanding on 31 December 2012 have weighted average remaining contractual lives as follows:

	Weighted average remaining contractual life 2012 years	Number of options 2012	Weighted average remaining contractual life 2011 years	Number of options 2011
500.00 pence to 599.99 pence	**–**	**–**	–	1,812,188
600.00 pence to 699.99 pence	**0.9**	**3,988,698**	1.5	4,497,993
700.00 pence to 799.99 pence	**0.1**	**1,021,906**	0.3	1,224,593
800.00 pence to 899.99 pence	**–**	**54,032**	–	112,109
Over 900.00 pence	**0.8**	**1,890,331**	–	–
		6,954,967		7,646,883

The numbers of shares held under the Performance Share Plan and Restricted Share Plan are as follows:

	Number of shares 2012	Number of shares 2011
As at 1 January	**3,931,369**	4,059,359
Lapsed	**(584,809)**	(444,298)
Vested	**(1,144,754)**	(933,045)
Granted	**1,721,392**	1,249,353
As at 31 December	**3,923,198**	3,931,369

22 Share capital and reserves continued

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)		Restricted Share Plan (Monte Carlo model)
	2012	2011	**2012**	2011	**2012**
Weighted average fair value at measurement date	**239p**	285p	**1,053p**	937p	**990p**
Weighted average share price at measurement date	**1,103p**	909p	**1,139p**	1,184p	**1,106p**
Exercise price	**927p**	682p	**n/a**	n/a	**n/a**
Expected share price volatility	**28%**	34%	**29%**	33%	**n/a**
Option life	**3.3 years**	3.3 years	**3.0 years**	n/a	**2.7 years**
Expected dividend yield	**3.3%**	2.5%	**n/a**	n/a	**3.0%**
Risk-free interest rate	**1.0%**	1.1%	**n/a**	n/a	**n/a**
Comparator share price volatility	**n/a**	n/a	**35%**	42%	**n/a**
Correlation between two companies in comparator group	**n/a**	n/a	**50%**	50%	**n/a**

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. There are no performance conditions attached to the Restricted Share Plan.

Dividends

The directors are proposing a final dividend in respect of the financial year ended 31 December 2012 of 24.8 pence per share, which will absorb an estimated £74 million of equity. Subject to approval, it will be paid on 1 July 2013 to shareholders on the register of members on 31 May 2013. 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 11.7 pence (2011: 10.2 pence) per share results in a total dividend for the year of 36.5 pence per share (2011: 30.5 pence).

	2012 £ million	2011 £ million
Dividends charged to reserves and paid		
Interim dividend in respect of 2011 of 10.2 pence (2011: interim dividend in respect of 2010 of 7.3 pence) per share	**34**	24
Final dividend in respect of 2011 of 20.3 pence (2011: final dividend in respect of 2010 of 19.2 pence) per share	**64**	62
	98	86

The amounts waived by trustees of the Performance Share Plan in respect of the interim and final dividends was £1 million (2011: £1 million).

23 Analysis of cash, cash equivalents, bank loans and net cash

	As at 1 January 2012 £ million	Cash flow £ million	Exchange and other non-cash movements £ million	**As at 31 December 2012 £ million**
Cash at bank and in hand	130	46	(7)	**169**
Short-term investments (less than three months)	363	(273)	(1)	**89**
Cash and cash equivalents (excluding bank overdrafts)	493	(227)	(8)	**258**
Bank overdrafts	–	(26)	–	**(26)**
Cash and cash equivalents	493	(253)	(8)	**232**
Short-term investments (more than three months)	28	(11)	–	**17**
Bank loans	–	(150)	–	**(150)**
Net cash as at the end of the year	521	(414)	(8)	**99**

Short-term investments comprise short-term bank deposits.

Cash and cash equivalents as at 31 December 2012 includes £30 million (2011: £22 million) that is held in countries from which prior approval is required to transfer funds abroad. There are restrictions on the use of £9 million (2011: £4 million) of cash held on behalf of joint venture arrangements. In addition, there are restrictions on the use of a further £13 million (2011: £19 million) of cash and cash equivalents in respect of commitments of the group's captive insurance subsidiary to certain insurers.

Bank overdrafts arise from a new global cash pooling arrangement, which, from an accounting perspective, must be shown gross. All bank loans and overdrafts are repayable within one year.

24 Acquisitions and disposals

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 2012, nor would they have done in the year ended 31 December 2012 if they had been acquired on 1 January 2012.

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

Acquisitions in 2012

Unidel
On 30 May 2012, the group acquired all of the shares in Unidel Group Pty Limited (Unidel).

Unidel is a 260-person company working in Australia's energy, resources and infrastructure sectors which provides a range of environmental and infrastructure services similar to those of AMEC. Its experience includes projects involving gas field exploration, development, production and transmission, water pipelines and coal seam methane.

The acquisition is fully aligned with AMEC's Vision 2015 strategy and builds AMEC's presence in Australia to some 1,500 employees. It also expands the group's capabilities in one of the key growth regions and allows the group to better serve customers in the oil & gas, mining, and clean energy markets.

24 Acquisitions and disposals continued

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

	Recognised value £ million
Intangible assets	11
Trade and other receivables	7
Cash and cash equivalents	1
Trade and other payables	(5)
Deferred tax liability	(3)
Net identifiable assets and liabilities	11
Goodwill on acquisition	5
	16
Consideration	
Cash – paid on completion	16
	16

Goodwill has arisen on the acquisition of Unidel primarily due to its skilled workforce positioned within the Australian market which did not meet the criteria for recognition as intangible assets as at the date of acquisition.

Energy, Safety and Risk Consultants
On 29 June 2012, the group acquired all of the shares in Energy, Safety and Risk Consultants (UK) Limited (ESRC). ESRC was Serco Group plc's nuclear technical services business. It is based at a number of sites in the UK and has around 600 people providing consultancy and project solutions for customers including the Ministry of Defence, EDF, Magnox and the Nuclear Decommissioning Authority. The acquisition is fully aligned with AMEC's Vision 2015 growth strategy and further builds AMEC's footprint and capabilities in the clean energy market. The team of highly skilled professionals will complement AMEC's existing expertise in nuclear support activities and enable AMEC to better service its customers.

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

	Recognised value £ million
Property, plant and equipment	1
Intangible assets	74
Cash and cash equivalents	1
Trade and other receivables	13
Trade and other payables	(7)
Deferred tax liability	(20)
Net identifiable assets and liabilities	62
Goodwill on acquisition	75
	137
Consideration	
Cash – paid on completion	137
	137

Goodwill has been recognised on this acquisition as a result of the value of its skilled workforce which did not meet the criteria for recognition as intangible assets as at the date of acquisition. The acquisition also provides significant opportunities for the combined business to grow due to the complementary skills.

24 Acquisitions and disposals continued

Acquisitions in 2012 continued

Other acquisitions

Other acquisitions were made in the year for a total consideration of £8 million of which £6 million was paid on completion with the balance of £2 million dependent on the achievement of set earnings targets. The aggregate fair value of identifiable net assets was £4 million, and there was a minority interest of £2 million created. Goodwill arising was £6 million and has been recognised as a result of the value of its skilled workforce which did not meet the criteria for recognition as intangible assets as at the date of acquisition.

A further £2 million was paid in the period in respect of businesses acquired in 2011 and prior years.

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.

24 Acquisitions and disposals continued

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.

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 indicated that, due to events that have occurred since the acquisition, the contingent consideration would not be payable and the provision was released to the income statement in 2011 within other exceptional items. The latest forecasts in 2012 support this position.

24 Acquisitions and disposals continued

Acquisitions in 2011 continued

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 that provides a similar wide range of services to the group's Environment & Infrastructure division. 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	(46)
Deferred tax liability	(7)
Retirement benefit liabilities	(20)
Provisions	(23)
Net identifiable assets and liabilities	62
Goodwill on acquisition	121
	183
Consideration	
Cash – paid on completion	123
– paid to repay debt	60
	183

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 US, complementing the strength of the existing AMEC Environment & Infrastructure business in western US 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.

24 Acquisitions and disposals continued

Net cash flows attributable to discontinued operations

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

	2012 £ million	2011 £ million
Net cash flow from operating activities	**(2)**	(7)
Net cash flow from investing activities	**(4)**	(7)
	(6)	(14)

25 Operating leases

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

	31 December 2012 £ million	31 December 2011 £ million
In one year or less	**71**	71
Between one and five years	**168**	145
Over five years	**66**	56
	305	272

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. 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 £40 million (2011: £54 million) are shown in note 21 in respect of these claims.

27 Related party transactions

During 2012 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 0.72 per cent of the voting rights of the company as at 31 December 2012.

In addition to their salaries, the company also provides non-cash benefits to executive directors and they receive share awards under the Performance Share Plan. The company also contributes to a defined benefit plan on behalf of certain executive directors.

The senior management group consists of AMEC plc board directors and details of their compensation are as follows:

	2012 £ million	2011 £ million
Short-term employee benefits	4	4
Pension costs	–	–
Equity-settled share-based payments	3	2
	7	6

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	
	2012 £ million	2011 £ million	2012 £ million	2011 £ million
Services rendered	28	41	14	16
Provision of finance	5	12	35	31

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

14 February 2013

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 2012 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 2012 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 54, 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 2012 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

14 February 2013

Company balance sheet

As at 31 December 2012

	Note	2012 £ million	2011 £ million
Fixed assets			
Tangible assets	2	**21**	13
Investment in subsidiaries	3	**2,516**	1,888
		2,537	1,901
Current assets			
Debtors: including amounts falling due after one year of £1 million (2011: £6 million)	4	**19**	22
Cash at bank and in hand		**73**	144
		92	166
Current liabilities			
Creditors: amounts falling due within one year	5	**(250)**	(84)
Net current (liabilities)/assets		**(158)**	82
Total assets less current liabilities		**2,379**	1,983
Creditors: amounts falling due after one year	6	**(857)**	(857)
Net assets		**1,522**	1,126
Capital and reserves			
Called up share capital	7, 8	**154**	169
Share premium account	8	**101**	101
Capital redemption reserve	8	**32**	17
Profit and loss account	8	**1,235**	839
Equity shareholders' funds		**1,522**	1,126

The accounts on pages 113 to 118 were approved by the board of directors on 14 February 2013 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.

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 assets in the course of construction, 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. The estimated lives of tangible assets as at 31 December 2012 are as follows:

Plant and equipment	Three to five years
Software	Three to seven 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: Disclosures' 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.

Remuneration of auditors

The detailed information concerning auditor's remuneration is shown in note 4 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 a cost 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.

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	Software £ million	Total £ million
Cost:				
As at 1 January 2012	13	4	–	17
Additions	8	1	–	9
Disposals	–	(1)	–	(1)
Reclassification	(21)	–	21	–
As at 31 December 2012	**–**	**4**	**21**	**25**
Depreciation:				
As at 1 January 2012	–	4	–	4
Disposals	–	(1)	–	(1)
Provided during the year	–	–	1	1
As at 31 December 2012	**–**	**3**	**1**	**4**
Net book value:				
As at 31 December 2012	**–**	**1**	**20**	**21**
As at 1 January 2012	13	–	–	13

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 2012	1,531	438	1,969
Exchange and other movements	–	(19)	(19)
Additions	216	624	840
Disposals	(228)	–	(228)
As at 31 December 2012	**1,519**	**1,043**	**2,562**
Provisions:			
As at 1 January 2012	81	–	81
Disposals	(41)	–	(41)
Provided during the year	6	–	6
As at 31 December 2012	**46**	**–**	**46**
Net book value:			
As at 31 December 2012	**1,473**	**1,043**	**2,516**
As at 1 January 2012	1,450	438	1,888

The increase in investments held as fixed assets primarily relates to an internal restructuring. See note 8 for more details.

Principal group companies are listed on page 120.

Notes to the company balance sheet continued

4 Debtors

	31 December 2012 £ million	31 December 2011 £ million
Debtors: amounts falling due within one year		
Trade debtors	**–**	1
Amounts owed by subsidiaries	**1**	–
Derivative financial instruments	**4**	14
Corporation tax	**9**	–
Prepayments and accrued income	**4**	1
	18	16
Debtors: amounts falling due after one year		
Derivative financial instruments	**–**	3
Deferred tax	**1**	3
	1	6
	19	22

The deferred tax asset is analysed as follows:

	31 December 2012 £ million	31 December 2011 £ million
Difference between accumulated depreciation and capital allowances	**(1)**	–
Other timing differences	**2**	3
	1	3

On 21 March 2012, in his budget speech, the UK Chancellor of the Exchequer announced a reduction in the rate of corporation tax from 26 per cent to 24 per cent from 1 April 2012, and further reductions to 22 per cent by April 2014. In the autumn statement, a further 1 percentage point reduction to 21 per cent by April 2014 was announced.

As at 31 December 2012, the reduction in the rate to 23 per cent had been substantively enacted. However the remaining reductions in the rate were not substantively enacted before the year end and therefore the proposed changes are not reflected in the figures reported.

The decrease in the rate from 23 per cent to 21 per cent is forecast to have an insignificant impact on the balance sheet deferred tax asset and future charges to the profit and loss account.

5 Creditors: amounts falling due within one year

	31 December 2012 £ million	31 December 2011 £ million
Bank and other loans and overdrafts	**180**	40
Trade creditors	**2**	3
Amounts owed to subsidiaries	**1**	1
Derivative financial instruments	**4**	18
Corporation tax	**–**	1
Other taxation and social security costs	**11**	10
Forward share purchase agreement	**45**	–
Other creditors	**1**	3
Accruals	**6**	8
	250	84

On 18 July 2012, a £377 million multi-currency revolving credit facility was entered into with a number of core relationship banks. The facility is committed for five years and is available for general corporate purposes. As at 31 December 2012, £150 million of the facility had been utilised.

6 Creditors: amounts falling due after one year

	31 December 2012 £ million	31 December 2011 £ million
Amounts owed to subsidiaries	**857**	854
Derivative financial instruments	**–**	3
	857	857

7 Share capital

The authorised share capital of the company is £350 million (2011: £350 million).

	31 December 2012 £ million	31 December 2011 £ million
Allotted, called up and fully paid ordinary shares of 50 pence each	**154**	169

The movement in issued share capital during the year was as follows:

	Number	£ million
As at 1 January 2012	337,965,871	169
Cancellation of shares acquired under the buyback programme	(29,968,301)	(15)
As at 31 December 2012	**307,997,570**	**154**

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 2012	169	101	17	839	1,126
Profit for the year	–	–	–	879	879
Dividends	–	–	–	(98)	(98)
Equity-settled share-based payments	–	–	–	15	15
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	(6)	(6)
Utilisation of treasury shares	–	–	–	9	9
Acquisition of treasury shares	–	–	–	(36)	(36)
Acquisition of shares under the buyback programme	(15)	–	15	(322)	(322)
Forward share purchase agreement as at 31 December 2012	–	–	–	(45)	(45)
As at 31 December 2012	**154**	**101**	**32**	**1,235**	**1,522**

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

During the year AMEC plc generated a significant profit from an internal restructuring. This becomes distributable as qualifying consideration is passed to AMEC plc. As at 31 December 2012, £620 million of reserves are considered to be distributable.

The company's profit for the year in 2011 was £195 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 2012 (2011: £nil).

In addition, the company is party to cross-guarantee arrangements relating to an overdraft for certain group companies. The maximum gross exposure at 31 December 2012 was £82 million (2011: £36 million).

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 0.72 per cent of the voting rights of the company as at 31 December 2012.

In addition to their salaries, the company also provides non-cash benefits to executive directors and they receive share awards under the Performance Share Plan. The company also contributes to a defined benefit plan on behalf of certain executive directors.

The senior management group consists of the AMEC plc board directors and details of their compensation are as follows:

	2012 £ million	2011 £ million
Short-term employee benefits	**4**	4
Pension costs	**–**	–
Equity-settled share-based payments	**3**	2
	7	6

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 2012 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012;
- 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 2012.

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

14 February 2013

Principal group companies

As at 31 December 2012

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. 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)
AMEC Asia KK (Japan)
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 Chile International Ingenieria y Construcción Limitada (Chile)
AMEC Environment & Infrastructure Pty Limited (Australia)
AMEC Engineering Holdings Pty Limited (Australia)
AMEC Environment & Infrastructure UK Limited
AMEC Environment & Infrastructure, Inc. (US)
AMEC Earth and Environmental (UK) Limited
AMEC E&C Services, Inc. (US)
*AMEC Finance Limited
AMEC GRD SA BV (Netherlands)
*AMEC Group Limited
AMEC Holdings, Inc. (US)
AMEC Inc. (Canada)
AMEC Kamtech, Inc. (US)
AMEC Minproc Engenharia e Consultoria Ltda. (Brazil)
AMEC Nuclear UK Limited
AMEC NCL Limited (Canada)
AMEC NSS Limited (Canada)
AMEC Nuclear Holdings Limited
AMEC Oil & Gas, Inc. (US)
AMEC Petroleo e Gas Ltda. (Brazil)
AMEC (Peru) S.A. (Peru)
AMEC Programs, Inc. (US)
AMEC Project Investments Limited
*AMEC Property and Overseas Investments Limited
AMEC US Nuclear Services, Inc. (US)
Aquenta Consulting Pty Limited (Australia)
Atlantic Services Limited (Bermuda)
Energy, Safety and Risk Consultants (UK) Limited
Kromav Engenharia S.A. (Brazil)
MACTEC Development Corporation (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)
Incheon Bridge Co. Ltd (23 per cent)
Nuclear Management Partners Limited (36 per cent)
Petersbogen Immobilengesellschaft GmbH & Co. KG (50 per cent)
Sellafield Limited[1]

1 Sellafield Limited is 100 per cent owned by Nuclear Management Partners Limited

Five-year record

	2012 £ million	2011 £ million	2010 £ million	2009 £ million	2008 £ million
Summarised consolidated results					
Continuing operations					
Revenue	**4,158**	3,261	2,951	2,539	2,606
Adjusted profit before tax[1]	**336**	311	280	216	210
Joint ventures tax	**(5)**	(7)	(7)	(5)	(1)
	331	304	273	211	209
Amortisation and impairment	**(44)**	(39)	(25)	(16)	(9)
Exceptional items	**(24)**	(6)	11	9	107
Profit before income tax	**263**	259	259	204	307
Income tax	**(51)**	(52)	(23)	(47)	(97)
Profit for the year from continuing operations	**212**	207	236	157	210
Profit/(loss) for the year from discontinued operations (net of income tax)	**5**	25	(6)	16	(11)
Profit for the year	**217**	232	230	173	199
Basic earnings per share from continuing operations	**67.0p**	63.3p	73.0p	47.6p	64.5p
Diluted earnings per share from continuing operations[2]	**80.4p**	70.5p	62.5p	46.9p	44.0p
Dividends per share	**36.5p**	30.5p	26.5p	17.7p	15.4p
Dividend cover[2]	**2.2x**	2.3x	2.4x	2.6x	2.8x
Summarised consolidated balance sheets					
Non-current assets	**1,214**	1,051	820	686	660
Net working capital	**54**	55	(43)	(131)	(111)
Net cash	**99**	521	740	743	764
Other non-current liabilities	**(284)**	(253)	(242)	(272)	(307)
Net assets	**1,083**	1,374	1,275	1,026	1,006
Total attributable to equity holders of the parent	**1,079**	1,373	1,272	1,023	1,003
Non-controlling interests	**4**	1	3	3	3
Total equity	**1,083**	1,374	1,275	1,026	1,006

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.

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

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.

For DRIP, electronic communications and general enquiries

Email	ssd@capitaregistrars.com	
Website	www.capitaregistrars.com	
Postal address	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom	
Telephone[1]	UK	0871 664 0300[2]
	Others	+44 20 8639 3399

Payment of dividends overseas

Telephone[1]	+44 20 8639 3405
Website	www.capitaregistrars.com/international

1 Lines open 8.30am to 5.30pm UK time, Monday to Friday
2 Calls cost 10 pence per minute plus network extras.

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	April
Half-year results issued	August
Interim management statements	April and November

Full details are available at amec.com/investors/financialcalendar/2013.

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

The majority 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 www.capitashareportal.com. You will need your Investor Code (IVC) which can be found on your proxy card, share certificate or dividend tax voucher.

Printed copies of the annual report

Shareholders may receive a printed copy of AMEC's latest annual report on request, within a reasonable time period, by writing to our registered office or by filling in the form on our website amec.com/investors/shareholderinformation/free_report.

AMEC's registered office

AMEC plc
Booths Park
Chelford Road
Knutsford
Cheshire WA16 8QZ
United Kingdom
Registered in England No 1675285