

## AMEC plc 2010 results

### Strong results reflect operational strength and continued growth

#### 2010 highlights

##### Strong operating performance

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

##### Order book strong at £3.1 billion

- Order intake over 25 per cent above 2009

##### Cash flow conversion 83 per cent

- Operating cash flow £227 million<sup>5</sup>

##### Continued financial strength

- Net cash as at 31 December 2010 £740 million

##### Dividends per share up 50 per cent, to 26.5 pence

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

#### Chief Executive Samir Brikho said:

*“AMEC made excellent progress in 2010, delivering a record 9.2 per cent EBITA margin and achieving good organic growth in each of our three divisions.*

*“The need for increased industry investment across our core markets supports our future growth, regardless of the pace of economic recovery. We are well positioned to take advantage of the growing demand for natural resources, power and water, and remain very confident about achieving our targeted earnings per share of greater than 100 pence in 2015.*

*“The pipeline of potential acquisitions has strengthened. In 2011 we expect continued growth resulting from our customer focus; with margins maintained at around the 9 per cent mark.”*

**Results presentation and live webcast:** AMEC will host a presentation on the preliminary results for analysts and investors at 9.00am today. A live webcast of the event and presentation slides will be available on [amec.com](http://amec.com).

**Interview:** with Samir Brikho, Chief Executive, Ian McHoul, Chief Financial Officer and Neil Bruce, Chief Operating Officer is available at <http://amec.tamarinduk.com>

**Next event:** Annual General Meeting and Interim Management Statement on 5 May 2011. An analyst / investor seminar is planned for Thursday 19 May 2011

**Analyst consensus:** estimates are collated and published on AMEC's website on a periodic basis [amec.com/investors](http://amec.com/investors)

#### Enquiries to:

AMEC plc:  
Samir Brikho, Chief Executive  
Ian McHoul, Chief Financial Officer  
Sue Scholes, Director of Communications  
Nicola-Jane Brooks, Head of Investor Relations

+ 44 (0)20 7539 5800

#### Media:

Brunswick Group LLP - Mike Harrison  
Craig Breheny

+ 44 (0)20 7404 5959

## Financial highlights

Continuing operations:		2010	2009	Change (%)
<b>Revenue</b>	(£m)	<b>2,950.6</b>	<b>2,539.1</b>	<b>+16</b>
<b>EBITA<sup>1</sup></b>	(£m)	<b>271.8</b>	<b>208.3</b>	<b>+30</b>
<b>Adjusted profit before tax<sup>3</sup></b>	(£m)	<b>279.7</b>	<b>215.6</b>	<b>+30</b>
<b>Profit before tax</b>	(£m)	<b>258.2</b>	<b>203.5</b>	<b>+27</b>
<b>Operating cash flow<sup>5</sup></b>	(£m)	<b>227.0</b>	<b>266.0</b>	<b>(15)</b>
<b>Adjusted diluted earnings per share<sup>4</sup></b>	pence	<b>62.5</b>	<b>46.9</b>	<b>+33</b>
<b>Diluted earnings per share from continuing operations</b>	pence	<b>71.3</b>	<b>46.7</b>	<b>+53</b>
<b>Dividends per share</b>	pence	<b>26.5</b>	<b>17.7</b>	<b>+50</b>

### Notes:

- EBITA for continuing operations before intangible amortisation and exceptional items but including joint venture profit before tax
  - EBITA as defined above as a percentage of revenue
  - EBITA, as defined above, plus net financing income of £7.9 million (2009: £7.3 million)
  - Diluted earnings per share from continuing operations before intangible amortisation and exceptional items
  - Cash generated from operations before exceptional items and discontinued operations, legacy settlements and pension payments in excess of amounts recognised in the income statement but including dividends received from joint ventures
- n/a: not applicable

### Basis of presentation

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

### Segmental analysis

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

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

The average numbers of employees for the years ended 31 December 2010 and 31 December 2009 stated in this review include agency staff. Figures for Earth & Environmental employees in 2009 have been restated to bring the definition of full time equivalents in line with the other divisions.

### Discontinued operations

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.

**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.**

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

## 2010 results overview

Continuing operations		2010	Underlying business	Currency exchange	Net acquisitions	2009
<b>Revenue</b>	(£m)	<b>2,950.6</b>	<b>194.2</b>	<b>111.4</b>	<b>105.9</b>	<b>2,539.1</b>
<i>Y-on-Y change</i>	(%)	<i>+16</i>	<i>+8</i>	<i>+4</i>	<i>+4</i>	
<b>EBITA</b>	(£m)	<b>271.8</b>	<b>38.8</b>	<b>15.0</b>	<b>9.7</b>	<b>208.3</b>
<i>Y-on-Y change</i>	(%)	<i>+30</i>	<i>+18</i>	<i>+7</i>	<i>+5</i>	
<b>EBITA margin</b>	(%)	<b>9.2</b>				<b>8.2</b>
<i>Y-on-Y change</i>	(bps)	<i>+100</i>				
<b>Operating cash flow</b>	(£m)	<b>227.0</b>				<b>266.0</b>
<i>Y-on-Y change</i>	(%)	<i>(15)</i>				
<b>Order book</b>	(£bn)	<b>3.1</b>				<b>3.2</b>
<i>Y-on-Y change</i>	(%)	<i>(1)</i>				
<b>Average number of employees</b>		<b>21,907</b>				<b>20,762</b>
<i>Y-on-Y change</i>	(%)	<i>+6</i>				

**Revenue** for the year increased by 16 per cent to £2,950.6 million (2009: £2,539.1 million).

**Underlying revenue** increased by 8 per cent, with improvements in all three divisions.

**EBITA** increased 30 per cent to £271.8 million (2009: £208.3 million), and **margins** improved by 100 basis points to 9.2 per cent (2009: 8.2 per cent). The **underlying EBITA** increased by 18 per cent.

**Adjusted profit before tax** of £279.7 million in 2010 was ahead of the previous year (£215.6 million) and reflected volume growth and the EBITA margin improvements. A reconciliation of the movement from adjusted profit before tax to profit before tax of £258.2 million (2009: £203.5 million) is shown in note 2 on page 25. The **tax charge** for the year was £21.6 million (2009: £46.8 million), the post-tax loss from discontinued operations was £6.7 million (2009: profit of £15.9 million), resulting in a **total profit** for the year of £229.9 million (2009: £172.6 million).

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

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

### Dividend

The Board is recommending a final **dividend** of 19.2 pence per share (2009: 11.6 pence), which together with the interim dividend of 7.3 pence per share (2009: 6.1 pence) results in a total dividend of 26.5 pence per share (2009: 17.7 pence), an increase of 50 per cent. Since 2005, the annual dividend has more than doubled (2005: 11.5 pence).

Going forward, the Board expects to maintain a progressive policy with dividend cover in the range of 2.0 to 2.5 times. This reflects the improving quality of earnings and cash flow, the de-risked business model, and the Board's confidence in the company's prospects. The interim dividend is expected to revert to being one-third of the annual total in 2011.

The final dividend will be payable on 1 July 2011 to shareholders on the register at the close of business on 27 May 2011.

## Implementing Vision 2015

The group remains focused on its target of earnings per share of greater than 100 pence in 2015, delivered through growth at sustainable margins. It will be achieved by a continuing focus on customer service while building and maintaining long-term relationships.

**Growth** is expected to come through enhancing capabilities and expanding AMEC's footprint in specific sectors and geographies. AMEC is targeting building market share in sectors where it has an existing strong position, such as nuclear, oil and gas and environmental consulting; as well as in areas where it has not previously been focused, such as underground mining, subsea engineering, water and renewables. In terms of geographic regions, AMEC is looking to expand in Australasia, Latin America and the Middle East, as well as in its established markets, particularly UK and North America.

Good progress was made in 2010, as can be seen in more detail in the segmental review. The company's position in the **water** sector benefited from the acquisition of Entec Holdings Limited (Entec) in the UK. AMEC's position in **Australia** has been bolstered by three specialist oil and gas acquisitions: Currie & Brown (Australia), BurmanGriffiths and S2V Consulting, with S2V Consulting also bringing **subsea engineering** capability. This position was further strengthened in February 2011, with the acquisition of Australian-based Zektingroup, while the acquisition of Aberdeen-based qedi enhanced AMEC's project delivery capability. Earth & Environmental continued to build its position in an unconsolidated market, with the acquisition of US-based BCI Engineers and Scientists Inc. announced in February 2011.

In **nuclear**, AMEC won the 'Tier One' role to support EDF's architect engineer operation for its UK nuclear new build programme, which, alongside the 'Tier One' position at Sellafield, confirms a market-leading position in the UK nuclear market. In mining, AMEC won the Oyu Tolgoi **underground mining** contract in Mongolia, which secured an entree into this segment, building on AMEC's surface mining reputation.

AMEC further strengthened its position with **key customers** in 2010. The strategic relationship with BP has been strengthened by recent awards, including: the five-year master services agreement in Azerbaijan; work on the next, 'define', phase of the Clair Ridge project; and AMEC's appointment as one of two strategic partners to provide Engineering and Project Management Services for BP's onshore facilities developments around the world. AMEC's position in the Government services sector was bolstered when the AMEC-led joint venture was among those selected for a five-year, US\$4

billion framework contract for design and construction work to support the US Defence Policy Review initiative in the Pacific region.

AMEC does not own significant plant, equipment or proprietary technology; its success is driven by its **employees** and the way in which they deliver to customers. Recruitment, development and retention of people are critical to achieving growth and the Vision 2015 target. In 2010, the average number of employees increased to 21,907 (2009: 20,762), partially as a result of the three acquisitions in the Australian oil and gas sector, and Entec in the UK. Revenue per employee increased 10 per cent, consistent with a greater proportion of higher margin, less labour intensive, consulting and front-end work, and improved operational efficiency.

Average number of employees		2010	2009
<b>Natural Resources</b>		<b>9,729</b>	9,577
<i>Y-on-Y change</i>	(%)	<b>+2</b>	
<b>Power &amp; Process</b>		<b>7,507</b>	7,061
<i>Y-on-Y change</i>	(%)	<b>+6</b>	
<b>Earth &amp; Environmental</b>		<b>4,457</b>	3,905
<i>Y-on-Y change</i>	(%)	<b>+14</b>	
<b>Group*</b>		<b>21,907</b>	20,762
<i>Y-on-Y change</i>	(%)	<b>+6</b>	

\* Includes group central employees

The benefits of AMEC's extensive efforts to reduce cost, integrate activity, enhance efficiency and improve margins through the successful implementation of the Operational Excellence programme continue to be seen in 2010. The resulting '**One AMEC**' approach has enabled AMEC to perform more efficiently and mitigate the impact of pricing pressures, thereby creating a more sustainable business. This has been further supported by the appointments of Neil Bruce as Chief Operating Officer and of the business unit leaders to the Group Management Team. The majority of AMEC's engineers and project managers have skills which are transferable across market sectors and the tools and processes are now in place to enable them to do so.

## Outlook

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

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

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

## Segmental review

### Natural Resources

Natural Resources provides total life of asset services ranging from consulting, engineering and design through to asset support and decommissioning. Approximately 74 per cent of 2010 revenues were generated by asset development (capex) services, with the remainder in asset support (opex) (2009: capex 65 per cent; opex 35 per cent).

The revenue can be analysed by sector as shown below:

		2010	2009
<b>Oil &amp; Gas</b>	(%)	<b>45</b>	52
<b>Unconventional Oil &amp; Gas</b>	(%)	<b>36</b>	31
<b>Minerals &amp; Metals</b>	(%)	<b>19</b>	17

Activities are concentrated mainly in the upstream sector (92 per cent of 2010 revenues), with the balance being in midstream and downstream.

<b>Natural Resources: continuing operations</b>		2010	<i>Underlying business</i>	<i>Currency exchange</i>	<i>Net acquisitions</i>	2009
<b>Revenue</b>	(£m)	<b>1,520.5</b>	<b>78.0</b>	<b>74.8</b>	<b>66.8</b>	<b>1,300.9</b>
<i>Y-on-Y change</i>	(%)	<i>+17</i>	<i>+6</i>	<i>+6</i>	<i>+5</i>	
<b>EBITA</b>	(£m)	<b>174.7</b>	<b>6.2</b>	<b>10.9</b>	<b>3.3</b>	<b>154.3</b>
<i>Y-on-Y change</i>	(%)	<i>+13</i>	<i>+4</i>	<i>+7</i>	<i>+2</i>	
<b>EBITA margin</b>	(%)	<b>11.5</b>				<b>11.9</b>
<i>Y-on-Y change</i>	(bps)	<i>(40)</i>				
<b>Order book</b>	(£bn)	<b>1.81</b>				<b>1.71</b>
<i>Y-on-Y change</i>	(%)	<i>+6</i>				

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

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

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

During 2010, Natural Resources acquired three companies, all in Australia:

- Currie & Brown (Australia) Pty Ltd, a 200-person cost and commercial management consultancy business, focused on the oil and gas, mining, building, transport, utilities and infrastructure sectors;
- BurmanGriffiths, a 10-person cost estimating, cost management and planning consultancy, headquartered in Brisbane. These first two companies are now trading as Aquenta Consulting Pty Ltd; and
- S2V Consulting, a 100-person subsea, pipelines, technical consultancy, headquartered in Perth.

In addition, AMEC has announced two acquisitions in 2011: on 7 February AMEC agreed to acquire Zektingroup, a 200-person specialist engineering consultancy for the oil and gas and resources industries, headquartered in Melbourne; and, on 21 February, AMEC acquired qedi, a 350-person project delivery company focused on delivering completion and commissioning services for major projects in the oil and gas industry, headquartered in Aberdeen.

**Contract wins in 2010** reflect increased customer spending in core energy and commodities markets, resurgence in UK North Sea activity and AMEC's work on strategic customer relationships.

*North Sea:*

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

In addition, in January 2011, AMEC was awarded £140 million three-year services contract for all BG Group's North Sea upstream assets.

*Mining:*

- Crazy Horse Resources: Taysan Copper Gold project, Philippines
- Northgate Minerals Corporation: EPCM for Young-Davidson Gold Project, Canada
- Terrane Metals Corp: EPCM services for Mt. Milligan copper-gold project (JV with Fluor), Canada
- PanAust Limited: detailed engineering and procurement services for Ban Houayxai gold and silver project, Laos.

*Other contracts:*

- Chevron: Front end engineering and design (FEED) for Mafumeira Sul project, offshore Angola
- South Hook LNG Terminal Co: Three-year (engineering, design) services contract, South Wales, UK
- Providence Resources Plc: conceptual study for Ulysses salt cavern gas storage, offshore eastern Ireland.

The division continues to strengthen its relationship with existing customers (ExxonMobil, Shell, BP, Chevron, ConocoPhillips, BG, PotashCorp) as well as build new ones, such as with Bluewater and

Maersk FPSOs. National Oil Companies represented approximately 7 per cent of the division's revenues in 2010.

Natural Resources order book at 31 December 2010 was up 6 per cent at £1.8 billion, with North Sea brownfield and mining activity driving the increase. Capex activity represents 42 per cent of the order book (2009: 55 per cent), with opex up at 58 per cent (2009: 45 per cent).

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

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

## Power & Process

Power & Process provides a balanced portfolio of services including consulting, EPC (Engineering, Procurement and Construction) and asset support services across the life cycle of projects and investments, particularly in the areas of clean energy and carbon efficiency. In 2010, 40 per cent of revenues were generated by capex services with the rest in opex (2009: capex 34 per cent; opex 66 per cent). Key customers include public and private companies and utilities, principally located in UK, Europe and the Americas.

The revenue can be analysed by sector as shown below:

		2010	2009
<b>Nuclear</b>	(%)	29	28
<b>Renewables / Bioprocess</b>	(%)	29	31
<b>Power</b>	(%)	27	22
<b>Transmission &amp; Distribution</b>	(%)	15	19

Over the last four years the business mix has been migrated towards higher value services and projects which provide an attractive mix of risk and return.

<b>Power &amp; Process: continuing operations</b>		2010	<i>Underlying business</i>	<i>Currency exchange</i>	<i>Acquisitions</i>	2009
<b>Revenue</b>	(£m)	<b>884.4</b>	<b>77.5</b>	<b>18.8</b>	<b>n/a</b>	<b>788.1</b>
<i>Y-on-Y change</i>	(%)	<i>+12</i>	<i>+10</i>	<i>+2</i>	<i>n/a</i>	
<b>EBITA</b>	(£m)	<b>75.3</b>	<b>18.0</b>	<b>1.9</b>	<b>n/a</b>	<b>55.4</b>
<i>Y-on-Y change</i>	(%)	<i>+36</i>	<i>+32</i>	<i>+4</i>	<i>n/a</i>	
<b>EBITA margin</b>	(%)	<b>8.5</b>				<b>7.0</b>
<i>Y-on-Y change</i>	(bps)	<i>+150</i>				
<b>Order book</b>	(£bn)	<b>1.05</b>				<b>1.17</b>
<i>Y-on-Y change</i>	(%)	<i>(10)</i>				

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

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

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

**Contract awards** in 2010 highlight AMEC's leading position in the UK nuclear sector, an increase in North American renewable activity, and in the UK an increase in activity around carbon capture and storage (CCS) and gas storage projects.

*Nuclear:*

- EDF Energy: major 11-year contract to support the Architect Engineering operation for the proposed delivery of four new EPR (European Pressurised Water Reactor) nuclear reactors at Hinkley Point and Sizewell, UK
- Sellafield Limited: two-year contract for the early phase (project definition, design and cost) programme of the Highly Active Effluent Facility project, UK
- CEZ: five-year contract for the management of radioactive waste at their nuclear power plant in Dukovany, Czech Republic.

*Renewables and Bioprocess:*

- Kruger Energy: engineering, procurement, construction contract for the Chatham Wind Power project, in Ontario, Canada
- EnergySource LLC: engineering services for a 49-megawatt, \$350 million geothermal power generating facility at Salton Sea, California, US
- National Grid: FEED for carbon capture and storage (CCS) project at Longannet power station in Fife, Scotland, UK
- INEOS New Planet BioEnergy: delivery of the first commercial-scale advanced bio-energy facility using the INEOS bio technology, Florida, US
- EDF Energy: extension of Hill Top Farm gas storage facility, to include the design, installation and commissioning of the filtration and compression facilities, after-cooling, de-hydration, metering and utility equipment, UK.

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

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

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

## Earth & Environmental

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

The revenues can be analysed by sector: Government services (29 per cent of 2010 revenues), Industrial/Commercial (16 per cent), Transportation/Infrastructure (15 per cent), Water (13 per cent), Mining (9 per cent), Oil & Gas (9 per cent), Unconventional Oil & Gas (7 per cent), Nuclear (1 per cent), Renewables/Bioprocess (1 per cent).

The division offers services to a broad range of public and private sector clients, and increasingly works with customers common to Natural Resources or Power & Process, providing a complementary offering. As the majority of the division's activities fall outside the scope of engineering and project management services provided by the other divisions, AMEC is able to provide a broader range of services across the asset life cycle than many competitor companies. This "halo" effect can lead to AMEC becoming involved in major projects at the time of the environmental impact assessment, before they even get off the ground.

Unlike AMEC's other divisions, Earth & Environmental conducts a large number of small contracts. It provides services from a branch network of around 170 offices, mainly in North America, but with an increasing presence in the growth markets of Europe and South America.

<b>Earth &amp; Environmental: continuing operations</b>		<b>2010</b>	<i>Underlying business</i>	<i>Currency exchange</i>	<i>Acquisitions</i>	<b>2009</b>
<b>Revenue</b>	(£m)	<b>592.6</b>	<b>64.9</b>	<b>17.8</b>	<b>39.1</b>	<b>470.8</b>
<i>Y-on-Y change</i>	(%)	<i>+26</i>	<i>+14</i>	<i>+4</i>	<i>+8</i>	
<b>EBITA</b>	(£m)	<b>54.7</b>	<b>8.8</b>	<b>3.0</b>	<b>6.4</b>	<b>36.5</b>
<i>Y-on-Y change</i>	(%)	<i>+50</i>	<i>+24</i>	<i>+8</i>	<i>+18</i>	
<b>EBITA margin</b>	(%)	<b>9.2</b>				<b>7.8</b>
<i>Y-on-Y change</i>	(bps)	<i>+140</i>				
<b>Order book</b>	(£bn)	<b>0.27</b>				<b>0.29</b>
<i>Y-on-Y change</i>	(%)	<i>(7)</i>				

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

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

On 29 March 2010, the division acquired UK-based Entec Holdings plc, a 700-person environmental consultancy with a focus on water. In addition, on 2 February 2011, AMEC acquired BCI Engineers and Scientists Inc, a 200-person Florida-based consulting firm concentrated on the water and mining sectors, further consolidating its position in the fragmented North America market.

**Contracts** in 2010 reflect the strength of the water and federal sectors in particular:

*Water:*

- Northumbrian Water Ltd: renewal of 10-year framework agreement to provide multidisciplinary engineering, contract supervision services and associated environmental support, UK
- Southwestern Illinois Flood Prevention District Council: managing the redesign and repair of 64 miles of levees in three counties along the Mississippi River, Illinois, US
- Town of Miami: engineering services contract to design the replacement of the town's wastewater collection systems, Arizona, US
- Natural Resources Conservation Service (NRCS), an arm of the US Department of Agriculture: Light Detection and Ranging (LiDAR) projects involving the collection of elevation data in various watersheds across six states, US.

*Federal:*

- US Government: among those selected for the major energy sustainability agreement or blanket purchase agreements (BPAs) totalling US\$500 million in services on a broad spectrum of energy conservation projects
- US Air Force: installation of a one-acre solar photovoltaic field, a new condenser water system, energy-efficient lighting and lighting-control system at Tyndall Air Force Base in Florida, US.

The division has also worked through a large number of smaller contracts during the year.

The peak level of activity in AMEC's federal business is expected to reduce in 2011. This is expected to be offset by increased activity in the mining, oil and gas and water sectors.

## **Investments and other activities**

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

## **Board changes**

On 11 November 2010, Jock Green-Armytage, AMEC's chairman, announced his intention to retire at the AGM on 5 May 2011. The search for his successor is well underway.

Peter Byrom retired from the board at the end of his appointment term as non-executive director on 9 February 2011.

Neil Carson and Colin Day joined the board as non-executive directors on 31 August and 14 October 2010 respectively.

## **Group Management Team changes**

Eleanor Evans has been appointed as General Counsel and Company Secretary and will join AMEC on 15 March 2011. She is currently Chief Legal Officer and Company Secretary at Cobham PLC.

Keith Bradford, Group HR Director, is leaving AMEC for family reasons and will be replaced from 1 May 2011 by William Serle, currently AMEC's HR Operations Director.

## **Financial review**

### **Geographical analysis**

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

### **Administrative expenses**

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

### **Net financing income**

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

### **Changes to reporting allocations**

From 2011 the allocation of certain items will be changed:

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

These are reallocations only and there will be no overall impact to profit before tax or earnings. See note 14 for further details.

## **Taxation**

### **Continuing operations**

The group's effective tax rate in 2010 for the continuing businesses (including tax attributable to joint venture interests) before exceptional items and excluding intangible amortisation was 25.9 per cent

(2009: 27.0 per cent). The reduction principally reflects decreases in statutory tax rates, the agreement of historical items with various tax authorities and more active management.

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

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

### **Deferred tax**

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

### **Financial position and net cash**

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

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

### **Intangible amortisation and impairment of goodwill**

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

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

### **Exceptional items**

#### **Divestments**

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

#### **Legacy issues**

No new significant contingent liabilities were added in 2010.

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

## Balance sheet highlights

Key movements in the balance sheet are discussed below:

### Property, plant and equipment

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

### Intangible assets

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

The increase in goodwill relates to the acquisitions in the year including Entec and Aquenta (formerly Currie & Brown Australia Pty Limited), which generated goodwill of £59.1 million. Other intangible assets include the value of customer relationships, brand names/trademarks, non-compete agreements and order backlogs of acquired businesses. Other intangible assets of £29.6 million arose on acquisitions during the year, including £26.5 million in respect of Entec. This was offset by amortisation of £22.4 million. There were additions of £7.3 million to software offset by amortisation of £2.6 million.

### Working capital

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

	2010 Days	2009 Days
Group	79	66

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

### Derivative financial instruments

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

### Distributable reserves

As at 31 December 2010, distributable reserves of AMEC plc stood at £696.0 million (2009: £729.9 million), a reduction of £33.9 million during the year.

	£million
As at 1 January 2010	729.9
Dividends approved during 2010	(58.1)
Other movements	24.2
<b>As at 31 December 2010</b>	<b>696.0</b>

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

## Pensions

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

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

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

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

## Provisions

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

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

## CONSOLIDATED INCOME STATEMENT

		Before amortisation and exceptional items £ million	Amortisation and exceptional items (note 3) £ million	2010  Total £ million
<b>Continuing operations</b>				
<b>Revenue</b>	<b>2</b>	<b>2,950.6</b>	-	<b>2,950.6</b>
Cost of sales		(2,499.0)	-	(2,499.0)
<b>Gross profit</b>		<b>451.6</b>	-	<b>451.6</b>
Administrative expenses		(200.3)	(33.1)	(233.4)
Profit on business disposals and closures		-	18.8	18.8
<b>Profit/(loss) before net financing income</b>		<b>251.3</b>	<b>(14.3)</b>	<b>237.0</b>
Financial income		10.9	-	10.9
Financial expense		(3.0)	-	(3.0)
Net financing income		7.9	-	7.9
Share of post-tax results of joint ventures		13.3	-	13.3
<b>Profit/(loss) before income tax</b>	<b>2</b>	<b>272.5</b>	<b>(14.3)</b>	<b>258.2</b>
Income tax	4	(65.2)	43.6	(21.6)
<b>Profit for the year from continuing operations</b>		<b>207.3</b>	<b>29.3</b>	<b>236.6</b>
<b>Loss for the year from discontinued operations</b>	<b>5</b>	<b>(4.3)</b>	<b>(2.4)</b>	<b>(6.7)</b>
<b>Profit for the year</b>		<b>203.0</b>	<b>26.9</b>	<b>229.9</b>
<b>Attributable to:</b>				
Equity holders of the parent				231.0
Non-controlling interests				(1.1)
				<b>229.9</b>
<b>Basic earnings/(loss) per share:</b>				
Continuing operations	6			73.0p
Discontinued operations				(2.1)p
				<b>70.9p</b>
<b>Diluted earnings/(loss) per share:</b>				
Continuing operations	6			71.3p
Discontinued operations				(2.0)p
				<b>69.3p</b>
<b>Dividends per share:</b>	<b>7</b>			<b>26.5p</b>

## CONSOLIDATED INCOME STATEMENT

		Before amortisation, impairment and exceptional items £ million	Amortisation, impairment and exceptional items (note 3) £ million	2009  Total £ million
	Note			
<b>Continuing operations</b>				
<b>Revenue</b>	<b>2</b>	2,539.1	-	2,539.1
Cost of sales		(2,162.4)	2.2	(2,160.2)
<b>Gross profit</b>		376.7	2.2	378.9
Administrative expenses		(185.8)	(19.4)	(205.2)
<b>Profit on business disposals and closures</b>		-	10.4	10.4
<b>Profit/(loss) before net financing income</b>		190.9	(6.8)	184.1
Financial income		12.4	-	12.4
Financial expense		(5.1)	-	(5.1)
Net financing income		7.3	-	7.3
Share of post-tax results of joint ventures		12.1	-	12.1
<b>Profit/(loss) before income tax</b>	<b>2</b>	210.3	(6.8)	203.5
Income tax	<b>4</b>	(53.0)	6.2	(46.8)
<b>Profit for the year from continuing operations</b>		157.3	(0.6)	156.7
<b>Profit for the year from discontinued operations</b>	<b>5</b>	2.0	13.9	15.9
<b>Profit for the year</b>		159.3	13.3	172.6
<b>Attributable to:</b>				
Equity holders of the parent				171.7
Non-controlling interests				0.9
				172.6
<b>Basic earnings per share:</b>				
Continuing operations	<b>6</b>			47.6p
Discontinued operations				4.9p
				52.5p
<b>Diluted earnings per share:</b>				
Continuing operations	<b>6</b>			46.7p
Discontinued operations				4.8p
				51.5p
<b>Dividends per share:</b>	<b>7</b>			17.7p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONSOLIDATED BALANCE SHEET

	Note	2010 £ million	2009 (restated) £ million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		31.9	44.1
Intangible assets	8	621.3	507.4
Interests in joint ventures		42.9	36.4
Derivative financial instruments		1.4	1.4
Retirement benefit assets		63.0	26.8
Deferred tax assets		59.6	70.0
<b>Total non-current assets</b>		<b>820.1</b>	<b>686.1</b>
<b>Current assets</b>			
Inventories		1.4	5.4
Trade and other receivables		696.5	518.8
Derivative financial instruments		1.4	1.8
Current tax receivable		3.8	8.9
Bank deposits (more than three months)		196.4	130.7
Cash and cash equivalents		543.7	612.0
<b>Total current assets</b>		<b>1,443.2</b>	<b>1,277.6</b>
<b>Total assets</b>		<b>2,263.3</b>	<b>1,963.7</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		(685.5)	(584.6)
Derivative financial instruments		(27.0)	(10.6)
Current tax payable		(33.7)	(70.7)
<b>Total current liabilities</b>		<b>(746.2)</b>	<b>(665.9)</b>
<b>Non-current liabilities</b>			
Trade and other payables		(6.7)	(16.3)
Derivative financial instruments		(12.4)	(22.3)
Retirement benefit liabilities		(35.9)	(30.9)
Provisions	9	(187.1)	(202.0)
<b>Total non-current liabilities</b>		<b>(242.1)</b>	<b>(271.5)</b>
<b>Total liabilities</b>		<b>(988.3)</b>	<b>(937.4)</b>
<b>Net assets</b>		<b>1,275.0</b>	<b>1,026.3</b>
<b>EQUITY</b>			
Share capital		169.0	169.0
Share premium account		100.7	100.7
Hedging and translation reserves		127.2	72.5
Capital redemption reserve		17.2	17.2
Retained earnings		858.1	663.5
<b>Total equity attributable to equity holders of parent</b>		<b>1,272.2</b>	<b>1,022.9</b>
Non-controlling interests		2.8	3.4
<b>Total equity</b>		<b>1,275.0</b>	<b>1,026.3</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

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

## CONSOLIDATED CASH FLOW STATEMENT

	Note	2010 £ million	2009 £ million
<b>Cash flow from operating activities</b>			
Profit before income tax from continuing operations		258.2	203.5
(Loss)/profit before income tax from discontinued operations	5	<u>(18.0)</u>	<u>3.4</u>
Profit before income tax		240.2	206.9
Financial income		(10.6)	(12.4)
Financial expense		3.0	5.1
Share of post-tax results of joint ventures		(13.3)	(12.1)
Intangible amortisation and goodwill impairment		25.0	15.7
Depreciation		12.8	13.9
Profit on disposal of businesses		(4.3)	(3.5)
Loss on disposal of property, plant and equipment		-	0.8
Difference between contributions to retirement benefit schemes and amounts recognised		(10.3)	(11.4)
Equity settled share-based payments		<u>13.6</u>	<u>10.7</u>
		256.1	213.7
(Increase)/decrease in inventories		(0.6)	6.3
(Increase)/decrease in trade and other receivables		(165.2)	182.3
Increase/(decrease) in trade and other payables and provisions		<u>81.5</u>	<u>(160.0)</u>
<b>Cash generated from operations</b>		<b>171.8</b>	<b>242.3</b>
Interest paid		-	(2.3)
Tax paid		<u>(37.9)</u>	<u>(70.5)</u>
<b>Net cash flow from operating activities</b>		<b>133.9</b>	<b>169.5</b>
<b>Cash flow from investing activities</b>			
Acquisition of businesses (net of cash acquired)		(93.8)	(117.6)
Acquisition of joint ventures		(15.7)	(4.7)
Purchase of property, plant and equipment		(6.2)	(9.3)
Purchase of intangible assets		(7.3)	(5.7)
Investment in short-term bank deposits		(65.7)	(130.7)
Disposal of businesses (net of cash disposed of)		12.1	(6.2)
Disposal of joint ventures and other investments		0.3	-
Disposal of property, plant and equipment		0.7	2.6
Interest received		5.7	12.1
Dividends received from joint ventures		<u>16.6</u>	<u>9.0</u>
<b>Net cash flow from investing activities</b>		<b>(153.3)</b>	<b>(250.5)</b>
<b>Net cash flow before financing activities</b>		<b>(19.4)</b>	<b>(81.0)</b>
<b>Cash flow from financing activities</b>			
Repayment of loans		-	(0.1)
Dividends paid		(58.1)	(50.3)
Acquisition of treasury shares		(6.5)	(5.2)
Acquisition of shares by trustees of the Performance Share Plan		<u>(4.6)</u>	<u>(9.8)</u>
<b>Net cash flow from financing activities</b>		<b>(69.2)</b>	<b>(65.4)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(88.6)</b>	<b>(146.4)</b>
Cash and cash equivalents as at the beginning of the year		612.0	764.6
Exchange gains/(losses) on cash and cash equivalents		20.3	(6.2)
<b>Cash and cash equivalents as at the end of the year</b>		<b>543.7</b>	<b>612.0</b>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand		177.1	219.6
Bank deposits (less than three months)		<u>366.6</u>	<u>392.4</u>
<b>Cash and cash equivalents as at the end of the year</b>		<b>543.7</b>	<b>612.0</b>
Bank deposits (more than three months)		196.4	130.7
<b>Net cash as at the end of the year</b>		<b>740.1</b>	<b>742.7</b>

## NOTES

### 1. ACCOUNTING STANDARDS ADOPTED DURING THE YEAR AND BASIS OF PREPARATION

In accordance with EU law (IAS Regulation EC 1606/2002), the preliminary results have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the EU as at 31 December 2010 ("adopted IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

#### Accounting standards adopted in the year

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

- contingent consideration is measured at fair value at the date of acquisition, and subsequent changes are recognised in profit or loss rather than adjusting the goodwill recognised on acquisition;
- acquisition-related costs in respect of business combinations occurring on or after 1 January 2010 are expensed through the income statement as incurred; and
- all contingent liabilities of the acquired business are recognised at their fair value if there is a present obligation that arises from a past event and its fair value can be measured reliably.

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

Following changes to IFRS8 "Operating Segments" introduced by "Improvements to International Financial Reporting Standards (issued 2009)" which has been adopted during the year, segment assets and liabilities will no longer be reported as they are not included in the measures used by the chief operating decision maker.

#### Restatements

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

The acquisition of GRD Limited was accounted for on a provisional basis in the accounts for the year ended 31 December 2009. The acquisition accounting was finalised in 2010 and the provisional fair values have been updated. As a result the consolidated balance as at 31 December 2009 has been restated. This restatement has no impact on the group's reported profit or net assets. Details of the restatement are provided in note 10.

#### Basis of preparation

The financial information set out herein does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006.

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

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

## **1. ACCOUNTING STANDARDS ADOPTED DURING THE YEAR AND BASIS OF PREPARATION continued**

### **Basis of preparation continued**

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

The results for 2010 were approved by the board of directors on 3 March 2011 and are audited.

The annual report and accounts for the year ended 31 December 2010 will be posted to shareholders on 30 March 2011.

The Annual General Meeting (AGM) will take place on 5 May 2011.

Subject to approval by shareholders at the forthcoming AGM the final dividend will be paid on 1 July 2011 to shareholders on the register of members at the close of business on 27 May 2011.

Interim, preliminary and all other announcements notified to the London Stock Exchange are available on the internet at [amec.com](http://amec.com).

## 2. SEGMENTAL ANALYSIS OF CONTINUING OPERATIONS

AMEC has three divisions that offer high-value consultancy, engineering and project management services to different end markets in the world's oil and gas, minerals and metals, clean energy, water and environmental sectors. Each of these divisions is considered to be a reportable segment. AMEC's Chief Executive together with the senior management team constitute the chief operating decision maker and they regularly review the performance of these three divisions, as well as the Investments and other activities segment. The Investments and other activities segment principally comprises the Incheon Bridge PPP project in Korea now in the operational phase, the Lancashire Waste PPP project under construction and the run-down of AMEC's non-core North American construction activities. Details of the services offered by each division and the end markets in which they operate are given in the segmental review on pages 6 to 11.

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

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

	2010 £ million	2009 £ million
Natural Resources	23.2	21.1
Power & Process	9.4	3.6
Earth & Environmental	20.0	9.7
Investments and other activities	1.7	-
Internal revenue	<b>54.3</b>	<b>34.4</b>

Revenue is analysed by geographical origin as follows:

	Revenue	
	2010 £ million	2009 £ million
<b>Geographical origin:</b>		
United Kingdom	852.3	780.2
Canada	1,086.8	839.3
United States	603.5	601.3
Rest of the World	408.0	318.3
	<b>2,950.6</b>	<b>2,539.1</b>

<sup>1</sup>Corporate costs comprise the costs of operating central corporate functions and certain regional overheads.

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

### 3. AMORTISATION, IMPAIRMENT AND EXCEPTIONAL ITEMS

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

Post-tax exceptional profits are further analysed as follows:

	Profit on disposals £ million	Profit in respect of business closures £ million	Profit on business disposals and closures £ million	Other exceptional items £ million	Total £ million
					<b>2010</b>
Continuing operations	12.8	6.0	18.8	(8.1)	10.7
Discontinued operations	(8.5)	(0.1)	(8.6)	(5.6)	(14.2)
Profit/(loss) before tax	4.3	5.9	10.2	(13.7)	(3.5)
Tax	45.1	(0.1)	45.0	3.0	48.0
<b>Profit/(loss) after tax</b>	<b>49.4</b>	<b>5.8</b>	<b>55.2</b>	<b>(10.7)</b>	<b>44.5</b>
					<b>2009</b>
Continuing operations	0.4	10.0	10.4	(1.5)	8.9
Discontinued operations	3.1	(0.3)	2.8	-	2.8
Profit/(loss) before tax	3.5	9.7	13.2	(1.5)	11.7
Tax	12.0	1.2	13.2	(0.6)	12.6
Profit/(loss) after tax	15.5	10.9	26.4	(2.1)	24.3

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

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

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

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

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

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

#### 4. INCOME TAX

Income tax on the profit from continuing operations before exceptional items and intangible amortisation but including joint venture profit before tax for the year is based on an effective rate of 25.9 per cent (2009 restated: 27.0 per cent).

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

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

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

#### 5. (LOSS) / PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

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

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

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

## 6. EARNINGS PER SHARE

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

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

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

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

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.

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

## 7. DIVIDENDS

The directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 19.2 pence per share, which will absorb an estimated £63.0 million of equity. Subject to approval, it will be paid on 1 July 2011 to shareholders on the register of members on 27 May 2011. 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 7.3 pence (2009: 6.1 pence) per share results in a total dividend for the year of 26.5 pence per share (2009: 17.7 pence).

	Pence per share	2010 £ million	Pence per share	2009 £ million
<b>Dividends charged to reserves</b>				
Interim dividend in respect of 2009 (2009: interim dividend in respect of 2008)	6.1	19.9	5.3	17.3
Final dividend in respect of 2009 (2009: final dividend in respect of 2008)	11.6	37.9	10.1	32.9
Adjustment to accrual in respect of previous years	-	-	-	0.1
Charge in respect of 2010 dividend	-	0.3	-	-
	<u>17.7</u>	<u>58.1</u>	<u>15.4</u>	<u>50.3</u>

	Pence per share	2010 £ million	Pence per share	2009 £ million
<b>Dividends paid</b>				
Interim dividend in respect of 2009 (2009: interim dividend in respect of 2008)	6.1	19.9	5.3	17.3
Final dividend in respect of 2009 (2009: final dividend in respect of 2008)	11.6	37.9	10.1	32.9
Payments in respect of prior year dividends	-	-	-	0.1
Payment in respect of 2010 dividend	-	0.3	-	-
	<u>17.7</u>	<u>58.1</u>	<u>15.4</u>	<u>50.3</u>

## 8. INTANGIBLE ASSETS

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

## 9. PROVISIONS

The nature and measurement bases of the group's provisions are unchanged from those presented in the 2009 annual report and accounts, but now also include provisions for AMEC's potential liability to fund loss-making joint venture entities.

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

## 10. ACQUISITIONS AND DISPOSALS

### ACQUISITIONS IN 2010

The following purchases have been accounted for as acquisitions. None of the businesses acquired made a material contribution to consolidated revenue and profit in the period from their acquisition to 31 December 2010, nor would they have done in the year ended 31 December 2010 if they had been acquired on 1 January 2010.

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

#### Currie & Brown (Australia) Pty Ltd

On 29 January 2010, the group acquired all of the shares in Currie & Brown (Australia) Pty Ltd. The name of this company was subsequently changed to Aquenta Consulting Pty Ltd (Aquentia). Aquenta trades almost entirely in Australia and is a provider of independent cost, contract and consulting services to the oil and gas, mining, building, transport, utilities and infrastructure sectors. The business provides similar services to the existing AMEC subsidiary Rider Hunt International Ltd and was acquired to increase the size of the consultancy services business. This is fully aligned with AMEC's Vision 2015 strategy of assured growth, through a strengthened geographic footprint in key regions and enhanced capabilities in chosen sectors and builds on AMEC's recent acquisition of GRD Minproc and brings AMEC's employees based in Australia (including JVs) up to circa 1,000.

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

	Recognised value £ million
Property, plant and equipment	0.8
Intangible assets	2.1
Current tax receivable	0.2
Trade and other receivables	4.9
Cash and cash equivalents	1.7
Trade and other payables	(7.3)
Deferred tax liability	(0.4)
Net identifiable assets and liabilities	2.0
Goodwill on acquisition	15.6
	<u>17.6</u>
Consideration – paid in cash on completion	<u>17.6</u>

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

## 10. ACQUISITIONS AND DISPOSALS continued

### Entec Holdings Limited (Entec)

On 29 March 2010, the group acquired all of the shares in Entec. Entec is a UK-based environmental and engineering consultancy, and was acquired to provide opportunity for leadership positioning in the UK geographical area, particularly in the water services sector.

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

	Recognised value £ million
Property, plant and equipment	1.3
Intangible assets	26.6
Trade and other receivables	14.4
Current tax receivable	0.3
Cash and cash equivalents	1.0
Trade and other payables	(11.2)
Deferred tax liability	(7.4)
Net identifiable assets and liabilities	<u>25.0</u>
Goodwill on acquisition	<u>42.6</u>
	<u>67.6</u>
Consideration:	
Cash - paid on completion	50.4
- paid to repay debt	11.2
- contingent	6.0
Cost of acquisition	<u>67.6</u>

In addition to the consideration set out above, up to a further £3.0 million is payable as deferred compensation depending upon continuing employment of three former shareholders for the one year following the acquisition date.

The contingent consideration of £6.0 million shown above is dependent upon achievement of a profit target for the year following the acquisition date. The probability weighted outcome for deferred consideration is considered to be £6.0 million.

Goodwill has arisen on the acquisition of Entec primarily through the acquisition of Entec's expertise in various environmental fields, primarily water services, as well as expected synergies.

### Other acquisitions

A number of smaller acquisitions were made in the year for £9.2 million in cash paid on completion. The aggregate fair value of identifiable net assets was £0.3 million (including cash acquired of £0.6 million) and goodwill arising on the acquisitions was £9.3 million. The initial accounting for these acquisitions has been determined only provisionally.

Goodwill has been recognised on these acquisitions as a result of their skilled workforces which did not meet the criteria for recognition as intangible assets at the dates of acquisition.

A further £8.7 million was paid in the year in respect of businesses acquired in 2009 and prior. The aggregate goodwill on these acquisitions was reduced by £8.4 million as the conditions for payment of elements of the deferred consideration were not met.

## 10. ACQUISITIONS AND DISPOSALS continued

### DISPOSAL IN 2010

#### AGRA FOUNDATIONS LIMITED

AGRA Foundations Limited was sold to Freysinnet Menard Canada Inc (FMC) on 25 June 2010.

The carrying value of the assets and liabilities sold and the profit on disposal were as follows:

	£ million
Cash consideration received	18.9
Goodwill	2.1
Property, plant and equipment	9.8
Inventories	0.4
Current tax receivable	1.9
Trade and other receivables	8.3
Trade and other payables	(3.2)
Cash and cash equivalents	2.1
Deferred tax liability	(3.1)
Net assets sold	18.3
Cumulative foreign exchange gains recycled from the hedging reserve	6.0
Profit on disposal	6.6

In addition to the disposal of Agra Foundations Limited, there were various cash payments in respect of businesses sold in prior years and adjustments to provisions held in respect of prior year disposals resulting in a net loss of £2.3 million and a net cash outflow of £4.7 million.

### ACQUISITION IN 2009

#### GRD Limited (GRD)

On 17 November 2009, the group acquired all of the shares in GRD, an engineering and project development company based in Perth, Australia.

The initial amounts recognised in respect of identifiable assets and liabilities at the time of acquisition and the respective fair value adjustments relating to these were provisionally reported in the accounts for the year ended 31 December 2009. The acquisition accounting has been finalised in 2010 and the fair values have been updated as follows:

	Book value £ million	Provisional fair value adjustments £ million	Fair value adjustments identified in current year £ million	Recognised value (restated) £ million
Property, plant and equipment	3.4	(1.0)	-	2.4
Intangible assets	7.8	3.2	(2.6)	8.4
Interests in joint ventures	22.1	2.7	(24.8)	-
Deferred tax asset	15.3	(8.6)	1.6	8.3
Trade and other receivables	24.0	(3.8)	(1.4)	18.8
Cash and cash equivalents	0.5	-	-	0.5
Trade and other payables	(15.9)	(6.3)	(5.4)	(27.6)
Current tax liability	-	(3.0)	(1.4)	(4.4)
Provisions for liabilities and charges	(1.8)	-	(21.6)	(23.4)
Net identifiable assets and liabilities	55.4	(16.8)	(55.6)	(17.0)
Goodwill on acquisition				108.3
				91.3
Cash consideration paid on completion				58.3
Repayment of debt on acquisition				30.4
				88.7
				2.6
Costs of acquisition				91.3

Finalisation of the acquisition accounting has resulted in a £55.6 million reduction in the fair values of the acquired net identifiable assets and liabilities and a corresponding increase in goodwill.

## 10. ACQUISITIONS AND DISPOSALS continued

This reduction in the fair value of the net identifiable assets and liabilities in the most part relates to the joint venture investments held by GRD at the time of acquisition. This arises because the technical solutions associated with achieving service commencement of the associated project took longer than first anticipated; this delay was caused by circumstances which existed at the date of acquisition. The time and cost impact of this delay is fully reflected in the reduction in fair value.

Goodwill has arisen on the acquisition of GRD because of synergies expected to be obtained through the complementary fit of existing AMEC and GRD operations in Australasia, and GRD's skilled workforce and intellectual property which did not meet the criteria for recognition as an intangible asset as at the date of acquisition.

## 11. RELATED PARTY TRANSACTIONS

During 2010 there were a number of transactions with joint venture entities. The transactions and related balances outstanding with joint ventures are as follows:

	Value of transactions		Outstanding balance	
	2010 £ million	2009 £ million	2010 £ million	2009 £ million
Services rendered	90.5	62.6	20.8	12.2
Services received	0.2	0.2	0.3	0.1
Provisions of finance	9.5	9.0	20.4	7.8

## 12. POST BALANCE SHEET EVENTS

On 2 February 2011, AMEC announced the acquisition of BCI Engineers and Scientists Inc., a Florida-based consulting firm focused on the water and mining sectors. The total cash consideration is US\$20 million, of which US\$15 million was paid at completion, with the balance to be paid over the next two years, subject to performance.

On 7 February 2011, AMEC announced the acquisition of Zektingroup, an Australian-based specialist engineering consultancy for the oil and gas and resources industries. The total cash consideration is A\$48 million, of which A\$37 million was paid at closing, with the balance subject to performance over the next two years.

On 21 February 2011, AMEC announced the acquisition of qedi, a company focused on delivering specialist completion and commissioning services for major projects in the oil and gas industry. Qedi is headquartered in Aberdeen and provides project delivery services to international oil companies in the UK, Gulf of Mexico, Middle East, the Caspian and Australia. The total cash consideration is £33 million; £29 million was paid at closing, with the balance subject to retention, to be paid over the next two years.

Due to proximity of these acquisitions to the date of approval of these accounts, it is not practicable to disclose the information required by IFRS3 "Business Combinations".

### 13. BUSINESS THREATS AND OPPORTUNITIES

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

Specific risks faced by AMEC are as set out below.

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

### 13. BUSINESS THREATS AND OPPORTUNITIES continued

Business and strategic risk continued	Mitigation
<p><b>Security of employees</b> The personal security and the safety of employees and contractors can be compromised due to their either being based, or travelling extensively on business, in potentially hazardous locations.</p>	<p>AMEC regards the safety and security of its personnel as being of paramount importance, and this risk is mitigated by keeping security in relevant locations under continual review and utilising local specialist security companies where appropriate. AMEC specifically agrees security plans for designated high risk countries for named personnel. Contingency arrangements are also in place to respond to any adverse security incidents affecting AMEC's operations across the globe.</p>
<p><b>Business continuity</b> Given the broad spread and scope of its operations, AMEC's risk from natural catastrophe and terrorist action is varied, and considerable disruption could be caused to AMEC's operations as a result of the associated business interruption.</p>	<p>It is intended that these risks are mitigated through business continuity planning, which is being implemented progressively throughout the group and is being verified through testing and an ongoing audit process. In addition, the risk of increased cost of working in relation to UK and North America properties as a result of business disruption is transferred via business interruption insurance.</p>
<p><b>Customer concentration</b> Were dependence on key customers to increase significantly, this could have direct consequences on AMEC's financial development.</p>	<p>AMEC serves a broad range of markets and customers and undertakes a wide variety of different projects. Examples are shown on pages 7, 9 and 11. Further details can be found on the AMEC website, amec.com. AMEC is not reliant on any particular contract.</p> <p>AMEC's largest customer accounted for around 22 per cent of continuing revenues in 2010.</p>
<p><b>Bidding risk</b></p>	<p>AMEC addresses the risk associated with bidding via a stringent tender review process which addresses the threats and opportunities associated with each tender submitted. The implementation of a web-based workflow tender approval process across AMEC has resulted in improved visibility of the threats and opportunities associated with tender submission as well as providing a consistent and auditable approach to the management of tendering risk and provides clear control over approval authorities.</p>
<p><b>Project execution risk</b> One of AMEC's significant risks is the risk of losses arising during the execution phase of projects.</p>	<p>Various measures are in place in order to address the project execution risk, including the risk management process, project reviews, internal audit of projects, and the implementation of peer reviews. Project execution risk has also been a key focus of the Operational Excellence programme particularly from a project management perspective.</p>
<p><b>Litigation</b> The outcome of legal action is at times uncertain and there is a risk that it may prove more costly and time consuming than expected.</p>	<p>AMEC is subject to litigation from time to time in the ordinary course of business and makes provision for the expected costs based on appropriate professional advice.</p> <p>There is a risk that additional litigation could be instigated in the future which could have a material impact on AMEC, although full risk management controls remain in place to deal with such matters, together with controlled instruction rights with external lawyers/experts.</p>

**13. BUSINESS THREATS AND OPPORTUNITIES continued**

<b>Business and strategic risk continued</b>	Mitigation
<p><b>Information technology (IT)</b>                      AMEC is exposed to the risk that the IT systems upon which it relies fail.</p>	<p>AMEC has appropriate controls in place in order to mitigate the risk of systems failure, including systems back-up procedures and disaster recovery plans, and also has appropriate virus protection and network security controls.</p>
<p><b>Credit</b>                      AMEC is exposed to credit risk particularly in relation to customers.</p>	<p>The credit risk associated with customers is considered as part of each tender review process and is addressed initially via contract payment terms, and, where appropriate, payment security is sought. Credit control practices are applied thereafter during the project execution phase. A right to interest and suspension is normally sought in all contracts.</p>

### 13. BUSINESS THREATS AND OPPORTUNITIES continued

Financial risks	Mitigation
<p><b>Pensions</b> AMEC operates a number of defined benefit pension schemes, where careful judgement is required in determining the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member longevity. There is a risk of underestimating this liability and the pension schemes falling into deficit.</p>	<p>This risk is mitigated by:</p> <ul style="list-style-type: none"> <li>• Maintaining a relatively strong funding position over time</li> <li>• Taking advice from independent qualified actuaries and other professional advisers</li> <li>• Agreeing appropriate investment policies with the Trustees</li> <li>• Close monitoring of changes in the funding position, with reparatory action agreed with the Trustees in the event that a sustained deficit emerges.</li> </ul>
<p><b>Treasury risks</b> The group's treasury department manages funding, liquidity and risks arising from movements in interest and foreign currency rates within a framework of policies and guidelines approved by the board.</p>	<p>The treasury department does not operate as a profit centre and the undertaking of speculative transactions is not permitted.</p>
<p><b>Funding and liquidity risk</b> 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.</p>	<p>The group will finance operations and growth from its significant existing cash resources.</p> <p>Given the group's significant cash resources, no additional facilities are in place. This decision has been kept under review during 2010.</p> <p>However, appropriate facilities will be maintained to meet ongoing requirements for performance related bonding and letters of credit.</p>
<p><b>Counterparty risk management</b> The group holds significant net cash balances following the disposal of a number of businesses during 2006, 2007 and 2008.</p> <p>Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract.</p>	<p>AMEC manages these risks by ensuring that surplus funds are placed with counterparties up to a pre-approved limit. These limits are set at prudent levels by the board and are based primarily on credit ratings set by Moody's, Standard &amp; Poors and Fitch. Credit ratings are monitored continuously by the group treasury department.</p> <p>The group treasury department monitors counterparty exposure on a global basis to avoid an over-concentration of exposure to any one counterparty.</p>
<p><b>Interest rate risk</b></p>	<p>The group remained in a net cash position throughout the year. Long-term interest rate hedging (for periods beyond three to six months) is not considered appropriate as the surplus cash position is viewed as temporary.</p> <p>In 2010, the effective interest rate on the average cash balance of £660 million was one per cent (2009: one per cent).</p>

Financial risks (continued)	Mitigation
<p><b>Foreign exchange risk</b>  The group publishes its consolidated accounts in Sterling. It conducts business in a range of foreign currencies, including Canadian and US dollars and currencies linked to the US dollar. As a result, the group is exposed to foreign exchange risks, which will affect transaction costs and the translation of the results and value of underlying assets of its foreign subsidiaries.</p>	<p><b>Transaction exposures</b>  A significant proportion of the group's trading income is denominated in the local currency of the business operations which provides a natural hedge against the currency of its cost base. Where commercial contracts are undertaken which are denominated in foreign currencies, the group seeks to mitigate the foreign exchange risk, when the cash flow giving rise to such exposure becomes certain or highly probable, through the use of forward currency arrangements, which may include the purchase of currency options.</p> <p>Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events. This can give rise to exposures if cash flows are denominated in foreign currency. Hedging decisions are based on the latest available forecasts at the time the decision is taken, which are regularly monitored and updated. There are currently no material transaction exposures which have been identified and remain unhedged. AMEC recognises that, having taken out forward contracts in respect of underlying commercial transactions, an exposure would arise if the forward contracts had to be unwound as a consequence of the anticipated cash flows under such contacts being cancelled or otherwise not being received. The total gross nominal value of all outstanding forward contracts at 31 December 2010 is £187 million (2009: £132 million). At 31 December 2010 the mark-to-market value of contracts that were out of the money gave rise to a liability of £5.6 million (2009: liability of £5.5 million) and of these contracts that were in the money was an asset of £1.4 million (2009: asset of £1.8 million). AMEC has no reason to believe that any material outstanding forward contract will not be able to be settled from the underlying commercial transactions.</p> <p><b>Translation exposures</b>  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.</p> <p>In addition, the group has various assets denominated in foreign currencies, principally US dollars and Canadian dollars. A proportion of these assets, including unamortised goodwill, have been hedged by using cross-currency instruments. At 31 December 2010, these net investment hedges amounted to £267 million (2009: £196 million) covering approximately 44 per cent of overseas assets (2009: 40 per cent). The policy was changed in 2009 to cease translation hedging for core assets of the business. The existing hedging contracts will not be replaced as they mature. In specific circumstances, for example the planned repatriation of foreign assets, the group may from time to time enter into new net investment hedges to manage foreign exchange risks.</p>

Financial risks (continued)	Mitigation
<p><b>Legacy risk</b>            One of AMEC's risks remains the risk of a liability arising in connection with divested businesses.</p>	<p>In order to address this risk, a legacy team has been established. This team deals with the defence of claims, or potential claims, against AMEC and monthly meetings are held in order to review the status of all legacy matters. AMEC has made provisions for the legacy issues which are believed to be adequate and AMEC is not aware of any current issues relating to disposed businesses which are likely to have a material impact.</p>
<p><b>Acquisitions</b>            AMEC is exposed to risk in connection with its acquisition activities.</p>	<p>This risk is managed through the corporate transactions committee process. In addition to addressing due diligence issues, the corporate transactions committee process requires that acquisition plans (including integration plans) are put in place for each acquisition. Plans are also established for the implementation of post acquisition reviews in order to ensure the effective integration of the acquired entity</p>

## 14. Changes to reporting allocations

AMEC is making changes to the allocation of certain income statement items in the year ending 31 December 2011 as follows:

- The UK asset support business will transfer from Power and Process to Natural Resources and will be reported accordingly
- Pension financing income will be reported within net financing income not EBITA
- Financing income and costs within equity accounted joint ventures will be reported within net financing income, not EBITA

The impact of these changes for both the six months ended 30 June 2010 and the year ended 31 December 2010 are summarised in the tables below.

### Changes to reporting allocations – six months ended 30 June 2010 impact

£ million	As reported			As restated		
	Revenue	EBITA	EBITA %	Revenue	EBITA	EBITA %
Natural Resources	730.9	81.1	11.1%	782.5	83.9	10.7%
Power & Process	448.0	31.4	7.0%	396.4	25.6	6.5%
Earth & Environmental	275.3	21.4	7.8%	275.3	21.4	7.8%
Investments and other	1.8	(3.0)	-	1.8	(1.5)	-
Corporate costs	0.0	(17.4)	-	0.0	(17.4)	-
Inter-company eliminations	(26.5)	-	-	(26.5)	-	-
	<u>1,429.5</u>	<u>113.5</u>	<u>7.9%</u>	<u>1,429.5</u>	<u>112.0</u>	<u>7.8%</u>
Interest		<u>2.2</u>			<u>3.7</u>	
Adjusted profit before tax		<u>115.7</u>			<u>115.7</u>	
Adjusted diluted earnings per share			<u>25.5p</u>			<u>25.5p</u>

### Changes to reporting allocations – year ended 31 December 2010 impact

£ million	As reported			As restated		
	Revenue	EBITA	EBITA %	Revenue	EBITA	EBITA %
Natural Resources	1,520.5	174.7	11.5%	1,602.8	178.6	11.1%
Power & Process	884.4	75.3	8.5%	802.1	64.8	8.1%
Earth & Environmental	592.6	54.7	9.2%	592.6	54.7	9.2%
Investments and other	7.4	3.0	-	7.4	6.1	-
Corporate costs	0.0	(35.9)	-	0.0	(35.9)	-
Inter-company eliminations	(54.3)	-	-	(54.3)	-	-
	<u>2,950.6</u>	<u>271.8</u>	<u>9.2%</u>	<u>2,905.6</u>	<u>268.3</u>	<u>9.1%</u>
Interest		<u>7.9</u>			<u>11.4</u>	
Adjusted profit before tax		<u>279.7</u>			<u>279.7</u>	
Adjusted diluted earnings per share			<u>62.5p</u>			<u>62.5p</u>

## **RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT**

We confirm that to the best of our knowledge:

- the accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the directors report includes a fair review of the development and performance of the business and the position of the issuer and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

**S Y Brikho**  
Chief Executive

**I P McHoul**  
Chief Financial Officer