

AMEC plc 2009 results AMEC delivers another record operating performance

2009 highlights

Another record operating performance

- EBITA¹ £208.3 million, up 13 per cent
- EBITA margin² 8.2 per cent, up 110 basis points
- Firmly on track to deliver 2010 margin target of 8.5 per cent
- Diluted EPS from continuing operations⁴ 46.9 pence, up 7 per cent

Order book strong at £3.2 billion

Cash flow conversion 124 per cent

- Operating cash flow⁵ £257 million, up 129 per cent

Continued financial strength

- Net cash as at 31 December 2009 £743 million
- £113 million invested in acquisitions; GRD and four other acquisitions completed in 2009
- Dividends per share up 15 per cent, to 17.7 pence

Chief Executive Samir Brikho said:

“AMEC has delivered another year of excellent results in 2009, with a significantly improved operating cash flow performance and record EBITA margin² of 8.2 per cent.

We believe the trading environment will remain challenging, but expect that our order pipeline will continue to improve as the year progresses. We are currently well positioned on contracts at the early stages of the project cycle and are confident this will support future growth, building on our strong customer relationships. In the first quarter, we have seen signs of a pick up in the market and we expect to win a number of sizeable new contracts for delivery later in 2010 and beyond. We continue to be firmly on track to deliver our target of 8.5 per cent EBITA margin in 2010.”

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.

Next event: Annual General Meeting and Interim Management Statement on 13 May 2010

Analyst consensus estimates are collated and circulated to interested parties on a periodic basis. To be added to the circulation, please contact the Investor Relations team.

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Financial highlights

Continuing operations:		2009	2008	Change (%)
Revenue	(£m)	2,539.1	2,606.4	-3
EBITA ¹	(£m)	208.3	184.9	+13
Adjusted profit before tax ³	(£m)	215.6	210.3	+3
Profit before tax ⁶	(£m)	203.5	306.6	-34
Adjusted diluted earnings per share ⁴	pence	46.9	44.0	+7
Diluted earnings per share from continuing operations	pence	46.7	63.1	-26
Dividends per share	pence	17.7	15.4	+15

Notes:

- EBITA for continuing operations before intangible amortisation and goodwill impairment, pre-tax exceptional items and £3.7 million (2008: £2.1 million) relating to elements of deferred consideration on acquisitions in the Earth & Environmental division, 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 £7.3 million (2008: £25.4 million)
- Diluted earnings per share from continuing operations before intangible amortisation and goodwill impairment, pre-tax exceptional items and elements of deferred consideration in the Earth & Environmental division
- Cash generated from operations before exceptional items and discontinued operations, legacy settlements and pension payments in excess of amounts recognised in the income statement
- 2008 included an aggregate pre-tax exceptional gain on disposal of £110.7 million, resulting primarily from the sale of the UK Wind Developments business to Vattenfall

Basis of presentation and discontinued operations

The following analysis is based on the results for continuing operations before intangible amortisation, goodwill impairment and pre-tax exceptional items but including joint venture profit before tax. The results of the group and the Earth & Environmental division also exclude £3.7 million (2008 £2.1 million) of costs relating to elements of deferred consideration on acquisitions by the Earth & 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 & 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 goodwill impairment and intangible amortisation (EBITA) are stated before corporate costs of £38.1 million (2008: £37.4 million) and pre-tax exceptional income of £12.6 million (2008: £109.0 million).

The average numbers of employees for the years ended 31 December 2009 and 31 December 2008 stated in this review include agency staff. The average number of employees in the Power & Process division for 2008 has been restated to include all categories of employees in the Americas on a consistent basis.

* 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.

2009 results overview

Continuing operations		2009	Underlying business	Currency exchange	Acquisitions	2008
Revenue	(£m)	2,539.1	-316.9	182.5	67.1	2,606.4
Y-on-Y change	(%)	-3	-12	+7	+2	
EBITA	(£m)	208.3	2.1	17.3	4.0	184.9
Y-on-Y change	(%)	+13	+1	+10	+2	
EBITA margin	(%)	8.2				7.1
Y-on-Y change	(bps)	+110				
Operating cash flow	(£m)	257				112
Y-on-Y change	(%)	+129				
Order book	(£bn)	3.2				3.3
Y-on-Y change	(%)	-3				
Average number of employees		21,193				22,849
Y-on-Y change	(%)	-7				

Overall **revenue** for the year decreased by 3 per cent to £2,539.1 million (2008: £2,606.4 million). The **underlying revenue** declined by 12 per cent, primarily due to general market weakness and the strategic refocusing of the Power & Process division, although Natural Resources and Earth & Environmental also saw a modest decline in underlying revenues. Favourable currency movements added 7 per cent (+£182.5 million) and acquisitions 2 per cent (+£67.1 million).

EBITA increased 13 per cent to £208.3 million (2008: £184.9 million), primarily due to a strong performance from Natural Resources. Acquisitions (+£4.0 million) and currency movements (+£17.3 million) also had a positive effect, with the overall impact on **EBITA margins** being a 110 basis points increase to 8.2 per cent (2008: 7.1 per cent). Margin improvement was particularly strong in Natural Resources and Power & Process, though Earth & Environmental saw margins decline.

Adjusted profit before tax of £215.6 million in 2009 was ahead of 2008 (£210.3 million), and reflected the EBITA margin improvements offset by lower interest rates. There were intangible **amortisation and goodwill impairments** of £15.7 million (2008: £9.2 million), **joint venture tax** of £5.3 million (2008: £1.4 million), and £3.7 million relating to elements of **deferred consideration** on acquisitions in the Earth & Environmental division (2008: 2.1 million), which, combined with the **pre-tax exceptional income** of £12.6 million (2008: £109.0 million, including the gain on sale of the UK Wind developments business), resulted in a **profit before tax** from continuing operations of £203.5 million (2008: £306.6 million). The **tax charge** for the year was £46.8 million (2008: £96.9 million), and this, combined with a post-tax profit of £15.9 million (2008: a loss of £10.7 million) from discontinued operations, resulted in a **total profit** for the year of £172.6 million (2008: £199.0 million).

The Board is recommending a final **dividend** of 11.6 pence per share (2008: 10.1 pence), which together with the interim dividend of 6.1 pence per share (2008: 5.3 pence) results in a total dividend of 17.7 pence per share (2008: 15.4 pence), an increase of 15 per cent. The Board intends to maintain a progressive dividend policy, which reflects their confidence in the Group's future performance.

Performance improvement and strategy

The implementation of the **Operational Excellence** programme was largely completed in 2009. The success of the initiative has enabled AMEC to perform strongly through the downturn and position the group ahead of the anticipated global economic recovery. Investment in the initiative in 2009 was £10 million and annual benefits of £18 million were achieved (2008: investment £10 million and annual benefits £7 million). The year-on-year cumulative benefit was £11 million.

Vision 2015 was launched in December 2009, setting out the next phase of AMEC's journey. There will be an increased focus on assured growth, with further margin improvement and a move towards a more efficient capital structure. A new financial goal has been set, of more than doubling earnings per share to over 100 pence in 2015.

At the same time, it was announced that the Natural Resources and Power & Process divisions would be brought together under the leadership of Neil Bruce. Both divisions use similar high-value consulting, engineering and project management skills across comparable projects; the main difference is the end markets served. Combined with the consistent tools, processes, and systems developed through Operational Excellence, it is expected that customer services can be improved by bringing together the strength and depth of both divisions. Although the management team of the two divisions has merged, Natural Resources and Power & Process will continue to report separately.

One small example of how collaborative working can be beneficial is the Gateway Storage project, which was awarded in January 2010. The Gateway Storage Company selected AMEC to do the front-end engineering design (FEED) for both the offshore and onshore elements of the £600 million Gateway offshore underground gas storage scheme. This challenging and ground-breaking project couples AMEC's considerable FEED expertise on traditional offshore projects with AMEC's leading process capability.

Outlook

2010 is expected to be another challenging year. Although the level of project awards is forecast to improve in 2010 and stimulus funding is expected to be released, the timing of both activities is likely to be back-end loaded. Consequently, the growth of AMEC's project pipeline is expected to accelerate as the year progresses. AMEC is well positioned: through the careful positioning of Natural Resources in early stage FEED contracts; the refocusing of the Power & Process division on a higher value, lower risk business model; the strength of customer relationships; the acknowledged expertise

of our employees; the long term growth fundamentals of the markets served; and the strength of the order book at £3.2 billion.

There is expected to be increasing pricing pressure from customers, although the impact will be mitigated by the on-going positive effects of Operational Excellence and other internal efficiency drives. In 2010, the investment in Operational Excellence is expected to be £5 million, with an annual benefit of at least £40 million, up from the £18 million in 2009. The group is firmly on track to achieve its margin target of 8.5 per cent in 2010.

AMEC's balance sheet remains exceptionally strong, and further selective value-enhancing acquisitions are expected during 2010. The group will continue to build its position consistent with its Vision 2015 strategy of assured growth, through a strengthened geographic footprint and enhanced capabilities in key sectors.

Segmental review

Natural Resources

Natural Resources comprises AMEC's activities in Oil & Gas services (52 per cent of revenues in 2009), Oil Sands (31 per cent of revenues), and Mining & Metals (17 per cent of revenues). Services are provided in asset development and asset support and include consultancy, design, engineering, procurement, project management, construction management, commissioning and operational support.

Continuing operations		2009	Underlying business	Currency exchange	Acquisitions	2008
Revenue	(£m)	1,300.9	-17.4	78.2	35.9	1,204.2
Y-on-Y change	(%)	+8	-1	+6	+3	
EBITA	(£m)	154.3	12.8	9.6	2.6	129.3
Y-on-Y change	(%)	+19	+10	+7	+2	
EBITA margin	(%)	11.9				10.7
Y-on-Y change	(bps)	+120				
Order book	(£bn)	1.71				1.71
Y-on-Y change	(%)	In line				
Average number of employees		9,577				10,713
Y-on-Y change	(%)	-11				

The Natural Resources division achieved another year of good results despite the reduction in industry capital spend in 2009.

Overall **revenue** improved 8 per cent to £1,300.9 million as a result of acquisitions and currency movements. Good organic growth was seen in the Oil Sands business, driven by the impact of the

Kearl project, which is progressing well. In Oil & Gas services, opex activities declined slightly following the completion of two UK projects in early 2009. New capex contracts in the early phases of development in the second half of 2009 are expected to ramp up later in 2010 and beyond.

Improvements in **EBITA** (£154.3 million, up 19 per cent), and a record **EBITA margin** (11.9 per cent, up 120 basis points), were driven by:

- A shift in the business mix. Capex activities increased to 65 per cent of total divisional revenues, and opex activities represented 35 per cent (2008: capex 55 per cent; opex 45 per cent). Margins in capex and opex improved to 13.3 per cent and 8.8 per cent respectively (2008: capex 12.9 per cent; opex 8.0 per cent)
- Favourable impact of currency movements and acquisitions
- The benefits of increased efficiency generated through Operational Excellence.

The average number of employees in Natural Resources declined 11 per cent, reflecting a greater proportion of higher margin, less labour intensive front-end work, and improved operational efficiency.

During 2009, Natural Resources acquired two companies:

- Performance Improvement Group (PI) Limited, a 120-person UK-based asset optimisation consultancy services company
- GRD Limited, an 850-person Australian-listed company; its main business (GRD Minproc) is a world class engineering and project delivery business, specialising in the design, procurement and construction of mineral projects with primary operations in Australia, South Africa and South America. AMEC Minproc will serve as a platform for growth across all three divisions in this key growth region, and integration is well under way.

In addition, on 29 January 2010, AMEC acquired 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.

Recent contract wins reflect Natural Resources deliberate strategic positioning in a challenging market. As customer capital expenditure came under pressure and project sanctions declined, AMEC concentrated on winning the front-end concept and design phase of major deepwater capex projects. Not only do these projects fit well with AMEC's core competencies, but they also place AMEC in a strong position to win the follow-up (engineering, procurement, construction management) work in 2010 and beyond.

In line with this strategy, the division secured the following world class **front-end contracts** in 2009: QUIP: P-63 FEED, offshore Brazil; ExxonMobil: Kizomba Satellites, detailed design and support, offshore Angola; INPEX: Icthyus project FEED, offshore Western Australia; Shell Malikai, deepwater engineering studies; BP: deepwater Tubular Bells and Kodiak discoveries in the Gulf of Mexico.

2009 was a good year for longer-term **opex contracts**, which provide portfolio stability. Highlights include: BG: two-year contract extension in the North Sea; BP: engineering and project management services contract in UAE, BP Unity operations and maintenance; Shell: Sigma3 joint venture contract extension; and Woodside Energy: offshore maintenance services.

The division continues to strengthen its relationship with existing customers (ExxonMobil, Shell, BP, BG, PotashCorp, KOC, Syncrude, Fairfield Energy) as well as build new ones, such as with INPEX. While the International Oil Companies drive a significant proportion of the business, National Oil Companies represented 7.5 per cent of the division's revenues in 2009, growing 23 per cent.

Overall, the **order book** was maintained at its previous high levels. It can be analysed as follows:

- Capex 55 per cent; Opex 45 per cent (2008: Capex 43 per cent; Opex 57 per cent)
- UK/Europe 34 per cent; Americas 32 per cent; Rest of World 34 per cent (2008: UK/Europe 35 per cent; Americas 29 per cent; Rest of World 36 per cent)

It is expected that markets will remain challenging in 2010. Customers are increasingly putting pressure on pricing though this will be mitigated by the on-going positive effects of Operational Excellence. The careful strategic positioning of Natural Resources in early stage contracts, and the long term growth fundamentals of the markets served, continue to underpin longer term growth.

Power & Process

As a result of Vision 2015, the Power & Process division is now focused on five core sectors identified as areas of significant long-term growth and existing competitive strength: Nuclear (34 per cent of 2009 core revenue), Conventional Power (15 per cent), Transmission & Distribution (22 per cent), Renewables (7 per cent), Bioprocess (22 per cent).

Revenues from the non-core Industrial sector (which includes activities in areas such as cement, food, and pharmaceuticals) reduced by 74% in 2009.

Similar to the Natural Resources division, Power & Process's core services are in asset development and asset support, and include consultancy, engineering, design, project management, commissioning and operational support across the life cycle of projects and investments. The division also provides a small proportion of EPC (engineering, procurement and construction) services, when favourable terms and conditions apply, reflecting the nature of the customers and sectors it serves. The division remained selective in new work taken on in 2009, reflecting its continued migration to a high value-add, low execution risk business model.

The division serves a broad range of public, private, and utility customers principally located in the UK and Americas, with a strong emphasis on clean energy and process assets and infrastructure.

Continuing operations		2009	<i>Underlying business</i>	<i>Currency exchange</i>	<i>Acquisitions</i>	2008
Revenue	(£m)	788.1	-283.7	48.8	1.2	1,021.8
<i>Y-on-Y change</i>	(%)	<i>-23</i>	<i>-28</i>	<i>+5</i>	<i>nil</i>	
EBITA	(£m)	55.4	-5.7	3.2	-0.4	58.3
<i>Y-on-Y change</i>	(%)	<i>-5</i>	<i>-10</i>	<i>+6</i>	<i>-1</i>	
EBITA margin	(%)	7.0				5.8
<i>Y-on-Y change</i>	(bps)	<i>+120</i>				
Order book	(£bn)	1.17				1.28
<i>Y-on-Y change</i>	(%)	<i>-9</i>				
Average number of employees		7,061				7,922
<i>Y-on-Y change</i>	(%)	<i>-11</i>				

Results continue to reflect management's efforts to refocus the business model and core services to be higher value-add, lower execution risk.

Revenue for the period was down 23 per cent, to £788.1 million in 2009 (2008: £1,021.8 million). Over 40 per cent of this decline reflected the completion of the four 'older contracts'. These are contracts that do not meet the new criteria of low-risk services with high value add. Further volume decline also came from weaknesses in process end markets in the UK and Americas, and project delays in the Conventional Power sector.

EBITA declined 5 per cent, to £55.4 million (2008: £58.3 million), as improvements in operational efficiency, and a £15 million contribution from the major Sellafield joint venture contract were offset by lower levels of activity and a net loss of £10 million on the older contracts. Control of any remaining liability on these contracts is a key management focus. Overall **EBITA margin** improved by 120bps, to 7.0 per cent.

The average number of employees in Power & Process declined by 11 per cent, reflecting the managing down of the cost base in accordance with lower levels of activity during the period.

Contract awards in 2009 highlight the division's focus on its core sectors and the strength of strategic customer relationships.

- **Conventional Power:** EDF: contract for mechanical, electrical and instrumentation installation at the new West Burton combined cycle gas turbine power station (UK); Gateway Storage Company: FEED contract as mentioned previously
- **Transmission & Distribution:** National Grid: offshore contract to provide technical due diligence support in their bid to become an offshore transmission operating license owner
- **Renewables:** Renewable Ventures: solar power project

- **Bioprocess:** Range Fuels: project management of a prototype biofuels plant; Packaging Corporation of America (PCA): a US\$93 million contract for energy efficiency upgrades at its linerboard mill in Valdosta, Georgia, US; and CMPC: Laja plant modernisation project and plant capacity increase Santa Fe, New Mexico, US.

Australasia is a key growth region, and AMEC has successfully used joint ventures and local partnerships to leverage its expertise and build relationships in this important region. The Korean joint venture agreement with Korea Electric Power Corporation (KEPCO), Korea Gas Corporation (KOGAS) and the Korean Development Bank (KDB) was signed in 2009, and is now formally registered and actively developing new prospects. In India, a new strategic partnership established with Hindustan Construction Co. Ltd, provides an opportunity to target India's nuclear new build programme.

The **order book** at 31 December was £1.17 billion (31 December 2008: £1.28 billion), down on the previous year due to project deferrals by customers and the strategic refocusing exercise. The order book can be analysed as follows:

- Capex 39 per cent; opex 61 per cent (2008: capex 37 per cent; opex 63 per cent)
- UK/Europe 50 per cent; Americas 50 per cent (2008: UK/Europe 54 per cent; Americas 46 per cent)

The Sellafield contract, as an equity accounted joint venture, is not included in the Power & Process order book.

Markets are expected to remain challenging in 2010. The Sellafield contract is now well established and the division's focus on five core sectors, which are supported by long term market fundamentals and strong customer relationships, position AMEC well for growth in the longer term. Pricing pressure will be mitigated by the on-going positive effects of Operational Excellence. Incremental margin improvements are anticipated as the older contracts move towards completion and the strategic refocusing exercise continues.

Earth & Environmental

The Earth & Environmental division provides a range of specialist environmental, geotechnical, programme management, engineering and consultancy services to a broad range of customers in the public and private sectors. Work is also performed for customers common to the Natural Resources and Power & Process divisions, for example, the Kearn project with Imperial Oil. The main sectors are: Federal/State/Provincial (28 per cent of 2009 revenues), Industrial/Commercial (15 per cent) Transportation/Infrastructure (16 per cent) Mining (15 per cent) Energy (12 per cent) and Municipal/Water (14 per cent).

Earth & Environmental enables AMEC to provide a broader range of services across the asset life cycle than many competitor companies. This will often 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; average contract size is approximately US\$40,000. It provides services from a branch network of around 150 offices, mainly in North America, but with an increasing presence in the growth markets of Europe and South America.

Continuing operations		2009	<i>Underlying business</i>	<i>Currency exchange</i>	<i>Acquisitions</i>	2008
Revenue	(£m)	470.8	-14.9	55.5	30.0	400.2
<i>Y-on-Y change</i>	(%)	+18	-4	+14	+8	
EBITA	(£m)	36.5	-3.3	4.5	1.8	33.5
<i>Y-on-Y change</i>	(%)	+9	-10	+13	+6	
EBITA margin	(%)	7.8				8.4
<i>Y-on-Y change</i>	(bps)	-60				
Order book	(£bn)	0.29				0.29
<i>Y-on-Y change</i>	(%)	<i>In line</i>				
Average number of employees		4,337				3,933
<i>Y-on-Y change</i>	(%)	+10				

Revenue increased by 18 per cent to £470.8 million in 2009 (2008: £400.2 million), as a small decline in the underlying revenue was more than offset by acquisitions and favourable currency movements. The overall softening of the market was not offset, as had been expected, by US and Canadian government stimulus spending. Although the division saw growth in the Municipal/Water, Mining, and Federal sectors, it was offset by weakness in the Industrial/Commercial end markets.

EBITA increased 9 per cent in 2009 to £36.5 million (2008: £33.5 million), with acquisitions and currency movements offsetting a reduction in underlying EBITA. Overall **EBITA margin** declined 60 bps to 7.8 per cent (2008: 8.4 per cent) driven by lower utilisation rates. Operational gearing is higher in this business because of the 'seller-doer' business model. Hence, as the economy weakened and projects were delayed, utilisation rates were impacted despite on-going action to reduce the cost base.

The division benefited from three Canadian-based acquisitions which added to the branch network of offices, and further improved the division's capabilities. The acquisitions were:

- Philips Engineering Ltd; specialist civil engineering and consultancy services
- Arcas Consulting Archaeologists, Ltd; archaeological consulting services

- Journeax, Bedard and Associates Inc; geotechnical, mining and environmental engineering consultancy services.

The average number of employees in Earth & Environmental for the period increased by 10 per cent compared to the previous year, with the increase reflecting the above acquisitions, as well as the full year effect of the Geomatrix acquisition (June 2008).

Contracts in 2009 reflect the strength of the Federal, Mining and Water sectors:

- Guyana Goldfields, Aurora Gold, Guyana: studies and designs for water and waste management, geotechnical and other engineering
- Imperial Oil: environmental and geotechnical engineering work on the Kearl Oil Sands cross-divisional collaborative project
- US Navy: global, multiple award construction contract, and modernisation project for fuel facilities; Department of National Defence, Goose Bay, Canada: prime consultant for site assessment and remediation
- US Air Force Centre for Engineering and the Environment: multiple projects at bases globally
- US Air Force Civil Engineer Support Agency: design and construction of a solar array at Buckley Air Force Base, Colorado, US
- City of Wichita, Kansas, US: detailed analysis and levee certification of more than 97 miles of levees protecting the city
- Fairfax County, Virginia, US: storm water consulting services.

2010 will remain a challenging year. However, the Industrial/Commercial markets are showing signs of recovery and US and Canadian stimulus spending is expected to increase in 2010 through to early 2011. The growth fundamentals of Earth & Environmental's core sectors continue to support longer term growth.

Investments and other

This division principally comprises the Incheon Bridge PPP project in Korea, which was completed on schedule and within budget and was opened to traffic in October 2009.

Revenue in this division declined by 31 per cent to £13.7 million (2008: £20.0 million) reflecting the exit from non-core activities. **EBITA** reduced to £0.2 million (2008: £1.2 million) reflecting the disposal of the plant hire business in 2008.

Financial review

Geographic analysis

Some 70 per cent of 2009 revenues (2008: 61 per cent) were generated outside the UK, with the group's largest market being Canada, driven by Mining & Metals and Oil Sands.

Administrative expenses

Administrative expenses increased by £31.9 million to £189.5 million (2008: £157.6 million) largely as a result of currency movements, acquisitions and a lower level of net financing income from the pension schemes.

Net financing income

In 2009, the average interest rate received was approximately one per cent compared to four per cent in 2008. Consequently, the net financing income for the year fell by £18.1 million to £7.3 million (2008: £25.4 million).

Taxation – continuing operations

The group's effective **tax rate** in 2009 for the continuing businesses (including tax attributable to joint venture interests) before exceptional items and excluding intangible amortisation and goodwill impairment was 27.5 per cent (2008: 30.8 per cent). The reduction principally reflects the agreement of historical items with various tax authorities and more active management of tax affairs.

The tax rate in 2010 is expected to reduce further.

A **tax credit** of £1.5 million (2008: charge of £37.2 million) relates to total exceptional income of £12.6 million (2008: £109.0 million).

At 31 December 2009, the group had **deferred tax** assets of £68.4 million (2008: net liabilities of £6.4 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. The deferred tax balance as at 31 December 2008 has been amended to include the deferred tax on the pension scheme surplus previously disclosed separately.

Intangible amortisation and goodwill impairment

Intangible amortisation relates to capitalised software and intangible assets acquired as part of the group's acquisitions. The 2009 charge of £14.4 million is £5.2 million higher than in 2008 with the increase due to the acquisitions in the year and a full year impact of acquisitions made during 2008.

In line with IAS 36 'Impairment of assets', annual impairment reviews have been performed on the goodwill carried on the balance sheet. These reviews resulted in an impairment charge of £1.3 million in respect of the acquisition of Bower Damberger Rolseth Engineering Limited.

Exceptional items

Divestments: Two small businesses were divested during the year. In addition, there were various adjustments to existing provisions in respect of prior year disposals, resulting in an aggregate post-tax exceptional gain of £3.5 million.

Legacy issues: In its 2006 accounts, AMEC noted six major contingent liabilities. During 2007 and 2008, AMEC made good progress in settling the major issues on these contracts. An update on the remaining contractual issues is as follows:

- Settlement was reached in early 2009 on the major issues on the Courthouses (US) dispute, within the provisions previously made
- 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 2009. Provisions currently held for future costs of litigation total £53.8 million (2008: £65.3 million).

Financial position and net cash

The group remains in an exceptionally strong financial position, with **net cash** as at 31 December 2009 of £742.7 million (2008: £764.5 million).

Cash generated from operations of £242.3 million (2008: £69.0 million) reflected ongoing good cash management. After adjusting for exceptional items and discontinued operations, legacy settlements and pension payments in excess of amounts recognised in the income statement, operating cash flow was £257 million (2008: £112 million).

Pensions

The IAS19 surplus of the principal UK pension schemes at the end of 2009 of £26.8 million was lower than in 2008 (£165.7 million) reflecting principally the decline in discount rates over the year and an increase in the assumed inflation rate, which were partly offset by investment returns achieved over the year.

The regular triennial valuations of the UK schemes, which took place during 2008, have now been finalised.

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

Contributions of £17.8 million were paid to the company's defined benefit schemes during the year (2008: £26.3 million). This included special contributions agreed with the Trustees of £5.1 million (2008: £8.4 million).

Provisions

Provisions held at 31 December 2009 were £180.4 million (31 December 2008: £204.3 million). During 2009, £22.6 million of the brought forward provisions were utilised. As part of the ongoing review of the potential liabilities, £23.4 million of provisions were released as they were no longer required but an additional £20.8 million of provisions were created. Provisions are analysed as follows:

As at 31 December 2009	£ million
Litigation provisions	53.8
Indemnities granted to buyers and retained obligations on disposed businesses	74.9
Insurance and other	51.7
Total	180.4

Auditors

The board will be recommending the appointment of Ernst & Young as AMEC's auditors to shareholders at the forthcoming AGM. The recommendation follows a formal audit tender process initiated to ensure the company continues to receive best value for its audit services.

Notes to Editors:

AMEC plc

AMEC plc (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 £2.5 billion, AMEC designs, delivers and maintains strategic and complex assets for its customers. The company employs over 21,000 people in more than 40 countries globally. See amec.com

CONSOLIDATED INCOME STATEMENT

		Before amortisation, impairment and exceptional items £ million	Amortisation, impairment and exceptional items (note 3) £ million	2009 Total £ million
	Note			
Continuing operations				
Revenue	2	2,539.1	-	2,539.1
Cost of sales		<u>(2,162.4)</u>	<u>2.2</u>	<u>(2,160.2)</u>
Gross profit		376.7	2.2	378.9
Administrative expenses		(189.5)	(15.7)	(205.2)
Profit on business disposals and closures		<u>-</u>	<u>10.4</u>	<u>10.4</u>
Profit/(loss) before net financing income		187.2	(3.1)	184.1
Financial income		<u>12.4</u>	<u>-</u>	<u>12.4</u>
Financial expense		<u>(5.1)</u>	<u>-</u>	<u>(5.1)</u>
Net financing income		7.3	-	7.3
Share of post-tax results of joint ventures		<u>12.1</u>	<u>-</u>	<u>12.1</u>
Profit/(loss) before income tax	2	206.6	(3.1)	203.5
Income tax	4	<u>(53.0)</u>	<u>6.2</u>	<u>(46.8)</u>
Profit for the year from continuing operations		153.6	3.1	156.7
Profit for the year from discontinued operations	5	<u>2.0</u>	<u>13.9</u>	<u>15.9</u>
Profit for the year		<u><u>155.6</u></u>	<u><u>17.0</u></u>	<u><u>172.6</u></u>
Attributable to:				
Equity holders of the parent				171.7
Minority interests				<u>0.9</u>
				<u><u>172.6</u></u>
Basic earnings per share:				
Continuing operations	6			47.6p
Discontinued operations				<u>4.9p</u>
				<u><u>52.5p</u></u>
Diluted earnings per share:				
Continuing operations	6			46.7p
Discontinued operations				<u>4.8p</u>
				<u><u>51.5p</u></u>
Dividends per share:	7			<u>17.7p</u>

CONSOLIDATED INCOME STATEMENT

		Before amortisation and exceptional items £ million	Amortisation and exceptional items (note 3) £ million	2008 (restated) Total £ million
	Note			
Continuing operations				
Revenue	2	2,606.4	-	2,606.4
Cost of sales		(2,267.4)	-	(2,267.4)
Gross profit		339.0	-	339.0
Administrative expenses		(157.6)	(9.2)	(166.8)
Profit on business disposals and closures		-	109.0	109.0
Profit before net financing income		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	2	206.8	99.8	306.6
Income tax	4	(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	5	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:				
Continuing operations	6			64.5 p
Discontinued operations				(3.3) p
				61.2 p
Diluted earnings/(loss) per share:				
Continuing operations	6			63.1 p
Discontinued operations				(3.2) p
				59.9 p
Dividends per share:	7			15.4 p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009 £ million	2008 £ million
Profit for the year	172.6	199.0
Actuarial losses on defined benefit pension schemes	(169.9)	(113.1)
Tax on actuarial losses	57.0	39.2
Exchange movements on translation of foreign subsidiaries	(3.7)	89.2
Net gain/(loss) on hedges of net investment in foreign subsidiaries	11.6	(38.6)
Cash flow hedges:		
Effective portion of changes in fair value	6.6	(12.3)
Transferred to the income statement	0.3	(0.3)
Tax on effective portion of changes in fair value of cash flow hedges	(2.2)	3.7
Other comprehensive income	(100.3)	(32.2)
Total comprehensive income	72.3	166.8
Attributable to:		
Equity holders of the parent	71.6	166.9
Minority interests	0.7	(0.1)
Total comprehensive income	72.3	166.8

CONSOLIDATED BALANCE SHEET

	Note	31 December 2009 £ million	31 December 2008 (restated) £ million	1 January 2008 (restated) £ million
ASSETS				
Non-current assets				
Property, plant and equipment		44.1	50.6	57.6
Intangible assets	8	454.4	388.1	223.8
Interests in joint ventures		61.0	29.4	22.7
Other investments		0.3	1.0	0.8
Derivative financial instruments		1.4	-	-
Retirement benefit assets		26.8	165.7	248.0
Deferred tax assets		68.4	24.9	20.8
Total non-current assets		656.4	659.7	573.7
Current assets				
Inventories		5.4	11.7	6.1
Trade and other receivables		520.2	676.0	529.4
Derivative financial instruments		1.8	9.6	3.1
Current tax receivable		8.9	-	-
Short term investments*		130.7	-	-
Cash and cash equivalents		612.0	764.6	734.1
Assets classified as held for sale		-	-	19.0
Total current assets		1,279.0	1,461.9	1,291.7
Total assets	2	1,935.4	2,121.6	1,865.4
LIABILITIES				
Current liabilities				
Bank loans and overdrafts		-	-	(0.8)
Trade and other payables		(579.3)	(705.2)	(626.4)
Derivative financial instruments		(10.6)	(21.2)	(5.3)
Current tax payable		(69.3)	(81.9)	(59.6)
Liabilities classified as held for sale		-	-	(5.4)
Total current liabilities		(659.2)	(808.3)	(697.5)
Non-current liabilities				
Bank loans		-	(0.1)	(0.1)
Trade and other payables	9	(16.3)	(28.3)	-
Derivative financial instruments		(22.3)	(33.9)	-
Retirement benefit liabilities		(30.9)	(9.5)	(11.3)
Deferred tax liabilities		-	(31.3)	(48.6)
Provisions	10	(180.4)	(204.3)	(199.4)
Total non-current liabilities		(249.9)	(307.4)	(259.4)
Total liabilities		(909.1)	(1,115.7)	(956.9)
Net assets	2	1,026.3	1,005.9	908.5
EQUITY				
Share capital		169.0	169.0	168.7
Share premium account		100.7	100.7	99.5
Hedging and translation reserves		72.5	59.7	16.8
Capital redemption reserve		17.2	17.2	17.2
Retained earnings		663.5	656.7	605.5
Total equity attributable to equity holders of parent		1,022.9	1,003.3	907.7
Minority interests		3.4	2.6	0.8
Total equity		1,026.3	1,005.9	908.5

* Short term investments represents bank deposits of more than three months term.

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	Minority interests £million	Total equity £million
As at 1 Jan 2009	169.0	100.7	(9.2)	68.9	17.2	639.4	986.0	2.6	988.6
Restatement	-	-	-	-	-	17.3	17.3	-	17.3
As at 1 Jan 2009 (restated)	169.0	100.7	(9.2)	68.9	17.2	656.7	1,003.3	2.6	1,005.9
Profit for the year	-	-	-	-	-	171.7	171.7	0.9	172.6
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(169.9)	(169.9)	-	(169.9)
Tax on actuarial losses	-	-	-	-	-	57.0	57.0	-	57.0
Exchange movements									
On translation of foreign subsidiaries	-	-	-	(3.5)	-	-	(3.5)	(0.2)	(3.7)
Net gain on hedges of net investment in foreign subsidiaries	-	-	-	11.6	-	-	11.6	-	11.6
Effective portion of changes in fair value of cash flow hedges	-	-	6.6	-	-	-	6.6	-	6.6
Transferred to the income statement	-	-	0.3	-	-	-	0.3	-	0.3
Tax on effective portion of changes in fair value of cash flow hedges	-	-	(2.2)	-	-	-	(2.2)	-	(2.2)
Other comprehensive income for the year	-	-	4.7	8.1	-	(112.9)	(100.1)	(0.2)	(100.3)
Total comprehensive income for the year	-	-	4.7	8.1	-	58.8	71.6	0.7	72.3
Dividends	-	-	-	-	-	(50.3)	(50.3)	(0.2)	(50.5)
Equity settled share-based payments	-	-	-	-	-	10.7	10.7	-	10.7
Tax on equity-settled share based payments	-	-	-	-	-	2.6	2.6	-	2.6
Acquisition of shares by trustees of the Performance Share Plan	-	-	-	-	-	(9.8)	(9.8)	-	(9.8)
Utilisation of treasury Shares	-	-	-	-	-	1.2	1.2	-	1.2
Acquisition of treasury shares	-	-	-	-	-	(6.4)	(6.4)	-	(6.4)
Acquisition of Businesses	-	-	-	-	-	-	-	0.3	0.3
As at 31 Dec 2009	169.0	100.7	(4.5)	77.0	17.2	663.5	1,022.9	3.4	1,026.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

	Share capital £million	Share premium £million	Hedging reserve £million	Transf'n reserve £million	Capital redemption reserve £million	Retained earnings £million	Total £million	Minority interests £million	Total equity £million
As at 1 Jan 2008	168.7	99.5	(1.9)	18.7	17.2	590.4	892.6	0.8	893.4
Restatement	-	-	-	-	-	15.1	15.1	-	15.1
As at 1 Jan 2008 (restated)	<u>168.7</u>	<u>99.5</u>	<u>(1.9)</u>	<u>18.7</u>	<u>17.2</u>	<u>605.5</u>	907.7	0.8	908.5
Profit for the year	-	-	-	-	-	199.7	199.7	(0.7)	199.0
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(113.1)	(113.1)	-	(113.1)
Tax on actuarial losses	-	-	-	-	-	39.2	39.2	-	39.2
Exchange movements on translation of foreign subsidiaries	-	-	-	88.6	-	-	88.6	0.6	89.2
Net gain on hedges of net investment in foreign subsidiaries	-	-	-	(38.6)	-	-	(38.6)	-	(38.6)
Effective portion of changes in fair value of cash flow hedges:									
Effective portion of changes in fair value	-	-	(12.3)	-	-	-	(12.3)	-	(12.3)
Transferred to the income statement	-	-	(0.3)	-	-	-	(0.3)	-	(0.3)
Tax on effective portion of changes in fair value of cash flow hedges	-	-	3.7	-	-	-	3.7	-	3.7
Other movements	-	-	(0.3)	0.2	-	0.1	-	-	-
Other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(9.2)</u>	<u>50.2</u>	<u>-</u>	<u>(73.8)</u>	(32.8)	0.6	(32.2)
Total comprehensive income for the year	-	-	(9.2)	50.2	-	125.9	166.9	(0.1)	166.8
Dividends (restated)	-	-	-	-	-	(43.3)	(43.3)	-	(43.3)
Shares issued	0.3	1.2	-	-	-	-	1.5	-	1.5
Equity settled share-based payments	-	-	-	-	-	9.3	9.3	-	9.3
Tax on equity-settled share based payments	-	-	-	-	-	(10.1)	(10.1)	-	(10.1)
Acquisition of shares by trustees of the Performance Share Plan (net)	-	-	-	-	-	(8.8)	(8.8)	-	(8.8)
Acquisition of treasury shares (net)	-	-	-	-	-	(21.8)	(21.8)	-	(21.8)
Acquisition of businesses	-	-	-	-	-	-	-	1.9	1.9
Recognised in profit on disposal	-	-	1.9	-	-	-	1.9	-	1.9
As at 31 Dec 2008 (restated)	<u>169.0</u>	<u>100.7</u>	<u>(9.2)</u>	<u>68.9</u>	<u>17.2</u>	<u>656.7</u>	1,003.3	2.6	1,005.9

CONSOLIDATED CASH FLOW STATEMENT

	Note	2009 £ million	2008 £ million
Cash flow from operating activities			
Profit before income tax from continuing operations		203.5	306.6
Profit/(loss) before income tax from discontinued operations	5	3.4	(11.6)
		<hr/>	<hr/>
Profit before income tax		206.9	295.0
Financial income		(12.4)	(32.1)
Financial expense		5.1	6.7
Share of post-tax results of joint ventures		(12.1)	-
Intangible amortisation and goodwill impairment		15.7	9.2
Depreciation		13.9	19.2
Profit on disposal of businesses		(3.5)	(110.6)
Loss/(profit) on disposal of property, plant and equipment		0.8	(2.8)
Difference between cash flows in respect of defined benefit pension schemes and amounts recognised in the income statement		(11.4)	(32.2)
Equity settled share-based payments		10.7	9.3
		<hr/>	<hr/>
		213.7	161.7
Decrease/(increase) in inventories		6.3	(1.6)
Decrease/(increase) in trade and other receivables		182.3	(118.5)
(Decrease)/increase in trade and other payables and provisions		(160.0)	27.4
		<hr/>	<hr/>
Cash generated from operations		242.3	69.0
Interest paid		(2.3)	(7.5)
Tax paid		(70.5)	(73.2)
		<hr/>	<hr/>
Net cash flow from operating activities		169.5	(11.7)
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		(117.6)	(87.5)
Acquisition of joint ventures		(4.7)	(5.2)
Purchase of property, plant and equipment		(9.3)	(20.7)
Purchase of intangible assets		(5.7)	(0.9)
Investment in short-term bank deposits		(130.7)	-
Disposal of businesses (net of cash disposed of)		(6.2)	136.7
Disposal of joint ventures and other investments		-	18.7
Disposal of property, plant and equipment		2.6	13.1
Interest received		12.1	32.0
Dividends received from joint ventures		9.0	0.6
		<hr/>	<hr/>
Net cash flow from investing activities		(250.5)	86.8
Net cash flow before financing activities		(81.0)	75.1
Cash flow from financing activities			
Repayment of loans		(0.1)	(0.1)
Dividends paid		(50.3)	(43.7)
Proceeds from shares issued		-	1.5
Acquisition of treasury shares (net)		(5.2)	(21.8)
Acquisition of shares by trustees of the Performance Share Plan		(9.8)	(8.8)
		<hr/>	<hr/>
Net cash flow from financing activities		(65.4)	(72.9)
(Decrease)/increase in cash and cash equivalents		(146.4)	2.2
Cash and cash equivalents as at the beginning of the year		764.6	733.4
Exchange (losses)/gains on cash and cash equivalents		(6.2)	29.0
		<hr/>	<hr/>
Cash and cash equivalents as at the end of the year		612.0	764.6
Cash and cash equivalents consist of:			
Cash at bank and in hand		219.6	124.0
Short-term investments (less than three months)		392.4	640.6
		<hr/>	<hr/>
Cash and cash equivalents as at the end of the year		612.0	764.6
Short-term investments (more than three months)		130.7	-
Non-current debt		-	(0.1)
		<hr/>	<hr/>
Net cash as at the end of the year		742.7	764.5

NOTES

1. ACCOUNTING STANDARDS ADOPTED DURING THE YEAR, RESTATEMENTS 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 2009 ("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 and restatements

IFRC 14 "IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was adopted during the year. Adoption of this interpretation has no impact on the group's reported results or net financial position. On adoption, tax on the retirement benefit asset has been reclassified as deferred tax on the balance sheet. This deferred tax liability had previously been taken into account in measuring the retirement benefit asset. The impact of restating the balance sheet for this change in presentation is to increase the retirement benefit asset as at 31 December 2008 by £58.0 million (1 January 2008 : £86.7 million), decrease the deferred tax asset as at 31 December 2008 by £26.7 million (1 January 2008: £38.1 million), and increase the deferred tax liability as at 31 December 2008 by £31.3 million (1 January 2008: £48.6 million).

IFRS2 "Amendments to IFRS2 Share-Based Payment : Vesting Conditions and Cancellations" was adopted during the year. Adoption of this standard has no impact on the group's reported results or net financial position.

IFRS 8 "Operating Segments" was adopted during the year. This more closely aligns the disclosure of segment information to internal management information. Adoption of this standard has no impact on the group's reported results or financial position.

Following changes to IAS10 "Events after the reporting period" introduced by "Improvements to IFRSs (2008)" which was adopted during the year, it is no longer appropriate to record interim dividends payable based on the constructive obligation created by the announcement of such dividends by the Board. Accordingly our interim dividend declared each year in August, and payable early in the January following the year to which it relates, is no longer recognised as a liability at 31 December and is only accounted for when paid. The comparative balance sheets at 31 December 2008 and 1 January 2008 have been restated for this change, resulting in an increase in net assets of £17.3 million (1 January 2008: £15.1 million). This change has no impact on reported cash flow or income statement for the years then ended.

IAS 1 "Presentation of Financial Statements" (revised September 2007) was adopted during the year. This results in a number of terminology changes and changes in presentation and disclosure, including presenting a consolidated statement of comprehensive income to replace the consolidated statement of recognised income and expense, and the inclusion of a consolidated statement of changes in equity. IAS 1 also requires the inclusion of a balance sheet as at 1 January 2008, and related notes, following the reclassification of the tax on the retirement benefit asset and restatement in respect of interim dividends, referred to above.

The consolidated income statement for the year ended 31 December 2008 has been restated to adjust the reported results of the Nuclear businesses from a full absorption costing basis under which all overheads were included in cost of sales to a basis consistent with the rest of the group whereby fixed overheads are reported as administrative expenses. Cost of sales for the year ended 31 December 2008 has been reduced by £25.1 million and administrative expenses increased by the same amount. These restatements have no impact on the group's reported profit.

Basis of preparation

The financial information set out herein does not constitute the company's statutory accounts for the years ended 31 December 2009, 2008 or where disclosed 2007 but is derived from those accounts. Statutory accounts for 2008 and 2007 have been delivered to the Registrar of Companies, and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2008 or 2007 nor a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2009.

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.

1. BASIS OF PREPARATION continued

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'.

During 2006 IFRIC 12 on service concession arrangements was issued. This interpretation has been adopted for use in the EU in respect of accounting periods beginning on or after 29 March 2009. In view of this, the directors consider that it remains appropriate to apply the approach set out in Appendix 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.

The results for 2009 were approved by the board of directors on 4 March 2010 and are audited.

The annual report and accounts for the year ended 31 December 2009 will be posted to shareholders on 26 March 2010.

The Annual General Meeting (AGM) will take place on 13 May 2010.

Subject to approval by shareholders at the forthcoming AGM the final dividend will be paid on 1 July 2010 to shareholders on the register of members at the close of business on 28 May 2010.

Interim, preliminary and all other announcements notified to the London Stock Exchange are available on the internet at 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 natural resources, nuclear, clean energy, water and environmental sectors. AMEC is organised by division, each of which is managed separately and 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. The Investments and other activities segment comprises various legacy businesses. Details of the services offered by each division and the end markets in which they operate are given in the segmental review on pages 5 to 11

	Revenue		Profit/(loss)	
	2009 £ million	2008 £ million	2009 £ million	2008 £ million
Class of business:				
Natural Resources	1,300.9	1,204.2	154.3	129.3
Power & Process	788.1	1,021.8	55.4	58.3
Earth & Environmental	470.8	400.2	36.5	33.5
Investments and other activities	13.7	20.0	0.2	1.2
	<u>2,573.5</u>	<u>2,646.2</u>	<u>246.4</u>	<u>222.3</u>
Internal revenue	(34.4)	(39.8)		
Total revenue	<u>2,539.1</u>	<u>2,606.4</u>		
Corporate costs ¹			(38.1)	(37.4)
EBITA ²			208.3	184.9
Net financing income			7.3	25.4
Adjusted profit before tax			215.6	210.3
Other items ³			(3.7)	(2.1)
Intangible amortisation and goodwill impairment			(15.7)	(9.2)
Exceptional items			12.6	109.0
Tax on results of joint ventures			(5.3)	(1.4)
Profit before income tax			<u>203.5</u>	<u>306.6</u>
	Revenue		Profit/(loss)	
	2009 £ million	2008 £ million	2009 £ million	2008 £ million
Geographical origin:				
United Kingdom	780.2	1,017.1	49.6	39.1
Canada	839.3	718.5	122.9	114.6
United States	601.3	535.1	40.6	38.1
Rest of the World	318.3	335.7	33.3	30.5
	<u>2,539.1</u>	<u>2,606.4</u>	<u>246.4</u>	<u>222.3</u>
Corporate costs ¹			(38.1)	(37.4)
EBITA ²			208.3	184.9
Net financing income			7.3	25.4
Adjusted profit before tax			215.6	210.3
Other items ³			(3.7)	(2.1)
Intangible amortisation and goodwill impairment			(15.7)	(9.2)
Exceptional items			12.6	109.0
Tax on results of joint ventures			(5.3)	(1.4)
Profit before income tax			<u>203.5</u>	<u>306.6</u>

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

²EBITA is earnings of continuing operations before net financing income, tax, intangible amortisation and goodwill impairment, pre-tax exceptional items and £3.7 million (2008: £2.1 million) relating to elements of deferred consideration on acquisitions in the Earth & Environmental division, but including joint venture profit before tax

³Other items comprise elements of deferred consideration on acquisitions in the Earth & Environmental division which, in line with IFRS 3, are included in profit before net financing income in the income statement, but are excluded from the measure of segment profit reported.

2. SEGMENTAL ANALYSIS OF CONTINUING OPERATIONS continued

	Segment net assets/(liabilities)	
	2009 £ million	2008 (restated) £ million
Class of business:		
Natural Resources	(10.8)	46.4
Power & Process	11.4	6.3
Earth & Environmental	37.5	49.6
Investments and other activities	(152.7)	(241.7)
	(114.6)	(139.4)
Goodwill	401.8	345.5
Other intangible assets	52.6	42.6
Net cash	742.7	764.5
Unallocated net liabilities	(56.2)	(7.3)
	1,026.3	1,005.9
	Segment assets	
	2009 £ million	2008 (restated) £ million
Class of business:		
Natural Resources	265.4	327.8
Power & Process	194.0	254.1
Earth & Environmental	112.1	146.4
Investments and other activities	60.4	39.8
	631.9	768.1
Goodwill	401.8	345.5
Other intangible assets	52.6	42.6
Cash and cash equivalents	742.7	764.6
Unallocated assets	106.4	200.8
	1,935.4	2,121.6

Unallocated assets and unallocated net liabilities principally comprise assets and liabilities relating to the pension schemes, dividends, derivative financial instruments and taxation and are not directly related to the activities of the segments.

3. AMORTISATION, IMPAIRMENT AND EXCEPTIONAL ITEMS

	2009 £ million	2008 £ million
Exceptional items of continuing operations:		
Cost of sales	2.2	-
Profit on business disposals and closures	10.4	109.0
	<u>12.6</u>	<u>109.0</u>
Taxation credit/(charge) on exceptional items of continuing operations	1.5	(37.2)
Exceptional items of discontinued operations (post-tax)	13.9	(11.7)
	<u>28.0</u>	<u>60.1</u>
Post-tax exceptional profits	28.0	60.1
Intangible amortisation and goodwill impairment	(15.7)	(9.2)
Taxation credit on intangible amortisation and goodwill impairment	4.7	3.0
Post-tax amortisation, impairment and exceptional items	<u>17.0</u>	<u>53.9</u>

Post-tax exceptional profits are further analysed as follows:

	2009			2008		
	Gains on disposals £ million	Other exceptional items £ million	Total £ million	Gains/ (losses) on disposals £ million	Other exceptional items £ million	Total £ million
Continuing operations	0.4	12.2	12.6	110.7	(1.7)	109.0
Discontinued operations	3.1	(0.3)	2.8	(0.1)	(11.7)	(11.8)
Profit/(loss) before tax	<u>3.5</u>	<u>11.9</u>	<u>15.4</u>	110.6	(13.4)	97.2
Tax	12.0	0.6	12.6	(37.6)	0.5	(37.1)
Profit/(loss) after tax	<u>15.5</u>	<u>12.5</u>	<u>28.0</u>	<u>73.0</u>	<u>(12.9)</u>	<u>60.1</u>

Two small businesses were divested during 2009 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.

Other exceptional items of £11.9 million relate to the net release of provisions following positive developments in relation to various legacy projects.

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.

4. INCOME TAX

Income tax on the profit from continuing operations before exceptional items, intangible amortisation and goodwill impairment for the year is based on an effective rate of 27.5% (2008: 30.8%).

5. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

Discontinued operations include the non-core Built Environment businesses, pipeline construction activities 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:

	2009 £ million	2008 £ million
Revenue	-	0.1
Cost of sales and net operating expenses	<u>0.6</u>	<u>0.1</u>
Profit before exceptional items and income tax	0.6	0.2
Attributable tax	<u>1.4</u>	<u>0.8</u>
	2.0	1.0
Exceptional items	(0.3)	(11.7)
Attributable tax on exceptional items	(0.1)	0.4
Profit/(loss) on disposal	3.1	(0.1)
Attributable tax on profit/(loss) on disposal	<u>11.2</u>	<u>(0.3)</u>
Profit/(loss) for the year from discontinued operations	<u>15.9</u>	<u>(10.7)</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.

	2009			2008		
	Earnings £ million	Weighted average shares number million	Earnings per share pence	Earnings £ million	Weighted average shares number million	Earnings per share pence
Basic earnings from continuing operations	155.8	327.0	47.6	210.4	326.3	64.5
Share options	-	1.2	(0.1)	-	1.5	(0.3)
Employee share and incentive schemes	-	5.3	(0.8)	-	5.7	(1.1)
	<u>155.8</u>	<u>333.5</u>	<u>46.7</u>	<u>210.4</u>	<u>333.5</u>	<u>63.1</u>
Diluted earnings from continuing operations						
Basic earnings/(loss) from discontinued operations	15.9	327.0	4.9	(10.7)	326.3	(3.3)
Share options	-	1.2	-	-	1.5	-
Employee share and incentive schemes	-	5.3	(0.1)	-	5.7	0.1
	<u>15.9</u>	<u>333.5</u>	<u>4.8</u>	<u>(10.7)</u>	<u>333.5</u>	<u>(3.2)</u>
Diluted earnings/(loss) from discontinued operations						

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

	2009 £ million	2008 £ million
Profit for the year from continuing operations	156.7	209.7
(Profit)/loss attributable to minority interests	<u>(0.9)</u>	<u>0.7</u>
Basic and diluted profit from continuing operations	<u>155.8</u>	<u>210.4</u>

6. EARNINGS PER SHARE continued

In order to appreciate the effects on the reported performance of intangible amortisation, goodwill impairment, exceptional items and the elements of deferred consideration on Earth & Environmental acquisitions which are reported within EBIT, additional calculations of earnings per share are presented.

	Earnings £ million	Weighted average shares number million	2009		2008	
			Earnings per share pence	Earnings £ million	Weighted average shares number million	Earnings per share pence
Basic earnings from continuing operations	155.8	327.0	47.6	210.4	326.3	64.5
Exceptional items (post-tax)	(14.1)	-	(4.3)	(71.8)	-	(22.0)
Amortisation and impairment (post-tax)	11.0	-	3.4	6.2	-	1.9
Deferred consideration (post-tax)	3.7	-	1.1	2.1	-	0.6
Basic earnings from continuing operations before amortisation, impairment, deferred consideration and exceptional items	156.4	327.0	47.8	146.9	326.3	45.0
Share options	-	1.2	(0.1)	-	1.5	(0.2)
Employee share and incentive schemes	-	5.3	(0.8)	-	5.7	(0.8)
Diluted earnings from continuing operations before amortisation, deferred consideration and exceptional items	156.4	333.5	46.9	146.9	333.5	44.0

7. DIVIDENDS

The directors are proposing a final dividend in respect of the financial year ended 31 December 2009 of 11.6 pence per share, which will absorb an estimated £37.9 million of equity. Subject to approval, it will be paid on 1 July 2010 to shareholders on the register of members on 28 May 2010. 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 6.1 pence (2008: 5.3 pence) per share results in a total dividend for the year of 17.7 pence per share (2008: 15.4 pence).

	2009		2008 (restated)	
	Pence per share	£ million	Pence per share	£ million
Dividends charged to reserves				
Interim dividend in respect of 2008 (2008: interim dividend in respect of 2007)	5.3	17.3	4.6	15.1
Final dividend in respect of 2008 (2008: final dividend in respect of 2007)	10.1	32.9	8.8	28.6
Adjustment to accrual in respect of previous years	-	0.1	-	(0.4)
	15.4	50.3	13.4	43.3

7. DIVIDENDS continued

	Pence per share	2009 £ million	Pence per share	2008 £ million
Dividends paid				
Interim dividend in respect of 2008 (2008: interim dividend in respect of 2007)	5.3	17.3	4.6	15.1
Final dividend in respect of 2008 (2008: final dividend in respect of 2007)	10.1	32.9	8.8	28.6
Payments in respect of prior year dividends	-	0.1	-	-
	<u>15.4</u>	<u>50.3</u>	<u>13.4</u>	<u>43.7</u>

8. INTANGIBLE ASSETS

	Goodwill £ million	Software £ million	Other £ million	Total £ million
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	57.6	0.2	19.8	77.6
Additions	-	5.6	0.1	5.7
Disposals	-	(0.3)	(0.1)	(0.4)
Disposal of businesses	-	-	(0.1)	(0.1)
Reclassification	-	4.5	0.1	4.6
As at 31 December 2009	<u>439.0</u>	<u>17.9</u>	<u>74.6</u>	<u>531.5</u>
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 period	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	<u>37.2</u>	<u>11.0</u>	<u>28.9</u>	<u>77.1</u>
Cost:				
As at 1 January 2008	245.4	5.9	13.0	264.3
Exchange and other movements	50.1	1.1	8.2	59.4
Acquired through business combinations	84.7	-	36.4	121.1
Additions	-	0.9	-	0.9
As at 31 December 2008	<u>380.2</u>	<u>7.9</u>	<u>57.6</u>	<u>445.7</u>
Amortisation:				
As at 1 January 2008	30.0	4.2	6.3	40.5
Exchange and other movements	4.7	0.8	2.4	7.9
Provided during the period	-	0.3	8.9	9.2
As at 31 December 2008	<u>34.7</u>	<u>5.3</u>	<u>17.6</u>	<u>57.6</u>
Net book value:				
As at 31 December 2009	<u>401.8</u>	<u>6.9</u>	<u>45.7</u>	<u>454.4</u>
As at 31 December 2008	<u>345.5</u>	<u>2.6</u>	<u>40.0</u>	<u>388.1</u>
As at 1 January 2008	<u>215.4</u>	<u>1.7</u>	<u>6.7</u>	<u>223.8</u>

9. NON-CURRENT TRADE AND OTHER PAYABLES

Trade and other payables of £16.3 million (2008 : £28.3 million) within represents the amount of deferred consideration on acquisitions payable in more than one year.

10. PROVISIONS

The nature and measurement bases of the group's provisions are unchanged from those presented in the 2008 annual report and accounts.

	Litigation settlement and future legal costs £ million	Indemnities granted and retained obligations on disposed businesses £ million	Insurance £ million	Onerous property contracts £ million	Total £ million
As at 1 January 2009	65.3	87.9	41.3	9.8	204.3
Exchange movements	(3.7)	(4.5)	-	-	(8.2)
Transfer from trade and other payables	7.8	-	-	-	7.8
Utilised	(15.0)	(7.6)	-	-	(22.6)
Charged/(credited) to the income statement:					
Additional provisions	7.0	11.6	2.1	0.1	20.8
Unused amounts reversed	(7.6)	(12.5)	(1.1)	(2.2)	(23.4)
Acquired through business combinations	-	-	-	1.7	1.7
As at 31 December 2009	53.8	74.9	42.3	9.4	180.4

11. SHARE-BASED PAYMENTS

Awards granted during the year under the Savings Related Share Option Scheme and the Performance Share Plan are as follows:

	Weighted average exercise price	Weighted average fair value	Number of shares
Share options granted during the year under the Savings Related Share Option Scheme	<u>610p</u>	<u>301p</u>	<u>1,384,688</u>
Share awards granted during the year under the Performance Share Plan	<u>N/A</u>	<u>377p</u>	<u>1,774,607</u>

The terms and conditions of the Savings Related Share Option Scheme and Performance Share Plan are disclosed in the 2008 annual report and accounts.

The fair value of the Savings Related Share Option Scheme was measured using the Black-Scholes model and the Performance Share Plan using the Monte Carlo model and the inputs for the awards made during the year are as follows:

	Savings Related Share Option Scheme	Performance Share Plan
Weighted average fair value at measurement date	301p	377p
Share price	864p	534p
Exercise price	610p	N/A
Expected share price volatility	35%	35%
Option life	3.3 years	N/A
Expected dividend yield	2.5%	2.5%
Risk free interest rate	1.6%	N/A
Comparator share price volatility	N/A	31%
Correlation between two companies in comparator group	N/A	40%

The basis of measuring fair value is consistent with that disclosed in the 2008 annual report and accounts.

12. ACQUISITIONS AND DISPOSALS

ACQUISITIONS

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

Performance Improvements Group Limited (PI)

On 26 January 2009, the group acquired all of the shares in PI. PI is based in the UK and is an asset optimisation consultancy services company.

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

	Book value £ million	Fair value adjustments £ million	Recognised value £ million
Property, plant and equipment	0.3	(0.2)	0.1
Intangible assets	-	7.5	7.5
Trade and other receivables	4.8	-	4.8
Cash and cash equivalents	(0.7)	-	(0.7)
Trade and other payables	(2.4)	-	(2.4)
Deferred tax liability	-	(2.1)	(2.1)
Net identifiable assets and liabilities	<u>2.0</u>	<u>5.2</u>	<u>7.2</u>
Goodwill on acquisition			<u>7.7</u>
			<u>14.9</u>
Consideration			
Cash - paid on completion			12.8
- deferred			1.7
Costs of acquisition			<u>0.4</u>
			<u>14.9</u>

Goodwill has arisen on the acquisition of PI primarily through the benefits gained from combining PI's performance improvement skills with AMEC's project management and engineering expertise to enhance value for customers.

GRD Limited (GRD)

On 17 November 2009 the group acquired all of the shares in GRD. GRD is an engineering and project development company based in Perth, Australia, which employs 850 people globally.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition of GRD were as follows. The fair value adjustments in respect of the acquisition have been determined provisionally.

	Book value £ million	Fair value adjustments £ million	Recognised value £ million
Property, plant and equipment	3.4	(1.0)	2.4
Intangible assets	7.8	3.2	11.0
Interest in joint venture	22.1	2.7	24.8
Deferred tax asset	15.3	(8.6)	6.7
Trade and other receivables	24.0	(3.8)	20.2
Cash and cash equivalents	0.5	-	0.5
Trade and other payables	(15.9)	(6.3)	(22.2)
Current tax liability	-	(3.0)	(3.0)
Provisions for liabilities and charges	(1.8)	-	(1.8)
Net identifiable assets and liabilities	<u>55.4</u>	<u>(16.8)</u>	<u>38.6</u>
Goodwill on acquisition			<u>52.7</u>
			<u>91.3</u>
Cash consideration paid on completion			58.3
Repayment of debt on acquisition			<u>30.4</u>
			88.7
Costs of acquisition			<u>2.6</u>
			<u>91.3</u>

12. ACQUISITIONS AND DISPOSALS continued

GRD Limited (GRD) continued

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 at the date of acquisition.

The contribution of these two acquisitions to revenue and profit in the period from their acquisition dates to 31 December 2009 was not material to the group. In respect of the year to 31 December 2009, including the period prior to acquisition by AMEC, the revenue of these businesses was £91.4 million and their losses before net financing income, tax, intangible amortisation and exceptional items were £3.9 million.

Other acquisitions

A number of other smaller acquisitions were made in the year for £5.5 million in cash paid on completion. A further £1.6 million of conditional consideration may be paid in respect of these acquisitions. The aggregate fair value of identifiable net assets was £1.7 million (including cash acquired of £0.2 million) and goodwill arising on acquisitions was £5.4 million. The aggregate book value of net assets acquired was £0.4 million. This initial accounting for these acquisitions has been determined only provisionally.

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

A further £10.0 million was paid in the period in respect of 2008 acquisitions, and the aggregate goodwill on these acquisitions was reduced by £7.9 million as the conditions for payment of elements of deferred consideration were not met.

DISPOSALS

During the year, two small businesses were sold. In addition there were various cash payments in respect of businesses sold in prior years and adjustments to provisions held in respect of prior year disposals resulting in a net gain of £3.5 million and a net cash outflow of £6.2 million.

13. POST BALANCE SHEET EVENT

On 29 January 2010 AMEC announced the acquisition of Currie & Brown (Australia) Pty Ltd, a leading cost and commercial management consultancy, from its shareholders Currie & Brown International Limited and other owner-managers, for a cash consideration of AU\$36.4 million.

Currie & Brown (Australia) is a provider of independent cost, contract and consulting services to the oil and gas, mining, building, transport, utilities and infrastructure sectors. The company has some 200 professional employees. It is headquartered in Brisbane and has offices in Adelaide, Gold Coast, Melbourne, Perth and Sydney.

14. BUSINESS THREATS AND OPPORTUNITIES

AMEC plc is a focused supplier of high-value consultancy, engineering and project management services to customers in the natural resources, nuclear, clean energy, water and environmental sectors.

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

AMEC operates in more than 40 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 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.

14. BUSINESS THREATS AND OPPORTUNITIES continued

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. As stated above, the potential impact on project opportunities is being monitored.

Environmental and social risk

AMEC has continued to monitor and review environmental and social risks both to AMEC's businesses and those that may be created by their operations. AMEC'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 Health Safety and Environment (HSE) Management system defines a standard for environmental management.

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

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 utilising local specialist security companies 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

AMEC 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. AMEC is not reliant on any particular contract.

AMEC's largest customer is ExxonMobil, which in 2009 accounted for around 15 per cent of continuing revenues. Were dependence on key customers to increase significantly, this could have direct consequences on AMEC's financial development.

14. BUSINESS THREATS AND OPPORTUNITIES continued

Bidding risk

AMEC addresses the risk associated with bidding via a stringent tender review process which addresses the threats and opportunities associated with each tender submitted. The implementation of a web-based workflow tender approval process has resulted in improved visibility of the threats and opportunities associated with tender submission, as well as providing a consistent approach to the management of tendering risk.

Project execution risk

One of AMEC's significant risks is the risk of losses arising during the execution phase of projects. Various measures are in place in order to address the project execution risk, including the risk management process, project reviews, internal audit of projects, and the implementation of peer reviews. Project execution risk has also been a key focus of the Operational Excellence programme particularly from a Project Management perspective.

Litigation

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 AMEC, 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.

Treasury risks

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

Funding and liquidity risk

The group will finance operations and growth from its significant existing cash resources. The group's policy aims to ensure the constant availability of an appropriate amount of funding to meet both current and future forecast requirements consistent with the group's budget and strategic plans. The group had committed unsecured facilities of £315 million available as at 31 December 2008, of which £122 million lapsed on 27 February 2009 and £193 million on 9 July 2009.

Given the group's significant cash resources the decision was made during 2008 not to renew the facilities. This decision has been kept under review during 2009. However, appropriate facilities will be maintained to meet ongoing requirements for performance related bonding and letters of credit.

Counterparty risk management

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

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

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

14. BUSINESS THREATS AND OPPORTUNITIES continued

Interest rate risk

The group remained in a net cash position throughout the year. Long-term interest rate hedging (for periods beyond three to six months) is not considered appropriate as the surplus cash position is viewed as temporary. The fall in interest rates significantly impacted the level of interest income earned in 2009.

In 2009, the effective interest rate on the average cash balance of £690 million was one per cent (2008: four per cent).

Foreign exchange risk

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

Transaction exposures

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

Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events. This can give rise to exposures if cash flows are denominated in foreign currency. Hedging decisions are based on the latest available forecasts at the time the decision is taken, which are regularly monitored and updated. There are currently no material transaction exposures which have been identified and remain unhedged. AMEC recognises that, having taken out forward contracts in respect of underlying commercial transactions, an exposure would arise if the forward contracts had to be unwound as a consequence of the anticipated cash flows under such contracts being cancelled or otherwise not being received. The total gross nominal value of all outstanding forward contracts at 31 December 2009 is £132.2 million (2008: £214 million). At 31 December 2009 the mark-to-market value of these contracts that were out of the money was a liability of £5.5 million (2008: liability of £14.8 million) and of these contracts that were in the money was an asset of £1.8 million (2008: asset of £9.6 million). AMEC has no reason to believe that any material outstanding forward contract will not be able to be settled from the underlying commercial transactions.

Translation exposures

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

In addition, the group has various assets denominated in foreign currencies, principally US dollars and Canadian dollars. A proportion of these assets, including unamortised goodwill, have been hedged by using cross-currency instruments. At 31 December 2009, these net investment hedges amounted to £196.3 million (2008: £199 million) covering approximately 40 per cent of overseas assets (2008: 50 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.

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.

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. Plans are also established for the implementation of post acquisition reviews in order to ensure the effective integration of the acquired entity.

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