Media Release

AMEC plc preliminary results 2008

12 March 2009

ANOTHER YEAR OF RECORD PERFORMANCE

- Adjusted profit before tax[1] £210.3 million (2007: £126.5 million)
- Profit before tax £306.6 million (2007: £151.6 million)
- Group EBITA[2] margin 7.1% (2007: 5.1%)
- Significant growth in order book, led by Natural Resources up 41% in 2008
- Diluted earnings per share[3] from continuing operations 43.4 pence, up 55%
- Dividends per share up 15% to 15.4 pence
- Net cash as at 31 December 2008 £765 million; average weekly cash £626 million

Chief Executive Samir Brikho said:

"2008 was another year of record performance, with our internal initiatives helping us to deliver excellent results ahead of our commitments. During the year, we were awarded a number of milestone contracts that have contributed to significant growth in our backlog.

"We continue to view the future with measured confidence. We have a well diversified portfolio of clients and services, and expect to see increasing net benefits from Operational Excellence, our performance improvement programme. Our net cash position remains exceptionally strong and we continue to monitor opportunities for growth through selective acquisitions."

AMEC expects to issue its next trading update on Wednesday, 13 May 2009, when the company holds its annual general meeting.

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.

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Financial highlights:

	2008 £ million	2007 £ million	
Continuing operations:			
Revenue	**2,606.4**	2,356.2	+11%
Adjusted profit before tax[1]	**210.3**	126.5	+66%
Profit before tax	**306.6**	151.6	+102%
(Loss)/profit from discontinued operations – including profit on disposals	**(10.7)**	222.9	nm
Diluted earnings per share from continuing operations before intangible amortisation and exceptional items	**43.4p**	28.0p	+55%
Diluted earnings per share from continuing operations	**63.1p**	36.1p	+75%
Dividends per share	**15.4p**	13.4p	+15%

nm: not meaningful

Notes:

1 Adjusted profit before tax is for continuing operations before intangible amortisation of £9.2 million (2007: £2.5 million), pre-tax exceptional income of £109.0 million (2007: £28.2 million) and £2.1 million relating to elements of deferred consideration on acquisitions in the Earth and Environmental division (2007: £ nil) (see below), but including joint venture profit before tax £1.4 million (2007: £1.8 million). See note 3 for the reconciliation to profit before tax of £306.6 million.

2 EBITA for continuing operations before net financing income of £25.4 million (2007: £18.4 million), intangible amortisation, pre-tax exceptional items and £2.1 million relating to elements of deferred consideration on acquisitions in the Earth and Environmental division (see below), but including joint venture profit before tax, as a percentage of revenue (2007: before £12.4 million one-off costs of STEP Change).

3 Diluted earnings per share for continuing operations before intangible amortisation and exceptional items.

Basis of presentation and discontinued activities

Adjusted profit before tax is based on the results for continuing operations before intangible amortisation and pre-tax exceptional items but including joint venture profit before tax. The results of the group and the Earth and Environmental division also exclude £2.1 million of costs relating to elements of deferred consideration on acquisitions by the Earth and Environmental division which, in line with IFRS 3*, are included within EBIT in the consolidated income statement.

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

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

Segmental analysis

Segmental analysis is provided for the group's core activities in the Natural Resources, Power and Process and Earth and 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 £37.4 million (2007: £36.5 million) and pre-tax exceptional income of £109.0 million (2007: £28.2 million).

The average numbers of employees for the years ended 31 December 2008 and 31 December 2007 stated in this review include agency staff.

Amounts relating to segmental net assets / (liabilities) exclude intangible assets and net cash and include interests in joint ventures and associates.

* International Financial Reporting Standard 3 'Business combinations'.

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

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.

Results

Revenue for the year increased by 11 per cent to £2,606.4 million (2007: £2,356.2 million), reflecting strong growth in both the Natural Resources and Earth and Environmental divisions, together with currency gains.

Adjusted profit before tax of £210.3 million in 2008 was well ahead of 2007 (£126.5 million). There was amortisation of £9.2 million (2007: £2.5 million), joint venture tax of £1.4 million (2007: £0.6 million) and £2.1 million relating to elements of deferred consideration on acquisitions in the Earth and Environmental division (2007: £nil) which, combined with the pre-tax exceptional income of £109.0 million (2007: £28.2 million) resulted in a profit before tax from continuing operations of £306.6 million (2007: £151.6 million). The tax charge for the year was £96.9 million (2007: £30.1 million) and there was a post-tax loss of £10.7 million from discontinued operations (2007: £222.9 million – including profits on disposal) giving a total profit for the year of £199.0 million (2007: £344.4 million).

Adjusted profit before tax of £210.3 million reflects the achievement of an EBITA margin which, at 7.1 per cent, exceeded original and revised targets. Performance was exceptionally strong across all of the group's core divisions, reflecting benefits of the STEP Change programme, end market strength and ongoing management discipline. Results also benefited from favourable currency movements and an increase in net financing income. This reflected strong growth in average cash balances during the period, with a full year impact of proceeds from business disposals made during 2007, and the divestment of the majority of the UK Wind Developments business in October 2008.

The board is recommending a final dividend of 10.1 pence per share (2007: 8.8 pence) which, together with the interim dividend of 5.3 pence per share (2007: 4.6 pence) results in a total dividend of 15.4 pence per share (2007: 13.4 pence), an increase of 15 per cent. Against diluted earnings per share of 43.4 pence, this is covered 2.8 times (2007: 2.1 times), which is satisfactory to the board. The board intends to maintain a progressive dividend policy going forward.

Performance improvement

2008 performance reflected some £29 million of incremental net benefits arising from AMEC's STEP Change cost reduction initiative, which has delivered aggregate net benefits of c. £40 million as compared with the 2006 baseline.

AMEC expects to deliver further improvements in EBITA margin over the next two years, driven by ongoing internal initiatives. The Operational Excellence programme is expected to be the major contributor to AMEC achieving its target margin of 8.5 per cent in 2010. 2009 investment in Operational Excellence is expected to be similar to 2008 at up to £10 million, though this is expected to be more than offset by benefits accrued during the year.

Operational Excellence comprises a number of major programmes that are improving and will continue to improve performance over the next two years. Particularly significant are areas such as project management and engineering, where employees around the world are being provided with common, best in class tools and processes.

Outlook

AMEC has a well diversified portfolio of customers and services, and expects to see increasing net benefits from Operational Excellence, its ongoing performance improvement initiative.

The group's order book* at 31 December 2008 stood at c. £3 billion. This is significantly ahead of 2007 (31 December 2007: c. £2.6 billion), and gives good visibility for 2009. Around 40 per cent of the year end order book is expected to be executed in 2009.

Whilst ongoing market volatility has resulted in reduced certainty, the group continues to view the future with measured confidence and expects 2009 to be another year of improved performance.

AMEC's balance sheet remains exceptionally strong. Further selective acquisitions are expected during 2009, with the focus being on improving AMEC's competitive position through investment in people, capabilities, and geographic footprint.

* Comprising of the Natural Resources and Power and Process divisions.

Segmental review

Natural Resources

Natural Resources comprises AMEC's activities in Oil and Gas Services (61 per cent of revenues in 2008), Oil Sands (22 per cent of revenues) and Minerals and Metals Mining (17 per cent of revenues). Services include asset development and asset support, including consultancy and engineering design, project management, commissioning and operational support.

£ million	**2008**	2007	Change	Underlying[1]
Revenue	**1,204.2**	1,014.8	+19%	+11%
EBITA	**129.3**	95.5	+35%	+24%
EBITA margin	**10.7%**	9.4%	+130bps	
Net assets	**46.4**	28.8	+61%	
Order book	**£1.71bn**	£1.21bn	+41%	
Average number of employees[2]	**10,713**	9,715	+10%	

1 Growth adjusted for currency movements and material acquisitions made during the year as a percentage of 2007 as reported.
2 Full time equivalents, including agency staff.

Natural Resources achieved a record performance in 2008, with strong progression in revenues, margin, and order book. Performance was good in each of the division's principal areas of activity and was strongest in North America.

Revenue for the period was £1,204.2 million (2007: £1,014.8 million), with the 19 per cent increase for the year reflecting both organic growth (+11 per cent) and currency movements and acquisitions (+8 per cent). EBITA increased by 35 per cent to £129.3 million (2007: £95.5 million). EBITA margin for

the year of 10.7 per cent (2007: 9.4 per cent) was significantly ahead of the target originally set for 2008 and the 10 per cent target originally set for 2010. The continued improvement in Natural Resources EBITA margins in both Capex and Opex reflects the benefits of the STEP Change programme and changes in business mix during the year. Capex as a proportion of total divisional revenues increased to 55 per cent (2007: 50 per cent) with margins in Capex and Opex improving to 13 per cent and eight per cent respectively.

Net assets increased by 61 per cent to £46.4 million (31 December 2007: £28.8 million), with the increase being due to acquisitions, foreign exchange and an increase in working capital requirements relating to growth in the business.

The Natural Resources order book continued its growth trend, and at £1.71 billion, was 41 per cent up on the position at the end of 2007. The order book can be analysed as follows:

- Capex 43%; Opex 57% (2007: Capex 35%; Opex 65%)
- UK/Europe 35%; Americas 29%; Rest of world 36% (2007: UK/Europe 52%; Americas 25%; Rest of world 23%)

Major agreements or contracts during 2008 included selection by BP to provide long-term engineering and project management services for offshore developments around the world with subsequent conceptual engineering studies contract on the Clair Ridge project in the North Sea, UK; five-year Engineering Modification Services contract for BP in Azerbaijan; five-year project management consultancy services contract renewal with Kuwait Oil Company; five-year programme management consultancy contract with Zakum Development Company, Abu Dhabi; engineering, procurement and construction management services on phase 1 facilities of Imperial Oil's Kearl Oil Sands project in Alberta, Canada; long-term engineering, and a four-year engineering and project management services contract with PotashCorp Canada (Rocanville Potash mine).

Power and Process

Power and Process comprises AMEC's activities in the process (43 per cent of revenues in 2008), power (33 per cent of revenues), and nuclear (24 per cent of revenues) end markets. The division designs, delivers, enhances and maintains infrastructure for a broad range of clients in the public and private sectors.

£ million	**2008**	2007	Change	Underlying[1]
Revenue	**1,021.8**	1,009.1	+1%	-3%
EBITA	**58.3**	38.9	+50%	+45%
EBITA margin[2]	**5.8%**	4.3%	+150bps	
Net assets/(liabilities)	**6.3**	(57.0)	nm	
Order book	**£1.28bn**	£1.36bn	-6%	
Average number of employees[3]	**7,385**	6,753	+9%	

1 Growth adjusted for currency movements and material acquisitions made during the year as a percentage of 2007 as reported.

2 Excluding restructuring costs of £0.6 million (2007: one-off costs of STEP Change £4.6 million).

3 Full time equivalents, including agency staff.

nm: not meaningful

The Power and Process division achieved record results in 2008, with strong progression in EBITA margin. Levels of services activity remained generally high, particularly in the power generation, gas and electricity transmission and nuclear sectors.

Revenue for the period was £1,021.8 million (2007: £1,009.1 million), with the ramping up of major fixed price contracts having been completed during 2008.

EBITA for the period increased by 50 per cent to £58.3 million (2007: £38.9 million). EBITA margin increased strongly to 5.8 per cent (2007: 4.3 per cent), reflecting cost and efficiency gains arising from the STEP Change programme, as well as improved performance in the Americas.

At 31 December 2008, Power and Process had net assets of £6.3 million (31 December 2007: net liabilities of £57.0 million). The increase reflected growth in the business, including an investment in the Sellafield joint venture; an unwinding of advance cash and some cash tied up in older, long-term contracts.

Power and Process remains focused on reducing the risk profile of the business, with continued selectivity in new work taken on. Consistent with the division's change of focus, the gross margin on the order book increased during 2008, with the backlog showing a related decline for much of the year, though with some improvement in the fourth quarter. The backlog at 31 December 2008 was £1.28 billion (31 December 2007: £1.36 billion). The major contract at Sellafield (see below), being equity accounted, is not included in the Power and Process order book.

The order book can be analysed as follows:

- Capex 37%; Opex 63% (2007: Capex 55%; Opex 45%)
- UK/Europe 54%; Americas 46% (2007: UK/Europe 66%; Americas 34%)

During 2008, milestone contracts were awarded to AMEC joint ventures by the UK Nuclear Decommissioning Authority for a new Parent Body Organisation at Sellafield, UK and by National Grid for refurbishment of electricity infrastructure in New York State, US. Other significant contracts during the year included engineering and project management services on nuclear reactor restarts for Bruce Power in Canada; installation of clean-air systems on coal-fired power plants for Southern Company and Dominion Virginia Power in the US; major gas mains replacement programmes for National Grid and Wales and West Utilities in the UK; renewal of the nuclear Technical Services Agreement with British Energy in the UK; and a major study for EDF Energy for its gas storage project at Hole House Farm, UK.

Since the year end, Power and Process has been awarded a major contract valued at c.£100 million by EDF Energy for mechanical, electrical and instrumentation installation at its new 1,300MW Combined Cycle Gas Turbine power station at West Burton, UK.

Earth and Environmental

Earth and Environmental provides specialist environmental, geotechnical, programme management and consultancy services to a broad range of clients in the public and private sectors. This business operates from a regional network and is characterised by a large number of small value contracts.

£ million	**2008**	2007	Change	Underlying[1]
Revenue	**400.2**	288.4	+39%	+19%
EBITA	**33.5**	21.2	+58%	+38%
EBITA margin	**8.4%**	7.4%	+100bps	
Net assets	**49.6**	33.2	+49%	
Average number of employees[2]	**3,933**	3,576	+10%	

1 Growth adjusted for currency movements and material acquisitions made during the year as a percentage of 2007 as reported.
2 Full time equivalents, including agency staff.

Revenue for the period increased by 39 per cent, with EBITA up by 58 per cent to £33.5 million (2007: £21.2 million). Performance was particularly strong in the resource sector in Western Canada, but Federal growth was tempered by reducing levels of activity in Iraq. Results also benefited from the acquisition of Geomatrix in June 2008, and four smaller acquisitions made during the year.

EBITA margin for the year moved ahead strongly to 8.4 per cent (2007: 7.4 per cent), reflecting internal performance improvement initiatives, changes in business mix and acquisitions.

The increase in net assets during the year is largely due to acquisitions and foreign exchange, with the majority of the assets being denominated in US and Canadian dollars.

Investments and other activities

This division principally comprises an ongoing PPP project in Korea. The majority of the UK Wind Developments and the plant hire businesses were sold during the year.

£ million	**2008**	2007	change
Revenue	**20.0**	64.4	-69%
EBITA	**1.2**	(11.0)	nm

nm: not meaningful

Revenues in this division declined by 69 per cent to £20.0 million (2007: £64.4 million) reflecting the non-core business disposals and the completion of the last remaining construction management project in the US in the latter part of 2007.

EBITA of £1.2 million reflects the costs of £1.2 million (2007: £6.7 million) incurred in developing the group's Wind Developments portfolio in the period to its divestment, offset by profit from the plant hire business.

Financial review

Geographical analysis

Some 61 per cent of 2008 revenues were generated outside the UK, with the group's largest overseas market being Canada, driven by Minerals and Metals Mining and Oil Sands.

The board's expectations for 2009 reflect current market views on Sterling rates of exchange, with the group's principal currency exposures being to the Canadian and US dollars.

Administrative expenses

Administrative expenses increased by £0.6 million to £132.5 million (2007: £131.9 million) and represented 5.1 per cent of revenue (2007: 5.6 per cent). Administrative expenses have been restated during the year to reflect a change in presentation whereby all operational overheads are now included within cost of sales. Prior year comparatives have been amended for consistency and there is no impact on reported profit before tax.

Corporate costs, which represent the costs of operating the head office of AMEC and certain regional overheads, were £37.4 million (2007: £36.5 million). Costs for 2008 included the costs of the Operational Excellence programme offset by savings generated from the STEP Change initiative.

Net financing income/costs

Over the last two years, AMEC has divested a number of non-core businesses. The benefits of these disposals, coupled with on-going improvement in cash management, has resulted in a weekly average level of net cash of £626 million (2007: £435 million). Consequently, the net financing income for the year increased by 38 per cent to £25.4 million (2007: £18.4 million).

In 2008, the average interest rate received was approximately four per cent. In 2009, an average return between one and two per cent is anticipated.

Taxation

The group's effective tax rate in 2008 for the continuing businesses before exceptional items (including tax attributable to joint venture interests) and excluding intangible amortisation, was 30.8 per cent (2007: 25.4 per cent). The increase in the overall tax rate is due principally to the recognition in 2007 of North American tax losses for the first time.

The tax rate in 2009 is expected to be c. 30 per cent.

A tax charge of £37.2 million (2007: credit £0.8 million) relates to total exceptional income of £109.0 million. £35.9 million of this charge is attributable to the disposal of the group's wind development business.

Deferred tax

At 31 December 2008, the group had deferred tax assets of £51.6 million (2007: £58.9 million) primarily arising from employee share schemes, overseas tax losses and short-term timing differences. At year end the continuing businesses had c. £54.6 million of carried forward tax losses.

Financial position and net cash

The group remains in an exceptionally strong financial position, with net cash as at 31 December 2008 of £765 million (2007: £733 million, excluding amounts held for sale).

Cash generated from operations of £69.0 million (2007: £140.2 million) reflected ongoing good cash management, offset in Power and Process by the unwinding of advance cash and by cash tied up in older, long-term contracts.

During 2009, the directors expect weekly average net cash to be around £670 million (2008: £626 million), before any impact of acquisitions. The increase in the expected weekly average level of net cash is a result of strength of trading and ongoing good cash management, and the full year impact of the proceeds from the disposal of the UK Wind Developments business.

Pensions

The IAS19 pre-tax surplus of the principal UK pension schemes at the end of 2008 of £165.7 million was lower than in 2007 (£248.0 million) reflecting, principally, investment returns achieved over the year being less than assumed, and the further increase in life expectancy assumptions adopted, offset by the impact of an increase in the discount rate applied to the liabilities. Following a review of the basis of recoverability in 2007, the surplus has been presented net of deferred tax on the balance sheet in 2008.

The regular triennial valuation of the UK schemes took place during 2008, the results of which are currently being finalised with the Trustees.

For the main UK pension plans, revised mortality assumptions, which incorporate an allowance for additional longevity improvements in future, have been adopted for IAS 19 purposes. The revised assumptions were chosen with regard to the latest available tables, adjusted where appropriate to reflect the experience of the schemes' membership.

The impact of updating the mortality assumptions has been to reduce the current surplus (pre-tax) by c.£63 million, or approximately six per cent of the liabilities.

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

Contributions of £26.3 million were paid to the company's defined benefit pension schemes during the year (2007: £36.4 million). This included special contributions agreed with the Trustees of £8.4 million (2007: £8.4 million).

Provisions

Provisions held at 31 December 2008 were £204.3 million (31 December 2007: £199.4 million). During 2008, the amounts utilised have largely been offset by exchange movements on retranslating the opening balance.

As at 31 December 2008	£ million
Litigation provisions	65.3
Indemnities granted to buyers/ retained obligations on disposed businesses	87.9
Insurance and other	51.1
Total	204.3

Intangible amortisation

Intangible amortisation relates to capitalised software and intangible assets acquired as part of the group's acquisitions. The 2008 charge of £9.2 million is £6.7 million higher than in 2007 with the increase due to the acquisitions in the year.

In line with IAS 36 'Impairment of assets' annual impairment reviews have been performed on the goodwill carried on the balance sheet. The results of these reviews confirmed that no impairment charge is necessary.

Exceptional items

Divestments

During 2008, the UK Wind Developments business, excluding AMEC's share of the Isle of Lewis development, was sold to Vattenfall for £126.6 million. AMEC continues to deliver wind farms for its customers, particularly in Canada.

There were also a number of other small businesses divested during the year, resulting in an aggregate post-tax exceptional gain of £73.0 million.

Legacy issues

In its 2006 accounts, AMEC noted six major contingent liabilities. During 2007, AMEC made good progress in settling the major issues on a number of these contracts. An update on the remaining three contracts listed as contingent liabilities in the 2007 accounts is as follows:

- Settlement was reached in early 2009 on the major issues on the Courthouses (US) dispute, within the provisions previously made.
- Settlement was reached on the San Francisco Jail dispute during 2007. This was documented and agreed during 2008.
- As previously indicated, the World Trade Center (US), where US$1 billion of insurance for all market claims has been funded by Federal money, remains a contingent liability.

No new significant contingent liabilities were added in 2008.

Provisions currently held for future costs of litigation total £65.3 million (2007: £71.5 million).

Notes to Editors:

AMEC plc

AMEC (LSE: AMEC) is a focused supplier of high-value consultancy, engineering, and project management services to the world's energy, power and process industries. With annual revenues of over £2.6 billion, AMEC designs, delivers and maintains strategic and complex assets for its customers. AMEC's Natural Resources, Power and Process and Earth and Environmental businesses employ over 22,000 people in more than 30 countries globally.

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CONSOLIDATED INCOME STATEMENT

	Note	Before amortisation and exceptional items £ million	Amortisation and exceptional items (note 4) £ million	2008 Total £ million
Continuing operations				
Revenue	2	**2,606.4**	-	**2,606.4**
Cost of sales		**(2,292.5)**	**-**	**(2,292.5)**
Gross profit		**313.9**	**-**	**313.9**
Administrative expenses		**(132.5)**	**(9.2)**	**(141.7)**
Profit on business disposals and closures		**-**	**109.0**	**109.0**
Profit before net financing income	2	**181.4**	**99.8**	**281.2**
Financial income		**32.1**	**-**	**32.1**
Financial expense		**(6.7)**	**-**	**(6.7)**
Net financing income		**25.4**	**-**	**25.4**
Share of post-tax results of joint ventures		**-**	**-**	**-**
Profit before income tax		**206.8**	**99.8**	**306.6**
Income tax	5	**(62.7)**	**(34.2)**	**(96.9)**
Profit for the year from continuing operations		**144.1**	**65.6**	**209.7**
Profit/(loss) for the year from discontinued operations	6	**1.0**	**(11.7)**	**(10.7)**
Profit for the year		**145.1**	**53.9**	**199.0**
Attributable to:				
Equity holders of the parent				**199.7**
Minority interests				**(0.7)**
				199.0
Basic earnings/(loss) per share:	7			
Continuing operations				**64.5 p**
Discontinued operations				**(3.3) p**
				61.2 p
Diluted earnings/(loss) per share:	7			
Continuing operations				**63.1 p**
Discontinued operations				**(3.2) p**
				59.9 p
Dividends per share:	8			**15.4 p**

CONSOLIDATED INCOME STATEMENT

	Note	Before amortisation and exceptional items (restated) £ million	Amortisation and exceptional items (note 4) (restated) £ million	2007 Total (restated) £ million
Continuing operations				
Revenue	**2**	2,356.2	-	2,356.2
Cost of sales		(2,118.0)	10.7	(2,107.3)
Gross profit		238.2	10.7	248.9
Administrative expenses		(131.9)	(2.5)	(134.4)
Profit on business disposals and closures		-	17.5	17.5
Profit before net financing income	**2**	106.3	25.7	132.0
Financial income		22.1	-	22.1
Financial expense		(3.7)	-	(3.7)
Net financing income		18.4	-	18.4
Share of post-tax results of joint ventures and associates		1.2	-	1.2
Profit before income tax		125.9	25.7	151.6
Income tax	**5**	(31.5)	1.4	(30.1)
Profit for the year from continuing operations		94.4	27.1	121.5
(Loss)/profit for the year from discontinued operations	**6**	(4.7)	227.6	222.9
Profit for the year		89.7	254.7	344.4
Attributable to:				
Equity holders of the parent				344.3
Minority interests				0.1
				344.4
Basic earnings per share:	**7**			
Continuing operations				36.9 p
Discontinued operations				67.8 p
				104.7p
Diluted earnings per share:	**7**			
Continuing operations				36.1 p
Discontinued operations				66.2 p
				102.3 p
Dividends per share:	**8**			13.4 p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	2008 £ million	2007 £ million
Actuarial (losses)/gains on defined benefit pension schemes		**(113.1)**	86.1
Exchange movements on translation of foreign subsidiaries		**89.2**	32.3
Net loss on hedges of net investment in foreign subsidiaries		**(38.6)**	(8.6)
Cash flow hedges:			
Effective portion of changes in fair value		**(12.3)**	1.8
Transferred to the income statement		**(0.3)**	(2.1)
Group share of changes in fair value of cash flow hedges within joint venture entities (net of tax)		**-**	2.4
Tax in respect of items recognised directly in equity		**32.8**	(21.9)
Net (expense)/ income recognised directly in equity		**(42.3)**	90.0
Profit for the year		**199.0**	344.4
Total recognised income and expense for the year		**156.7**	434.4
Attributable to:			
Equity holders of the parent	**9**	**156.8**	434.3
Minority interests		**(0.1)**	0.1
Total recognised income and expense for the year		**156.7**	434.4

CONSOLIDATED BALANCE SHEET

	Note	31 December 2008 £ million	31 December 2007 £ million
ASSETS			
Non-current assets			
Property, plant and equipment		**50.6**	57.6
Intangible assets		**388.1**	223.8
Interests in joint ventures		**29.4**	22.7
Other investments		**1.0**	0.8
Retirement benefit assets		**107.7**	161.3
Deferred tax assets		**51.6**	58.9
Total non-current assets		**628.4**	525.1
Current assets			
Inventories		**11.7**	6.1
Trade and other receivables		**676.0**	529.4
Derivative financial instruments		**9.6**	3.1
Cash and cash equivalents		**764.6**	734.1
Assets classified as held for sale		**-**	19.0
Total current assets		**1,461.9**	1,291.7
Total assets		**2,090.3**	1,816.8
LIABILITIES			
Current liabilities			
Bank loans and overdrafts		**-**	(0.8)
Trade and other payables		**(722.5)**	(641.5)
Derivative financial instruments		**(21.2)**	(5.3)
Current tax payable		**(81.9)**	(59.6)
Liabilities classified as held for sale		**-**	(5.4)
Total current liabilities		**(825.6)**	(712.6)
Non-current liabilities			
Bank loans		**(0.1)**	(0.1)
Trade and other payables		**(28.3)**	-
Derivative financial instruments		**(33.9)**	-
Retirement benefit liabilities		**(9.5)**	(11.3)
Provisions		**(204.3)**	(199.4)
Total non-current liabilities		**(276.1)**	(210.8)
Total liabilities		**(1,101.7)**	(923.4)
Net assets	**2**	**988.6**	893.4
EQUITY			
Share capital		**169.0**	168.7
Share premium account		**100.7**	99.5
Hedging and translation reserves		**59.7**	16.8
Capital redemption reserve		**17.2**	17.2
Retained earnings		**639.4**	590.4
Total equity attributable to equity holders of parent	**9**	**986.0**	892.6
Minority interests		**2.6**	0.8
Total equity		**988.6**	893.4

CONSOLIDATED CASH FLOW STATEMENT

	Note	2008 £ million	2007 £ million
Cash flow from operating activities			
Profit before income tax from continuing operations		**306.6**	151.6
(Loss)/profit before income tax from discontinued operations	**6**	**(11.6)**	290.7
Profit before income tax		**295.0**	442.3
Financial income		**(32.1)**	(24.2)
Financial expense		**6.7**	4.2
Share of post-tax results of joint ventures and associates		**-**	(6.0)
Intangible amortisation		**9.2**	2.5
Depreciation		**19.2**	21.7
Profit on disposal of businesses		**(110.6)**	(310.1)
Profit on disposal of property, plant and equipment		**(2.8)**	(2.3)
Difference between contributions to retirement benefit schemes and amounts recognised in the income statement		**(32.2)**	(30.9)
Equity settled share-based payments		**9.3**	5.3
		161.7	102.5
(Increase)/decrease in inventories		**(1.6)**	7.4
(Increase)/decrease in trade and other receivables		**(118.5)**	67.0
Increase/(decrease) in trade and other payables and provisions		**27.4**	(36.7)
Cash generated from operations		**69.0**	140.2
Interest paid		**(7.5)**	(4.2)
Tax paid		**(73.2)**	(38.0)
Net cash flow from operating activities		**(11.7)**	98.0
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		**(87.5)**	(12.7)
Acquisition of joint ventures and other investments		**(5.2)**	(6.0)
Purchase of property, plant and equipment		**(20.7)**	(18.4)
Purchase of intangible assets		**(0.9)**	(0.2)
Disposal of businesses (net of cash disposed of)		**136.7**	263.1
Disposal of joint ventures and other investments		**18.7**	19.2
Disposal of property, plant and equipment		**13.1**	9.7
Interest received		**32.0**	22.7
Dividends received from joint ventures		**0.6**	2.0
Net cash flow from investing activities		**86.8**	279.4
Net cash flow before financing activities		**75.1**	377.4
Cash flow from financing activities			
Repayment of loans		**(0.1)**	(4.3)
Dividends paid		**(43.7)**	(39.8)
Proceeds from shares issued		**1.5**	10.7
Acquisition of treasury shares (net)		**(21.8)**	(21.5)
(Acquisition)/disposal of shares by trustees of the Performance Share Plan		**(8.8)**	0.3
Net cash flow from financing activities		**(72.9)**	(54.6)
Increase in cash and cash equivalents		**2.2**	322.8
Cash and cash equivalents as at the beginning of the year	**10**	**733.4**	406.4
Exchange gains on cash and cash equivalents		**29.0**	4.2
Cash and cash equivalents as at the end of the year	**10**	**764.6**	733.4

Cash and cash equivalents consist of:			
Cash at bank and in hand		**124.0**	720.4
Short-term investments		**640.6**	13.7
		764.6	734.1
Overdrafts		**-**	(0.7)
Cash and cash equivalents	**10**	**764.6**	733.4

NOTES

1. 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 2008 ("adopted IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

IFRIC 11 on group and treasury share transactions has been adopted in the group's 2008 accounts and has had no material impact on the group's consolidated accounts.

During 2006, IFRIC 12 on service concession arrangements was issued. This interpretation is effective from 1 January 2008, but has yet to be adopted for use in the EU. In view of this, the directors consider that it remains appropriate to apply the approach set out in Application Note F of the UK Financial Reporting Standard 5 "Reporting the substance of transactions" in determining the accounting model to be applied to AMEC's PPP activities. This involves applying a "risks and rewards" test to determine whether a non-current asset or finance debtor model should be followed. The directors do not expect this accounting policy to be significantly different to that under IFRIC 12.

During 2006, IFRS 8 on segment reporting was issued and is effective from 1 January 2009. IFRS 8 will require disclosure of segment information based on internal management information.

During 2007, IFRIC 14 on defined benefit pension scheme assets was issued. This interpretation is effective from 1 January 2008, but has yet to be adopted for use in the EU. In view of this it has not been applied by the group in the consolidated accounts. On adoption this is not expected to have an impact on the group's consolidated accounts as, following a review of the basis of recoverability in 2007, the surplus has been recognised net of deferred tax on the balance sheet.

During 2008, IFRS 3 (revised) on business combinations was issued and is effective from 1 July 2009. IFRS 3 (revised) includes significant changes to the accounting for acquisitions, and will be applied prospectively by AMEC to business combinations on or after 1 January 2010.

The 2007 income statement has been restated to reflect a change in the presentation of cost of sales and administrative expenses whereby all operational overheads are now included in cost of sales. Cost of sales has been increased by £69.3 million and administrative expenses reduced by £69.3 million. The 2007 income statement has also been restated to present the amortisation charge of £2.5 million less tax of £0.6 million in a separate column together with exceptional items.

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

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

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

Details of business threats and opportunities can be found in note 12.

1. BASIS OF PREPARATION continued

The financial information for the years ended 31 December 2008 and 2007 set out above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ("the Act"). Statutory accounts for the year ended 31 December 2007, which were prepared under IFRS, have been delivered to the Registrar of Companies. The accounts for the year ended 31 December 2008 will be delivered to the Registrar of Companies following the Annual General Meeting. The company's auditors, KPMG Audit Plc, have reported on the 2008 and 2007 accounts under section 235(1) of the Act. These reports were not qualified within the meaning of section 235(2) of the Act and did not contain statements made under section 237(2) and section 237(3) of the Act.

The annual report and accounts for the year ended 31 December 2008 will be posted to shareholders on 9 April 2009.

The results for 2008 were approved by the board of directors on 12 March 2009 and are audited.

The Annual General Meeting will take place on 13 May 2009.

The final dividend will be payable on 1 July 2009 to shareholders on the register at the close of business on 22 May 2009.

Interim and preliminary announcements notified to the London Stock Exchange are available on the internet at amec.com.

2. ANALYSIS OF REVENUE, PROFIT BEFORE NET FINANCING INCOME AND NET ASSETS/(LIABILITIES)

The segmental review on pages 4 to 7 is based on the reported results before intangible amortisation and exceptional items but including joint venture profit before tax. The results as presented in the segmental review are reconciled to those presented in the following tables in note 3.

	Revenue		Profit before net financing income	
	2008 £ million	2007 £ million	**2008 £ million**	2007 £ million
Class of business:				
Natural Resources	**1,204.2**	1,014.8	**128.8**	93.7
Power and Process	**1,021.8**	1,009.1	**55.3**	48.4
Earth and Environmental	**400.2**	288.4	**29.0**	20.9
Investments and other activities	**20.0**	64.4	**105.5**	5.5
	2,646.2	2,376.7	**318.6**	168.5
Internal revenue	**(39.8)**	(20.5)	**-**	-
Corporate costs	**-**	-	**(37.4)**	(36.5)
	2,606.4	2,356.2	**281.2**	132.0
Geographical origin:				
United Kingdom	**1,017.1**	950.5	**147.4**	70.0
Rest of Europe	**34.1**	88.6	**2.1**	6.4
Americas	**1,340.3**	1,180.9	**145.8**	89.3
Rest of the world	**214.9**	136.2	**23.3**	2.8
	2,606.4	2,356.2	**318.6**	168.5
Corporate costs	**-**	-	**(37.4)**	(36.5)
	2,606.4	2,356.2	**281.2**	132.0

2. ANALYSIS OF REVENUE, PROFIT BEFORE NET FINANCING INCOME AND NET ASSETS/(LIABILITIES) continued

	Net assets/(liabilities)	
	2008	2007
	£ million	£ million
Class of business:		
Natural Resources	**56.1**	29.8
Power and Process	**5.5**	(51.5)
Earth and Environmental	**62.4**	34.5
Investments and other activities	**(250.2)**	(207.3)
	(126.2)	(194.5)
Goodwill	**345.5**	215.4
Interests in joint ventures	**29.4**	22.7
Net cash	**764.5**	733.2
Unallocated net (liabilities)/assets	**(24.6)**	103.0
Assets and liabilities classified as held for sale	**-**	13.6
	988.6	893.4
Geographical origin:		
United Kingdom	**(90.7)**	(127.8)
Rest of Europe	**(64.7)**	(56.1)
Americas	**31.0**	(15.9)
Rest of the world	**(1.8)**	5.3
	(126.2)	(194.5)
Goodwill	**345.5**	215.4
Interests in joint ventures	**29.4**	22.7
Net cash	**764.5**	733.2
Unallocated net (liabilities)/assets	**(24.6)**	103.0
Assets and liabilities classified as held for sale	**-**	13.6
	988.6	893.4

3. PROFIT AND NET ASSETS RECONCILIATIONS

RECONCILIATION OF ADJUSTED PROFIT BEFORE TAX

Year ended 31 December 2008

	Adjusted profit before tax £m	Except-ional items £m	Intangible amort-isation £m	Exclude results of joint ventures £m	Tax on results of joint ventures £m	Other* £m	Profit before tax £m
Natural Resources	**129.3**	**6.9**	**(5.5)**	**(1.9)**	**-**	**-**	**128.8**
Power and Process	**58.3**	**-**	**(1.3)**	**(1.7)**	**-**	**-**	**55.3**
Earth and Environmental	**33.5**	**-**	**(2.4)**	**-**	**-**	**(2.1)**	**29.0**
Investments and other activities	**1.2**	**102.1**	**-**	**2.2**	**-**	**-**	**105.5**
	222.3	**109.0**	**(9.2)**	**(1.4)**	**-**	**(2.1)**	**318.6**
Corporate costs	**(37.4)**	**-**	**-**	**-**	**-**	**-**	**(37.4)**
Profit/(loss) before net financing income	**184.9**	**109.0**	**(9.2)**	**(1.4)**	**-**	**(2.1)**	**281.2**
Net financing income	**25.4**	**-**	**-**	**-**	**-**	**-**	**25.4**
Share of post-tax results of joint ventures	**-**	**-**	**-**	**1.4**	**(1.4)**	**-**	**-**
	210.3	**109.0**	**(9.2)**	**-**	**(1.4)**	**(2.1)**	**306.6**

Year ended 31 December 2007

	Adjusted profit before tax £m	Exceptional items £m	Intangible amortisation £m	Exclude results of joint ventures and associates £m	Tax on results of joint ventures and associates £m	Profit before tax £m
Natural Resources	95.5	-	(0.6)	(1.2)	-	93.7
Power and Process	38.9	11.5	(1.5)	(0.5)	-	48.4
Earth and Environmental	21.2	-	(0.3)	-	-	20.9
Investments and other activities	(11.0)	16.7	(0.1)	(0.1)	-	5.5
	144.6	28.2	(2.5)	(1.8)	-	168.5
Corporate costs	(36.5)	-	-	-	-	(36.5)
Profit/(loss) before net financing income	108.1	28.2	(2.5)	(1.8)	-	132.0
Net financing income	18.4	-	-	-	-	18.4
Share of post-tax results of joint ventures and associates	-	-	-	1.8	(0.6)	1.2
	126.5	28.2	(2.5)	-	(0.6)	151.6

* Represents elements of deferred consideration on acquisitions in the Earth and Environmental division which, in line with IFRS 3, are included within profit before net financing income in the consolidated income statement.

3. PROFIT AND NET ASSETS RECONCILIATIONS continued

RECONCILIATION OF ADJUSTED NET ASSETS

				31 December 2008
	Adjusted net assets/ (liabilities) £ million	**Interests in joint ventures £ million**	**Intangible assets £ million**	**Net assets/ (liabilities) £ million**
Natural Resources	**46.4**	**(0.6)**	**10.3**	**56.1**
Power and Process	**6.3**	**(3.9)**	**3.1**	**5.5**
Earth and Environmental	**49.6**	**(0.3)**	**13.1**	**62.4**
Investments and other activities	**(241.7)**	**(24.6)**	**16.1**	**(250.2)**
	(139.4)	**(29.4)**	**42.6**	**(126.2)**
Goodwill	**345.5**	**-**	**-**	**345.5**
Intangible assets	**42.6**	**-**	**(42.6)**	**-**
Interests in joint ventures	**-**	**29.4**	**-**	**29.4**
Net cash	**764.5**	**-**	**-**	**764.5**
Unallocated net liabilities	**(24.6)**	**-**	**-**	**(24.6)**
	988.6	**-**	**-**	**988.6**

				31 December 2007
	Adjusted net assets/ (liabilities) £ million	Interests in joint ventures £ million	Intangible assets £ million	Net assets/ (liabilities) £ million
Natural Resources	28.8	0.2	0.8	29.8
Power and Process	(57.0)	(0.6)	6.1	(51.5)
Earth and Environmental	33.2	(0.2)	1.5	34.5
Investments and other activities	(185.2)	(22.1)	-	(207.3)
	(180.2)	(22.7)	8.4	(194.5)
Goodwill	215.4	-	-	215.4
Intangible assets	8.4	-	(8.4)	-
Interests in joint ventures	-	22.7	-	22.7
Net cash	733.2	-	-	733.2
Unallocated net assets	103.0	-	-	103.0
Assets and liabilities classified as held for sale	13.6	-	-	13.6
	893.4	-	-	893.4

4. AMORTISATION AND EXCEPTIONAL ITEMS

	2008 £ million	2007 £ million
Natural Resources	**6.9**	-
Power and Process	**-**	11.5
Investments and other activities	**102.1**	16.7
Exceptional items of continuing operations	**109.0**	28.2
Taxation on exceptional items of continuing operations	**(37.2)**	0.8
Exceptional items of discontinued operations (post tax)	**(11.7)**	227.6
Post-tax exceptional items	**60.1**	256.6
Post-tax amortisation of intangible assets	**(6.2)**	(1.9)
Post-tax amortisation and exceptional items	**53.9**	254.7

Exceptional items are further analysed as follows:

	2008			2007		
	Gains/ (losses) on disposals £ million	**Other exceptional items £ million**	**Total £ million**	Gains on disposals £ million	Other exceptional items £ million	Total £ million
Continuing operations	**110.7**	**(1.7)**	**109.0**	17.7	10.5	28.2
Discontinued operations	**(0.1)**	**(11.7)**	**(11.8)**	292.4	2.8	295.2
Profit/(loss) before tax	**110.6**	**(13.4)**	**97.2**	310.1	13.3	323.4
Tax	**(37.6)**	**0.5**	**(37.1)**	(66.8)	-	(66.8)
Profit/(loss) after tax	**73.0**	**(12.9)**	**60.1**	243.3	13.3	256.6

During 2008, the UK Wind Developments business excluding AMEC's share of the Isle of Lewis development and a number of smaller businesses were sold resulting in an aggregate pre-tax exceptional gain of £110.6 million (post-tax: £73.0 million). Other exceptional items in 2008 include provision and other adjustments in relation to outstanding matters on various legacy projects.

Divestment of the group's four Built Environment businesses was successfully completed during the fourth quarter of 2007. This, combined with the profit on disposal of peripheral businesses in the first half of the year, resulted in an aggregate pre-tax exceptional gain of £310.1 million (post-tax: £243.3 million).

In 2007, other exceptional items comprise provision releases of £12.7 million and other releases of £18.2 million in relation to the settlement of several outstanding matters on projects including Jormag (Jordan Magnesia Company Ltd), Thelwall and several other construction related projects. In addition provisions were increased by £16.9 million and other liabilities by £0.7 million, to reflect developments on three US and one UK construction project.

5. INCOME TAX

Income tax on the profit from continuing operations before exceptional items and intangible amortisation for the year is based on an effective rate of 30.8% (2007: 25.4%).

6. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

Discontinued operations include the non-core Built Environment businesses, pipeline construction activities and AMEC 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 were as follows:

	2008 £ million	2007 £ million
Revenue	**0.1**	710.7
Cost of sales and net operating expenses	**0.1**	(715.2)
Profit/(loss) before exceptional items and tax	**0.2**	(4.5)
Attributable tax	**0.8**	(0.2)
	1.0	(4.7)
Exceptional items	**(11.7)**	2.8
Attributable tax on exceptional items	**0.4**	(0.9)
(Loss)/profit on disposal	**(0.1)**	292.4
Attributable tax on (loss)/profit on disposal	**(0.3)**	(66.7)
(Loss)/profit for the year from discontinued operations	**(10.7)**	222.9

7. 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.

	Earnings £ million	**Weighted average shares number million**	**2008 Earnings per share pence**
Basic earnings from continuing operations	**210.4**	**326.3**	**64.5**
Share options	**-**	**1.5**	**(0.3)**
Employee share and incentive schemes	**-**	**5.7**	**(1.1)**
Diluted earnings from continuing operations	**210.4**	**333.5**	**63.1**
Basic loss from discontinued operations	**(10.7)**	**326.3**	**(3.3)**
Share options	**-**	**1.5**	**-**
Employee share and incentive schemes	**-**	**5.7**	**0.1**
Diluted loss from discontinued operations	**(10.7)**	**333.5**	**(3.2)**

7. EARNINGS PER SHARE continued

	Earnings £ million	Weighted average shares number million	2007 Earnings per share pence
Basic earnings from continuing operations	121.4	328.7	36.9
Share options	-	2.5	(0.2)
Employee share and incentive schemes	-	5.3	(0.6)
Diluted earnings from continuing operations	121.4	336.5	36.1
Basic earnings from discontinued operations	222.9	328.7	67.8
Share options	-	2.5	(0.5)
Employee share and incentive schemes	-	5.3	(1.1)
Diluted earnings from discontinued operations	222.9	336.5	66.2

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

	2008 £ million	2007 £ million
Profit for the year from continuing operations	**209.7**	121.5
Loss/(profit) attributable to minority interests	**0.7**	(0.1)
Basic and diluted profit from continuing operations	**210.4**	121.4

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

	Earnings £ million	**Weighted average shares number million**	**2008 Earnings per share pence**
Basic earnings from continuing operations	**210.4**	**326.3**	**64.5**
Exceptional items	**(71.8)**	**-**	**(22.0)**
Intangible amortisation (net of tax)	**6.2**	**-**	**1.9**
Basic earnings from continuing operations before intangible amortisation and exceptional items	**144.8**	**326.3**	**44.4**
Share options	**-**	**1.5**	**(0.2)**
Employee share and incentive schemes	**-**	**5.7**	**(0.8)**
Diluted earnings from continuing operations before intangible amortisation and exceptional items	**144.8**	**333.5**	**43.4**

7. EARNINGS PER SHARE continued

	Earnings £ million	Weighted average **shares number million**	2007 **Earnings per share pence**
Basic earnings from continuing operations	121.4	**328.7**	**36.9**
Exceptional items	(29.0)	**-**	**(8.8)**
Intangible amortisation	1.9	**-**	**0.6**
Basic earnings from continuing operations before intangible amortisation and exceptional items	94.3	328.7	28.7
Share options	-	**2.5**	**(0.2)**
Employee share and incentive schemes	-	**5.3**	**(0.5)**
Diluted earnings from continuing operations before intangible amortisation and exceptional items	94.3	336.5	28.0

8. DIVIDENDS

	2008 **Pence per share**	**2008** **£ million**	2007 Pence per share	2007 £ million
Dividends charged to reserves				
Final dividend in respect of 2007 (2007: final dividend in respect of 2006)	**8.8**	**28.6**	8.0	26.2
Interim dividend in respect of 2008 (2007: interim dividend in respect of 2007)	**5.3**	**17.3**	4.6	15.1
Reversal of over accrual in respect of previous years	**-**	**(0.4)**	-	-
	14.1	**45.5**	12.6	41.3

	2008 **Pence per share**	**2008** **£ million**	2007 Pence per share	2007 £ million
Dividends paid				
Interim dividend in respect of 2007 (2007: interim dividend in respect of 2006)	**4.6**	**15.1**	4.2	13.6
Final dividend in respect of 2007 (2007: final dividend in respect of 2006)	**8.8**	**28.6**	8.0	26.2
	13.4	**43.7**	12.2	39.8

After the balance sheet date the directors proposed a final dividend in respect of the year ended 31 December 2008 of 10.1 pence per share payable on 1 July 2009 to equity holders on the register at the close of business on 20 May 2009. This dividend has not been provided for and there are no income tax consequences for the company.

The final dividend of 10.1 pence (2007: 8.8 pence), together with the interim dividend of 5.3 pence (2007: 4.6 pence) per share results in a total dividend for the year of 15.4 pence per share (2007: 13.4 pence).

9. RECONCILIATION OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	2008 £ million	**2007 £ million**
Total recognised income and expense	**156.8**	434.3
Dividends	**(45.5)**	(41.3)
Shares issued	**1.5**	10.7
Equity settled share-based payments	**9.3**	5.3
(Acquisition)/disposal of shares by trustees of the Performance Share Plan	**(8.8)**	0.3
Acquisition of treasury shares (net)	**(21.8)**	(21.5)
Recognised in profit on disposal	**1.9**	10.8
Net increase in total equity	**93.4**	398.6
Equity as at beginning of the year	**892.6**	494.0
Total equity attributable to equity holders of the parent as at end of the year	**986.0**	892.6

The equity attributable to minority interests is £2.6 million (2007: £0.8 million).

10. ANALYSIS OF NET CASH

	2008 £ million	2007 £ million
Cash at bank and in hand	**124.0**	720.4
Short-term investments	**640.6**	13.7
Cash and cash equivalents disclosed on the balance sheet	**764.6**	734.1
Overdrafts	**-**	(0.7)
Total cash and cash equivalents	**764.6**	733.4
Current debt	**-**	(0.1)
Non-current debt	**(0.1)**	(0.1)
Net cash as at the end of the year	**764.5**	733.2

11. ACQUISITIONS AND DISPOSALS

ACQUISITIONS

All of the following purchases have been accounted for as acquisitions. Intangible assets recognised at fair value on the acquisition of these businesses included brands, trade names, customer relationships, order backlogs and non-compete agreements. The fair value adjustments in respect of these acquisitions have been provisionally determined.

11. ACQUISITIONS AND DISPOSALS continued

Rider Hunt International (RHi)

On 2 April 2008, the group acquired all of the shares in RHi. RHi is based in the UK and is an international provider of project services to the oil, gas, chemical, energy and process industries.

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

	Book value £ million	Fair value adjustments £ million	Recognised value £ million
Property, plant and equipment	0.1	-	0.1
Intangible assets	-	10.2	10.2
Trade and other receivables	7.3	-	7.3
Cash and cash equivalents	0.1	-	0.1
Trade and other payables	(2.7)	-	(2.7)
Deferred tax liability	-	(2.9)	(2.9)
Net identifiable assets and liabilities	4.8	7.3	12.1
Goodwill on acquisition			13.3
			25.4
Consideration			
Cash			25.0
Cost of acquisition			0.4
			25.4

Goodwill has arisen on the acquisition of RHi primarily because of the synergies obtained through combining RHI's strong project controls expertise and customer relationships with AMEC's project management and engineering skills.

Bower Damberger Rolseth Engineering Limited (BDR)

On 16 May 2008, the group acquired all of the shares in BDR. BDR is based in Calgary, Canada and is a specialist in-situ oil sands business.

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

	Book value £ million	Fair value adjustments £ million	Recognised value £ million
Property, plant and equipment	0.3	-	0.3
Intangible assets	-	10.6	10.6
Trade and other receivables	1.2	-	1.2
Cash and cash equivalents	2.2	-	2.2
Trade and other payables	(3.0)	(0.7)	(3.7)
Current tax payable	(0.4)	-	(0.4)
Deferred tax liability	-	(2.7)	(2.7)
Net identifiable assets and liabilities	0.3	7.2	7.5
Goodwill on acquisition			29.9
			37.4
Consideration			
Cash - paid on completion			17.7
- deferred			5.7
- contingent			13.8
Cost of acquisition			0.2
			37.4

11. ACQUISITIONS AND DISPOSALS continued

The contingent consideration is payable in five years' time subject to achievement of profit targets over that period.

Goodwill has arisen on the acquisition of BDR primarily because of the synergies obtained through combining the specialist engineering expertise and strong customer relationships of BDR with AMEC's capabilities in project management, construction management and engineering on large scale projects with major customers.

Geomatrix Consultants Inc (Geomatrix)

On 9 June 2008, the group acquired all of the shares in Geomatrix. Geomatrix is based in Oakland, US and is a diversified technical consulting and engineering firm offering specialist environmental, geotechnical and water resources services to clients in sectors such as oil and gas, industrial, mining and municipal.

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

	Book value £ million	Fair value adjustments £ million	Recognised value £ million
Property, plant and equipment	1.2	-	1.2
Intangible assets	-	9.7	9.7
Trade and other receivables	17.1	-	17.1
Cash and cash equivalents	1.6	-	1.6
Trade and other payables	(9.9)	-	(9.9)
Deferred tax liability	(0.6)	(3.9)	(4.5)
Net identifiable assets and liabilities	9.4	5.8	15.2
Goodwill on acquisition			26.0
			41.2
Consideration			
Cash - paid on completion			32.7
- deferred			7.8
Cost of acquisition			0.7
			41.2

Goodwill has arisen on the acquisition of Geomatrix primarily as a result of the skilled workforce which did not meet the criteria for recognition as an intangible asset at the date of recognition.

These three material acquisitions contributed £69 million to revenue and £8 million to profit before tax in the periods from their acquisition dates to 31 December 2008. In respect of the year to 31 December 2008, the revenue of these businesses was £106 million and their profit before tax £13 million.

OTHER ACQUISITIONS

A number of other immaterial acquisitions were made in the year for £16.4 million (2007: £3.1 million) in cash with the assumption of cash of £1.7 million (2007: £0.2 million). The aggregate fair value of the identifiable net liabilities was £0.8 million (2007: £1.1 million) excluding cash assumed and the aggregate goodwill arising on the acquisitions was £15.5 million (2007: £1.8 million). There was no difference between book value and fair value to the group of the assets and liabilities acquired.

The contributions of the acquired businesses to revenue and profit were not material to the results of the group.

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

£5.2 million was invested in joint ventures and other investments (2007: £6.0 million).

DISPOSALS

On 4 February 2008, the sale was completed of the tool and equipment hire business and related fixed assets, including certain contracts, of AMEC Logistics and Support Services to Speedy Hire Plc.

On 6 October 2008, the sale to Vattenfall AB of the UK Wind Developments business, excluding AMEC's share of the Isle of Lewis development, was completed.

The carrying value of the asset and liabilities sold and the profit on sale in respect of the continuing operations were as follows:

	£ million
Property, plant and equipment	7.1
Trade and other receivables	10.0
Trade and other payables	(1.7)
Net assets sold	15.4
Amounts provided in respect of indemnities and other liabilities (net of amounts released)	9.0
	24.4
Cash consideration received	139.0
Costs of disposal	(3.9)
Profit on disposal	110.7

12. BUSINESS THREATS AND OPPORTUNITIES

AMEC plc is a focused supplier of high-value consultancy, engineering and project management services to customers in the energy, power and process industry sectors.

The maintenance of high standards of safety and service remain important in securing repeat business from customers.

AMEC operates in more than 30 countries globally, serving a broad range of markets and customers. As such, the company is subject to certain general and industry-specific risks. Where practicable, the company seeks to mitigate exposure to all forms of risk through effective risk management and risk transfer practices.

Specific risks faced by AMEC are as set out below.

Geopolitical and economic conditions

AMEC operates predominately in the UK and North America and is therefore particularly affected by political and economic conditions in those markets. The company is not, however, dependent on any one area of economic activity.

Changes in general economic conditions may influence customers' decisions on capital investment and/or asset maintenance, which could lead to volatility in the development of AMEC's order intake. The risk associated with economic conditions resulting in a downturn and affecting the demand for AMEC's services has been addressed, as far as practicable, by seeking to maintain a balanced business portfolio.

In light of the global economic downturn experienced in the latter half of 2008, steps are being taken in order to assess and monitor any potential impact on AMEC's project opportunities and address potential increased supply chain risk.

The impact of the drop in oil prices seen in the latter half of 2008 is a significant factor, and represents a business threat. 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. As stated above, the potential impact on project opportunities is being monitored.

Environmental and social risk

AMEC has continued to review and update these important risk issues as appropriate. AMEC's operations are subject to numerous local, national and international environmental regulations and human rights conventions. AMEC has taken steps to ensure that climate change related risks are appropriately highlighted in the corporate risk management process.

Breaches of, or changes in environmental or social standards, laws or regulations could expose AMEC to claims for financial compensation and adverse regulatory consequences, as well as damaging corporate reputation.

AMEC takes a pragmatic, integrated approach to managing environmental and social risks utilising existing business management systems to identify and mitigate such risks. For example employment processes protect the human rights of the workforce, and the Safety, Health and Environment (SHE) Management system defines a standard for environmental management.

AMEC tracks over 40 environmental and social KPIs, including environmental regulatory performance and community investment. Further details are available in the annual sustainability report (available on line at amec.com).

Health and Safety

AMEC is involved in activities which have the potential to cause injury to personnel or damage to property. In order to control risk and prevent harm AMEC is focused on achieving the highest standards of health and safety management. This is achieved through the setting of an effective health and safety policy and ensuring effective leadership and organisational arrangements are in place to deliver this policy. AMEC is committed to continuous improvement and performance is regularly reviewed against agreed targets with the objective of facilitating continuous improvement and there are robust programmes in place to facilitate lateral learning.

Security of employees

The personal security and the safety of employees and contractors can be compromised due to their either being based, or travelling extensively on business, in potentially hazardous locations. AMEC regards the safety and security of its personnel as being of paramount importance, and this risk is mitigated by keeping security in relevant locations under continual review and the hiring of a local specialist security company where appropriate. Contingency arrangements are also in place to respond to any adverse security incidents affecting AMEC's operations across the globe.

Business continuity

Given the broad spread and scope of its operations, AMEC's risk from natural catastrophe and terrorist action is varied, and considerable disruption could be caused to AMEC's operations as a result of the associated business interruption. It is intended that these risks are mitigated through business continuity planning, which is being implemented progressively throughout the group and is being verified through testing and an ongoing audit process. In addition, the risk of increased cost of working in relation to UK and North America properties as a result of business disruption is transferred via insurance.

Credit

AMEC is exposed to credit risk particularly in relation to customers. The credit risk associated with customers is considered as part of the tender review process and is addressed initially via contract payment terms, and, where appropriate, payment security. Credit control practices are applied thereafter during the project execution phase.

Customer concentration

The company serves a broad range of markets and customers and undertakes a wide variety of different projects. Further details can be found on the AMEC website, amec.com. It is not reliant on any particular contract.

AMEC's largest customer is Shell, which in 2008 accounted for around eight per cent of continuing revenues. Were dependence on key customers to increase significantly, this could have direct consequences on AMEC's financial development.

Bidding risk

AMEC addresses the risk associated with bidding by a tender review process which addresses the threats and opportunities associated with each tender submitted. Following the amendment of Delegated Authorities relating to tender submission in 2007, which placed greater emphasis on the level of risk associated with tenders, in 2008 the focus was on the tender review process as part of the Operational Excellence programme. This has resulted in the implementation of a web-based workflow process which will result in improved visibility of the threats and opportunities associated with tender submission.

Project execution risk

One of AMEC's significant risks is the risk of losses arising during the execution phase of projects. Various measures are in place in order to address the project execution risk, including the risk management process, project reviews, internal audit of projects, and the implementation of peer reviews.

Litigation

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.

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. There is a risk that additional litigation could be instigated in the future which could have a material impact on the company, although full risk management controls remain in place to deal with such matters.

Pensions

AMEC operates a number of defined benefit pension schemes, where careful judgement is required in determining the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member longevity. There is a risk of underestimating this liability and the pension schemes falling into deficit. This risk is mitigated by:

Maintaining a relatively strong funding position over time
Taking advice from independent qualified actuaries and other professional advisers
Agreeing appropriate investment policies with the Trustees
Close monitoring of changes in the funding position, with reparatory action agreed with the trustees in the event that a sustained deficit emerges.

Counterparty risk management

The group holds significant net cash balances following the disposal of a number of businesses during 2006, 2007 and 2008.

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. AMEC manages these risks by ensuring that surplus funds are placed with counterparties up to a pre-approved limit. These limits are set at prudent levels by the board and are based primarily on credit ratings set by Moody's, Standard & Poors and Fitch. Credit ratings are monitored continuously by the group treasury department. The group treasury department monitors counterparty exposure on a global basis to avoid an over-concentration of exposure to any one counterparty.

Funding and liquidity risk

The group will finance operations and growth from its significant existing cash resources. The group also has committed unsecured borrowing facilities, provided by a number of relationship banks, that mature in 2009, which can be used for general corporate purposes. At 31 December 2008 these facilities totalled £315 million (2007: £315 million) with an average duration of 4 months (2007: 16 months). Headroom under these facilities at 31 December 2008 was £315 million (2007: £291 million). 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. However, given the group's significant cash resources the decision was made not to renew the facilities during 2008. This decision will be kept under review during 2009. However, appropriate facilities will be maintained to meet ongoing requirements for performance related bonding and letters of credit.

Treasury risks

The group's treasury department manages funding, liquidity and risks arising from movements in interest and foreign currency rates within a framework of policies and guidelines approved by the board. Derivatives and conventional financial instruments are used with the aim of limiting financial risk. The treasury department does not operate as a profit centre and the undertaking of speculative transactions is not permitted.

Interest rate risk

The group remained in a net cash position throughout the year. As a result, long-term interest rate hedging (for periods beyond three to six months) is not considered appropriate. However, as UK interest rates have fallen steadily this will have an impact on interest income in 2009.

In 2008, the effective interest rate on the average cash balance of £626 million was four per cent. Each one per cent reduction in interest rates would impact interest income by c.£6 million.

Foreign exchange risk

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

Transaction exposures

A significant proportion of the group's trading income is denominated in the local currency of the business operations which provides a natural hedge against the currency of its cost base. Where commercial contracts are undertaken which are denominated in foreign currencies, the group seeks to mitigate the foreign exchange risk, when the cash flow giving rise to such exposure becomes certain or highly probable, through the use of forward currency arrangements, which may include the purchase of currency options.

As stated earlier, 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 subsequently updated regularly. 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 2008 is £214 million (2007: £116 million). At 31 December 2008 the mark-to-market value of these contracts that were out of the money was a liability of £14.8 million (2007: liability of £1.2 million) and of these contracts that were in the money was an asset of £9.6 million (2007: asset of £3.1 million). AMEC has no reason to believe that any material outstanding forward contract will not be able to be settled from the underlying commercial transactions.

Translation exposures

A portion of the group's earnings is generated in non-Sterling currencies. Such overseas profits are translated into Sterling at the average exchange rate prevailing throughout the year. There is currently no hedging in place for profits generated in non-Sterling currencies but the impact on group profits is monitored on an ongoing basis.

In addition, the group has various assets denominated in foreign currencies, principally US dollars and Canadian dollars. Consistent with the group's policy, a proportion of these assets, including unamortised goodwill, have been hedged by using cross-currency instruments. At 31 December 2008, these net investment hedges amounted to £199 million (2007: £138 million) covering approximately 50 per cent of overseas assets (2007: 40 per cent).

Information technology (IT)

AMEC is exposed to the risk that the IT systems upon which it relies fail. AMEC has appropriate controls in place in order to mitigate the risk of systems failure, including systems back up procedures and disaster recovery plans, and also has appropriate virus protection and network security controls.

Legacy risk

One of AMEC's risks remains the risk of a liability arising in connection with divested businesses. In order to address this risk, a legacy team has been established. This team deals with the defence of claims, or potential claims, against AMEC and monthly meetings are held in order to review the status of all legacy matters. AMEC has made provisions for the legacy issues which are believed to be adequate and AMEC is not aware of any current issues relating to disposed businesses which are likely to have a material impact on the company.

Acquisitions

AMEC is exposed to risk in connection with its acquisition activities and manages this risk through its 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.

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