

Collaborating, improving and growing

AMEC plc annual report and accounts 2013
Registered in England No 1675285

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

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

Overview

Providing an introduction to AMEC and including a summary of our 2013 performance highlights and the Chairman's statement

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Strategic report

Looking in more detail at our market positioning and 2015 and beyond strategy and showing, in the Chief Executive's review and elsewhere, the progress made in 2013

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2015 and beyond

We are targeting sustainable growth to 2015 – and beyond

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Performance highlights

We continue to see good demand for our services, despite challenging conditions in some of our markets. The balance sheet remains strong and provides a platform for future growth.

Overview

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Key performance indicators

We use a variety of other key performance indicators to track our progress towards our goals. These relate to the elements of our business model and can be found in the Strategic report between pages 12 and 38.

- 1 The reported numbers for 2009–2012 have been restated to reflect the presentation of the UK conventional power business as discontinued in 2013
- 2 EBITA for continuing operations before intangible amortisation and exceptional items but including joint venture EBITA less net financing expense (including joint ventures) of £11 million [2012: £7 million] 2009–2012 have been restated to reflect the presentation of the UK conventional power business as a discontinued operation in 2013. In addition 2012 has been restated for the impact of accounting for pension costs under IAS19(R) Employee Benefits
- 3 Diluted earnings per share from continuing operations before intangible amortisation and exceptional items 2009–2012 have been restated as noted above
- 4 The average numbers of employees shown include agency staff unless otherwise stated

Recommended offer for Foster Wheeler

Forward-looking statements

This document contains statements which constitute forward-looking statements. Forward-looking statements include any statements related to the expected benefits or estimated synergies resulting from a transaction with Foster Wheeler and are generally identified by words such as 'believe,' 'expect,' 'anticipate,' 'intend,' 'estimate,' 'will,' 'may,' 'continue,' 'should' and other similar expressions. Forward-looking statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of AMEC, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking statements.

AMEC does not undertake to update any of the forward-looking statements after this date to conform such statements to actual results, to reflect the occurrence of anticipated results or otherwise.

IMPORTANT INFORMATION:

This document is for informational purposes only and does not constitute or form part of an offer to sell or the solicitation of an offer to buy or subscribe to any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. However AMEC may, in its sole discretion, take such action as it may deem necessary to extend an offer in any such jurisdiction. This document is not an offer of securities for sale into the United States. No offering of securities shall be made in the United States except pursuant to registration under the US Securities Act of 1933, or an exemption therefrom.

In connection with the recommended offer, AMEC expects to file a registration statement on Form F-4, which will include a prospectus and joint proxy statement of AMEC and Foster Wheeler (the 'prospectus/proxy statement'), and a Tender Offer statement on Schedule TO (the 'Schedule TO'). The proposed offer will be made exclusively by means of, and subject to, the terms and conditions set out in, an offer document containing and setting out the terms and conditions of the offer (the 'Offer Document') and a letter of transmittal and form of acceptance (the 'Acceptance Forms') to be delivered to Foster Wheeler, filed with the United States Securities and Exchange Commission (the 'SEC') and mailed to Foster Wheeler shareholders. The recommended offer will be made by AMEC or an affiliate of AMEC and not by any other person, including Bank of America Merrill Lynch or Barclays.

The release, publication or distribution of this document in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this document is released, published or distributed should inform themselves about and observe such restrictions.

SHAREHOLDERS OF FOSTER WHEELER ARE URGED TO READ ANY DOCUMENTS REGARDING THE PROPOSED OFFER WHEN THEY BECOME AVAILABLE (INCLUDING THE EXHIBITS THERETO) AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED OFFER.

The registration statement, the Schedule TO and other related documents in relation to the proposed offer will be available electronically without charge at the SEC's website, www.sec.gov, after they have been filed. Any materials filed with the SEC may also be obtained without charge at AMEC's website, amec.com.

Participants in the Solicitation

AMEC, Foster Wheeler and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed offer. Information about AMEC's directors and executive officers will be made available in the registration statement on Form F-4 when filed. Information about Foster Wheeler's directors and executive officers is available in its Form 10-K for the year ended December 31, 2012 dated March 1, 2013. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the prospectus/proxy statement and other relevant materials to be filed with the SEC regarding the transaction, if an offer is made, when they become available. Investors should read the prospectus/proxy statement carefully when it becomes available before making any voting or investment decisions. You may obtain free copies of these documents using the sources indicated above.

Recommended offer for Foster Wheeler

On 13 February 2014, AMEC announced that it had entered into a definitive agreement with Foster Wheeler AG (Foster Wheeler) under which AMEC will make a recommended offer to acquire the entire issued and to be issued share capital of Foster Wheeler (the acquisition).

The full announcement is available on AMEC's website, amec.com. The acquisition is also referenced in this report, particularly to show how it could accelerate achievement of AMEC's growth strategy.

Under the terms of the acquisition, Foster Wheeler shareholders would receive 0.8998 new AMEC securities and \$16.00 in cash for each Foster Wheeler share.

The cash portion of the consideration will be financed by a combination of AMEC's existing cash resources and new debt financing. The securities portion of the consideration will be satisfied by the issuance of approximately 90 million new AMEC securities to Foster Wheeler shareholders, which, at the election of Foster Wheeler shareholders, will be issued in the form of either ordinary shares or American depositary shares (for which AMEC will seek a US listing).

On completion of the acquisition, Foster Wheeler shareholders will hold shares in AMEC representing approximately 23 per cent of its enlarged share capital and it is expected that two non-executive directors of Foster Wheeler will join the AMEC board.

The acquisition is expected to be double-digit earnings accretive in the first 12 months following completion, and ROIC is expected to exceed the cost of capital in the second 12-month period following completion. AMEC expects to have a pro-forma trailing 12 months ratio of net debt to EBITDA of approximately 1.6 times following completion.

Due to its size, the acquisition is a class 1 transaction under the UK listing rules and therefore requires the approval of AMEC shareholders. Completion of the transaction will also be subject to AMEC having received valid acceptance to the offer from holders of Foster Wheeler shares holding a minimum of 80 per cent of the total issued share capital of Foster Wheeler, regulatory and anti-trust approvals, a Foster Wheeler shareholder vote, and the satisfaction of other customary closing conditions.

The acquisition is expected to close in the second half of 2014.

Key anticipated benefits of the combination include:

- Positioning AMEC to serve across the whole oil and gas value chain, adding mid and downstream capabilities to AMEC's existing upstream focus and bringing new customer relationships
- Improved geographic footprint, more than doubling AMEC's current revenues in the Growth Regions, increasing AMEC's Latin America exposure and bringing scale benefits
- Annual cost synergies, estimated by AMEC to be at least \$75 million, and additional significant tax synergies
- Significant revenue synergies, including cross-selling services to the combined customer base, such as expanding the brownfield and environmental service offering internationally into the mid and downstream markets
- Retaining AMEC's low-risk and cash-generative business model. Foster Wheeler has a similar business model, with predominantly cost-plus contracting and an asset-light engineering and project management business
- Combining two highly skilled workforces with industry-leading engineering and project management expertise
- Adding a robust and profitable power equipment business with a solid backlog of orders

AMEC at a glance

With revenues of some £4.0 billion, we operate in around 40 countries, working for customers ranging from blue-chip companies to national and local governments. We support assets such as oil & gas production facilities, mines and nuclear power stations, from inception to decommissioning.

Our operations

We report on a geographic basis. This structure promotes collaboration and so maximises growth opportunities.

Americas Our largest business unit, with the best balance across our markets. Our oil & gas business is well-positioned, we are a market leader in mineable oil sands, a leader in consulting and EPCM in mining, have good positions in solar and bioprocess, and are a leading player in the diverse E&I market.

- Read more from page 35

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

- Read more from page 36

Growth Regions We expect each of our business units to grow, but see Growth Regions as having greatest potential. Oil & gas in the Middle East is growing currently though the Australian mining market remains tough.

- Read more from page 37

¹ 2013 figures, excluding Investment Services and centre. For basis of preparation see page 40.

Our customers include

Bluewater	ExxonMobil	National Grid
BG	GDF SUEZ	Nuclear Decommissioning Authority (NDA)
BP	Imperial Oil	Newmont Mining Corporation
Canadian Natural Resources Limited (CNRL)	K&S Potash	RTI International
ConocoPhillips	Kuwait Oil Company (KOC)	Shell
Dominion	Marine Well Containment Company (MWCC)	Suncrude
EDF	MeadWestvaco	ZADCO

Our global reach

Our philosophy is simple. If we do good work for our customers, we will win more good work. In addition, we want to grow by expanding our capabilities and enhancing our geographic footprint. We look to promote opportunities to sell our services across all of our markets and in each of our geographies.

- AMEC offices

Our four markets

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

Oil & Gas

Growth is driven by the long-term rise in energy demand. Resources are becoming increasingly difficult to access which plays to AMEC's expertise in complex engineering and harsh locations.

Technology is facilitating the development of tight oil and shale gas

Mining

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

Clean Energy

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

Environment & Infrastructure (E&I)

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

Revenue by markets¹

¹ 2013 figures, excluding Investment Services and centre. For basis of preparation see page 40

Chairman's statement

Key highlights

- Group-wide commitment to diversity and inclusion adopted
- On 13 February 2014, announced a definitive agreement with Foster Wheeler under which AMEC will make a recommended offer for the company
- Final dividend of 28.5 pence recommended, which would make a total dividend for the year of 42.0 pence, 15 per cent above 2012

As I write, we have just agreed a recommended offer for Foster Wheeler AG, the international engineering, construction and project management contractor and power equipment supplier. Your board believes the combination of AMEC and Foster Wheeler would be compelling for all shareholders. I will talk more about this later.

First let me address the progress we have made in other areas.

The board

Let me start by commenting on our board.

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

Our board objectives for 2013 included discussing our policy on diversity and any measurable objectives we wish to set to track progress. After a wide-ranging review of what diversity means within AMEC and an engaged discussion on the conclusions at board level, a group-wide commitment to diversity and inclusion has been implemented. Diversity includes the range of human differences that make us individual and who we are. Inclusion is about us valuing and using the differences between us. The implementation of this commitment includes measurement and monitoring of progress on diversity and inclusion activities.

2014 will see changes on our board, with Tim Faithfull, our Senior Independent Director and Chairman of the remuneration committee, standing down at our next AGM.

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

John Connolly

Chairman

Tim has supported AMEC through a period of significant and successful change and I have personally valued his advice and support. On behalf of us all, I would like to thank him for his contribution.

Simon Thompson will take over from Tim as Senior Independent Director and Chairman of the remuneration committee, with Linda Adamany becoming Chairman of the ethics committee. We have appointed an independent search company, The Zygos Partnership, to identify new board talent with the appropriate skills and experience to contribute to our future success.

Our customers rely on our professionalism and expertise in delivering their projects. Your board saw this first hand in 2013, in Canada. We gained a greater understanding of the scale and complexity of our projects in the oil sands and of the sustainable approach AMEC brings. We also saw how seriously the company takes its community responsibilities, with employees quickly rallying to support those affected by the floods sweeping through Calgary. These visits are invaluable in ensuring the board is connected to the business it serves.

Board priorities

I have spoken previously about how the board should support the successful, sustainable growth of your company.

Firstly, we should debate and agree the strategy the company is to follow – and then monitor performance against the strategic goals. As we move closer to the end point of AMEC's Vision 2015 growth strategy, board discussions have increasingly turned to how we achieve success beyond 2015. Our geographic organisational structure was introduced late in 2012, in support of our longer-term objectives, and has gained real traction during 2013. The organisation is collaborating better and creating

new opportunities for growth, despite the headwinds in some of our markets. Your board has challenged and supported management in their acquisition aspirations, confident in the financial discipline they display.

Secondly, we must ensure the company has the right people in place to deliver its targets, now and for the future. Remuneration remains a key part of our people plan and our remuneration report shows how we link short and long-term incentives to hard measures of improvement in the company's performance, in line with the strategy – see page 60. Separately, we also maintain regular interaction with the senior management of the company, including Simon Naylor and John Pearson, Group Presidents of Americas and Europe respectively.

Finally, there must be an appropriate level of governance in place, a topic I elaborate on later, on page 47. As I flagged last year, during 2013 we launched our updated and simplified global mandatory policies and procedures. These are now easier to understand and so comply with. Almost 21,000 of our employees completed our new anti-bribery and corruption training, launched in the autumn. Good governance needs to inform the decisions our employees take every day. I talk to our employees on a regular basis and so see how seriously we take our commitment to safety, how involved we are with our communities and how hard we work to win repeat business from our customers. For the tenth year in succession we were included in the Dow Jones Sustainability Index, which suggests others also recognise the work we do and the way in which we do it.

Performance and shareholder returns

Despite downturn in some of our markets, and as reported in more detail in the Chief Executive's review and elsewhere, our company saw underlying revenues¹ excluding incremental procurement broadly flat and achieved growth in earnings per share² of 11 per cent in 2013. We expect further growth in 2014.

As a result of our confidence in the outlook, and reflecting our strong cash generation, the board is recommending a final dividend of 28.5 pence per share. This makes a total of 42.0 pence per share for the year, a 15 per cent increase over 2012 and a dividend cover of 2.1 times (2012 2.2 times). If approved, it will be paid on 2 July 2014 to those shareholders on the register at 30 May 2014. It is the board's intention to continue with a progressive dividend policy, whether or not the Foster Wheeler acquisition goes ahead.

The £400 million share buyback programme which began in February 2012 was completed in February 2013.

Recommended offer for Foster Wheeler AG

AMEC has been transformed in recent years and is now highly cash generative. Your board believes the best use for this cash is to invest in growth, returning surplus cash to shareholders if no suitable opportunities are found.

On 13 February 2014 we announced the terms of a recommended offer for Foster Wheeler. You can find the details on page 3. We believe this acquisition would accelerate achievement of AMEC's growth strategy, by expanding our position in mid and downstream oil & gas and enhancing our geographic position in our Growth Regions. It is also expected to be financially attractive, with double digit earnings enhancement expected in the first 12 months following completion.

Under the terms of the offer for Foster Wheeler, two of their non-executive directors would be nominated to join our board from completion of the transaction. I believe this would support a successful integration of our two businesses.

Your board remains focused on the achievement of shareholder value and will remain disciplined in its approach to this and any other acquisitions.

In conclusion

I believe the potential combination of Foster Wheeler and AMEC makes strategic and financial sense and I expect to update you soon on progress. Importantly, I believe we have a highly energised and extremely able team at AMEC. It is AMEC's proven ability to deliver excellence that will underpin our future growth, with or without acquisitions.

On your behalf, I would like to thank Samir Brikho, his management team and all of AMEC's nearly 29,000 people for their hard work and valuable contribution in 2013.

John Connolly

Chairman

13 February 2014

¹ Underlying revenues excluding the impact of currency translation and acquisitions

² Adjusted diluted earnings per share from continuing operations before intangible amortisation and exceptional items

Chief Executive's review

Key highlights

- EPS³ up 11 per cent
- Very strong cash conversion, demonstrating our continuing financial discipline
- Record order book of £4.1 billion positions us for growth in 2014
- Recommended offer for Foster Wheeler AG announced in February 2014
- Improvements in a number of key safety measures

The combination of AMEC and Foster Wheeler would be financially and strategically attractive. I believe it would be a compelling proposition for our shareholders, customers and employees.”

Samir Brikho

Chief Executive

Before joining AMEC, I talked to those who knew the company well. They spoke of many things I now recognise myself: high-quality people, expertise, strong customer relationships. But back then there was no coherent vision. That has now changed and since 2006 we have been on a journey of improvement, increasing margins and improving earnings per share fivefold¹. We have generated substantial amounts of cash and have spent over £700 million on acquisitions to support growth and returned some £1 billion to shareholders.

It's a strong history – but I am never satisfied. By implementing our Vision 2015 strategy we have strengthened our position in our four core markets, improved our geographic footprint and enhanced the capabilities we provide to our customers. We need to do more of this as we look to 2015 and beyond and I believe the acquisition of Foster Wheeler would support this goal.

Let me mention our 2013 results then focus on some examples of our progress towards Vision 2015.

2013 results

As expected, 2013 was a year of contrasts in our markets.

Our business model and reputation for excellent delivery protected us from much of the uncertainty and helped ensure that underlying revenues² (excluding incremental procurement) were broadly flat. Adjusted earnings per share³ of 87.2 pence were 11 per cent higher and we converted this to cash at an impressive rate, with cash conversion of 99 per cent⁴. Ian McHoul, CFO, discusses the results in more detail on page 39.

Our customers

Our vision is that by sustainably delivering excellence, we inspire trust and loyalty in our customers. We are looking to create strong customer relationships, becoming and remaining a trusted partner.

We have built an impressive pedigree of US solar projects. Sempra US Gas & Power is one example of a new customer in 2013 and the solar project they awarded us is seven times larger than any we have completed to date, at 250MW.

In contrast, we have been working with KNPC since 2007 providing project engineering and management services (PEMS) at their refineries. In 2013 following a competitive tender, we re-won the contract with an enhanced scope. We are also providing project management consultancy (PMC) services for KNPC on a new refinery at Al Zour, Kuwait.

¹ Compared to diluted earnings per share from continuing operations before intangible amortisation and exceptional items as reported in the 2006 annual report, of 14.5 pence.

² Excluding the impact of currency translation and acquisitions.

³ Adjusted diluted earnings per share from continuing operations before intangible amortisation and exceptional items.

⁴ Operating cash flow as a percentage of EBITA for continuing operations before intangible amortisation and exceptional items, but including joint venture EBITA. Operating cash flow as defined on page 39, note 3.

⁵ Total recordable case frequency rate.

⁶ All injury frequency rate.

Vision 2015: a snapshot

We first announced our Vision 2015 growth strategy in late 2009

- **By focusing on our customers, our people and delivering the AMEC Way, we want to create sustainable growth**
- **Our key measure of success is the improvement in earnings per share between 2009 and 2015.**

Earnings per share³

87.2p +11%

This compares with 49.6 pence in 2009 when we started this part of our journey

We are now looking beyond 2015 – see page 11

2015 and beyond

Our people

Many people join us to create a lifelong career, others work on specific projects. Our business in Europe recruited almost 6,000 people in 2013, despite resource-constrained markets, to work on projects such as the hook-up and commissioning of ConocoPhillips' new Jasmine facilities in the North Sea. Elsewhere, we have also recruited successfully for project ramp-ups in the Middle East. This effort – planning, identifying, recruiting and training people – is crucial to our success, ensuring we deliver the skills our customers need, at the time they need them.

Our employees tell us there are three main reasons why they join and stay with us: opportunity, excellence and belonging. These are the core of our employer brand. Why AMEC, which is also recognised externally? In 2013 we were ranked one of the top 20 most in demand employers by LinkedIn UK. Our history is reflected in the composition of our employee base. The commitment we formalised in 2013, to diversity and inclusion, is an important stepping stone on our journey to become more global.

Never compromising on safety is one of our four core values. In 2013 TRCFR⁵ and AIFR⁶ both reduced again, to 0.26 and 1.56 respectively per 200,000 exposure hours. It is clear we cannot afford complacency. Our target for lost time incidents (LTIs) is zero yet we had 14 LTIs in the year.

We continue to work closely in and for our local communities, including donating over £400,000 to match the fundraising efforts of our employees.

Our markets

We said at the start of 2013 that we anticipated ongoing economic uncertainty and more challenging conditions in certain areas and that is exactly what we found.

The downturn in global mining markets has been widely reported and our oil sands business in Canada has come off the peaks seen in 2010 as the Kearl project moves into production. In contrast, our conventional oil & gas business has seen good growth, led by the UK North Sea and boosted by new contract wins in the Middle East. Our US renewable business has been strong, particularly in solar, and further growth is expected in 2014. There have been positive signs around UK nuclear new build, though AMEC is unlikely to see significantly more activity until the EU completes its review.

We have deliberately diversified our business across energy and power markets and this remains our strategy.

Our global reach

Our simplified geographic organisation has now been in place for a little over 12 months. More important than the cost savings are the increased collaboration and new growth opportunities being created. For example, in October we were awarded the front end loading study for Vale's underground mine at Voisey Bay in Canada. This is our first major contract for this customer, expands our position in underground mining, an objective of our Vision 2015 strategy, and is being worked on collaboratively by employees from our power and E&I businesses, from Canada and the US.

Chief Executive's review continued

Our global reach continued

We still need to create a sustainable position in our Growth Regions. Our business in the Middle East performed strongly in 2013 and ended the year with a record order book, but conditions elsewhere were more difficult. Creating a greater scale is one of our objectives from an acquisition such as Foster Wheeler.

Let me touch on Foster Wheeler here. We believe this acquisition could significantly accelerate implementation of our growth strategy. Its mid and downstream oil & gas business is complementary to our existing upstream position and is well positioned to gain from the growth anticipated in North America. Its position in Growth Regions is also good and would provide us with more scale in the region. As is shown in more detail on page 3, the financial characteristics of the deal are also expected to be very attractive.

We would expect this deal to close in the second half of 2014.

Our expertise

We continue to work right across the life cycle of our clients' assets and believe our customers increasingly value the flexibility this offers. Again, let me pick out just a couple of examples.

We have seen recent strength in brownfield operations on projects such as the Montrose BLP contract for Talisman where work is due to be completed in 2016. We are exploring how to export this capability from the UK North Sea to other parts of the world.

We acquired qedi in 2011 for its expertise in specialist completions and commissioning services. Since then the business has grown threefold and in 2013 contributed to projects for BP, TAQA, GDF SUEZ and many others.

Our way of working

We are continually looking for improvements in how we work.

Our new shared services centre in the Philippines was officially opened in December, when, in line with local custom, a priest blessed the building. As well as consolidating finance and HR administrative activities for our Growth Regions business, our global IT support will be run from this office.

Our High Value Delivery Centre (HVDC) in Jakarta has been working closely with offices elsewhere in the world, including with Aberdeen on an FPSO vessel conversion for one of our clients. The client gained from the use of multiple time zones and a lower overall cost and has subsequently awarded us more work. Elsewhere our office in Shanghai has been supporting the delivery of work on the Oyu Tolgoi mine in Mongolia, working with colleagues in Vancouver.

Our sustainable approach is a part of what differentiates us in the eyes of our customers. In 2013 we have made further improvements in the reporting of our carbon emissions (see page 26).

2015 and beyond

I am proud of what we have achieved so far and thank all my colleagues for the hard work and contribution they have made to AMEC's success.

But as I said previously, we can't stand still.

The proposed acquisition of Foster Wheeler is an exciting prospect. Irrespective of what happens about acquisitions, we are focused on collaboration, continual improvement and growth within our markets. That's how we will achieve sustainable success to 2015 – and beyond.

Samir Brikho
Chief Executive

13 February 2014

Our strategy for 2015 and beyond is very simple

We want to grow by:

- **Enhancing** our position in our four chosen markets oil & gas, mining, clean energy and environment & infrastructure
- **Increasing** our capabilities and the range of services we are offering to our customers
- **Expanding** our geographic presence, particularly in the Growth Regions

By collaborating, improving and growing we can ensure we are achieving our goals.

Our business model supports our strategy

We employ clever people, are customer focused, sell our expertise and solutions, have a low risk approach, operate around the world in four end markets, and have three geographic business units

Our business model

AMEC is an **asset-light and cash-generative** business with a **strong balance sheet**. We deliver excellence to our customers.

What this means

Our employees are clever people

- Read more on page 14

Our employees are clever people their skills are a scarce resource

Our highly skilled engineers, project managers, consultants and scientists deliver for our customers, creating long-term customer relationships and a strong reputation for excellence

We have a particularly strong reputation for delivering engineering solutions for complex projects in remote and harsh locations

We are customer focused

- Read more on page 18

We have a wide range of customers around the world

They include some of the largest international oil companies such as ExxonMobil and BP, miners such as PotashCorp, utility companies such as EDF and government bodies such as UK NDA, US DoD

We sell our expertise and solutions

- Read more on page 20

We provide high-value services – consulting, engineering, project and construction management, and supply chain management – across the life cycle of our customers assets

We have a low-risk contracting model

- Read more on page 24

We sell our people's time and may get additional payments if pre-agreed measures are achieved (KPIs)

We have common systems, tools and processes so we can deliver consistently and share work across offices

We are deliberately technology-independent and asset-light

We help our customers achieve sustainable solutions

We operate around the world in four end markets

- Read more on page 28

We work in 40 countries and across four end markets in energy and power

- oil & gas
- mining
- clean energy
- environment & infrastructure

Each has good growth fundamentals over the long term

We manage the business in three geographic business units

- Read more on page 35

We have three business units Americas, Europe, Growth Regions, which provide our global reach

This structure incentivises collaboration, selling One AMEC to our customers

Some of our customers are looking for a wider range of services and capabilities to be packaged together, for instance integrating power and water services into a mining project

We aspire to be more global – we are seeking to create a more sustainable position in our Growth Regions business unit

The business section of this strategic report has been divided into six segments based on our business model. Understand how each helps us achieve our strategy on the following pages

Managing the challenges

- Our future success relies on us attracting, developing and retaining the best people
- We need to be flexible, using our skills on those projects which bring greatest advantage
- We maintain the highest standards of safety and ethics
- We win business because of our reputation and the strength of our long-term customer relationships
- Our diversified customer base limits our dependence on any one customer
- We have a diversified model. We work across the asset life cycle, on both our customers capital and operating expenditure projects. We also work across a range of energy and commodities projects
- Our reputation for delivery is very important to our continued success
- Our exposure to project cost increases is limited
- We have greater predictability of earnings from each project
- We only take lump sum work when we know the customer and the project well
- We use common tools and processes, so we can share work between offices
- All of our markets are cyclical, with long-term growth potential
- We are not dependent on any one part of the energy mix
- Many of our skills are transferable across markets
- Targeted acquisitions can accelerate our growth. Careful due diligence and integration planning is required, and all transactions must exceed tough financial criteria

How we measure success

- We look at the growth in employee numbers, gender diversity and employee-instigated turnover. We measure the engagement of our people and the development activity that has taken place. We also have a number of leading and lagging safety measures
 - Read more on page 17
- Here we look at the concentration of our customer base and seek not to be overly dependent on any one customer. We track levels of customer satisfaction and look to improve our win-to-bid ratio. We also look at the number of new and repeat customers
 - Read more on page 19
- Amongst other KPIs, we track our revenue growth and our margin progression. We also look at the mix of services we provide and where they sit in the life cycle of our customers assets
 - Read more on page 23
- The financial KPI we track here is our cash conversion. We also have a range of non-financial measures, including greenhouse gas emissions and completion of project and peer reviews
 - Read more on page 27
- We track how our total revenue is split across the four markets and are looking for a strong order intake and a growth in our order book
 - Read more on page 34
- The key financial metric which shows how well we are implementing our Vision 2015 strategy is growth in earnings per share. We also track other non-financial KPIs that support our global reach, such as completion of ethics training and level of community involvement
 - Read more on page 38

Our people

Our people are AMEC's principal asset as we do not own significant machinery or proprietary technology. Our continued success depends on our people and the way in which they deliver for our customers, every day, around the world.

It is vital that we continue to attract, develop and retain skilled employees. We work hard to achieve this and are successful. For example, this year we have successfully recruited to support our business in Europe including working on significant hook-up and commissioning work in the UK North Sea. Despite this, in some of our geographies our growth has been constrained by the availability of skilled people.

In 2013, we have increased our efforts to improve the effectiveness of our people – in particular focusing on increasing the collaboration between offices, between teams, between different sectors and between geographies. We are already seeing the benefits of this approach and it will continue to be a priority in 2014.

What this means for our strategy

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

Our employees are clever people; their skills are a scarce resource. Our highly skilled engineers, project managers, consultants and scientists deliver for our customers, creating long term customer relationships and a strong reputation for excellence.

Our future success relies on us attracting, developing and retaining the best people, particularly those with experience in successfully delivering complex projects. Our people strategy is a core enabler of our 2015 and beyond growth aspirations.

Our internal development activities are discussed in more detail in our sustainability report and on our website. They include:

- AMEC Academy improving the technical and managerial skills of our people, with all programmes delivered in a consistent and integrated manner across the globe
- increasing the existing resource pool graduate and trainee recruitment and development programmes
- improving the future supply pool educating schoolchildren about careers in engineering
- accessing the best skills anywhere using our global mobility programmes

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

Evidence of a skills shortage abounds. In the UK, the Royal Academy of Engineering has warned that the current pool of science, technology and engineering experts is already stretched thin and ageing rapidly. It estimates that the median age of chartered engineers rises by 10 years for every 14 that pass.

We select our projects carefully, ensuring we are using, and being rewarded for, the skills and experience of our employees. We need to think as One AMEC and use our people on the projects most likely to create long-term advantage for the company overall. We increasingly make use of our common tools and systems to share work between offices. This not only allows employees access to a wider range of challenging projects but also builds greater flexibility into our cost base.

Our values are integral to how we do business and how we deliver projects successfully for our customers. We maintain the highest standards of safety and ethics.

Our commitment to human rights is shown in our Code of Business Conduct. We support the elimination of forced or child labour, respect the human rights of any individual or community in which we work and are committed to providing a workplace which is safe and secure, founded on mutual respect, free from harassment and offering equal opportunity for promotion and advancement.

People, safety and integrity, together with environment, provide the foundations to our sustainability strategy which is explained in more detail in our separate 2013 sustainability report.

- Won accolades, from best employer awards in Canada to the top spot for People Development at Oil and Gas UK annual awards. We were also recognised as one of the UK's top 20 most in-demand employers by LinkedIn.
- Revamped, simplified and streamlined our global policies and mandatory procedures, in support of our Code of Business Conduct. Almost 21,000 of AMEC employees undertook anti-bribery and corruption training in 2013.
- Launched our employer brand, Why AMEC. Consultations with employees around the globe established that people joined and stayed with AMEC for three main reasons: opportunity, excellence and belonging. These concepts have now been incorporated into internal and external communications and feedback has been very positive.
- Developed and refined our approach to diversity and inclusion in the workplace, recognising that our goal is diversity of thought. Gender is just one part of this. Women now make up 26 per cent of our directly employed employee base, equivalent to 6,071 people, 15 per cent of our management/professional grades (1,039 people), 13 per cent of our executives (42 people), 30 per cent of our group management team (three people), and 13 per cent of our board (one person).

2013 achievements included:

- Recruited successfully in resource-constrained markets. For example, our business in Europe recruited almost 6,000 people in 2013. Many of these appointments were short term, in support of the significant hook-up and commissioning activity in the UK North Sea. Success involved careful planning and targeted recruitment campaigns, to ensure the right skills were available, in the right place, at the right time.
- Refreshed our graduate recruitment website and materials. Over 400 graduates, trainees and interns joined AMEC in 2013.
- Almost 500 people were referred by our employees and more than 120 returned to AMEC because of our alumni programmes.
- Continue to see about one-third of our people participating in share ownership schemes.
- Strong HSSE performance continued. The AIFR reduced to 1.56 per 200,000 exposure hours, and our TRCFR was better than 2012 at 0.26 per 200,000 exposure hours.

¹ Directly employed workers only.

What didn't go to plan in 2013

- Our average number of employees grew by just 1 per cent, reflecting the downturn in certain of our markets.
- We had 14 LTIs in 2013, equivalent to 0.038 per 200,000 exposure hours. Our target is zero.
- Allegations of historic blacklisting were made against AMEC and a number of UK construction companies. AMEC does not operate a policy of blacklisting individuals and the senior management of the company would not condone such a policy.

Our people continued

Managing the challenges

The principal risks and uncertainties related to our people are

Staff recruitment and retention

An inability to attract and retain sufficient high-calibre employees could become a barrier to the continued success and growth of AMEC

This is mitigated with a clear human resources (HR) strategy, which is aligned to the business strategy and focused on attracting, developing and retaining the best people for AMEC. It is underpinned by an employee framework which describes how we manage our people consistently

In addition, there is a continual review of compensation and benefits to ensure sector and geographic competitiveness and there are localised recruitment teams capable of recruiting large numbers into AMEC using common systems

AMEC Academy delivers development activities to enhance delivery and prepare employees for more advanced roles

Pensions

AMEC operates a number of defined benefits pension schemes, where careful judgement is required in determining the assumptions for future salary and pension increases, discount rate, inflation and member longevity. There is a risk of underestimating this liability

This risk to AMEC's pension schemes is mitigated by

- maintaining a relatively strong funding position over time
- taking advice from independent qualified actuaries and other professional advisers
- agreeing appropriate investment policies with the trustees
- close monitoring of changes in the funding position, with reparatory action agreed with the trustees in the event that a sustained deficit emerges
- closure of key UK defined benefits pension schemes to new entrants

Health, safety and security

AMEC is involved in activities and environments that have the potential to cause serious injury to personnel or damage to property or the environment and damage to our reputation

In order to control risk and prevent harm, AMEC is focused on achieving the highest standards of health, safety and security management. This is achieved through setting of an effective policy and putting in place clear standards which underpin our health, safety, security and environmental management systems

We put in place processes to assure that our systems work effectively throughout the organisation

Health and safety performance is regularly reviewed against agreed targets to facilitate continual improvement

- See also risks for merger and acquisitions and ethical breach (both page 26)
- Our approach to the management of risk is shown on page 85

Measuring success

There are a wide range of KPIs we track in this area, reflecting the critical importance of our employees to our success

In addition to the safety and employee growth KPIs plotted below, we also regularly monitor how engaged our employees are. In 2013 we undertook a series of statistically valid pulse surveys, each asking around 2,000 employees a few simple questions which are indicative of engagement. Response levels were high and engagement scores were at or above 70 per cent throughout the year.

Further detail on these and the other KPIs we use can be found in our 2013 sustainability report

Priorities for 2014

Our people are our most important asset

The recruitment, development and retention of our people remains critical to our success

In 2014 we will – once again – be focused on supporting our growth with new hires. Many parts of our business continue to grow. For instance, we are looking to expand our UK-based nuclear engineering team to allow us to capitalise on the opportunities in existing reactor maintenance and new build.

We will seek to embed our new commitment to diversity and inclusion deep into the organisation

We are planning an executive development programme to complement the existing junior and senior management programmes currently offered through AMEC Academy

We are reviewing our succession planning process to ensure we develop and retain the right people. We already have a high degree of success in filling positions using succession plans, but we would like to make this even better.

The safety and security of our people is essential to our business and we will focus on four key areas of performance improvement

- Leadership roles and responsibilities, benchmarking ourselves against others and introducing a peer feedback process
- Establishing a good practice guideline for HSSE assurance
- Using the information generated by our incident management systems to drive more preventative action and share learning globally
- Fully implementing our Inherently Safe Design process across the organisation

Further detail on each of these items is contained in our sustainability report

Assuming the acquisition of Foster Wheeler proceeds as planned, we will need to plan and implement the integration of their employees into AMEC. We see this as vital to achieving the full advantage from the combination of our two companies.

- See our Code of Business Conduct on [amec.com](#) to understand how we work at AMEC, in line with our values

Fatalities

We had ZERO fatalities in 2013

We have achieved zero fatalities for six years in a row

Our customers

Our people

Our customers

Our expertise Our global reach

Our markets

How we work

We have a wide range of customers and work for some of the world's largest corporations and government bodies, designing and maintaining critical assets. Our customers expect us deliver excellence every day. We are very proud of our reputation – and the high proportion of repeat business we generate.

We work very hard to develop long-term and worldwide relationships with our customers

The strength and longevity of our relationships also reflects our shared values – including integrity and never compromising on safety

We start each project with a new customer with the expectation that we can develop it into a long-term relationship

We know that if we do good work for a customer, we will win more good work

What this means for our strategy

We have a wide range of customers around the world – including large IOCs, utilities, industrial companies and government bodies. Our diversified customer base limits our dependence on any one customer

We win business because of our reputation and our long term relationships. We want our customers to recognise our engineering, project management and consultancy expertise and to trust us to deliver their projects successfully. Such a reputation does not come overnight, but is a key cornerstone of future growth

Our history demonstrates the importance of the long-term relationships we have built with many of our customers. Only by understanding their business, their objectives and their values can we identify how best to use our expertise to help them deliver

2013 achievements included:

- New customers included Sempra US Gas & Power and Vale
- Broadened service to existing customers, including GDF SUEZ on the Cygnus field, UK North Sea
- KOC renewed our £255 million five-year upstream engineering and project management services contract for the second time
- Wales & West Utilities (WWU) renewed our five-year contract to replace the gas mains across its territory
- Horizon Nuclear Power awarded us a three-year framework contract to provide environmental and technical services for the proposed new nuclear reactors in the UK
- We have developed a new, common, customer relationship management (CRM) system, for implementation in 2014

What didn't go to plan in 2013

- We were disappointed not to be awarded further work on BP's Mad Dog development in the Gulf of Mexico
- Our mining revenues have fallen in 2013. Our business was affected by the industry-wide downturn as customers deferred capital spending plans

Managing the challenges

The principal risks and uncertainties related to our customers are

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

Changes in general economic conditions may influence customers decisions on capital investment and/or asset maintenance, which could lead to volatility in the development of AMEC's order intake. These may also lead to change in the customer base, competition and in the way customers procure the services we provide

In the mining and oil & gas markets in particular, pressure on capital expenditure is leading to a greater focus on smaller projects and portfolios, potentially restricting the opportunities for growth

AMEC seeks to maintain a balanced geographic presence and, through acquisitions and organic growth, will continue to increase its exposure to other attractive regions of the world

The risk associated with economic conditions resulting in a downturn and affecting the demand for AMEC's services has been addressed, as far as practicable, by seeking to maintain a balanced business portfolio in terms of geographies, markets, clients and service offering/business model

In light of continuing global economic uncertainties, AMEC will additionally seek opportunities in new markets and territories with a particular focus on mid-stream business and broaden the offering to clients to selectively include more lump sum work

- See also risks for commodity prices (page 34), expansion of global footprint (page 38), mergers and acquisitions (page 26), project delivery (page 23), health safety and security (page 16) and staff recruitment and retention (page 16)

Measuring success

Our diversified customer base is a major indicator of our success. We also keep track of new customer wins, customer satisfaction and win-to-bid ratios

New customers added in 2013 included Vale, Sempra US Gas & Power and Horizon Nuclear Power while BP, GDF SUEZ, KOC and WWU were among those existing customers providing new contracts

Priorities for 2014

In 2014 we will stay focused on our customers and how their requirements are changing. We will continue to enhance the AMEC Way and to improve the customer experience of working with AMEC

We will also continue to expand the services we offer existing customers and look for new customers in our chosen markets. The acquisition of Foster Wheeler would accelerate implementation of these priorities

Our expertise

What this means for our strategy

We provide high value services – consulting, engineering, project and construction management and supply chain management across the life cycle of our customers' assets

We have a particularly strong reputation for delivering engineering solutions for complex projects and operating in remote and harsh locations

Our customers' capital expenditure plans can be cyclical. Our diversified model protects us from this. We work in four end markets, on a variety of energy and commodity projects, around the world, and through the asset life cycle, including operational support and maintenance

Our core services include:

Consulting

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

Commercial provided by commercial consulting and cost management subsidiaries Rider Hunt International and Aquentia Consulting

Environmental full service capabilities covering a wide range of disciplines, including environmental engineering and science, geotechnical engineering, water resources, materials testing and engineering, engineering and surveying, and programme management

Technical delivering projects and solving problems
For example, in the mining market we are involved in ore resource estimation, mine planning and feasibility studies

Recent examples include:

- ENEL, Italy environmental master services agreement for oil and gas, on and off-shore engineering in Italy
- Scottish Government specialist support and technical expertise to Resource Efficient Scotland programme
- Vale front end loading study for underground nickel mine at Voisey Bay, Newfoundland and Labrador, Canada

In each market or sector, the range of services provided to our customers is similar. We are experts in designing, delivering and maintaining strategic and complex assets, offering total life of asset support from feasibility planning right through to decommissioning.

In 2013 we have been focused on maximising growth opportunities, by ensuring the widest range of AMEC services is provided in each of our three geographies, and for each of our four markets

The AMEC Way is a very simple concept. It is fundamentally about improving the way we deliver projects to customers, using best practices. It is not one size fits all – it is flexible and scalable so can be adapted to local markets. Collaboration between our people is a key differentiator in a competitive market place and we need to provide our customers with the best we have to offer

Engineering

Our engineering services are at the heart of our project delivery to our customers. We have a global network of engineering centres delivering high performance, cost-effective technical solutions to our customers. Our approach to engineering, the AMEC Way, means a common user experience, independent of location. We can deploy the best mix of our capabilities through a well-integrated work share and technical performance management system.

We have a particular expertise in undertaking large and complex projects in remote areas and in extending the life of assets in the mid to late stages of their life cycle.

Recent examples include:

- Nexen, UK provision of brownfield engineering, procurement, construction and commissioning services under six-year contract
- BG, UK engineering, procurement, construction, commissioning and project management for all of its facilities in the central North Sea until 2015
- Samsung C&T, Australia detailed design and engineering services for Package 3 of Roy Hill iron ore mining project

Construction and construction management

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

Recent examples include:

- Sappi, South America engineering, procurement construction management (EPCM) services for Go Cell project, modifications to enable the production of chemical cellulose
- Sempra US Gas & Power, US engineering, procurement and construction for its 250MW solar project at Copper Mountain 3
- Imperial Oil, Canada engineering, procurement and construction management at the Kearl oil sands project in Alberta

PMC and PEMS work for KNPC

Following on from the award of the project management consulting (PMC) work on the new refinery at Al Zour in 2012, KNPC also extended AMEC's project engineering and management services (PEMS) contract for the three existing oil refineries in Kuwait at Mina Al Ahmadi, Mina Abdullah and Shuaiba for another five years.

Additional work on Clair Ridge for BP

After completing the conceptual engineering studies and the define phase of Phase 2, AMEC delivered detailed engineering and project management services for the construction and installation phase of two new bridge-linked platforms in 2011–2012. In 2013, we were awarded the hook-up and commissioning (HUC) roles

Project management

This is one of our core services, helping to deliver our consulting, engineering excellence and construction services to our customers. We provide construction management advice and support, health, safety, sustainability, environmental and quality (HSSEQ) direction and support, and commissioning and start-up. We have developed and refined state-of-the-art systems, procedures and specifications for the management and control of engineering, procurement, construction and commissioning of process and industrial facilities worldwide.

The AMEC Way defines a common approach to executing projects within AMEC. It combines an assurance framework for project delivery with access to a comprehensive reference framework of guidance, tools such as Convero (our integrated project management system) and best practice examples. Together these processes provide a standard approach to complete, successful delivery of projects to our customers.

Our expertise continued

Project management continued

Recent examples include:

- BP Azerbaijan project and construction management services as part of the ATA consortium delivering the Shah Deniz 2 gas field in the Caspian Sea
- KNPC, Kuwait project engineering and management services contract worth £158 million over five years at three refineries in Kuwait
- ZADCO, UAE recently extended PMC contract on the Upper Zakum offshore development
- Rio Tinto, Mongolia various AMEC locations collaborating to provide underground mining engineering, technical and support services on the Oyu Tolgoi copper-gold project

Commissioning

AMEC acquired qed in 2011 to enhance our worldwide specialist completions and commissioning capability. We operate across the project life cycle and within a variety of industries, particularly oil and gas and mining. We have also developed bespoke GoTechnology® which allows us to deliver technical standardisation across projects, improves the accuracy of planning and ultimately reduces the risk of revenue or reputation losses during commissioning.

Recent examples include:

- TAQA, UK engineering, procurement, construction and commissioning services for modifications to the Tern platform in the Cladhan field in the UK North Sea
- GDF SUEZ, UK HUC services for the four platforms of the Cygnus field

Operations and maintenance

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

- Asset support comprehensive specialist shutdown/overhaul, maintenance, mechanical and electrical (M&E) construction, tankage and special engineering services
- Production operations including production optimisation services provided by Performance Improvements Ltd (PI)

Recent examples include:

- ConocoPhillips, Timor Sea operations and maintenance support for Bayu-Undan (Clough AMEC)
- EDF, UK engineering and technical services to the existing fleet of UK nuclear reactors
- OPG, Canada technical consultant in support of existing nuclear operations

Decommissioning

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

Recent examples include:

- NDA, UK AMEC plays a key role as part of Nuclear Management Partners (NMP) in managing the decommissioning of the Sellafield complex. This contract was recently extended for five more years
- BP, UK decommissioning management services provided by qed on the Valhall platforms, using GoTechnology® suite of project management applications

Other services

We also offer a range of other specialist and sustainability services

- See amec.com and our sustainability report

What didn't go to plan in 2013

- We earned a reduced contribution from our stake in NMP, reflecting lower performance against key performance measures at Sellafield
- We recorded a loss on our contract with Teesside Gas Processing Plant (TGPP) in the UK as a result of delays and cost over-runs

Managing the challenges

The principal risks and uncertainties related to our expertise are

Information technology (IT)

AMEC is exposed to the risks that the IT systems on which it relies fail and/or that sensitive data held by the group is lost

AMEC has appropriate controls in place in order to mitigate the risk of systems failure and data loss, including systems back-up procedures and disaster recovery plans and also has appropriate malware protection, network security controls and encryption of mobile devices

Following a recent comprehensive review of data governance and security, an information governance committee has been established to ensure consistent policies and practices in relation to the storage, movement, retention and destruction of data

Project delivery

Failing to maintain discipline and meet customer expectations on project delivery could result in damage to reputation, loss of repeat business and potentially lead to litigation and/or claims against AMEC

AMEC operates a system of globally applied policies and procedures

These, combined with comprehensive management oversight, the risk management process, project reviews, internal audit, peer reviews and customer feedback, mitigate the risk to successful project delivery

- See also risks for staff recruitment and retention (page 16)

Measuring success

Our revenue growth and profitability are major indicators of our success. We also seek to maintain a mix of capex (related to our customers' capital expenditure programmes) and opex related activities

Priorities for 2014

We provide a wide range of high value services to our customers. Our ability to act as One AMEC and to deliver excellence every time are key differentiators in a competitive marketplace

We will continue to focus on combining the skills of our people to offer even better support to our customers

In 2014 we will also continue to look for opportunities to expand our capabilities and to extend our addressable market, such as through the proposed acquisition of Foster Wheeler

¹ 2011 and 2012 are as reported in those years. In calculating 2013 figures, 2012 has been restated as shown in note 1 page 1

² 2011 is as reported. 2012 has been restated as shown on page 1

How we work

What this means for our strategy

We have deliberately adopted a low-risk approach to the way in which we do business, which improves the predictability of our results

The majority of our contracts are cost-plus, where we are paid our costs plus an agreed profit margin. Many of our contracts also include additional performance payments to align our objectives with our customers. We do take on lump sum, or fixed price, contracts where we know the customer and the project well.

We may partner with EPC contractors to gain access to projects which would otherwise be unavailable to us. For example, in 2012 we created a joint venture with Samsung Heavy Industries and Samsung Engineering. Under the terms of this arrangement, we will carry out detailed engineering for fixed and floating offshore platforms, FPSOs and subsea pipelines for their offshore oil & gas projects.

We have a low-risk contracting model: we sell our people's time and expertise, usually on a 'cost-plus' basis. By using common systems we can deliver work consistently and share work across offices. As a result, our business is more sustainable, and our financial performance less volatile than others.

In 2013 we have again focused on working together as One AMEC – ensuring customers get the best AMEC has to offer every time and increasingly collaborating between teams, offices and countries. For instance, our work for Vale at Voisey Bay involves mining, power and E&I services, and our work for Eskom in South Africa covers nuclear, renewable, transmission and distribution and mining skills.

By using common systems we can deliver work consistently and share work across offices

AMEC is a cash generative business. Our priority is to create value by investing for growth. If no suitable opportunities are available, we will return surplus cash to shareholders.

2013 achievements included:

- We believe that by collaborating, improving and growing, we will ensure we are achieving our goals. This is at the core of our 2015 and beyond strategy and these concepts have been communicated and promoted throughout the year, including in our annual employee magazine, *On reflection*, available on our website.
- We are increasingly collaborating to provide integrated services to our customers. For example, 34 per cent of the E&I services provided in the Americas in 2013 were to non-E&I markets – oil & gas, mining and clean energy.

- Following the organisational restructuring in late 2012, in 2013 a new shared services centre (SSC) was created in Manila, the Philippines. As well as consolidating Growth Regions HR and finance activities in one location, the SSC will increasingly provide global support activities. The SSC will save cost and more importantly, by undertaking the routine tasks, will allow client-facing offices to focus on delivery.
- Our High Value Delivery Centres (HVDCs) in Shanghai, China, Jakarta, Indonesia, and Santiago, Chile are increasingly acting as hubs, working collaboratively with offices elsewhere in the world to serve our customers. They provide the same competencies, the same level of delivery and quality, use the same tools and have the same culture. In 2013 the Aberdeen office delivered an FPSO (floating, production, storage and offloading) vessel conversion, executing around 100,000 hours of workshare of which around 55,000 were in Jakarta.
- We continued to transition more than 30 finance, HR and project management systems into one integrated global application – Microsoft Dynamics.
- We continued to support SOS Children as our global strategic charity. We also provided expertise to IFRC, designing transitional shelters to be used in disaster situations.
- We successfully implemented a sustainability in practice online training programme as part of an employee awareness and engagement programme around our approach to sustainability in its widest sense.
- Our carbon reporting and data capture systems have been updated in line with the new mandatory carbon reporting requirements (see page 26).
- We were included in the Dow Jones Sustainability Index for the tenth year in succession and were given a silver class sustainability award by RobecoSAM Global Sustainability Index.
- We were recognised by Greenbiz Group and Trucost as a Natural Capital Efficiency Leader.

What didn't go to plan in 2013

- In 2012 we created joint ventures with Samsung (as mentioned previously) and with Aibel to deliver projects for the oil & gas industry in the Norwegian Continental Shelf. Despite good bidding activity, neither has yet resulted in additional work.
- In April 2013, Global Renewables Lancashire Operations Ltd, in which AMEC is a 50 per cent shareholder, was fined £150,000 as a result of five

Our approach to sustainable business

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

We believe sustainable business is the balance of economic, environmental and social responsibilities, meeting the requirements of our stakeholders, consistently, in line with living our values. Our sustainability strategy is described using three interwoven elements – living our values, excellent project delivery and sustainable growth.

Our customers face increasing legislative and other pressures to operate in a sustainable way and we at AMEC are in an ideal place to support them, working with our partners and supply chain. They are looking for sustainability solutions minimising resource use (water, materials, energy), considering long-term social requirements on our projects (utilising local workforce and suppliers, supporting the local communities in which we work) and ensuring the delivery of safe projects (inherent within the design, on site during delivery and onwards during the operation).

In each of these areas, we utilise our internal programmes and tools, along with AMEC's technical and scientific expertise, to ensure excellent customer delivery.

We want to ensure that sustainability is integrated into the very core of our business and within our decision making processes. Our approach and our recent achievements are described throughout this strategic report as they form a key element of our business model. Further details can be found in the 2013 sustainability report, to be issued in April 2014.

breaches of environmental permitting regulations which resulted in odour pollution.

- In June 2013, Sellafield Limited was fined £700,000 after incorrectly disposing of low-level radioactive waste. Although this was not under AMEC's management control or responsibility, we are a part of the NMP joint venture which is the parent body organisation for the site at Sellafield.

How we work continued

Greenhouse gas emissions

Year ended 31 October	2013 CO ₂ emission in tonnes
Combustion of fuel and operation of facilities	24,449
Electricity, heat, steam and cooling purchased for own use	31,438
Per employee	1.93
Per £1 million revenue	14.06

This is the first year in which global greenhouse gas emissions have been presented in this format. The figures show scope 1 and 2 emissions from our global business where we have operational control.

- For further information please refer to AMEC's 2013 sustainability report

The 12-month period to 31 October, rather than the calendar year has been used. This ensures actual data can be used even for those regions where energy/fuel usage is more difficult to access. By reducing reliance on estimation, a more accurate footprint can be provided in a timely manner.

In our figures, we use accepted methods of calculation based on the Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard (revised edition). We first adopted our operational control approach in 2001.

We have previously provided estimated calendar year figures for CO₂ emissions, using Defra emission conversion factors. As more than 70 per cent of our revenue is generated outside of the UK we have switched to using national conversion factor guidelines (eg EPA, Environment Canada) where appropriate. As a result, carbon data previously reported is no longer directly comparable.

Managing the challenges

The principal risks and uncertainties related to how we work are:

Mergers and acquisitions

A failure to execute, complete and successfully integrate targeted, value-enhancing acquisitions represents a risk to growth.

Our strategic plan (previously Vision 2015, now 2015 and beyond) includes a structured internal review of identified target acquisitions, followed by an established and robust due diligence and integration planning process.

Legacy risk

Litigation and business claims from divested and non-core businesses, such as Global Renewables, remain a risk to AMEC.

The established Investment Services team manages these claims with internal and external legal advice. The aim is to seek cost-effective management of litigation and promote commercially sensible settlements where appropriate.

Managing non-core legacy assets until divestment may require skills that are not common to the rest of the company.

AMEC has made provisions for the legacy issues that are believed to be adequate and is not aware of any other current issues relating to disposed businesses which are likely to have a material impact. Specialist teams with the appropriate knowledge are brought in as required.

Ethical breach

A substantive ethical breach and/or non-compliance with laws or regulations could potentially lead to damage to AMEC's reputation, fines, litigation and claims for compensation.

AMEC has a number of measures in place across the group to mitigate this risk, including embedded policies and procedures, Code of Business Conduct, segregation of duties, management oversight, financial and operational controls, independent third-party reporting system for raising concerns, appointment of ethics officers, anti-fraud and other internal audits, legal team advice, ethics training programme, and oversight by the ethics committee of the board.

- See also risks for IT (page 23), health safety and security (page 16) and project delivery (page 23).

Measuring success

This is a wide-ranging topic and the key performance indicators we use to track our progress reflect this

- A key financial KPI is our cash conversion, which was particularly strong in 2013. We target over 90 per cent conversion of operating profit into cash
- Our reputation depends on us delivering projects successfully for our customers. One of the non-financial KPIs we use is whether our project and peer reviews are being implemented in line with our plans. We met our targets for this KPI in 2013
- We have tracked our carbon emissions since 2008, when we set a target of reducing emissions per employee by 15 per cent by 2013. Since that time we have significantly increased awareness and improved reporting. The group itself has also changed. Despite substantial progress in many areas, we have not achieved our target. See the 2013 sustainability report for more detail

Priorities for 2014

In 2014 we will focus on growing our revenue without significantly changing our low-risk business model. We will continue to develop long-term customer relationships

We are also targeting to increase the amount of workshare and collaboration between teams and offices. This ensures customers get the best AMEC has to offer, every time

One of the attractions of the proposed combination of Foster Wheeler with AMEC is that both companies have a similar approach to how they work. Approximately 69 per cent of Foster Wheeler's Quarter 3 2013 order book came from cost-plus or similar contracts. They have a strong reputation for delivery and they are also cash generative

Our markets

What this means for our strategy

We have purposefully and deliberately positioned AMEC across these four markets and believe this diversified approach minimises risk and maximises opportunity over the long term

We look for strategic opportunities to enhance our position in our chosen markets. For example, if our acquisition of Foster Wheeler goes ahead, it would complement our existing upstream oil and gas position by adding mid and downstream activities. It would also increase our exposure to gas markets.

Competitive environment

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

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

Global market trends

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

The International Energy Agency (IEA) World Energy Outlook 2013 sees the growth in primary energy demand coming from non-OECD countries, with China, India and the Middle East accounting for 60 per cent of the increase, and emerging economies 90 per cent of the growth. OECD countries are expected to see a shift away from oil and coal, towards natural gas and renewables. The IEA is forecasting world oil demand to grow from 87 million barrels a day, to 101 million barrels in 2035.

Technology is facilitating the development of resources such as tight oil and shale gas, which are expected to allow the US to meet all its energy needs from domestic resources by 2035. At the same time, developing new sources of energy is becoming more complex, with resources often in harsh or remote regions.

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

Each of our end markets is expected to grow in the long term. AMEC is carefully positioned across sectors so as to benefit whatever the relative weighting in the energy mix. Our markets are also all cyclical – their diversity means we are not dependent on any one part of the energy mix.

The services we provide (see pages 20 to 23) run across the life cycle of our customers' assets, from consulting, engineering and construction management to project management, operations and maintenance and decommissioning.

Growth will inevitably put further pressure on the availability of suitably qualified engineers, consultants and project managers. Our people strategy is a core enabler of our growth aspirations.

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

A more detailed analysis is shown in each market section on the following pages

AMEC's markets

Oil & Gas

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

The market

The IEA estimates oil supply in 2012 was 89.2 million barrels per day (mb/d). Since 2000 more than two-thirds of supply growth has come from unconventional oil, such as light-tight oil, oil sands and ultra-deepwater and natural gas liquids. During 2013 China has overtaken the US as the world's largest net oil importer.

Oil demand is forecast to increase to 101 mb/d by 2035. This is driven by the transport sector in China, India and Middle East and occurs despite the dampening effect of efficiency measures, environmental policies and relatively high prices in OECD countries. Over the period to 2040, ExxonMobil expects natural gas to overtake coal as the number two global fuel, behind oil.

Brent crude oil price has averaged \$110 for the past three years (in real terms). Gas prices have, however, continued to exhibit significant regional differences, with US prices averaging one-third of those in Europe, and one-fifth in Japan.

A change from today's production mix is also expected, with crude oil falling and a greater share being taken by

natural gas liquids and unconventional sources. The rise is being driven by light-tight oil, Canadian oil sands, natural gas liquids and increased deepwater production in Brazil.

The IEA estimates that meeting the world's energy needs will require spending approximately \$1.6 trillion per year on average, with about \$700 billion being spent on oil and gas development, and the remainder on power generation.

Morgan Stanley's latest global exploration and production spending analysis suggests that in the period between 2012 and 2020, global upstream spending will grow at approximately 5.5 per cent per annum, with offshore spending growth of 8.2 per cent per annum.

In general, oil and gas resources are increasingly difficult to extract. Projects have become larger and more complex and environmental pressures have increased. As existing infrastructure ages and reserves are being depleted, more sophisticated performance and efficiency improvement solutions are required, particularly in brownfield operations.

In the UK, an interim report to the Secretary of State proposes a new regulator to help maximise economic recovery of the substantial remaining UK oil & gas resource.

Oil and gas producers want oil services companies, such as AMEC, to provide experts with proven experience in delivering projects on time, on budget, without harming people or the environment.

Many international oil companies (IOCs) are renewing their focus on overall levels of capital expenditure, though national oil companies (NOCs) are largely unaffected. This may impact total market growth rates.

Assets are maturing, with declining reservoir production and ageing infrastructure, at the same time that the number of offshore facilities is increasing, to over 9,000 globally. These factors are increasing the focus on the offshore maintenance, modifications and operations (MMO) market, which the Douglas Westwood MMO report 2014 expects to be worth around \$672 billion between 2014 and 2018. Although the modifications market in particular is affected by changes in the oil price, such projects can represent a much better economic alternative than greenfield projects.

Our markets continued

Oil & Gas continued

AMEC's position

AMEC offers a wide range of services to a broad range of customers, including IOCs, NOCs and independent operators in Europe, Americas, Middle East and Africa, the Caspian, South-east Asia and China. We do not operate in early cycle exploration or drilling, but are involved in every part of the project delivery phase. The majority of our activity is for offshore assets, where we support fixed platforms and floating production units, largely above the water.

We also support onshore oil and gas fields, booster stations, gathering centres, tank farms, gas-oil separation plants and pipelines. We do more work on oil projects, and are relatively under-represented on gas projects.

The vast majority of our oil & gas revenues comes from upstream projects.

AMEC has global experience of delivering large and complex greenfield projects, with capabilities in deepwater and hostile conditions. We have developed a strong position in frontier regions including the Caspian and have a good track record in proactively helping customers deal with environmental pressures. Recent examples include:

- BP Clair Ridge engineering and project management services (EPMS) and hook-up and commissioning for the main platform
- MWCC designing and delivering components of the modular equipment for the Marine Well Containment System (MWCS)
- BP Shah Deniz project and construction management services for the stage 2 development of the Shah Deniz gas field in the Caspian Sea, Azerbaijan
- GDF SUEZ, Cygnus gas field following FEED work, detailed design and hook-up and commissioning

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

- Chevron, Wheatstone Clough AMEC joint venture working on the operability, reliability and maintainability (ORM) component of this offshore facility
- Fairfield Energy, Dunlin field two new life of field contracts covering general operating services and brownfield engineering and construction requirements

We are a market leader in UK North Sea brownfield services and provide more integrated solutions to new entrant operators in the region. AMEC is increasingly providing more sophisticated solutions, for example, adapting existing facilities to cope with both mature reservoir conditions and new tie-backs developments.

Recent examples

- Unnamed customer engineering design of topside modifications to an existing FPSO, together with procurement activities and project management services
- ConocoPhillips Jasmine, hook-up and commissioning services for the new topside facilities

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

- Imperial Oil, Kearl initial development and expansion phase

We also work on shale gas and coal bed methane projects, providing services such as environmental impact assessments and water table management.

AMEC is aware of the environmental concerns raised by activities in many of these areas. The full range of our environmental and infrastructure services can be used to ensure that customers meet and, where possible, exceed local legislation, providing them with solutions to environmental challenges. For example:

- Kuwait, Gulf War remediation PMC contract to remediate/dispose of highly contaminated material arising from the first Gulf War, with the project managed by a long-standing AMEC customer, KOC
- Further information on our recent projects can be found on our website, amec.com

Mining

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

The market

An additional 2 billion people in emerging markets are expected to become urbanised in the period to 2035, a key underlying driver of long-term growth in this industry. Short-term views are more cautious, with lower commodity prices and general economic uncertainty causing some softening of exploration spending and the postponement or cancellation of more marginal projects. At the same time, investors in major mining companies are looking for greater cash returns.

The business is a recognised leader in environments where projects have significant logistical challenges associated with remote location and difficult access. AMEC occupies a top-tier position in international consulting and a leading position in the North and South American engineering, procurement and construction management (EPCM) markets, where we have provided services for many of the world's leading mining companies. In addition to our established position in Australia, we are growing our African business.

Recent projects include:

- Rio Tinto, Oyu Tolgoi various AMEC locations collaborating to provide underground services on this copper-gold project
- K+S Legacy Potash project management services for the full scope of facilities at Saskatchewan's first new potash mine in nearly 40 years
- Vale Voisey Bay front end loading study for underground nickel mine in Newfoundland and Labrador, Canada
- Samsung C&T Roy Hill design and engineering services for the iron ore handling and processing facilities in Western Australia
- Further information on our recent projects can be found on our website, amec.com

Clean Energy

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

The market

The role of nuclear power varies from country to country. Some countries, such as Germany, are looking to decommission their nuclear capacity, while others, such as the UK and China, are committed to new build programmes. Overall, the IEA forecasts nuclear will be used to generate around 12 per cent of electricity in 2035, in line with today.

The UK currently has 16 nuclear reactors generating 10 GWe, around one-sixth of the UK's electricity requirements. During 2013 the UK government and EDF announced they had reached an agreement in principle on the key commercial terms for a new 3.2MW nuclear plant at Hinkley Point in Somerset. Horizon and NuGen are also developing plans to build new nuclear plants in the UK.

Supply issues are at the forefront as fewer easy-to-produce resources are leading to more challenging, complex and expensive developments, in more remote and riskier locations. Increasingly new mining projects are underground rather than surface mines and more logistical infrastructure and environmental controls are required.

This has led to a number of major mining companies announcing delays to projects and cost reduction programmes. Citi Research wrote in September 2013 that it expects large miners to make significant cuts to capital expenditure compared to current levels of spend. In 2014 it expects approximately \$40 billion, compared to \$46 billion in 2013.

As in oil & gas, mine developers are looking for suppliers, such as AMEC, with proven ability in project delivery.

AMEC's position

AMEC has long sought to mitigate the impact of economic volatility by positioning itself to support a diverse range of commodities and service markets. As well as potash, iron ore, copper and gold, our customers are producing commodities such as uranium, lead, zinc, nickel and diamonds. We offer mining consultancy (including ore resource estimation, mine planning and feasibility studies), design, project and construction management services and believe the provision of consulting and environmental services provides a distinct competitive advantage.

Majors market capitalisation over US\$40 billion, mid-tier US\$5-\$40 billion

Our markets continued

Clean Energy continued

The market continued

Many of the world's nuclear facilities will be reaching the end of their permissioned life over the next 20 years. Life extensions and reactor support will be necessary to maintain the 15 per cent of Canada's electricity which comes from nuclear power, with 19 reactors mostly in Ontario. Likewise, around 75 per cent of France's electricity comes from nuclear power, with 58 reactors across the country.

The clean-up and management of the nuclear legacy is one of the most demanding challenges facing the industry. The World Nuclear Association estimates that more than 250 reactors will close by 2030 worldwide.

ExxonMobil forecasts renewable energy supplies – including traditional biomass, hydro and geothermal as well as wind, solar and biofuels – to contribute 14 per cent of the energy mix by 2040, up from 3 per cent in 2010. Growth in renewables will be driven by climate change and environmental policies, energy security concerns and by price and cost developments.

BP forecasts that energy consumption grows less rapidly than the global economy, with GDP growth averaging 3.5 per cent per annum between 2012 and 2035, with the decline in energy intensity accelerating post 2020.

Both BP and IEA predict that fossil fuels' share of the energy mix will fall by circa 5 percentage points by 2035 as renewables continue to replace oil and coal in the mix.

Our customers include major utilities, governments, national regulators, reactor suppliers and other significant stakeholders. We have a particularly strong presence in the UK and Canada, a growing business in the US and a good presence in Central and Eastern Europe and South Africa. In 2013 we expanded our position in the US with the acquisition of Automated Engineering Services (AES), a 175-person professional design engineering nuclear services firm based in Naperville, Illinois.

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

In power, the majority of services are performed for major energy providers, governments, developers and independent power producers, primarily in the Americas. Our major customers in transmission and distribution are system owners with which we have had long-standing relationships. We have an existing position in the UK and a growing presence in Canada.

Recent clean energy activities include

- Sellafield Limited, UK various projects including a multi-discipline site works framework agreement
- EDF, UK supporting EDF's architect engineer operations on its UK nuclear new build programme and the operations of the existing nuclear fleet
- NDA, UK recently renewed five-year contract for decommissioning of the Sellafield site as a part of NMP
- Horizon Nuclear Power, UK a three-year framework contract to provide environmental and technical services for the proposed new nuclear reactors
- BC Hydro, Canada EPCM framework for all transmission assets
- Sempra Gas & Power, US engineering, procurement and construction for its 250MW solar project at Copper Mountain 3, Nevada
- Dominion Energy, US engineering, procurement and construction for three solar projects in Indiana, one in Georgia and a coal to natural gas conversion in Virginia
- Further information on our recent projects can be found on our website, amec.com

AMEC's position

Our nuclear capability has been developed over 60 years, positioning us to support the full life cycle of nuclear energy, from new build and reactor support (including lifetime extension), to nuclear decommissioning and waste management. We have experience of all types of nuclear technology. We work with our customers in long-term relationships based on partnering and have significant experience in effectively managing complex stakeholder relationships.

Environment & Infrastructure (E&I)

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

The market

The global environmental consultancy market is estimated at £34 billion (Engineering News Record), with design and construction-specific revenue on top of this. The market has historically been both large and diverse though there has been recent consolidation as large private sector clients are increasingly looking for seamless global project delivery.

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

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

AMEC's position

We work predominately in the US, Canada and the UK, with an emerging presence in the Middle East, Africa and Australasia.

AMEC provides a multi-disciplinary approach to water projects at all stages of planning, study, design and construction, seeking to provide sustainable and environmentally sound solutions for our public and private sector customers. Our primary areas of focus are water resource management, water policy, coastal management, asset planning and management, and wastewater collection and treatment.

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

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

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

In industrial/commercial, compliance and due diligence services are provided, ranging from geotechnical and environmental to materials and water resources consulting.

AMEC's knowledge of regulatory environments is used to apply a risk-based approach to environmental liability assessment and management.

Recent projects include:

- Northumbrian Water, UK framework agreement for the provision of technical, commercial and environmental services
- US Army Corps of Engineers, Qatar design and construction of facilities and warehousing, including demolition and site improvements at Al Udeid Air Base
- McCain Foods, Canada wastewater effluent reclaim/recycle design project
- Kahramaa, Qatar supporting the local utility to use aquifer storage and recovery technology to improve water supply security

What didn't go to plan in 2013

- AMEC's markets are each cyclical to varying degrees. Weakness continued in the mining market in particular, with revenues 28 per cent lower. Activity levels also dropped in the Canadian oil sands though AMEC continues to work on the largest single project in recent years, the Kearl project for Imperial Oil.
- Although there has been some important progress on UK nuclear new build, with significant government endorsement, the speed of implementation is yet to pick up significantly.

Our markets continued

Managing the challenges

The principal risks and uncertainties related to our markets are

Changes in commodity prices

A sustained and significant reduction in oil and gas or commodity prices could have an adverse impact on the level of customer spending in AMEC's markets and consequently represents a risk to organic growth

The outlook for economic growth in China continues to have an impact on minerals and metals commodity prices, limiting project opportunities

- See also risks for geopolitical and economic conditions (page 19), expansion of global footprint (page 38), mergers and acquisitions (page 26) and staff recruitment and retention (page 16)

This risk is mitigated by maintaining a balanced business portfolio of geographies, markets, clients and service offering

Measuring success

Our order book and our order intake are significant indicators of our continued success across our markets. In addition, we also assess our overall exposure to each market, including the mix of services we offer – such as maintaining a mix of capex and opex, new build and decommissioning

Priorities for 2014

We work across four markets. Each has been chosen because of its long-term growth potential and the need for high-quality engineering and project management services. We believe that this combination provides AMEC with attractive opportunities, and protects us from the volatility – such as in mining over the past 12 months – that each market occasionally displays

In addition, we are focused on developing a more flexible way of working, for instance through workshare between offices, so that our employees can use their skills across each of our end markets. This will continue to be a focus for 2014

Combining Foster Wheeler and AMEC is expected to enhance our capability in the oil & gas market, by increasing our exposure to the mid and downstream value chain. It will also help us to address our current under-representation in gas projects

Our global reach

Overview

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What this means for our strategy

As well as building our presence in our established geographies of the UK and North America, we are looking to expand in the Middle East, Australasia and South America. We need to not only build on our existing market positions but also to enhance our capabilities and expand our geographic coverage. We see this expansion as coming from a combination of acquisition and organic growth.

In addition, some of our customers are increasingly looking for us to take responsibility for a wider range of services and capabilities, for example integrating power and water services into a mining project. We need to be organised to respond to this effectively.

Our organisation structure is designed to promote collaboration between markets and geographies, to deliver enhanced growth and incentivise our people to collaborate and sell One AMEC.

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

Americas

Americas generated 56 per cent of group revenues in 2013. The portfolio of activities is well balanced across AMEC's four markets.

- We have a good conventional oil & gas position, with our visibility in Gulf of Mexico enhanced by our work on MWCS.
- AMEC is a market leader in the provision of project management and engineering services to the Canadian mineable oil sands and is building in-situ experience.
- We are a leading mining consultant and a tier 1 EPCM player.
- We have growing solar and bioprocess positions in the US and are well positioned in nuclear and wind in Canada.
- We are a leading player in the provision of environmental services in North America.

We manage the business in three geographic units: Americas, Europe and Growth Regions. This structure is designed to promote collaboration between AMEC's people – so that our customers benefit from the best we can offer every day. We believe this enhances our growth opportunities.

Increasing collaboration, breaking silos, integrating acquisitions and working as one team will make us much stronger than we already are. Improving efficiency and productivity will build resilience and help us to stay ahead of our competitors and deliver excellence to our customers.

Our group presidents of each business unit are incentivised to work collaboratively, with a proportion of their bonus dependent on this measure.

Our proposed acquisition of Foster Wheeler is expected to significantly add to the scale of our Growth Regions – more than doubling our revenue in that area.

We manage legacy and non-core activities through Investment Services.

Our global reach continued

Americas continued

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

Customers include: Arizona Public Service, BC Hydro, BP, Bruce Power, Canadian Natural Resources Limited, Dominion, ExxonMobil, Freeport McMoRan, Honeywell, Imperial Oil, International Power, K&S Potash, MeadWestvaco, MWCS, Newmont, Ontario Power Generation, PotashCorp, Recurrent Energy, RTI International, Sempra, Syncrude

Recent projects include: Oil & gas: Marine Well Containment System (MWCS) scheduled for delivery in early 2014, US, ongoing oil sands work for Imperial Oil, Syncrude, CNRL, Suncor, Shell and AMR among others, and the provision of environmental services in US shale gas

Mining: Vale front end loading study to develop underground nickel mine at Voisey Bay, Canada, various mining consulting projects and a number of existing copper, gold and potash EPCM projects for Newmont, Thompson Creek, PotashCorp and K&S Potash

Clean energy: Dominion EPC contracts to design and construct solar arrays in Georgia and Indiana, US, Sempra US Gas & Power EPC contract to design and construct 250MW solar array in Nevada, US

Environment & Infrastructure: Honeywell alliance agreement, working on more than 80 environmental remediation and stewardship projects

Europe

Europe generated 31 per cent of group revenue in 2013, largely from conventional oil & gas and nuclear

- We have a long-standing oil & gas business in the North Sea, with a market-leading position in brownfield activities
- Our nuclear capability has developed over the last 60 years and supports the full life cycle of nuclear energy, from new build to reactor support and onto decommissioning, including new nuclear in the UK
- We are positioned for further growth in the environment & infrastructure market

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

Customers include: Apache, AWE, Bluewater, BG, BP, Britannia, Centrica, ConocoPhillips, EDF, Enquest, Fairfield Energy, GDF SUEZ, MOD, National Grid, NDA, Rolls Royce, Sabic, Scottish Power, Shell, Talisman, Wales & West Utilities

Recent projects include: Oil & gas: BP hook-up and commissioning two new Clair Ridge platforms, BP maintenance and operations for Forties pipeline system, BG engineering, procurement, construction, commissioning and project management for all facilities in central North Sea, ConocoPhillips detailed engineering and procurement for existing Judy platform and the hook-up and commissioning of the new Jasmine facilities, GDF SUEZ FEED, engineering, procurement, hook-up and commissioning services, Cygnus field, Nexen EPC services for North Sea offshore assets, OMV engineering services framework upgrade of green and brownfield on and offshore facilities (JV), Shell ONEgas asset support, Talisman brownfield engineering five-year call-off contract, TAQA EPC modifications to Tern oil production platform and new subsea tie-back to the Cladhan field

Clean energy: AWE strategic partnership agreement to provide implementation services at Aldermaston, UK, Horizon framework agreement to provide specialist engineering and technical design services for proposed nuclear new build programme, UK, Magnox project management resource contract to support decommissioning at ten UK sites, in JV, NDA Sellafield site decommissioning as a part of NMP, Nuclear Energy Company of Slovakia environmental impact assessment services associated with new nuclear programme, Wales & West Utilities gas infrastructure replacement programme

Environment & Infrastructure: Scottish Government specialist consultancy support to the resource efficiency Scotland programme, UK Environment Agency framework contract for environmental and remediation services for the National Contaminated Land Consultancy

Growth Regions

Growth Regions contributed 13 per cent of group revenue in 2013, driven by conventional oil & gas. In our 2015 and beyond strategy, it is the business unit we believe has the greatest potential for growth. The business also needs greater scale. In 2013 a new shared service centre was established in Manila to serve the Growth Regions.

- We have a strong engineering and PMC position in the oil & gas market in the Middle East and a long-standing position in Azerbaijan. The Clough AMEC joint venture is based in Australia.
- Our mining position was developed with the acquisition of GRD Minproc in 2009.
- In clean energy, we have a presence in the nuclear sector in South Africa.
- We have a growing position in the environment & infrastructure market and support US Federal activity on bases in this region.

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

Customers include: ADMA-OPCO, AFCEC, AIOC, Arcelor Mittal, Arrow Energy, BG, BP, ConocoPhillips, Dundee Precious Metals, KEIL, KNPC, KOC, Origin Energy, Samsung C&T, Swakop Uranium, US Army, Zadco

Recent projects include: Oil & gas: BP project and construction management services within the AMEC Tekfen Azfen consortium for the Shah Deniz 2 offshore platforms, Azerbaijan (announced January 2014), Abu Dhabi Marine Project Management Consultancy services contract for Umm Lulu Phase-2, Abu Dhabi, Chevron operational readiness services for Wheatstone facility (JV), Australia, ConocoPhillips asset support for Bayu Undan gas facilities (JV), East Timor Sea, ENI onshore turnaround and maintenance support, Australia, KOC PMC services for a portfolio of major upstream projects, Kuwait, KNPC PEMS contract at three refineries and support to new refinery at Al Zour, Kuwait, ZADCO-Zakum Development Company programme management consultancy services contract

Mining: Samsung C&T design and engineering services for iron ore handling and processing facilities at Roy Hill, Australia

Environment & Infrastructure: US Army Corp of Engineers various pieces of work on bases in the region, including at Al Udeid Air Base in Qatar

Investment Services

This principally comprises the Incheon Bridge PPP project in Korea and the Lancashire Waste PFI project, both now operational, the group's insurance captive, AMEC's resident UK wind development activities and a range of other non-core activities

What didn't go to plan in 2013

- The resignation of the Group President, Growth Regions for personal reasons. Samir Brikho is leading this business unit until a replacement is appointed.
- Underlying revenue growth in Growth Regions was 2 per cent. Although good progress is being made in the Middle East, the Australian market remains challenging.

Our global reach continued

Managing the challenges

The principal risks and uncertainties related to our global reach are

Restructure to focus on expansion of global footprint

In 2012 AMEC restructured the business to focus on delivering growth generally and expanding the global footprint specifically into Growth Regions. A failure of this strategy could result in failure to meet targeted growth levels

Closely defined roles and responsibilities have been identified across operations and functions with a formal review process initiated to monitor performance and ensure appropriate remedial actions are put in place without delay

AMEC's growth strategy (previously Vision 2015, now 2015 and beyond) identified, by geography, the opportunities and risks across the markets in which AMEC operates. The strategy is regularly reviewed for continued relevance and covers both organic growth and mergers and acquisitions

- See also risks for geopolitical and economic conditions (page 19), ethical breach (page 26) and mergers and acquisitions (page 26)

Measuring success

Our Vision 2015 strategy measures success in terms of growth in earnings per share, from the base point in 2009. Other non-financial measures we track include

- Number of our employees who complete ethics training in the year. In 2013 almost 21,000 employees completed online or face-to-face anti-bribery and corruption training
- The contribution we make to our local communities. In 2013 AMEC donated over £400,000, matching the fundraising activities of our staff

Priorities for 2014

In 2014 we will be looking to

- Continue our growth. We expect the rate of growth in underlying revenue, excluding incremental procurement, in 2014 to be good
- Appoint a new group president, Growth Regions, with the experience and energy to develop this business unit to its maximum potential
- Continue to promote collaboration across markets and geographies
- Complete the proposed acquisition of Foster Wheeler and commence the integration programme

[†] Figures for 2010–2012 have been restated as shown in note 3 page 1

Financial review

Overview

Dear shareholder

We delivered another solid set of results in 2013, with EPS⁴ up by 11 per cent despite the downturn in some of our markets. The full year cash conversion of nearly 100 per cent was pleasing, particularly in light of the weaker first half performance. Our record order book positions us well for 2014.

There are a few areas where our 2012 results have been restated:

- The segmental analysis now reflects the geographic structure
- The UK conventional power business has been reclassified as discontinued
- Pension accounting rules have changed, reducing financing income

As you will see elsewhere in this document, we expect the proposed acquisition of Foster Wheeler to be both strategically and financially attractive. It is expected to be double-digit earnings enhancing in the first 12 months after completion, though this will not be fully realised in 2014. We do not now expect to report adjusted earnings per share of greater than 100 pence in the year. Instead we are firmly focused on creating sustainable value for shareholders for the long term, by combining the two companies, and expect ROIC* to exceed the cost of capital in the second 12-month period after completion.

Strategic report

Ian McHoul
Chief Financial Officer

13 February 2014

* Return on invested capital

Governance

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Key highlights

	2013 £ million	2012 £ million
Revenue	3,974	4,088
EBITA ¹	343	334
Adjusted profit before tax ²	332	327
Profit before tax from continuing operations	255	254
Operating cash flow ³	341	312
Adjusted diluted earnings per share ⁴ (EPS)	87.2p	78.6p
Diluted earnings per share from continuing operations	62.5p	64.0p
Dividend per share	42.0p	36.5p

Good operating performance

- Underlying revenue⁵ up 2 per cent
- Margins⁶ up 40bp
- Diluted EPS⁴ up 11 per cent
- Operating cash flow up 9 per cent
- Cash conversion 99 per cent⁷

Record order book of £4.1 billion with strong order intake

Average number of employees up 1 per cent

¹ EBITA for continuing operations before intangible amortisation and exceptional items but including joint venture EBITA

² EBITA, as defined above less net financing expense (including joint ventures) of £11 million [2012 £7 million]

³ Cash generated from operations before exceptional items and discontinued operations, legacy settlements, the difference between pension payments and amounts recognised in the income statement and certain foreign exchange movements but including dividends received from joint ventures

⁴ Diluted earnings per share from continuing operations before intangible amortisation and exceptional items

⁵ Revenue growth adjusted for the impact of currency movements, acquisitions and incremental procurement

⁶ EBITA as defined above as a percentage of revenue

⁷ Operating cash flow as defined above divided by EBITA as defined above

Financial review continued

Basis of preparation of the accounts

The 2013 annual report and accounts has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU (adopted IFRS) as at 31 December 2013. The directors have identified the policies for accounting for long-term contracts, provisions for litigation matters and liabilities related to the sale of businesses and retirement benefits as the most critical because they involve high levels of judgement and estimation.

Long-term contracts

A significant amount of the group's activities is undertaken via long-term contracts. These contracts are accounted for in accordance with IAS 11 Construction Contracts which require estimates to be made for contract costs and revenues. Management bases its judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of incentive payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in these accounting estimates is then reflected in the ongoing results.

Provisions for litigation matters and liabilities

related to the sale of businesses

When accounting for provisions for litigation and other items, the group has taken internal and external advice in considering known legal claims and actions made by or against the group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the group on the basis of likely outcome, but no provisions are made for those which, in the view of management, are unlikely to succeed.

Retirement benefits

Defined benefit pension schemes are accounted for in accordance with the advice of independent qualified actuaries but significant judgements are required in relation to the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member life expectancy that underpin their valuations. For AMEC, these assumptions are important given the relative size of the schemes that remain open.

The following commentary is based on the results for continuing operations before intangible amortisation and exceptional items but including joint venture EBITA.

The results are presented to the nearest million. Percentage movements and calculated numbers, such as EPS and margin rates, are based on the underlying numbers to one decimal place precision.

The comparative figures for 2012 have been restated as a result of:

- the adoption of IAS 19(2011R) Employee Benefits. The impact on the full year 2012 is a reduction in EBITA of £1 million, a reduction in net financing income of £12 million and a reduction in the tax charge of £5 million, resulting in a reduction of £8 million in profit after tax. See note 2 of the accounts for more details.
- the presentation of the UK conventional power business as a discontinued operation in 2013.

Segmental analysis

Segmental analysis is provided for the group's activities in three business units (Americas, Europe and Growth Regions), as well as for non-core Investment Services. 2012 figures have been restated on this same basis.

Amounts and percentage movements relating to continuing segmental earnings before net financing income, tax and intangible amortisation (EBITA) are stated before corporate costs of £35 million (2012 £33 million) and pre-tax exceptional costs of £25 million (2012 £24 million).

Discontinued operations

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

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

Results

Revenue for the year was down 3 per cent to £3,974 million (2012 £4,088 million) **Underlying revenue**, excluding incremental procurement, increased by 2 per cent, driven by growth in oil & gas and renewables

EBITA increased 3 per cent to £343 million (2012 £334 million) with **margins** at 8.6 per cent (2012 8.2 per cent)

Adjusted profit before tax of £332 million was 2 per cent ahead of the previous year (2012 £327 million). After joint venture tax of £5 million (2012 £5 million), amortisation of £47 million (2012 £44 million) and exceptional costs of £25 million (2012 £24 million), **profit before tax** was £255 million (2012 £254 million). The **tax charge** for the year, including tax on amortisation and exceptional items, was £69 million (2012 £47 million), resulting in a **total profit** for the year from continuing operations of £186 million (2012 £207 million)

Adjusted diluted earnings per share from continuing operations were 87.2 pence (2012 78.6 pence), an increase of 11 per cent, supported by the lower average number of shares in issue after the completion of the buyback at the beginning of 2013. Diluted earnings per share were 62.5 pence (2012 64.0 pence) reflecting the impact of the exceptional charges and increased amortisation

Operating cash flow for the period was £341 million (2012 £312 million), up £29 million from the previous year, reflecting EBITA growth and the continued focus on working capital management. Cash conversion was strong at 99 per cent (2012 93 per cent)

Dividend

The board is recommending a final dividend of 28.5 pence per share, which, together with the interim dividend of 13.5 pence, results in a total dividend of 42.0 pence per share (2012 36.5 pence), an increase of 15 per cent

The board expects to maintain a progressive policy with dividend cover in the range of 2.0 to 2.5 times. The final dividend will be payable on 2 July 2014 to shareholders on the register at the close of business on 30 May 2014

Share buyback programme

The £400 million share buyback programme announced in February 2012 was completed on 8 February 2013. Within this programme, 4.2 million shares at a total cost of £45 million were purchased in 2013

Acquisitions

On 15 November 2013 AMEC completed the acquisition of Automated Engineering Services (AES). AES is a 175-person professional design engineering nuclear services firm based in Naperville, Illinois, US, with annual revenues in excess of US\$30 million. This acquisition builds on AMEC's nuclear position in the US and is an important addition to the existing strong positions in the nuclear markets in Canada and Europe

AMEC announced a recommended firm offer for Foster Wheeler on 13 February 2014

Outlook

The priority remains to grow the business by continuing to deliver for customers while investing in AMEC's people and, in 2014, completing the acquisition of Foster Wheeler

For AMEC's existing operations in 2014, underlying revenue growth, excluding incremental procurement, is expected to be good, with ongoing strength in the conventional oil & gas and clean energy markets. However, the mix of business may result in a slight reduction in group margins. As in 2013, profits and particularly cash flow generation will be more second-half weighted

As stated previously, the forecast average exchange rates for 2014 are less favourable than 2013. Sterling has continued to strengthen relative to North American currencies and this currently translates into an impact of in excess of £10 million of EBITA, year-on-year

The acquisition of Foster Wheeler is expected to be double-digit earnings enhancing in the first 12 months after completion. However, this will not be fully realised in 2014. The combination of Foster Wheeler and AMEC is expected to create sustainable value for shareholders for the long term. ROIC is expected to exceed the cost of capital in the second 12-month period after completion

Segmental review

Average number of employees

The average number of employees was up 1 per cent in 2013, to 28,687. Growth Regions increased by 21 per cent in support of new projects in the Middle East. The split by business unit is shown below

Average number of employees	2013	2012	Change %
Americas	14,384	14,828	-3
Europe	10,583	10,473	+1
Growth Regions	3,476	2,874	+21
Centre	244	230	+6
Group	28,687	28,405	+1

Financial review continued

Americas

	2013	2012	Change %	Underlying change %
Revenue £m	2,247	2,500	-10	-2
EBITA ¹ £m	241	233	+3	+4
Margins ¹ %	10.7	9.3	+140bps	
Order book £bn	1.5	1.3	+14	

¹ As defined on page 39

Revenue in Americas declined 10 per cent to £2.25 billion, with good growth across conventional oil & gas and renewables offset by the decline in oil sands and mining and the £200 million reduction in incremental procurement, as expected, to £120 million. Excluding this incremental procurement, underlying revenue declined by 2 per cent.

EBITA was up 3 per cent, to £241 million (2012 £233 million). The EBITA margin was 10.7 per cent, up 140 basis points from 2012, largely as the result of the reduced procurement activities and the benefits of increased efficiency following the restructure in 2012 and from increased grants from the US government for research and development activities. Excluding incremental procurement, margins were 11.3 per cent, 60 basis points higher than 2012.

Contract wins announced in 2013 are shown on page 36.

Order book was up 14 per cent at £1.5 billion (2012 £1.3 billion), reflecting a particularly strong performance in renewables.

Outlook

In 2014, the underlying revenue trend is expected to improve, on the back of the very strong activity in renewables. However, average margins in this market are lower, and this is expected to be dilutive to reported margins in the Americas.

Europe

	2013	2012	Change %	Underlying change %
Revenue £m	1,227	1,080	+14	+11
EBITA ¹ £m	93	95	-2	-7
Margins ¹ %	7.6	8.8	-120bps	
Order book £bn	1.7	1.6	+10	

¹ As defined on page 39

Revenue in Europe improved 14 per cent to £1,227 million, with the oil & gas activity in the North Sea the primary driver.

EBITA was down 2 per cent, to £93 million (2012 £95 million) and the **EBITA margin** was 7.6 per cent, down 120 basis points from 2012. The margin decline arose mostly in the first half and is largely the result of a reduced contribution from the Sellafield joint venture (2013 £12 million, 2012 £15 million) and losses from the Teesside Gas Processing Plant contract.

Activity in the UK conventional power business has been reducing for a number of years. In 2013 it became a discontinued operation. The 2012 results have been restated to reflect this.

Contract awards announced in 2013 reflect continued investment in the UK North Sea and the clean energy market. They are shown in more detail on page 36.

The **order book** was up 10 per cent at £0.9 billion, reflecting the continued strong position in oil & gas.

Outlook

In 2014, it is expected revenue growth will continue along with an improvement in margins, as the losses from the Teesside contract do not recur and as further cost efficiencies come through.

Growth Regions

	2013	2012	Change %	Underlying change %
Revenue £m	536	531	+1	+2
EBITA ¹ £m	33	32	+3	+6
Margins ¹ %	6.2	6.1	+10bps	
Order book £bn	0.9	0.8	+18	

¹ As defined on page 39

Revenue in Growth Regions improved 1 per cent to £536 million primarily driven by growth in oil & gas especially in the Middle East, offset by the decline in mining in Australia.

EBITA was up 3 per cent, to £33 million (2012 £32 million) and the EBITA margin was 6.2 per cent, up 10 basis points from 2012.

Contract awards in 2013 reflect the strength of the oil & gas market in the Middle East and Azerbaijan. They are shown in more detail on page 37.

Order book was 18 per cent higher at £0.9 billion in 2013 (2012 £0.8 billion), benefiting from the strong oil & gas performance in the Middle East.

Outlook

In 2014, growth is expected to come from the Middle East and Azerbaijan, with a more stable position in Australia.

Investment Services activities

This principally comprises the Incheon Bridge PPP project in Korea and the Lancashire Waste PFI project, both now operational, the group's insurance captive, AMEC's residual UK wind development activities and a range of other non-core activities. Revenue was £6 million (2012 £9 million) with EBITA £11 million (2012 £7 million). EBITA was atypically high, reflecting the successful exit from assets in North America.

Financial review

Geographical analysis

The group's largest country of operation was the UK with 28 per cent of revenue (2012 26 per cent), driven by strong demand from the North Sea. Canada was the group's largest revenue generating country in 2012.

Administrative expenses

Administrative expenses increased by £7 million to £228 million (2012 £221 million) principally as a result of a full year's impact of acquisitions made in 2012.

Net financing expenses

Net financing expenses of £(2) million were £(1) million higher than last year (2012 £(1) million) and included bank interest of £(2) million (2012 £2 million receivable) and foreign exchange losses of £(1) million (2012 £nil) offset by net interest on pensions assets and liabilities of £1 million (2012 £(3) million).

The 2012 interest charge has been restated as a result of the changes to the pensions accounting standard (IAS 19) which requires the expected return on assets to be in line with the discount rate, irrespective of the asset class. This resulted in a £12 million reduction in interest income.

In addition, AMEC's share of interest payable of equity accounted joint ventures was £9 million (2012 £6 million).

Taxation

Continuing operations

The group's effective tax rate in 2013 for the continuing businesses (including tax attributable to joint venture interests), before exceptional items and excluding intangible amortisation, was 21.9 per cent (2012 22.5 per cent). The reduction principally reflects decreases in statutory tax rates, a reduction in the tax rate applied to the UK pension surplus, changes in the recognition of tax losses and the agreement of historical items with various tax authorities.

The tax rate in 2014 and beyond is expected to be in the low mid-20s.

Deferred tax

At 31 December 2013, the group had net deferred tax assets of £15 million (2012 £33 million) arising from short-term timing differences relating to provisions and property, plant and equipment, offset by liabilities in respect of intangible assets and retirement benefits.

Financial position and net cash

The group remains in a strong financial position, with net cash as at 31 December 2013 of £121 million (2012 £99 million).

Cash generated from operations in 2013 was £292 million (2012 £271 million). After adjusting for exceptional items and discontinued operations, legacy settlements, pension payments in excess of amounts recognised in the income statement, certain foreign exchange movements and dividends received from joint ventures, operating cash flow was £341 million (2012 £312 million).

Going concern

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

Intangible amortisation and goodwill impairment

Intangible amortisation relates to capitalised software and intangible assets acquired as part of the group's expansion programme. The 2013 charge of £47 million was £3 million higher than the prior year (2012 £44 million) with the increase due to a full-year impact of acquisitions completed in 2012 and the acceleration of amortisation of the assets from a prior year acquisition.

In line with IAS 36 Impairment of Assets, annual impairment reviews have been performed on the goodwill carried on the balance sheet. There were no impairment charges required in either 2013 or 2012.

Exceptional items

Total pre-tax exceptional losses of £31 million (2012 £18 million) included:

- a loss on business disposals and closures of £13 million arising from adjustments to existing provisions made in respect of prior year disposals and closures.
- other exceptional costs of £18 million which included transaction costs of £4 million and £14 million restructuring costs associated with the management reorganisation into geographical business units.

There was an exceptional tax provision of £16 million (2012 £nil) for potential withholding tax following a group restructuring that resulted in significant amounts of cash being repatriated from foreign subsidiaries.

In aggregate, there was a post-tax exceptional charge of £47 million (2012 £10 million).

Financial review continued

Discontinued trading

In accordance with IFRS 5, the post-tax results of discontinued operations are shown separately in the income statement. The UK conventional power business, which met the definition of a discontinued operation during the year, generated a trading loss before tax of £(10) million during the year (2012 £(4) million). There was a tax credit of £2 million (2012 £1 million), resulting in a loss after tax of £(8) million (2012 £(3) million).

Legacy issues

No new significant contingent liabilities were added in 2013. Provisions currently held for future costs of litigation total £37 million (2012 £40 million).

Balance sheet highlights

Key movements in the balance sheet are discussed below.

Intangible assets

The net book value of intangible assets as at 31 December 2013 was £907 million (2012 £969 million) comprising goodwill £757 million, software £37 million, customer relationships £104 million and other acquired intangible assets £9 million.

The reduction in goodwill of £34 million was largely the result of movements in foreign exchange rates, offset by goodwill of £12 million on the acquisition of AES. The reduction of £26 million in customer relationships is predominantly due to amortisation. Other acquired intangible assets included the value of brand names and trademarks, non-compete agreements and order backlogs of acquired businesses.

Distributable reserves

As at 31 December 2013, distributable reserves of AMEC plc stood at £842 million (2012 £620 million).

	£ million
As at 1 January 2013	620
Dividends paid during 2013	(108)
Dividends received from subsidiaries	159
Distributable reserves generated in the year	163
Other movements	8
As at 31 December 2013	842

During 2012, the group holding company, AMEC plc, generated a significant profit from an internal restructuring. This profit becomes distributable as qualifying consideration is passed to AMEC plc to settle the associated loan balance. £176 million was remitted to AMEC plc during 2012, and £163 million during 2013.

Pensions

The IAS 19 surplus of the principal UK pension schemes at the end of 2013 of £102 million increased compared with 2012 (£86 million), reflecting reductions in both the discount rate and higher than expected asset returns, offset by higher price inflation.

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

There are a number of smaller schemes which are in a deficit position. The combined deficit as at 31 December 2013 was £62 million (2012 £93 million) with the reduction in the year being due to actuarial gains. During 2012, some 30 per cent of the members of the scheme acquired with MACTEC accepted a lump sum settlement of their liabilities.

Contributions of £29 million were paid to the company's defined benefit schemes during the year (2012 £30 million). This included special contributions agreed with the trustees of £5 million (2012 £5 million).

Provisions

Provisions held at 31 December 2013 were £163 million (31 December 2012 £171 million). During 2013, £19 million of the brought forward provisions were utilised. As part of the ongoing review of the potential liabilities, £14 million of provisions were released as they were no longer required but additional provisions of £10 million were created in respect of indemnities granted on prior year disposals, which have been charged as an adjustment to the profit on disposal within discontinued operations and additional litigation provisions of £9 million were created in respect of business closures which have been charged as an adjustment to the loss on closure within continuing operations.

Provisions are analysed as follows:

	£ million
As at 31 December 2013	
Litigation provisions	37
Indemnities granted to buyers and retained obligations on disposed businesses	71
Insurance, onerous property contracts and provisions to fund joint ventures	55
Total	163

In summary

On pages 8 to 44 we have shown in detail how we are implementing our strategy for growth – originally Vision 2015 and now 2015 and beyond.

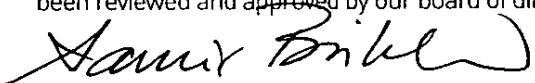
We want to **enhance** our position
in our four chosen markets

We want to **increase** our capabilities

We want to **expand** our geographic presence

Directors' approval statement

The strategic report, as set out on pages 8 to 45, has been reviewed and approved by our board of directors



Samir Brikho
Chief Executive

13 February 2014

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Our chairman and effective corporate governance

Overview

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Dear shareholder,

Our board agenda is carefully planned to ensure that we focus on those issues that are key to achieving our goals

AMEC's recommended offer for Foster Wheeler is explained elsewhere in this document. The board formally reviews the company's strategy each year and this provides the context in which corporate transactions such as this one can be assessed and approved. Each board member brings their own knowledge and experience to the discussion as we challenge, achieve a consensus and ultimately support executive management. We have a clear view of what will create long-term value for our shareholders and remain focused on this in our debates.

I spoke about our approach to diversity and inclusion previously. We need to recruit from the widest pool of qualified individuals and we need to value and use the diversity of thinking that results. Gender diversity is one subset of our wider commitment. We have been reporting on our gender balance since 2008 and included this in our annual report for the first time this year. At board level, we support the objectives of the Davies Report on Women on Boards. In considering appointments to the board we will evaluate candidates in light of the requirements of the particular role having appropriate regard to those objectives and to our group-wide commitment to diversity and inclusion.

Our ethics committee has an important role to play as our business grows and becomes increasingly global. We have made our mandatory global policies and procedures simpler and clearer, conscious that they will increasingly be read by those for whom English is a second language. They form an important part of our governance framework, shown in diagrammatic form on page 50. The implementation of both online and face-to-face anti-bribery and corruption training has gone well and training on competition law issues is planned for 2014.

Your board continues to place particular emphasis on monitoring risk and on the structured approach to the management of risk in the company. Our approach to risk management is shown on page 85 while our key business risks are shown in the relevant section of the business model.

AMEC has an extensive investor relations programme for executive management. In addition, Tim Faithfull, our Senior Independent Director, and I proactively seek to arrange meetings with our major shareholders during the year. In 2013 we had a number of one-on-one meetings and hosted a more informal investor group lunch in London. At the start of the year questions focused on the then-recent management changes, later they became more general discussions about the company, its strategy,

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

use of the balance sheet, management more generally and the approach of the board. I will continue to prioritise these and other similar interactions.

We work hard to provide, in this report, the information you need to understand our business model and strategy for growth and to assess our performance towards our goals. As a result, your board believes this annual report and accounts, taken as a whole, is fair, balanced and understandable, as we confirm in the directors' responsibility statements on page 90. I would also encourage you to use the additional information on our website amec.com and to attend our annual general meeting (AGM) on 3 April 2014.

As a board we support the UK Corporate Governance Code (Code) and believe we have complied with the provisions of the September 2012 edition throughout the year ended 31 December 2013.

John Connolly

Chairman

13 February 2014

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

In this report

- Details on how we have applied the principles of the Code to our activities can be found in the corporate governance statement on pages 50 to 86, including in the remuneration report on pages 60 to 77.
- Our approach to risk management is shown on page 85. Key risks are shown in the strategic report, within each element of the business model.

Our board of directors

Our board members were selected to ensure a good mix of skills and experience. They have particular experience in the areas in which AMEC operates and of the duties and responsibilities associated with being a director of a listed company.

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

John Connolly

Chairman of the board, Chairman of the nominations committee and a member of the remuneration committee

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

John is the chairman of G4S plc and also of a number of private companies.

Beyond commercial business roles, John is on the Board of Governors of the London Business School and a member of the CBI President's Advisory Council. He is also chairman of the appeal board for The Centre for Children's Rare Disease Research at Great Ormond Street Hospital.

Term of office

John was appointed as Non-executive Chairman on 1 June 2011 for an initial term of three years, which will end at the 2015 annual general meeting. He was considered to be independent on appointment in accordance with the requirements of the Code.

Samir Brikho

Chief Executive

Prior to joining AMEC, Samir was a member of the group executive committee of ABB Ltd, Switzerland, Head of the Power Systems Division and Chairman of ABB Lummus Global, ABB's international projects and services business. Samir holds an engineering degree, a Master of Science in Thermal Technology from the Royal Institute of Technology in Stockholm, Sweden, and completed the YMP Program at INSEAD in France in 1991. In 2000 he also completed a senior executive programme in Stanford, US.

Term of office

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

External appointments

Samir is an independent non-executive director of Skandinaviska Enskilda Banken AB (SEB) and a member

of the advisory board of Stena AB. He is a UK Business Ambassador and co-chair of the UK-UAE CEO Forum, as well as the UK-Korea CEO Forum and a director of the United Kingdom – Japan 21st Century Group. He is Chairman of the Step Change Charity.

Ian McHoul

Chief Financial Officer

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

Term of office

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

External appointments

Ian was a non-executive director of Premier Foods plc from July 2004 to April 2013.

Linda Adamany

Non-executive Director and a member of the audit, remuneration, ethics and nominations committees

Between 1980 and 2007 Linda held a number of senior executive positions at BP plc and from 2006 to 2012, prior to joining AMEC, was a non-executive director of National Grid plc and a member of their audit, nominations and safety, environment and health committees. Linda is a non-executive director of Coeur Mining, Inc, a US based publicly quoted primary silver producer, where she serves as chair of the audit committee and is a member of the environmental, health, safety and social responsibility committee. She is a qualified accountant (CPA) with a BSc in Business Administration from John Carroll University, Ohio, and has also undertaken post-graduate study at Harvard, Cambridge and Tsinghua universities.

Term of office

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

Through future appointments to the board we will seek to build upon and complement the board's existing skills set with a focus on increasing diversity whether this is through gender, race, nationality or general background

Neil Carson

Non-executive Director and a member of the audit, remuneration, nominations and ethics committees

Neil has been Chief Executive of Johnson Matthey Plc, the FTSE100 speciality chemical company, since 2004. He joined the company in 1980 after completing an engineering degree and has held a number of senior management positions in both the United Kingdom and the United States.

It was announced on 30 January 2014 that Neil will step down as Chief Executive of Johnson Matthey Plc on 5 June 2014 and will remain on the board until the end of September 2014.

Neil is joint Chairman, alongside the Minister of State for Business and Enterprise, Mr Michael Fallon, of the Chemistry Growth Partnership, which is working with government to stimulate growth in the industry in the UK. He was previously a founder member of the Prince of Wales Corporate Leaders Group on Climate Change.

Term of office

Neil was appointed a non-executive director on 31 August 2010. His term of office was extended in February 2014 for a second three-year term to the date of the 2017 annual general meeting.

Colin Day

Non-executive Director, Chairman of the audit committee and a member of the remuneration, nominations and ethics committees

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

Term of office

Colin was appointed a non-executive director on 14 October 2010. His term of office was extended in February 2014 for a second three-year term to the date of the 2017 annual general meeting.

Tim Faithfull

Senior Independent Director, Chairman of the remuneration committee and a member of the audit, nominations and ethics committees

Tim is a non-executive director of TransAlta Corporation, ICE Futures Europe, Liffe Administration and Management, Canadian Natural Resources Limited and a director of Shell Pensions Trust Limited. He was President and Chief Executive of Shell Canada Limited from 1999 to 2003.

Term of office

Tim was appointed a non-executive director on 10 February 2005 and became the Senior Independent Director in May 2009. He will be retiring from the board at the close of the 2014 annual general meeting, having served nine years as a director.

Simon Thompson

Non-executive Director, Chairman of the ethics committee and a member of the audit, remuneration and nominations committees

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

Term of office

Simon was appointed a non-executive director on 21 January 2009. His term of office was extended in January 2012 to the date of the 2015 annual general meeting.

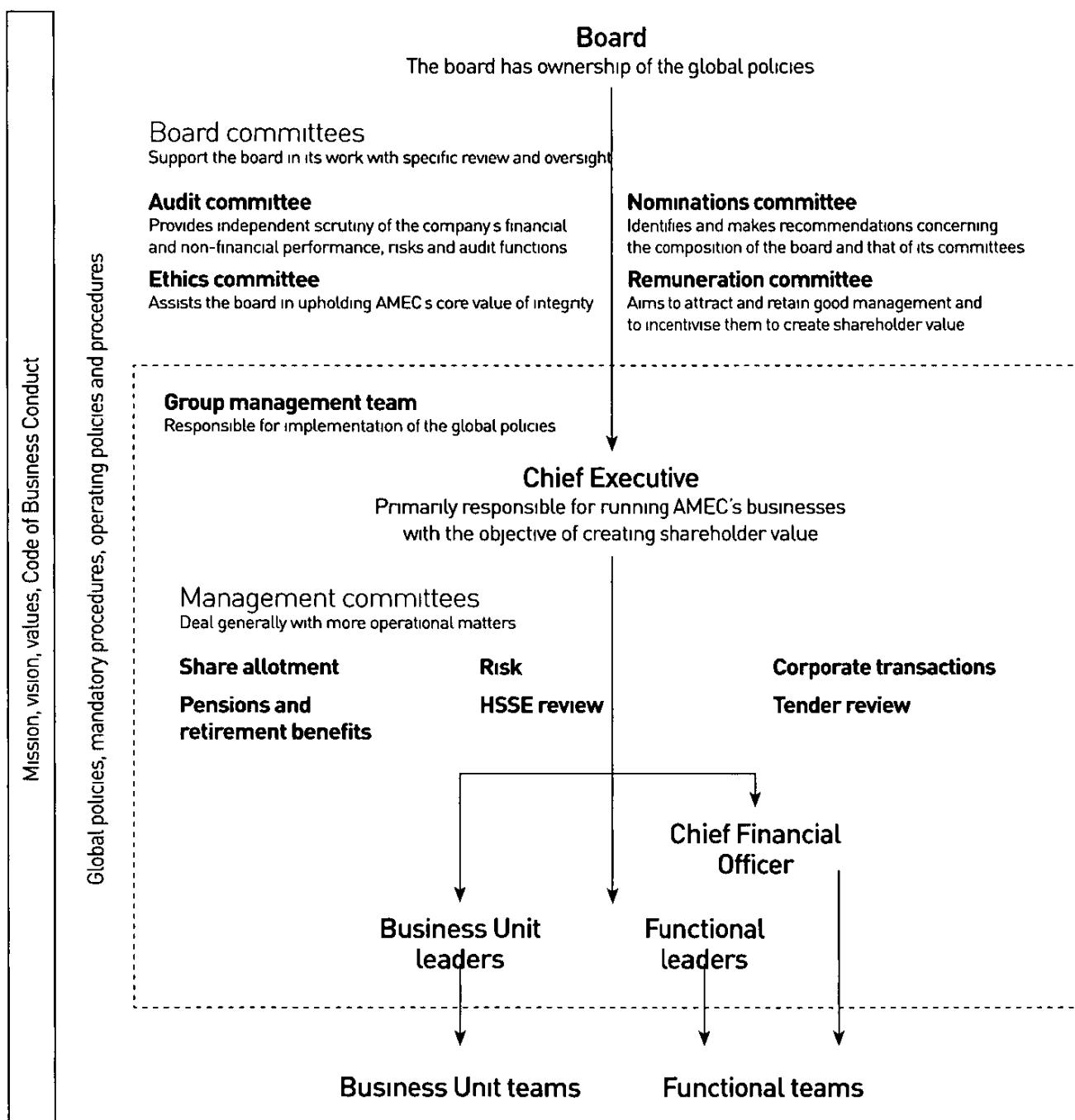
Independence of non-executive directors

The board has determined that the non-executive directors remain independent and free from any relationships or circumstances that could affect their independent judgement.

Governance overview

AMEC supports the UK Corporate Governance Code* and, in the opinion of the directors, the Company has complied with the provisions of the Code throughout the year ended 31 December 2013. This section explains in more detail how we have applied these provisions.

AMEC governance overview



↓ Delegated authority

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

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Board role and responsibilities

AMEC's board is ultimately responsible for promoting the long-term success of the company in accordance with the expectations of, and its obligations to, all stakeholders

The directors believe that the board leads and controls the group effectively and that all directors act in accordance with what they consider to be the best interests of the company, consistent with their statutory duties under the Companies Act 2006 and other legislation

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

- annual strategic and short-range plans
- financial and treasury policies
- risk identification, risk appetite, risk management and internal control systems
- major acquisitions and disposals
- Code of Business Conduct
- full and half year accounts
- dividend policy
- succession planning for directors and senior executives
- group-wide policy framework
- ensuring the effectiveness of governance practices

This schedule is reviewed on an annual basis and was last reviewed in August 2013. The board also delegates other matters to board committees and management as appropriate.

The Code of Business Conduct (CoBC) forms the foundation of AMEC's approach to corporate governance. It is the responsibility of, and upheld by, the board and ensures that those who work for and under AMEC's direction understand the behaviour that is expected of them. In early 2013 the board launched a revised global policies document, supported by a set of global mandatory procedures and designed to strengthen the corporate governance framework. These revised global policies and procedures provide a more detailed description of expected working behaviours and so will aid consistency in the direction and management of the businesses throughout the group in accordance with AMEC's vision and values.

On a day to day basis, the board has delegated responsibility for the implementation of the global policies and ownership of the global mandatory procedures to the Group Management Team. The board is responsible for regularly reviewing the effectiveness of the governance framework.

- See amec.com/aboutus/culture/cobc for further details on the Code of Business Conduct

Board committees

The board is supported in its work by four board committees (audit, remuneration, nominations and ethics), chaired by either the Chairman or another non-executive director, and a number of management committees, chaired by executive directors, to which specific responsibilities have been formally delegated

- Full written terms of reference for each board committee can be found at amec.com/aboutus/culture/corporategovernance
- Details of the membership, duties, responsibilities and work of the committees are set out on pages 52 to 61

All of the board's independent non-executive directors are members of each of the board committees. The board considers that this structure and consistency of membership contributes to the effectiveness of the committees, as the benefit of each member's independence and external viewpoint is available.

The board ensures that the committees are provided with whatever resources they need to undertake their duties and that their membership continues to be appropriate. The secretary of the committees produces timely records of all meetings, which are circulated to each member. In addition, the chairman of each board committee reports fully to the board following each meeting.

Audit committee

The key objectives of the audit committee are to provide independent scrutiny of the company's financial and non-financial performance, the adequacy of the risk management framework and the internal controls and the performance of both the external and internal audit functions. There is a wide diversity of experience and knowledge on the committee, which ensures the achievement of these objectives and provides constructive challenge and guidance to the executive team.

Dear shareholder,

Robust governance remains a fundamental characteristic of the way AMEC manages its business and risks. Your committee has a vital role to play in this regard by providing detailed scrutiny over the integrity and relevance of the group's financial reporting, the appropriateness of the group's system of internal control across numerous geographies, the suitability of the group's system of risk management as well as overseeing the internal and external audit processes.

Where necessary, the committee has requested and received additional detailed information from management, for instance, material projects, so that we may discuss the key features, risks and opportunities these present. Our aim is to provide proactive and constructive challenge over the information we receive. As Chairman, I also spend a considerable amount of time outside committee meetings with the CFO, Head of Internal Audit, General Counsel and our external advisers to ensure our process, reports and analyses are fully understood and acted upon.

This past year we have again been served extremely well with the timeliness and quality of information provided by management and from the internal and external auditors. Their reports have been clear and relevant, which has enabled this committee to discharge its duties effectively.

As reported by our company chairman, Tim Faithfull retires this year after serving this committee and board since 2005. I would like to thank him for his valued contribution to this committee and we wish him well for the future.

Consistent with the requirements of the Code, we are providing additional information this year and we do hope you will find this helpful in better understanding the work of your committee.

Colin Day

Chairman of the audit committee

13 February 2014

The committee's terms of reference can be found at amec.com/aboutus/culture/corporategovernance or on request from the Company Secretary.

Members

The audit committee comprises all the independent non-executive directors. The committee meets at least three times each year and the quorum for the committee is two members.

Membership of the audit committee

	Meeting attendance
Colin Day (Chairman)	3/3
Linda Adamany	3/3
Neil Carson	3/3
Tim Faithfull	3/3
Simon Thompson ¹	2/3

¹ Flight delays caused by severe weather in the US in December 2013 prevented Simon Thompson from attending the committee meeting that day.

Colin Day has relevant and recent experience in auditing and accounting. Biographies of all committee members can be found on pages 48 to 49.

The company chairman, the executive directors, the Group Financial Controller, the Head of Internal Audit and representatives of the external auditor also attend each meeting by invitation.

During 2013, the committee chairman also met separately with the external auditor, the Head of Internal Audit and the CFO, in each case without others being present. No areas of concern were raised.

Key responsibilities

- Reviewing the annual and half yearly financial statements and making recommendations to the board for their approval
- Reviewing and monitoring the internal controls and risk management systems
- Overseeing the relationship with the external auditor including the approval of the engagement letter, letter of representation and statutory audit fees
- Promoting an effective internal audit function
- Overseeing AMEC's compliance processes

Activities of the committee

In preparation for each meeting, the CFO prepares an extensive report covering all material financial, tax and treasury matters.

During the year, the committee reviewed the terms of reference of both the committee itself and those of the internal audit department. As a result, the committee's terms of reference were refreshed to reflect the additional reporting requirements under the Code.

Training provided to the committee in the year included a presentation in December 2013 from Ernst & Young LLP (EY) on corporate governance, narrative reporting and audit committee developments.

Financial reporting

In its reviews of the full and half-year results, particular emphasis was placed on contractual issues, where the reported financial position was fully analysed in the CFO's report and validated by means of questioning. The rules relating to the reporting of exceptional and discontinued items were also considered at length, to ensure that they were being appropriately applied. In December 2013, the committee considered and validated the levels of provisions and accruals.

Other areas of focus in 2013 included:

- The CFO's report highlights legacy contract risks and material contracts (those above £10 million in contract value to AMEC) showing a deteriorating position over time, such as TGPP as discussed on page 22. The committee reviewed and discussed management's proposed enhancements to its early warning system to augment visibility, at an earlier stage, to the board of potentially underperforming material contracts for further scrutiny.

Audit committee continued

Activities of the committee continued

Financial reporting continued

- The treatment of the UK conventional power business as discontinued, where the committee sought assurances from management that the projects were complete and there was no further revenue generating activity
 - Revenue recognition, which is by necessity based on management estimates and assumptions, particularly with regard to timing. In conjunction with the external auditor, the judgements of management were challenged, especially those relating to end-life forecast estimates. AMEC's policies and processes that control the estimates made in such areas were also examined to ensure that they continued to be relevant and robustly and consistently applied
 - The ongoing quality and acceptability of AMEC's accounting policies, taxation matters, the going concern statement and more specifically, the impact on the reporting process of the structural reorganisation undertaken in late 2012. No issues were identified. As part of the CFO's report, the committee now receives details of all breaches of treasury policy. It had previously only received details of material breaches, of which there were none. This has increased the committee's knowledge of how relatively minor issues are identified and addressed to ensure they do not become more significant matters
 - Agreeing the appropriate presentation of items such as the deferred tax applied to the UK pension asset and the treatment of research and development (R&D) government credits
 - Assisting management in resolving issues raised by the Financial Reporting Council (FRC) in relation to the 2011 report and accounts. None of these issues was material to the group. They included use of non-GAAP measures, the ability to link provision movements to the income statement and disclosure of the inputs used in goodwill impairment testing. Additional clarification was requested in June 2013 and this was provided to the satisfaction of the FRC.
- At the request of the board, the committee has also reviewed and provided advice on whether the annual report and accounts, when taken as a whole, is fair, balanced and understandable, to enable AMEC's shareholders to assess the company's performance, business model and strategy.

In coming to its view that it is satisfied with the overall fairness, balance and clarity of the document, the committee took into account

- its own knowledge of the group, its strategy and performance in the year
- the comprehensive guidance provided to all contributors to the annual report and accounts
- a thorough internal verification of the factual content within the document
- the comprehensive reviews undertaken at different levels in the group to ensure consistency and overall balance
- a detailed review by senior management

Internal controls and risk management

The committee reviewed the processes by which AMEC's control environment is evaluated. A control risk assessment is undertaken every year, with comprehensive integrity checks, and the exercise in 2013 identified no significant areas of concern. Each year, AMEC's senior management is formally required to confirm compliance with AMEC's Code of Business Conduct, policies and procedures. Any areas of concern have to be fully explained and addressed.

During the year the committee received from the Head of Internal Audit a small number of incident reports regarding alleged or suspected wrongdoing, some of which were concerns raised through the independent third party reporting system. All of the incidents were investigated, were low level in nature, and did not reveal any significant internal control failure or have any noteworthy financial impact. The committee also reviewed management actions, which included enhancements made to existing controls or procedures and, in a few instances, disciplinary action taken against employees.

The committee's primary responsibilities in relation to risk management are in ensuring that robust processes are in place for managing risk throughout AMEC.

AMEC's principal business and strategic risks are shown by business model element in the Strategic report on pages 12 to 38 and the approach to managing risk is shown in more detail on page 85.

Internal audit

In 2013, the committee continued to monitor and review the operation of the internal audit function, receiving a full report at each meeting from the Head of Internal Audit. The Head of Internal Audit formally reports to the committee chairman.

The findings of each internal audit review are summarised and the committee focuses its discussions on unsatisfactory findings and on the action plans in place to address them. Particular areas of concern during 2013 included IT security, including malicious network traffic issues and isolated instances where potential issues with security of data were identified and addressed.

External audit

During 2013, the committee continued to oversee the relationship with the external auditor, Ernst & Young LLP (EY).

Each year the relevant audit risks are assessed. In 2013, the primary risks identified were revenue recognition, valuation of work in progress and receivables, the adequacy of contract provisions and legacy liabilities and issues arising out of the organisational restructuring that occurred in late 2012. Other risk areas included the valuation of pension assets and liabilities, the adequacy of tax provisions, the presentation of discontinued operations, the risk of fraud and management override, and the recognition and presentation of R&D government grants. Throughout the year and in conjunction with EY, the committee challenged management and assured itself that the risks were being addressed and that reporting on the matters was balanced.

The audit differences and quality of earnings schedule for the year ended 2013 was presented by EY at the February 2014 meeting. The value of unadjusted differences and the quality of earnings high level review of the impact of items that could be considered non-recurring in nature were discussed in detail. Neither the audit differences nor the quality of earnings impact were considered to be material.

On behalf of the committee, the Head of Internal Audit undertakes an annual assessment of the effectiveness of the external auditor, overseen by the Company Secretary. The views of senior members of the finance teams throughout AMEC are sought, as well as qualitative feedback. Responses can be measured and directly compared with previous surveys, so that progress can be monitored.

In February 2013, the committee considered the effectiveness report which identified a few minor issues that have subsequently been addressed. They included some duplication of information requests and a requirement for better co-ordination in some areas. Overall, however, the report concluded that EY's performance had been of good quality and a plan was agreed to deal with the issues raised. The committee noted that improvements continued to be recorded.

EY were appointed as AMEC's external auditor in 2010, following a formal tender process. Both EY and the audit partner responsible for the group audit have now been in place for four years. The committee takes account of and endorses the relevant provisions of the UK Corporate Governance Code in this regard, which means that the external audit contract will be put out to tender at the latest by 2020, subject to further regulatory change.

AMEC has formal procedures relating to its relationship with the external auditor including for the provision of non-audit services, to ensure that such work does not impair the external auditor's objectivity and independence. This procedure clearly outlines the category of work the external auditor is permitted to carry out and the rules governing what is not permitted. The procedure follows the guidelines set out by the Institute of Chartered Accountants in England and Wales and has an approval matrix for all non-audit services, including the requirement that fees for other services that total £100,000 or more require prior approval from both the CFO and the Chairman of the audit committee.

Audit committee continued

Activities of the committee continued

External audit continued

The procedure was amended during the year to reflect regulatory changes defining the type of work that needs to be disclosed and the committee's reporting requirements in this regard. This process is also continually monitored by the Head of Internal Audit and details of all other services' performed are formally presented to the audit committee twice a year. It is the responsibility of the audit committee to monitor the overall level of non-audit fees in relation to audit fees from an independence point of view and to confirm that auditor independence has been safeguarded. If there are any concerns about this, for the avoidance of doubt, the undertaking of such work would not be permitted.

The level of non-audit fee awarded to EY is considerably higher in 2013 than would normally be the case, as shown in the table opposite. In conjunction with the CFO, the audit committee chairman approved the services of EY to undertake and support management's due diligence work for the proposed acquisition of Foster Wheeler. The substantial due diligence performed by EY primarily covered the balance sheet, profit & loss, accounting policies, revenues, provisions, liabilities, general accounting, tax, corporate finance and differences between US GAAP and IFRS.

The decision to appoint EY to undertake this work was considered by the audit committee to be in the best interest of shareholders. The firm has a deep understanding of AMEC, placing them at a distinct advantage to support the board in this regard. In addition, should the proposed acquisition be successful, a sizeable portion of the work performed by EY will not have to be repeated, thereby making the most efficient and economic use of shareholders funds.

	2013 £'000	2012 £'000
Statutory fee	1,422	1,332
Non-audit fee	448	686
Sub total	1,870	2,018
Proposed Foster Wheeler acquisition	1,600	-
Total	3,470	2,018

All EY's fees for non-audit work were approved in accordance with AMEC's policy covering non-audit services. As a result of the application of this policy and additional discussions with them, the directors do not believe that EY's independence has been compromised because of this additional work on behalf of the company.

Nominations committee

The nominations committee leads the process for identifying, and makes recommendations to the board concerning the appointment or termination of, any new director or the Company Secretary and, in the case of non-executive directors and the Chairman, the extension of existing appointments. It also considers and makes recommendations to the board on appointments to board committees taking into account areas such as diversity and succession planning.

Dear shareholder,

I have spoken elsewhere in this report about board composition, board succession planning and our commitment to diversity and inclusion. I will not repeat these comments here.

As we look forward into 2014, we expect to see board renewal. We will, of course, miss Tim Faithfull's experience and contribution. We expect any replacement to bring international experience gained working within our core markets and experience of large projects. Foster Wheeler will be nominating two of their directors to join our board on completion of the proposed acquisition.

As you can see from the charts on page 80, we have a good mix of skills, experience and length of service amongst your board of directors and I expect this to be maintained.

John Connolly

Chairman of the nominations committee

13 February 2014

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Members

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

Membership of the nominations committee

	Meeting attendance
John Connolly (Chairman)	2/2
Linda Adamany	2/2
Neil Carson	2/2
Colin Day	2/2
Tim Faithfull	2/2
Simon Thompson	2/2

Key responsibilities

The committee considers the structure, size and composition of the board, including the mix of skills, experience, independence and knowledge of the directors. In considering recommendations to the board, the committee considers the appropriate balance of skills and experience to progress the group's strategy, and takes account of the benefits of diversity, including but not limited to gender.

The committee also reviews board succession planning, in conjunction with reports from the Chief Executive and Group HR Director on senior management succession planning, so as to ensure that an appropriate balance of skills is maintained both within the senior management team of AMEC and on the board.

Activities of the committee

- During 2013, the committee commenced a search for a new non-executive director using the executive search firm, The Zygos Partnership (Zygos). With the assistance of Zygos, the committee has prepared a candidate specification setting out the key desired attributes, which include a background in oil & gas or natural resources and international/material projects experience. Zygos had previously worked with AMEC to assist with the search for a new Chairman in 2011 and with the process that led to Linda Adamany's appointment in 2012. Other than this, they have not undertaken any other work of any kind for the board or the company.

The committee's terms of reference can be found at amec.com/aboutus/culture/corporategovernance or on request from the Company Secretary.

Nominations committee continued

Activities of the committee continued

- During 2013, the committee also considered and made recommendations to the board on the adoption of a policy on diversity. The board recognises the importance of diversity both in the boardroom and across the group more generally. In 2013 its diversity initiatives have focused on introducing a group-wide commitment to diversity and inclusion, including encouraging and enabling greater diversity of thinking. The implementation of this commitment includes measurement and monitoring of progress on diversity and inclusion activities.

As part of the company's broader diversity initiative, it supports the objectives of the Davies Report on Women on Boards. Candidates for board appointments are evaluated in light of the requirements of the role, having appropriate regard to the objectives of the Davies Report and to the group-wide commitment to diversity and inclusion.

Gender diversity of the board

- The gender diversity of the company and its senior management is shown on page 15.
- In early 2014, the committee considered the reappointment of Neil Carson and Colin Day for a second three-year term of office as their first three-year terms end at the forthcoming AGM. Their significant external experience and their full participation in board discussions, providing constructive challenge, resulted in a recommendation being made to the board to reappoint both directors.

- In anticipation of Tim Faithfull's forthcoming retirement at the conclusion of the 2014 AGM, the committee considered the positions of Senior Independent Director and Chairman of the remuneration committee. After careful deliberation, it was concluded that Simon Thompson was the best candidate for both these roles and a recommendation was made to the board accordingly.

As a result of these changes, Simon Thompson will be stepping down as Chairman of the ethics committee. The committee considered suitable candidates for his replacement and concluded that Linda Adamany's previous experience made her the best candidate for this role and a recommendation was also made to the board. Simon will assume the role of Senior Independent Director and Chairman of the remuneration committee, and Linda will assume the role of Chairman of the ethics committee immediately following the 2014 AGM.

Ethics committee

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

Dear shareholder,

We have made significant progress in recent years. We now have in place a strong framework to support AMEC as it grows and becomes more global, ensuring that our employees, and those who work with and for us, act with integrity wherever they are based.

Complacency would be foolish when a company has 29,000 people working in 40 countries. We have a well developed independent third party reporting system for employees to report their concerns or report issues in complete confidence. The committee treats all reports, however reported to us, with the respect they deserve. Thankfully nothing of significance was reported in 2013 but there were a handful of minor infractions which were dealt with swiftly.

Simon Thompson

Chairman of the ethics committee

13 February 2014

Members

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

The company chairman, the executive directors and the Group Ethics Officer also attend each meeting by invitation.

Membership of the ethics committee

	Meeting attendance
Simon Thompson (Chairman)	3/3
Linda Adamany	3/3
Neil Carson	3/3
Colin Day	3/3
Tim Faithfull	3/3

Simon Thompson will step down as Chairman of the ethics committee at the conclusion of the 2014 AGM and will be replaced by Linda Adamany.

The committee's terms of reference can be found at amec.com/aboutus/culture/corporategovernance or on request from the Company Secretary.

Key responsibilities

The committee reviews and monitors business ethics within AMEC, including compliance with relevant legislation, regulation and current best practice. It also reviews and approves AMEC's Code of Business Conduct at least annually.

It considers and reviews the scope and planning of all compliance activity within AMEC and reviews the extent and effectiveness of AMEC's internal training and external reporting of compliance and ethics matters.

In the event of an actual or suspected material breach of AMEC's Code of Business Conduct or any relevant legislation, a member of the committee will take responsibility for and manage any investigation into the relevant matter with the support of the General Counsel and Company Secretary.

Activities of the committee

- The committee reviewed AMEC's Code of Business Conduct in August 2013 and endorsed its continuing use.
- There was a focus on the effectiveness of procedures to prevent bribery and corruption. As a result, additional training on anti-bribery and corruption was rolled out throughout the company towards the end of the year, as mentioned elsewhere in this report (see pages 15 and 38).
- During the year, the committee received from the Chief Ethics Officer a relatively small number of investigation reports over alleged or suspected ethical breaches and/or concerns, some of which were reports made to the independent third party reporting system. None of the investigations highlighted any significant control failure or noteworthy financial impact. The outcome of these investigations resulted in disciplinary action being taken against a small number of employees, as well as enhancements being made to the existing control environment where appropriate.
- The committee also oversaw the appointment of additional Ethics Officers to align to AMEC's revised geographically based structure and took steps to ensure that the ethics process within AMEC had not been impaired in any way as a result of the structural reorganisation that commenced in 2012.

Remuneration committee

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

Dear shareholder,

This is our first report prepared under the new reporting regulations and, in line with best practice, it has been arranged in two parts

The first part of our report, on pages 62 to 68, describes our remuneration policy. This is now subject to legally binding shareholder approval, resolution number 4 at our 2014 AGM. The second part of this new format report, on pages 69 to 77, is our annual report on remuneration. This explains how our policy has been implemented during 2013 and is subject to an advisory vote (resolution 3)

We have reviewed our remuneration policy in the light of the new disclosure requirements. Minor changes have been made, with new directors' contracts now providing explicitly for mitigation and a malus provision included in Performance Share Plan (PSP) awards from 2014 onwards. The policy is otherwise essentially unchanged from that approved by shareholders in an advisory vote last year.

The proposed acquisition of Foster Wheeler has just been announced. During 2014, we will consider whether any of our remuneration approaches need to be changed in the light of this including, as noted on page 69, any appropriate adjustments to annual bonus and long-term incentive targets. We will also discuss how to take account of the revised company strategy, as it moves from Vision 2015 to 2015 and beyond.

Shareholder approval for our current long-term incentive arrangement, the PSP, expires in May 2015. Over the coming year we will be reviewing what we want to put to shareholders in terms of renewing that plan. As a result, we expect that we will need to seek further shareholder approval at the 2015 AGM for modifications to the policy that is shown here and being proposed to the 2014 AGM.

Although 2013 showed further year-on-year improvement, the pace of growth slowed reflecting the downturn in our mining market in particular. This is explained in more detail on page 41. The overall results were lower than had been targeted for bonus purposes at the start of the year and this is reflected in the overall remuneration of the executive directors being significantly reduced from 2012. Annual bonus payments were reduced and the PSP awards made in 2011 are expected to vest at lower levels. We are of course aware of the economic environment in which the company operates and the need to calibrate incentives accordingly. Nonetheless, your committee continues to take a robust approach to setting performance measures and targets. We want to ensure that high reward is only achieved for outstanding performance.

We have reviewed the effectiveness of the application of our remuneration policy to date and continue to be satisfied that the overall approach also provides good alignment of executive behaviour with shareholder interests and does not encourage excessive risk. Both of our executive directors have high levels of personal shareholdings, considerably in excess of our minimum guideline (see page 76).

It has been my privilege to serve as Chairman of this committee for the last 8 years. During this time we have seen significant change within AMEC and I believe our approach to remuneration matters has played an important role in supporting this.



Tim Faithfull

Chairman of the remuneration committee

13 February 2014

The committee's terms of reference can be found at amec.com/aboutus/culture/corporategovernance or on request from the Company Secretary

Membership of the remuneration committee

	Meeting attendance
Tim Faithfull (Chairman)	3/3
Linda Adamany	3/3
Neil Carson	3/3
John Connolly	3/3
Colin Day	3/3
Simon Thompson ¹	2/3

¹ Flight delays caused by severe weather in the US in December 2013 prevented Simon Thompson from attending a committee meeting that day

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

The Chief Executive and the Group Human Resources Director attend meetings by invitation.

As noted on page 6, Tim Faithfull will be retiring as a director at the conclusion of the 2014 AGM. He will be succeeded as committee chairman by Simon Thompson.

In considering the matters within its remit, the committee takes account of recommendations from the Chairman in respect of the Chief Executive and from the Chief Executive in respect of the other executive directors and designated executives. It is advised independently by New Bridge Street (NBS). NBS was reappointed by the committee in 2013 and its terms of engagement are available from the Company Secretary. NBS does not undertake any material additional work for the company. NBS is wholly owned by Aon Corporation and while other companies within the Aon group do undertake material work for the company, this is not in the area of executive remuneration and arrangements are in place within the Aon Group to ring-fence NBS from other services provided. Accordingly, the committee does not believe that the independence of its adviser is compromised in any way. NBS was paid £44,000 during the year for the advice provided to the committee on the basis of time expended and seniority of individuals providing the advice.

The committee is also supported by the company's human resources department who may from time to time use third parties to provide data and technical advice.

The committee normally meets three times a year and has an established annual agenda of items that it considers at the various meetings, the major elements of which are summarised below.

- | | |
|----------|--|
| February | <ul style="list-style-type: none"> ▪ Confirmation of short and long-term incentive outcomes ▪ Approval of Directors' remuneration report ▪ New LTI awards |
| August | <ul style="list-style-type: none"> ▪ Shareholder feedback/consultation ▪ Remuneration policy including risk review ▪ Committee processes and appointment of consultants |
| December | <ul style="list-style-type: none"> ▪ Review of individual base salaries and total remuneration ▪ Incentive plan targets |

No additional meetings were held during 2013.

The committee's terms of reference can be found at [amec.com/aboutus/culture/corporategovernance](#) or on request from the Company Secretary.

Directors' remuneration report

Remuneration policy

Introduction

The description that follows sets out the policy that is subject to the new statutory binding vote at the 2014 AGM. It is intended that, if approved, it will take effect from that date (save that for the purposes of Section 226D(6) of the Companies Act, the effective date is the end of the financial year starting in 2014). It has been our practice in AMEC to seek shareholder approval on an annual basis for our remuneration policy and we will be following the policy approved at the 2013 AGM up to this new policy coming into effect.

Component	How this supports strategy	How this operates
Executive directors		
Salary	Enables the business to attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy. This also applies to the other elements of fixed remuneration below (pension and other benefits)	Reviewed annually from 1 January. Interim reviews only in case of significant changes of responsibility
Pension and related benefits		Normally through a fixed allowance, some or all of which can be paid in the form of a company contribution to a defined contribution pension plan with any balance paid as a cash supplement. Where the plan permits, individuals may also sacrifice on a like-for-like basis part of base salary in return for an enhanced company contribution. Pension plan membership is available on the same basis as for senior employees generally in the country in which the individual is based and there are no special arrangements for directors. Life assurance is also provided
Other benefits		Standard benefits typically include disability and healthcare insurance (including cover for eligible dependants), car/travel allowance, working lunches and tax return preparation assistance. Additional benefits may be paid where an individual is required by the company to relocate. This can include temporary housing prior to full relocation and a one-off payment to cover specific costs of moving home or an allowance of an equivalent amount paid for a fixed number of years. Where individuals are required to work in another country on a temporary basis, housing, travel, tax equalisation and cost of living adjustments may also be paid in line with the company's normal policy for employees generally
Annual bonus	Rewards the achievement of annual financial and delivery of other strategic business targets	Calculated by reference to a mix of financial and other strategic and personal objectives set by the remuneration committee that vary from year to year and between individuals to reflect the business priorities associated with each role. Profit-based measures will have a weighting of not less than 50 per cent. Part of the bonus is subject to an additional stretch profit target. Details of the actual measures for the periods under review are included in the Annual report on remuneration on page 69. The target level of bonus on the financial targets element is two-thirds of maximum excluding additional stretch and the threshold level is 25 per cent. Payment of any bonus earned in relation to the additional stretch element is in the form of AMEC shares deferred for three years during which it is subject to bad leaver forfeiture and claw-back in the event that the accounts for the year for which the shares were earned are required to be restated for a correction of a prior period error

Remuneration policy table

This table sets out the components of the directors remuneration package (except on recruitments or promotions which are described on page 66) It is also part of this policy that we will honour payments or awards crystallising after the effective date of this policy but arising from commitments entered into prior to the effective date of the new policy, or at a time when the relevant individual was not a director of the company

	Maximum
	Salary increases for executive directors will not normally exceed the average increase awarded to other employees based in the same country Increases may be above this level if there is an increase in the scale, scope, complexity or responsibility of the role or to allow the base salary of newly appointed executives to move towards market norms as their experience and contribution increase 2014 salaries for executive directors are shown on page 69
Samir Brinkho has a historic arrangement that provides for a pension payable from age 60 based on an accrual rate of one-thirtieth and on final pensionable salary in respect of service to 31 December 2007 and career averaged revalued earnings in respect of service thereafter Salary and earnings for pension purposes are subject to a cap, currently £153,000 pa for tax year 2013/14 The cap is increased annually, broadly in line with UK inflation He also receives the pension allowance on salary above this cap as a cash supplement	To allow for the fluctuating value of defined benefit pension accrual and cost of life assurance, the aggregate value of those arrangements, company contribution to a defined contribution arrangement and cash supplement will not exceed 50 per cent of annual salary
Other benefits may be provided from time to time where the committee feels it appropriate and in line with market practice to do so in the country in which the director is based The company may from time to time operate other arrangements that are open to employees in a particular country (for example, relating to savings, discounted purchase, salary sacrifice, holiday buy and sell, service recognition awards) that executive directors may participate in on the same basis as other employees in the country in which they are based	The actual value of these benefits will vary from time to time depending, among other things, on the cost of insuring them The intention is that the aggregate cost would be in line with market practice and will not exceed 100 per cent of annual salary where there is a relocation/expatriate element and 20 per cent of annual salary otherwise
The balance of the bonus is normally paid as a cash allowance following the end of the year to which the payment relates However to facilitate higher levels of executive share ownership, the bonus may at the director's option and subject to the committee's agreement, be in the form of options over company shares of equivalent value instead of cash payment The vesting is deferred for three months during which it is forfeit if the individual is a bad leaver Such options have a six-month exercise window The committee has discretion to amend performance measures and targets or adjust bonus payouts to take account of exceptional items, unbudgeted acquisitions or disposals, and other aspects of performance which have not been specifically identified in the targets	The maximum opportunity is 150 per cent of annual salary for the Chief Executive and 125 per cent for other executive directors (including the additional stretch element)

Directors' remuneration report continued

Remuneration policy continued

Remuneration policy table continued

Component	How this supports strategy	How this operates
Executive directors continued		
Performance Share Plan	Incentivises directors to achieve long-term value creation and alignment with long-term returns to shareholders	<p>Annual awards of restricted shares or nil-cost options (with an 18-month exercise period after vesting) Part of the award (the matched award) is conditional on the individual electing to lodge AMEC shares they beneficially own (investment shares) which are then held for the three years to vesting and is awarded in proportion to the number of investment shares on a ratio determined by the remuneration committee at the time of each award. These shares count towards satisfying the requirements of the shareholding guidelines, details of which are set out on page 76</p> <p>The basic award is subject to EPS growth and relative TSR measured over a three-year period with equal weighting on each measure. The matched award is subject to the same EPS measure only. Additionally, awards are subject to a provision that allows the committee to reduce vesting in the event that the accounts for any year over which the shares were earned are required to be restated for a correction of a prior period error. There is further provision to reduce leaver awards retrospectively on an individual basis as set out on page 67</p> <p>The number of shares vesting from these awards is increased to take account of reinvested dividends during the performance period</p>
Sharesave	Provides alignment with shareholders' interests	Sharesave is an employee share plan under which discounted options over AMEC shares are granted linked to a savings arrangement. The exercise price can be up to a 20 per cent discount to the share price at the time of offer and the number of shares is that which can be bought at the exercise price with the expected proceeds of the savings contract. Executive directors are eligible to participate in this plan on the same basis as other employees in the country in which they are located. Invitations to participate may be made annually.

Chairman and non-executive directors

Note. The remuneration of non-executive directors is set by the Chairman and Chief Executive under delegated authority from the board rather than by the remuneration committee

Fees	To attract and retain individuals with the personal attributes, skills and experience required to determine strategy and governance, to apply executive oversight and to represent shareholders' interests	Non-executive directors receive only fees for their services and do not participate in any of the incentive or benefit schemes of the group. Fee structure comprises a base fee and additional fees to reflect time commitment and responsibility of specific roles (SID and committee chair). Additional fees may also be paid to directors not resident in the UK to recognise the additional travelling time in attending meetings
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Selection of performance targets

Financial performance targets under the annual bonus plan are set so that the target level of bonus is paid normally for achieving the company's short-range plan. To achieve maximum bonus, higher targets have to be met. In determining targets, the committee takes account of the general business circumstances including the perceived difficulty inherent in the short-range plan and the need to balance stretch against risk. The additional stretch bonus is subject to a profit target and only begins to be earned for performance that exceeds the maximum target that applies to other executives. Profit is chosen as the most appropriate measure of the company's short-term performance and the cash measures are chosen both to reflect the conversion of profit to cash and the management of cash flow across the year.

Maximum

The committee will determine the applicable EPS range for each set of awards, with 25 per cent of the relevant portion of the awards vesting if the bottom of the range is achieved and 100 per cent if the top is achieved, with straight line vesting between. EPS is adjusted for certain defined items and calculated on a consistent basis between base and final years

The committee will determine the TSR comparator group for each set of awards with 25 per cent of the relevant portion of the awards vesting if AMEC's ranking is at median and 100 per cent if it is at upper quartile, with straight line vesting between. The committee has discretion not to vest the TSR portion if it is not satisfied that there has been sustained financial growth over the period

The committee may amend the performance conditions if an event happens which the committee considers to be of a genuine, exceptional nature so that amended performance condition(s) would be a fairer measure of performance and would be neither easier nor more difficult to satisfy

In the event of a change of control, awards will normally vest to the extent that the performance conditions have been met at that time. The committee has discretion to measure performance based solely against one of the performance conditions or to agree an exchange of awards instead of immediate vesting

Sharesave is not subject to performance conditions as the terms of the plan are subject to tax legislation in the UK and certain other countries including the US that preclude this

Award of shares with a face value at the time of award of up to 250 per cent of annual salary (ignoring dividend equivalents)

The maximum monthly savings level under any concurrent Sharesave plans is in line with the limit set by the UK government from time to time for such plans [currently £250 per month or the equivalent in other currencies]

Increases in the Chairman's fee will not normally exceed the average increase awarded to executive directors

The company's articles currently set an aggregate limit of £600,000 for base fees for non-executive directors. Total fees will not exceed market norms

EPS targets under the Performance Share Plan are set to reflect the company's longer-term growth objectives at a level where the maximum represents genuine outperformance against expectations. EPS is chosen as the most appropriate measure of absolute growth in line with the company's strategy. TSR is chosen to measure relative long-term performance against a peer group comprising UK and international companies against which AMEC competes directly and other UK-listed companies of a comparable size in related sectors

Directors' remuneration report continued

Remuneration policy continued

Recruitment pay policy

Item	External hire	Internal promotion to the board
Base salary	Take account of current terms and any premium required to secure high calibre appointment	Take account of current terms, relativities with other board members and whether any previous plc board experience. If initial salary is below market benchmark for role, would expect to move progressively to that level over next 24 months based on performance in role
Pension and related benefits	Existing arrangements may be continued, otherwise in line with standard policy	Existing arrangements may be continued, otherwise in line with standard policy
Other benefits	Normally in line with standard policy but may include special transitional arrangements eg overseas hire where dependants remain outside the UK	Existing arrangements may be continued, otherwise in line with standard policy
Annual bonus	Inclusion in annual bonus for year of hire based on pro-rated salary Maximum opportunity no greater than that for Chief Executive	Where relevant, increase existing bonus opportunity to level applicable to new role and apply pro-rata from date of promotion including any amendment to performance measures Maximum opportunity no greater than that for Chief Executive
Performance Share Plan	Inclusion in Performance Share Plan for year of hire subject to same performance conditions as others but with three-year vesting period running from date of joining Maximum opportunity in line with standard policy	Maximum opportunity in line with standard policy allowing for an additional award to be made in year of appointment to reflect the timing of the appointment and the extent of other enhancements to remuneration terms. Previous awards will continue on their original terms
Sharesave	Inclusion in next offer subject to meeting any qualifying period of service that applies for new employees generally	Inclusion in next offer subject to any restrictions as a result of savings limits
Notice periods	Where it is necessary to secure the services of a particular individual, the remuneration committee has discretion to agree initial notice periods of not more than 24 months reducing to normal policy level over a period not more than 12 months	Apply standard policy immediately including, if relevant, reducing any more favourable existing terms
One-off arrangements	Where individuals forfeit bonus or long-term incentive payments from their former employer as a result of resigning to join AMEC, then the committee has the discretion to make additional one-off awards in the form of cash and/or shares and subject to performance and/or other conditions, including holding periods, as appropriate. The maximum amounts to be awarded would be based on an estimate of actual loss discounted for any accelerated payment and the extent to which the loss is otherwise compensated for by the new terms overall Individuals may be compensated for actual expenses, including temporary accommodation, in the event that they are required to relocate to take up the new role. Alternatively a temporary cash allowance may be paid for a limited period of time which equates to the estimated relocation cost that would otherwise have been reimbursed. These amounts will include any grossing-up for tax	Individuals may be compensated for actual expenses, including temporary accommodation, in the event that they are required to relocate to take up the new role. Alternatively a temporary cash allowance may be paid for a limited period of time which equates to the estimated relocation cost that would otherwise have been reimbursed. These amounts will include any grossing-up for tax

Policy on notice and payment for loss of office

Newly appointed executive directors will be employed on contracts that include the following provisions

- The individual will be required to give six months notice if they wish to leave and the company will give up to 12 months notice of termination other than for gross misconduct or other circumstances where employment may be terminated without notice
- At the company's discretion, the individual may be placed on garden leave for some or all of the period between the giving of notice and termination in which case the company will continue to pay salary and benefits for the garden leave period but will not make new share or other incentive awards
- At any time, at the company's discretion, employment may be terminated before the end of the required notice period by making a payment in lieu of the balance and subject to mitigation as described more fully in the table below

In the event of long-term incapacity, employment would not normally be terminated so long as the executive was entitled to payments under the company's group income protection insurance arrangements but the executive would be required to stand down from their role and as a director

Payment for loss of office will be determined according to the following principles set out below and, for the current executive directors, having regard to their existing contractual terms as described following the table

Notice	<p>The executive will receive base salary, pension and other benefits for any part of the notice period worked (and any period of garden leave). On termination, the executive will be entitled to payment for any accrued but untaken holiday pay.</p> <p>The company may elect to pay a sum in lieu of notice for all or any part of the notice period, calculated by reference to the value of salary, pension and other contractual benefits (excluding bonus). In determining the payments to be made and the structure of such payments, the company will have regard to the executive's ability to mitigate their loss. In respect of any defined benefit pension rights, an augmentation of benefits for the relevant part of the notice period may be made. The committee has discretion to continue to provide certain benefits to the end of the notice period rather than including them in the payment in lieu.</p> <p>Where the employment is being terminated by the company for gross misconduct (or other circumstances entitling the company to treat the contract as at an immediate end) termination will be immediate and no payment in lieu of notice will be made.</p>
Annual bonus	<p>No bonus will be paid in the event of termination for gross misconduct.</p> <p>In all other circumstances, the committee will consider whether it is appropriate to make a bonus payment for the year in question taking into account all relevant circumstances, including performance and conduct. Payment will usually be determined and paid in cash at the normal time.</p>
Deferred bonus from prior years	<p>Deferred bonus will be forfeit in the event of termination for gross misconduct.</p> <p>In the case of death it will be paid in full to the estate as soon as practicable thereafter.</p> <p>In other circumstances, it may be paid at the normal time at the committee's discretion depending on the circumstances of termination.</p>
Performance Share Plan	<p>All unvested awards will lapse on leaving in the event of termination for gross misconduct or other bad leaver circumstances and any investment shares will be released. An example of a bad leaver would be an individual resigning in order to take up a position with a competitor.</p> <p>Awards will immediately vest in full in the event of death.</p> <p>In other cases, unvested basic awards will be pro-rated for service, which may include any period for which payment was made in lieu. Provided the associated investment shares remain lodged, matched awards will normally be retained in full unless the committee decide to pro-rate for service. A further reduction may be made at the committee's discretion to take account of relevant circumstances at the time of leaving. The retained awards will vest in the normal way, taking account of the relevant performance conditions, and at the normal time subject to the committee being satisfied at that time that the individual remains a good leaver.</p>

Directors' remuneration report continued

Remuneration policy continued

Policy on notice and payment for loss of office continued

Other	<p>Redundancy pay in line with statutory provisions or those applying to employees generally in the country in which the director is based will be provided in the event of termination due to redundancy</p> <p>The cost of legal, tax or other advice incurred by the individual in connection with the termination and/or support with seeking alternative employment may be met up to a maximum of £100,000</p> <p>Additional payments may be made where required to settle legal disputes or as consideration for new or amended post-employment restrictions</p> <p>Where an individual is in receipt of relocation or expatriation benefits, the costs of actual expenses incurred in relation to any arrangements that are subject to term contracts may continue to be reimbursed for up to six months or, at the company's discretion, a one-off payment made to cover the costs of premature cancellation. The cost of repatriation will also be covered where this was part of the original expatriation terms</p> <p>Sharesave options lapse unless the director leaves because of specified good leaver reasons in which case they can be exercised for a limited period, to the extent of savings made to the date of exercise</p>
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Samir Brikho and Ian McHoul are both employed under contracts (dated April 2007 and September 2008 respectively) with notice periods of twelve months from the company and which require them to give six months notice of resignation. The contracts permit for payment to be made in lieu of all or part of the required notice period at the company's discretion but there is no prescribed methodology for calculating such payment in lieu or applying mitigation. Should circumstances arise where notice is given and the executive is not required to work all or part of the notice period, the terms of the existing contracts would be honoured. The individuals may be placed on garden leave for part of the notice period in which case the committee may determine that it is appropriate to pay an element of bonus for that garden leave period.

Existing directors' service contracts

The notice provisions for Samir Brikho and Ian McHoul are described above. There are no specified change-of-control provisions.

The Chairman's engagement may be terminated on six months notice on either side.

The contracts of non-executive directors may be terminated by the individual at any time. There are no specific provisions for compensation in the event of early termination by the company. As noted on page 80, our practice is that all directors submit themselves for re-election on an annual basis, in line with the recommendations in the UK Corporate Governance Code.

Consideration of conditions elsewhere in company and shareholder views

Our approach to the annual review of base salaries is to take account of personal performance, company performance, and pay levels more broadly within the company. The increases for 2014 are within the range of increases awarded to AMEC staff in the UK generally. External benchmarking is also taken into account, particularly for new appointments.

Any proposals to change remuneration policy are considered against the best practice guidelines produced by shareholder bodies and major shareholders are consulted directly when formulating any proposals for significant changes. The committee did consider these guidelines as well as representations made by certain individual shareholders in formulating its policy. There was no direct consultation with employees.

The Chairman of the company and the Chairman of the remuneration committee make themselves available at any time and also at each annual general meeting to discuss any issues raised.

Differences in policy for directors compared to other employees

The structure of remuneration for executive directors is in line with other senior management. The primary differences compared to other employees are the structure of variable pay, which for senior management is in the form of performance-related incentives and for other employees is largely in the form of overtime and allowances reflecting the different emphases of the roles, and in the level of accrual under defined benefit arrangements.

Annual report on remuneration

Overview

Application of remuneration policy for 2014

Changes to base salaries for executive directors

The base salaries of the two executive directors have been increased from 1 January 2014 in line with the percentage increases awarded to other employees in the UK

	2014	2013	% change
Samir Brikho	£954,000	£927,000	+2.9%
Ian McHoul	£530,000	£515,000	+2.9%

Annual bonus measures and targets

The annual bonus plan will operate in much the same way as in 2013 and will be consistent with the policy described above. The following bonus measures and their weightings (maximum opportunity as a percentage of base salary) have been agreed for 2014. They reflect a range of financial and strategic measures that support the key strategic objectives of the company.

Measure	Samir Brikho	Ian McHoul
EBITA	70%	55%
EBITA additional stretch	25%	25%
Cash conversion – full year	18.75%	15%
Cash conversion – half year	6.25%	5%
Other strategic objectives	30%	25%
Totals	150%	125%

2014 targets against these measures are commercially sensitive and may be subject to revision so have not been disclosed. They will be disclosed retrospectively in next year's report to the extent that they do not remain commercially sensitive at that time.

Long-term incentive awards to be made in 2014

The Performance Share Plan will operate in the manner described in the policy set out above. The measures and their associated targets will be as follows:

Measure	Threshold (25% vesting)	Maximum (100% vesting)
TSR ranking	Median	Upper Quartile
EPS CAGR	5%	10%

The above EPS targets will be adjusted to reflect the proposed acquisition of Foster Wheeler AG, assuming it proceeds. The TSR comparator group will be the same as for the 2013 awards described on page 74. The matching ratio is two for one.

Strategic report

Governance

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Directors' remuneration report continued

Annual report on remuneration continued

Application of remuneration policy for 2014 continued

Illustrations of application of policy

The total remuneration for each of the executive directors that could result from the proposed remuneration policy in 2014 under three different performance levels is shown below

Samir Brikho

Ian McHoul

Notes

- 1 Fixed pay is base salary for 2014 plus the value of pension and benefits. The value of pension and benefits in kind is taken from the single total figure of remuneration for 2013
- 2 On target performance is the level of performance required to deliver 66.67 per cent of the maximum annual bonus excluding the additional stretch element and 50 per cent of the full PSP award
- 3 Maximum performance would result in the maximum bonus payment including the additional stretch element and 100 per cent vesting of PSP award
- 4 PSP values ignore any change in share price or dividend equivalents

Changes to Chairman's and non-executive directors' fees

The fee for the Chairman has been increased from 1 January 2014 in line with the percentage increases awarded to executive directors. Non-executive director fees have been increased in line with market

	2014	2013	% change
Chairman	£318,000	£309,000	+2.9%
Board fee	£60,500	£58,000	+4.3%
Audit committee chairman	£18,500	£17,500	+5.7%
Remuneration committee chairman	£13,000	£12,500	+4.0%
Ethics committee chairman	£6,000	£6,000	n/c
Senior Independent Director	£5,500	£5,000	+10.0%
Non-UK director (additional travel time)	£12,100	£11,600	+4.3%

The information from this point onwards up to and including the statement of directors' share interests and shareholding on page 76 is subject to audit

Single total figure of remuneration for 2013

The following table shows a single total figure of remuneration in respect of qualifying services for the 2013 financial year for each director, together with comparative figures for 2012

	Salary/fees £ 000		Taxable benefits £ 000		Bonus £ 000		LTIP £ 000		Sharesave £ 000		Pension £ 000		Total £ 000	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Executive														
Samir Brikho	927	900	66	42	717	769	384	1,152	-	-	240	229	2,334	3,092
Ian McHoul	515	500	15	15	315	343	213	640	6	-	103	100	1,167	1,598
Non-executive														
John Connolly	309	300	-	-	-	-	-	-	-	-	-	-	309	300
Tim Faithfull	76	72	-	-	-	-	-	-	-	-	-	-	76	72
Simon Thompson	64	61	-	-	-	-	-	-	-	-	-	-	64	61
Neil Carson	58	56	-	-	-	-	-	-	-	-	-	-	58	56
Colin Day	76	69	-	-	-	-	-	-	-	-	-	-	76	69
Linda Adamany*	70	17	-	-	-	-	-	-	-	-	-	-	70	17

* Linda Adamany joined the board in October 2012

Taxable benefits for the executive directors comprise disability and healthcare insurance, car/travel allowance, working lunches and tax return preparation assistance. Samir Brikho's 2013 figure includes an adjustment of circa £24,000 for prior years in respect of healthcare cover provided for his dependants

The Sharesave figure for Ian McHoul is the gain made on exercising an option over 1,512 shares made under the Savings-related Share Option Scheme (Sharesave) at an option price of £6.00. The closing share price on the date of exercise, 3 May 2013, was £10.25, resulting in a gain on exercise of £6,426

Total pension entitlements

The pension amount shown in the 2013 single total figure of remuneration above comprises the following

	Accrued DB pension at 31/12/13 £ 000	Value of DB benefit £ 000	Cash allowance £ 000	Total pension benefit £ 000
Samir Brikho	35	85	155	240
Ian McHoul	-	-	103	103

Samir Brikho has a normal retirement age of 60 in relation to the stated defined benefit (DB) pension. There are no additional pension benefits that become payable for either director in the event of early retirement

The cash allowance in the case of Mr Brikho represented 20 per cent of salary above the pension scheme cap and in the case of Ian McHoul represented 20 per cent of full salary

Directors' remuneration report continued

Annual report on remuneration continued

Annual bonus

The bonus payments in respect of 2013 that will be made in March 2014 to the executive directors (expressed as a percentage of base salary earned during the year) are shown below reflecting the indicated outcomes against the various performance elements

Measure	Target range	Actual	Percentage of max achieved	Samir Brkho		Ian McHoul	
				Max	Actual	Max	Actual
EBITA*	£325–360m	£343m	53%	70%	37.1%	55%	29.2%
EBITA additional stretch			0%	25%	0%	25%	0%
Cash conversion	84–90%	99%	100%	12.5%	12.5%	10%	10%
Average cash	£108–138m	£92m	0%	12.5%	0%	10%	0%
Other strategic objectives	See note	n/a	n/a	30%	27.7%	25%	22%
Totals				150%	77.3%	125%	61.2%

* For bonus purposes EBITA (after exceptional items which may be disallowed for bonus purposes at the committee's discretion) is normalised for exchange rate movements and cost of share based payments the target and actual figures shown above are before any such adjustments

'Other strategic objectives' measures for the Chief Executive included actions to embed the new geographic structure, accelerate the development of activity in the Growth Regions, grow through acquisition, achieve appropriate settlements and cost savings, and safety leadership. For the CFO they included development and implementation of shared services and IT systems, achieving cost savings and delivering performance from the Investment Services activities. The committee has discretion to take other factors into account and uses its judgement in determining the amount to be paid under this item

None of the bonus earned for 2013 is subject to compulsory deferral, as the EBITA additional stretch minimum target was not met

The original EBITA targets were adjusted to remove a provision for contribution from small acquisitions, following a change of priorities

Performance Share Plan

The LTIP amount shown in the 2013 single total figure of remuneration on page 71 is the award made under the Performance Share Plan in 2011. Vesting does not take place until April 2014 and is subject to two performance conditions each measured over three-year periods (i) earnings per share (EPS*) growth between 2010 and 2013 and (ii) total shareholder return relative to a comparator group based on average share prices in the first quarter of 2014 compared to those in the corresponding period in 2011 (also subject to the committee being satisfied that there has been sustained financial growth of the company). The two performance conditions operate independently on different parts of the award half of the basic award is dependent on EPS and the other half on TSR, the matched award depends solely on EPS

* EPS for this measure means the diluted earnings per share expressed to one decimal place of AMEC plc before goodwill and intangible amortisation the charge or credits associated with executive share awards and exceptional items. Real growth means in excess of the change in the UK Retail Prices Index for December 2013 compared to December 2010

The committee took account of the share buyback that took place during 2012 and 2013 in determining the outcome for the EPS element. As the performance period for the TSR element has not yet been completed at the time of writing of this report, an estimated outcome has been used based on the average share price in the period 1 January to 31 January 2014. The performance achieved against the EPS target and the estimated TSR outcome are as follows

2011 awards performance measure	Threshold – 25% vesting	Maximum – 100% vesting	Outcome	Percentage of max achieved
Real annual compound growth in EPS	5%	12%	5.1% [Actual]	25.6%
Total shareholder return ranking	Median	Upper quartile	35th percentile [Estimated]	0%

The number of shares vesting based on the performance outcomes will be increased by 11.2 per cent to take account of reinvested dividends during the period from award to vesting. As the awards have not yet vested, the average share price in the final quarter of 2013 (£11.19) has been applied to the estimated vesting percentage to determine the value of the LTIP amount included in the single figure as set out below.

2011 PSP awards	Basic award – number of shares	Basic award – vesting percentage including dividend adjustment	Matched award – number of shares	Matched award – vesting percentage including dividend adjustment	Estimated total number of shares vesting	Estimated vesting value £ 000
Samir Brikho	128,533	14.24%	56,162	28.47%	34,282	384
Ian McHoul	71,449	14.24%	31,218	28.47%	19,056	213

The actual vesting outcome and value may be different to this and will be confirmed in next year's report. These awards were originally made as restricted shares but were amended during 2013 to be awards in the form of nil cost options with an 18-month exercise period post-vesting. If the option has not been exercised before the end of that period, it will be exercised automatically at that stage.

The LTIP amount shown in the 2012 single total figure of remuneration on page 71 is the award made under the Performance Share Plan in 2010 that vested in April 2013. The performance measures for these awards were the same as for those made in 2011 but in this case the full award was subject to both EPS and TSR (each applying to half of the award) and there was no adjustment for reinvested dividends. The targets set and the outcomes against them were as follows:

2010 awards performance measure	Threshold – 25% vesting	Maximum – 100% vesting	Outcome	Percentage of max achieved
Real annual compound growth in EPS	3%	10%	14.5%	100%
Total shareholder return ranking	Median	Upper quartile	36th percentile (17 out of 26)	Nil
Overall				50%

The vesting values during 2013, including that to a former director, are set out below. Vesting took place on 8 April 2013 at a share price of £10.52. The balance of the original award lapsed at the same time.

2010 PSP awards	Original award – number of shares	Total number of shares vesting	Vesting value £ 000
Samir Brikho	219,148	109,574	1,153
Ian McHoul	121,819	60,909	641
Neil Bruce	85,104	42,552	448

The TSR comparator group for the 2010 awards comprised 30 UK companies, including AMEC, listed in relevant FTSE sub-sectors with market capitalisations spanning that of AMEC. For 2011, the group was amended to include a number of non-UK listed companies who are direct business competitors of AMEC and to exclude UK companies where there is little or no overlap in activities and comprised 28 companies including AMEC. Details of the specific companies included in the TSR comparator groups for both the 2010 and 2011 awards were included in the directors' remuneration reports for those years and may be obtained on request from the Company Secretary.

Directors' remuneration report continued

Annual report on remuneration continued

Details of share awards during year

Awards were made under the Performance Share Plan on 28 March 2013 that will vest three years later subject to the outcome against the performance conditions and may be exercised up to 18 months after vesting. The face value of the awards is based on the share price at the date of award which was £10.60.

	Type of interest awarded	Basis of award	Face value £'000	Percentage vesting at threshold performance	Number of shares	End of performance period
Samir Brikho	Nil-cost options	Basic award – 175% of salary	1,622	25%	153,042	31 December 2015
	Nil-cost options	Matched award – up to 75% of salary on two for one investment share match	695	25%	65,588	31 December 2015
Totals		250% of salary	2,317		218,630	
Ian McHoul	Nil-cost options	Basic award – 175% of salary	901	25%	85,023	31 December 2015
	Nil-cost options	Matched award – up to 75% of salary on two for one investment share match	386	25%	36,438	31 December 2015
Totals		250% of salary	1,287		121,461	

Half of the basic award is subject to a TSR performance condition and the other half and all of the matched award is subject to an EPS performance condition.

The TSR measure is based on AMEC's ranking against the comparator group set out below based on the average share price over the final quarter of 2015 compared to the corresponding period in 2012. The threshold for any vesting to occur is that AMEC needs to be ranked at median or higher. If upper quartile ranking is achieved, full vesting will occur. Vesting is on a straight line basis between these threshold and maximum targets.

Comparator group in respect of 2013 awards

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

The EPS measure is based on the compound annual growth in excess of UK RPI (real CAGR) to 2015 from an adjusted 2012 base of 85.7 pence. EPS for this purpose is defined as the diluted earnings per share expressed to one decimal place of AMEC plc before goodwill and intangible amortisation, the charge or credits associated with executive share awards and exceptional items (at the committee's discretion). The adjustment took account of the share buyback and an accounting standard change. Threshold (25 per cent) vesting will occur if real CAGR is 5 per cent and maximum (100 per cent) vesting will occur if real CAGR is 12 per cent or higher with straight line vesting for a result between these targets.

The number of shares vesting as determined by the performance conditions outcomes will be increased to take account of reinvested dividends including the UK tax credit in the period between award and vesting.

Payments to former directors

Apart from the 42,552 shares received by Neil Bruce under the PSP (referred to on page 73) no payments (including payments for loss of office) were made to former directors.

Directors' share interests and shareholding requirements

As at 31 December 2013, the beneficial interests in the share capital of the company of the directors and their connected persons were as follows:

	Legally owned shares	Vested but unexercised share options	Unvested share options subject to performance conditions (PSP awards)	Unvested share options not subject to performance conditions (Sharesave)
John Connolly	35,538	-	-	-
Samir Brikho	1,894,682	-	600,519	1,335
Ian McHoul	318,388	-	333,679	1,046
Tim Faithfull	10,000	-	-	-
Neil Carson	5,000	-	-	-
Colin Day	20,714	-	-	-
Simon Thompson	4,744	-	-	-
Linda Adamany	3,100	-	-	-

The legally-owned shares for Samir Brikho and Ian McHoul include those vesting during 2013 from the PSP awards made in 2010, as described on page 73, after sales to meet tax withholding requirements. Those for Mr McHoul also include those arising from the exercise of options made under the sharesave scheme as described on page 71.

Details of the unvested options for Samir Brikho and Ian McHoul are as follows:

	Date of award	Type of award	Number of shares	Exercise price	Exercise period
Samir Brikho	April 2011	PSP	146,893	Nil	April 2014 to October 2015
	June 2011	PSP	37,802	Nil	April 2014 to October 2015
	October 2011	Sharesave	1,335	£6.74	January to June 2015
	April 2012	PSP	197,194	Nil	April 2015 to October 2016
	March 2013	PSP	218,630	Nil	March 2016 to September 2017
Ian McHoul	April 2011	PSP	81,655	Nil	April 2014 to October 2015
	June 2011	PSP	21,012	Nil	April 2014 to October 2015
	April 2012	PSP	109,551	Nil	April 2015 to October 2016
	March 2013	PSP	121,461	Nil	March 2016 to September 2017
	October 2013	Sharesave	1,046	£8.60	January to June 2017

On 3 January 2014, Ian McHoul and Colin Day acquired 19 and 255 shares respectively in lieu of the interim dividend paid on 3 January 2014. There were no other changes in the directors' interests in the share capital of the company between 31 December 2013 and 13 February 2014. No director has used any of their shareholdings in hedging arrangements or as collateral for loans.

Directors' remuneration report continued

Annual report on remuneration continued

Directors' share interests and shareholding requirements continued

Guidelines are in place requiring executive directors and members of the group management team to build up, normally over a three-year period, and retain a holding of AMEC shares received from incentive plans or purchased by them. The level of targeted shareholding is 250 per cent of salary for executive directors and 125 per cent for other senior executives.

Based on the average share price and salaries during December 2013, the legally-owned shares shown above represented the following percentages of base salary which are both considerably in excess of the shareholding requirement:

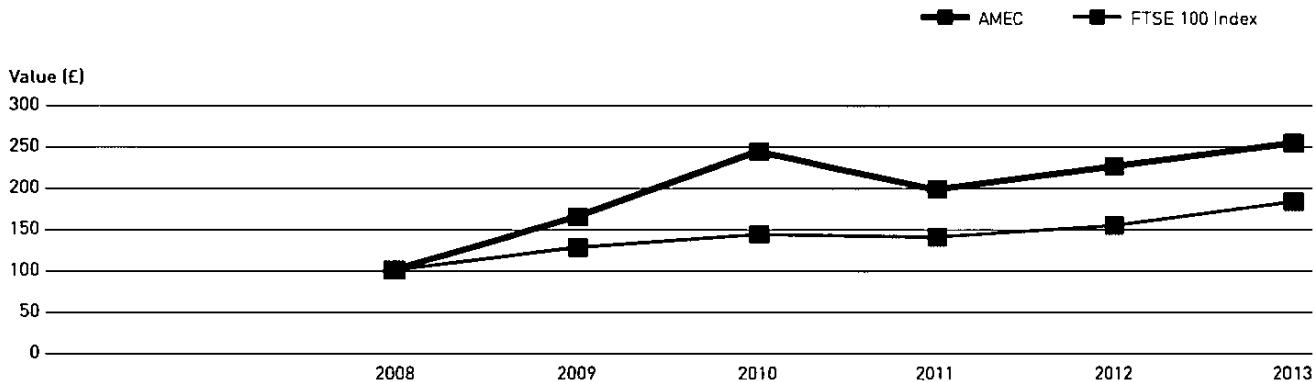
Samir Brikho	2,204 per cent
Ian McHoul	667 per cent

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

Total shareholder return

Source Thomson Reuters

This graph compares the TSR performance of AMEC plc, assuming dividends are re-invested, with the TSR performance of the FTSE 100 over the period 31 December 2008 to 31 December 2013.



Chief Executive's pay in the last five years

	2009	2010	2011	2012	2013
Single total figure of remuneration £ 000	4,103	9,295	4,590	3,092	2,334
Bonus awarded as % of maximum	58%	97%	64%	57%	52%
LTIP vesting as % of maximum	100%	80%	71%	50%	19%

Percentage change in Chief Executive's remuneration

The table below shows how the percentage change between 2012 and 2013 in the Chief Executive's salary, benefits and bonus compares with the percentage change in the average of each of those elements of pay for a comparator group of employees. The committee has selected employees in the UK as the comparator group as they have broadly the same structure of remuneration and to eliminate the impact of exchange rate movements if employees in other countries were included.

	Salary			Taxable benefits			Bonus		
	2013	2012	% change	2013	2012	% change	2013	2012	% change
Chief Executive	927	900	+3%	66	42	+57%	717	769	-7%
UK staff			+1%			+11%			-12%

As noted on page 71, Samir Brinkho's 2013 taxable benefits figure includes an adjustment of circa £24,000 for prior years. The underlying change from 2012 to 2013 was 0%.

The year-on-year change for UK staff taxable benefits is based on data for tax years ending in 2013 and 2012 averaged over the number of employees in receipt of those benefits. The year-on-year changes for UK staff salary and bonus are based on the aggregate amounts paid in each year divided by the average number of employees in that year.

Relative importance of spending on pay

The chart below illustrates the relative importance of spending on pay compared to distributions to shareholders (dividends and share buy-back) and other disbursements from profit or cash flow that are considered by the directors to be the most material expenditures in relation to the company's strategy.

Shareholder voting on remuneration policy and report at last AGM

At the annual general meeting held on 4 April 2013 votes were cast as follows:

Resolution	Shares for (including discretionary)	% in favour	Shares against	% against	Shares abstained
To approve the remuneration report	170,462,661	93.38	12,092,328	6.62	7,423,976
To approve the remuneration policy	179,441,880	96.54	6,440,357	3.46	4,096,728

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

Our group management team

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

In addition to the executive directors shown on page 48 and 49, AMEC's group management team (GMT) consists of the following individuals

Simon Naylor

Group President, Americas

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

John Pearson

Group President, Europe

Appointed to this position in October 2012, John had previously held the role of Managing Director, Natural Resources Europe and West Africa, since 2007. He joined AMEC from Chevron in 1990 and has worked in a variety of engineering and project management roles in Aberdeen, San Francisco, Baku and London. He is on the board of Oil & Gas UK and has previously been Chairman of the Offshore Contractors Association.

Nina Schofield

Group Health, Safety, Security

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

Sue Scholes

Director of Communications

Sue joined AMEC in 2007. She was previously Head of Investor Relations at Brambles Industries plc. Sue is a Chartered Management Accountant and Deputy Chair of the Investor Relations Society.

Will Serle

Group Human Resources Director

He joined the company in 2000 as Human Resources Director for the oil and gas business, moving to the Natural Resources role in 2006. In 2009 he became Human Resources Operations Director. Will is also responsible for sustainability at AMEC.

Mark Watson

Commercial Director

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

Alison Yapp

General Counsel and Company Secretary

Alison joined AMEC in 2012. She was previously Company Secretary and General Legal Counsel of Hays plc and Company Secretary and Group Legal Adviser of Charter plc. She is a solicitor and has more than 20 years experience as a lawyer in industry. She began her career in private practice at Turner Kenneth Brown, advising corporate and commercial clients in M&A before moving in-house to Johnson Matthey plc where she held various legal roles. She has wide-ranging experience within a number of international groups in the engineering, industrial, support services and oil services sectors.

Management committees

The board has also created a number of management committees that deal generally with more operational matters. These are chaired by executive directors and members are drawn from senior management within AMEC. The minutes of each of these meetings are circulated to each board meeting.

Corporate transactions

Members

Chief Executive (chairman), Chief Financial Officer, General Counsel and Company Secretary

Responsibilities

The corporate transactions committee considers mergers, acquisitions and disposals and approves transactions where the consideration or assumption of liabilities, as appropriate, is £5 million or less, and above this level it submits recommendations to the board for approval. In addition it determines transaction guidelines that are in line with group policies and procedures.

Risk

Members

Chief Executive (chairman), Chief Financial Officer, General Counsel and Company Secretary, Head of Risk Management and Insurance

Responsibilities

The risk committee performs an integral role in the governance of risk within AMEC by helping the board fulfil its responsibilities in determining the risk appetite of the group and ensures the soundness of the risk management and internal control systems that support it. It also reviews the AMEC plc risk register and the potential impact of any issues on the risk appetite and the risk profile of the group. It reports on key risk issues such as new business and geographical locations and also makes recommendations on the insurance programme for the group.

Tender review

Members

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

Responsibilities

The tender review committee primarily reviews and approves proposed tender submissions for contracts to be undertaken by the business units that are outside the delegated authority of the business unit leaders.

Pensions and retirement benefits

Members

Chief Financial Officer (chairman), Group HR Director, Corporate Pensions Manager

Responsibilities

The pensions and retirement benefits committee reviews and recommends the establishment of any new or replacement pension arrangements, any significant amendments to existing pension schemes, and the discontinuance, winding up or merger of any existing arrangement. It also agrees with the trustees of those pension arrangements appropriate funding plans to secure the benefits promised.

Share allotment

Members

All directors, General Counsel and Company Secretary, Deputy Company Secretary (the chairman to be appointed from those directors present)

Responsibilities

The share allotment committee approves the allotment of new shares or the issue of existing shares held in treasury following the exercise of options under the Savings-related Share Option Scheme.

Health, safety, security and environmental (HSSE) review

Members

Chief Executive (chairman), Group HR Director, General Counsel and Company Secretary

Responsibilities

The HSSE review committee's key responsibility is to provide effective oversight of the company's performance and management of HSSE issues across the group. This includes the evaluation of the effectiveness of the group's policies and management systems in respect of managing health, safety, security and environmental risk in both current and future operations associated with the company's growth strategy.

Leadership continued

Board composition

As at 31 December 2013, the board comprised the non-executive Chairman, two executive directors (the Chief Executive and the Chief Financial Officer), and five non-executive directors. Details of the directors, including their biographies, other significant commitments and committee memberships can be found on pages 48 and 49.

Membership of the board

The balance of executive and non-executive directors, reinforced by adherence to sound governance procedures, ensures no one individual, or group of individuals, dominates the board's decision-making process. The varied backgrounds and commercial experience of the non-executive directors, and their independence from management, ensures rigorous debate at meetings and the constructive challenge and oversight of the executive directors in relation to the strategic direction and performance of the group.

Experience of the board

Number of board directors with experience in each topic

The board receives a presentation on succession planning by the Group HR Director each year. In 2013, this took place in April. The board is increasingly mindful of the need to maintain an appropriately diverse balance of skills and experience both at, and directly below, board level to ensure the delivery of the group's strategy and performance.

The company's articles of association require all directors to seek re-election by shareholders at the AGM following their initial appointment and every three years thereafter. However, in line with the recommendations of the Code, our practice is that all directors submit themselves for re-election on an annual basis. All of the directors wishing to continue serving, and considered eligible by the board, will offer themselves for re-election at the 2014 AGM.

- Details of the directors' service contracts, emoluments and share interests are set out in the remuneration report on page 62 to 77.

Directors' tenure as at 31 December 2013

Attendance at meetings

The board holds six regular meetings throughout the year, scheduled in accordance with an annual timetable. Additional board meetings and telephone conferences are held as required to deal with specific issues.

Directors are expected to attend all scheduled board and relevant committee meetings, unless they are prevented from doing so by unavoidable prior business commitments or other valid reasons. All directors are provided with full papers in advance of each meeting. In 2013 these were provided electronically for the first time. Where a director is unable to attend a meeting, they are encouraged to discuss any issues arising with the Chairman or Chief Executive as appropriate. All board directors attended all scheduled board meetings in 2013, as can be seen below.

	Board
Number of meetings	6
John Connolly	6
Samir Brikho	6
Ian McHoul	6
Linda Adamany	6
Neil Carson	6
Colin Day	6
Tim Faithfull	6
Simon Thompson	6

In addition there were seven unscheduled board meetings called at short notice to consider matters such as the proposed Foster Wheeler acquisition. At least one scheduled meeting each year takes place away from AMEC's head office in London. This provides the board with an opportunity to understand more about AMEC's business and to meet employees based locally. In June 2013 the board meeting took place in Calgary, AB, Canada and involved a visit to AMEC's activities in the oil sands.

In addition to the matters reserved for the board, certain items are considered at every scheduled board meeting.

These include financial results, progress against the short-range plan, health and safety reports and strategy performance reviews. The Chief Executive updates the board on market trends, developments and opportunities, the competitive positioning of the company and its current priorities.

Business unit management is regularly invited to present at board meetings. In 2013, the board received presentations from the Group Presidents of Europe and the Americas and also presentations from the market leaders in oil & gas, clean energy, environment & infrastructure and mining.

The board holds a separate additional meeting each year to perform a full strategic review of the group. In October 2013, the board spent a day focused on the group's strategic priorities and those of its four markets and the growth opportunities in the longer term, beyond 2015.

The Chairman and Chief Executive

The company does not combine the roles of Chairman and Chief Executive. There is a clear and well established division of accountability and responsibility between the roles of the Chairman and Chief Executive and these are set out in writing and have been agreed by the board. The consequence of this clear division of responsibility at the head of the company is such that no individual has unfettered powers of decision. Since the change in organisational structure announced in 2012, the Chief Executive has had more direct involvement in the business. The Chairman has continued to ensure that the level of challenge at board meetings is appropriately matched to this widening in the Chief Executive's role. The Chairman and Chief Executive are committed to ensuring the development and maintenance of an effective and trusting relationship with the appropriate balance between challenge and support.

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

The Chief Executive's principal responsibility is running AMEC's businesses with the primary objective of creating

shareholder value. Consistent with this objective, the Chief Executive has ultimate responsibility for the proposal, development and implementation of the group's strategy. The building and maintenance of an effective executive management team, and the allocation of responsibility therein, are key components of, and essential to, the performance of the Chief Executive's role.

The Chief Executive takes the lead role in the promotion of AMEC, gives personal leadership to the preservation of AMEC's culture and values and encourages the highest standards of safety, security, health and environmental performance.

Senior Independent Director

Tim Faithfull has acted as the board's Senior Independent Director since 13 May 2009. He was selected for the role on account of his extensive experience of serving as both an executive and non-executive director. Following Tim's retirement after the forthcoming AGM, Simon Thompson will take on this role. Simon was considered by the nominations committee and the board to be the most appropriate candidate on account of his significant knowledge of AMEC and its operations and his experience as a director of international companies in sectors that are relevant to AMEC. In anticipation of taking on the role, Simon has confirmed that he is committed to regular interaction with shareholders to ensure their views are sought and taken into account. The Senior Independent Director is responsible for:

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

Leadership continued

Non-executive directors

The non-executive directors are crucial in bringing an external view and wide range of skills, experience, expertise and diversity of views to the board's deliberations and the development of strategy. They constructively challenge and scrutinise the performance of management against agreed objectives and provide an invaluable contribution to the work of the board's committees. The board benefits greatly from the contribution and balance they bring. To ensure this continues, the Chairman holds meetings with the non-executive directors, without the executive directors present, immediately following most scheduled board meetings.

The board's policy is that non-executive director appointments are normally for three consecutive three-year terms, subject to assessment by the nominations committee after the end of each term. The committee makes recommendations on reappointment to the board.

Prior to appointment and on any material changes, the external commitments of each non-executive director, including those of the Chairman, are reviewed. During the year, Linda Adamany was appointed as a non-executive director of Coeur Mining, Inc and Tim Faithfull became a non-executive director of ICE Futures Europe and Liffe Administration and Management. In accordance with the board's policy to ensure that non-executive directors are not conflicted and are able to commit sufficient time to meet their duties and responsibilities to AMEC, the prospective appointments were disclosed to the board for approval. In neither case was it considered that the external appointment would have a detrimental effect. Each director's undertaking as to their ongoing commitment to the role, together with an assessment of their continued independence, is reviewed as part of their annual performance evaluation.

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

Conflicts of interest

The board has procedures in place for the disclosure and review of conflicts of interest. Prior to appointment, director-elects provide information on any conflicts of interest, and thereafter any potential conflicts of interest are considered at the start of each board meeting. Accordingly, each director is aware of their responsibility to avoid a situation where they have an actual or potential conflict of interest, the requirement to keep the same under review and inform the Chairman and Company Secretary of any change in their situation. An effective procedure is in place for the board to authorise conflict situations, should they arise, in accordance with the Companies Act 2006 and the company's articles of association.

The Company Secretary is responsible for keeping appropriate records, including the scope, of any authorisations granted by the board, and ensures the board undertakes regular reviews of conflict authorisations.

Executive directors are not permitted to accept external appointments without the prior approval of the board. In March 2013, Samir Brikho was appointed as an independent non-executive director of Skandinaviska Enskilda Banken AB. Prior to accepting the appointment, the board reviewed the nature of the position and time commitment required and concluded that it would not adversely impact on his ability to fulfil his role as Chief Executive of AMEC.

No conflicts of interest arose in 2013.

Effectiveness

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Professional development

A comprehensive induction programme is in place for all new directors which takes into account their previous experience, background and role on the board and is designed to further their knowledge and understanding of the group and their associated role and responsibilities. All new directors are provided with key board, operational and financial information, attend meetings with other members of the board, senior management and their extended teams, receive briefings on their legal and regulatory responsibilities as directors and the approach to governance within AMEC, and, where possible, meet AMEC's major shareholders. Where a new director is to serve on a board committee, induction material relevant to the committee is also provided. The Company Secretary assists the Chairman in the co-ordination of induction and ongoing training. The Chairman endeavours to review the training and development needs of the directors at least annually.

No new board directors were appointed in 2013.

Ongoing training, relevant to each director's individual development needs, continues after appointment. The aim is to ensure the further enhancement of their skills and knowledge of the business, so they continue to effectively fulfil their role on the board and its committees. Internally facilitated training is arranged by the Company Secretary on topics and issues relevant to the operation of the board and responsibilities of the directors. Use is also made of external auditor and advisor training programmes. Individually the directors also from time to time attend seminars and conferences related to their areas of expertise and responsibility.

The board receives presentations from management on changes and significant developments in the business. At the December 2013 board meeting, the Group HSSE Director gave a presentation on HSSE matters and security risk management.

The board also receives regular updates on changes in legislation and regular communications from the Company Secretary's office on key developments in corporate governance.

To further develop the directors' understanding of the group's operations and culture, the board undertakes visits to various places of AMEC business. As previously mentioned, the board visited a Canada-based oil sands project site in 2013.

Evaluation

In line with the recommendations of the Code, each year a formal performance evaluation review is undertaken of the board, its committees and the directors individually. In 2012, the evaluation process was undertaken externally by the Inzito Partnership, an independent party, which had no other connection with the company. In 2013, the performance evaluation was conducted internally with the assistance of the Company Secretary.

This involved the completion by each director of a questionnaire designed to establish their perceptions in areas such as the current composition of the board, board dynamics and the relationships between board members, the effectiveness of the board's processes and its interaction with its committees, the quality and sources of information presented to the board, the board's oversight of operational matters, and the support available from the Company Secretary. Views were also sought on the sufficiency of strategic and risk oversight afforded to the board and on the level of interaction and engagement with shareholders.

The responses were analysed by the Company Secretary and a report of the issues raised was prepared for discussion by the board at its June 2013 meeting. In summary, the results were positive and demonstrated sustained progress against the outcomes of the 2012 evaluation process. Areas for improvement were again relatively minor and included the following:

- Whilst satisfied with the current composition and collective performance, the board is aware it would be beneficial to appoint additional board members who would complement and strengthen the existing skill set and experiences, and so further improve board diversity and the effective discharge of their duties.
- One key area of focus remains increased interaction on strategy and engagement with the group presidents of the three business units, to allow greater oversight of the direction and effectiveness of the new organisational structure.
- In considering the future shape of the business, the greater prioritisation of management development and succession planning was also agreed.

In accordance with the terms of the Code, the next externally facilitated board evaluation review will be undertaken no later than 2015.

Effectiveness continued

Evaluation continued

In addition and as required by the Code, during the year the Senior Independent Director, having taken the views of the non-executive and the executive directors, reviewed the performance of the Chairman. The Senior Independent Director met with the Chairman in February 2014, to review his performance during 2013. The Chief Executive conducts annual performance development reviews with his direct reports.

Information and support

The Company Secretary is fundamental in ensuring the efficiency and effectiveness of the board and is responsible for ensuring that the directors have timely access to full, accurate and relevant information. Agendas and supporting papers for board and committee meetings are circulated approximately one week prior to the meeting date to allow sufficient time for review to enable informed debate and challenge at meetings. Where the directors, particularly non-executive directors, require further insight on an issue, the Company Secretary will facilitate this from the business or relevant members of the senior management team. Members of senior management are regularly invited to attend board meetings to present on specific projects and issues. The Company Secretary ensures that the correct board procedures are followed and that the board is informed on legislative, regulatory and governance matters related to its operation. In addition to the advice and services of the Company Secretary, a formal process exists for the directors to obtain independent professional advice, at the company's expense, where appropriate and necessary to discharge their responsibilities. The Company Secretary is responsible for the organisation and co-ordination of access to such advice. The Company Secretary is also accountable for ensuring that an accurate record is taken of all meetings of the board and its committees. If a director had a concern about the running of the company or a proposed action that could not be resolved, this would be recorded in the minutes. In addition, upon resignation, should a director have any such outstanding concerns, they would be invited to provide the Chairman with a written statement for circulation to the board. There were no director resignations during the year. The appointment and removal of the Company Secretary is one of the matters reserved for the board.

Accountability

Internal control

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

The board and its committees have an ongoing process that is reviewed regularly by the board and accords with the Turnbull guidance, for identifying, evaluating and managing significant risks faced by AMEC, including strategy, major projects to be undertaken, significant acquisitions and disposals, as well as entry into and exit from different markets. This process has been in place for the year under review and up to the date of approval of this report. Where appropriate, business decisions are reached following a structured and documented review of potential opportunities and threats, taking steps designed to manage or mitigate any risk exposure.

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

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

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

- Details of significant joint arrangements can be found on page 148

Risk management process

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

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

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

Reporting and monitoring

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

- review risk management policies, procedures and processes

Roles and responsibilities

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

Engagement

Relations with shareholders

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

Each year, the Chairman and Senior Independent Director write to all major shareholders, reminding them that they are available for meetings or telephone calls with them, as required. John Connolly wrote such a letter in March 2013 and as a result, five meetings were arranged.

Major UK-based shareholders were invited to join the Chairman for an informal lunch in London in December 2013. Representatives from four institutions accepted the invitation and contributed to interesting and wide-ranging discussions. The Chairman and the Senior Independent Director attend full-year results presentations.

Ad-hoc requests from shareholders for meetings with members of the board are facilitated by the investor relations team.

An in-depth perception study of investors' views undertaken by Clare Williams Associates, an independent third party, was presented to the board in February 2013. The results of the study were unsurprising, with investors seeking greater clarity on how the company's cash was to be used. The meeting was also attended by the company's brokers. The board also receives unedited feedback reports following shareholder meetings and all material brokers' research notes on the company.

- Information regarding our forthcoming AGM can be found on page 89

Find out more online

- We publish our results and presentations on our investor website at amec.com/investors

Directors' report

Overview

Our directors present their annual report and the audited accounts of AMEC plc (the company) and its subsidiaries (together referred to as the group) for the year ended 31 December 2013

Strategic report

Dividends

The directors are recommending a final ordinary dividend in respect of the year ended 31 December 2013 of 28.5 pence per share. This final dividend will be payable on 2 July 2014 to shareholders on the register at the close of business on 30 May 2014. An interim dividend for the year ended 31 December 2013 of 13.5 pence per share was paid on 3 January 2014.

Dividends paid during 2013 comprised an interim dividend of 11.7 pence per share and a final dividend of 24.8 pence per share, both in respect of the year ended 31 December 2012.

Changes to the board of directors

Details of the directors of the company as at the date of this report, together with brief biographical details and board committee memberships, are set out on page 48 to 49. There have been no changes to the board since 1 January 2013.

Governance

Directors' indemnity arrangements

The company maintains directors and officers liability insurance cover. In addition, throughout the financial year and at the date of this report, qualifying third party indemnity provisions within the meaning of Sections 232–234 of the Companies Act 2006 were in place for all of the directors.

Financials

Directors' interests

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

- Details of directors' share interests and of their rights to subscribe for shares are shown in the remuneration report on page 62 to 77.

Corporate governance statement

The company's statement on corporate governance is set out on pages 50 to 86 and is incorporated into this report by reference.

Share capital

The issued share capital of the company as at 31 December 2013, movements during the year and the rights attaching to the shares are set out in note 22 on page 132 to 135. The rights and obligations attaching to the shares are more

fully set out in the articles of association of the company. In summary, each share carries the right to one vote at general meetings of the company and no right to a fixed income. There are no restrictions on voting rights.

The £400 million on-market share buyback programme commenced by the board on 21 February 2012 completed on 8 February 2013. During the year ended 31 December 2013, 4,174,716 shares of 50 pence each (representing 1.37 per cent of the total called up share capital of the company) were purchased at a total cost of £45,260,627, including commission and stamp duty, all of which were cancelled. The average purchase price, excluding commission and stamp duty, was 1078.82 pence, the highest price being 1106.72 pence and the lowest 1032.02 pence. The maximum number of shares held in treasury by the company at any time during the year was 7,291,522 shares. As at 31 December 2013, 6,186,965 shares (representing 2.04 per cent of the total called up share capital of the company) remained in treasury, all of which have been allocated to the group's Save As You Earn (SAYE) scheme awards to date. During the year 1,104,557 shares (representing 0.36 per cent of the total called up share capital of the company) were utilised in satisfying awards made under the UK and International SAYE share option schemes. Since the completion of the £400 million share buyback programme, the company has not made any further purchases of its shares in the market.

A resolution will be proposed at the 2014 AGM to extend the authority of the directors to make market purchases of up to 10 per cent of the company's shares within prescribed limits.

Authority to allot shares

Authority was granted to the directors at the 2013 AGM to allot shares or grant rights to subscribe for or to convert any security to shares up to a nominal amount of £49,018,515 (Section 551 amount) of which up to £7,427,048 could be allotted for cash other than in connection with a pre-emptive offer (Section 561 amount). Resolutions will be proposed at the forthcoming AGM to extend this authority to the end of the AGM in 2015 or on 1 June 2015, whichever is the earlier. The revised Section 551 amount will be £49,181,027 and the revised Section 561 amount will be £7,451,671.

Directors' report continued

Authority to allot shares continued

If the proposed acquisition of Foster Wheeler is implemented, it is expected that AMEC securities will be issued to Foster Wheeler shareholders as partial consideration for the acquisition of their Foster Wheeler shares, details of which will be set out in the prospectus/circular relating to the transaction. Otherwise than in connection with the proposed acquisition of Foster Wheeler, the directors have no present intention of issuing any shares other than in respect of the exercise of share options. No issue will be made which will effectively alter the control of the company without the prior approval of shareholders in general meeting.

Major interests in shares

On the basis of notifications received under the Disclosure and Transparency Rules (DTR 5) and other notifications received by AMEC from shareholders, shareholdings of 3 per cent or more of the voting rights of the company as at 31 December 2013 were as follows:

	Number	%
Artisan Partners Limited Partnership	15,566,638	5.2
Mondrian Investment Partners Limited	15,309,947	5.15

The shareholding percentages reflect the issued share capital at the time of the notifications. There were no other notifications received under DTR 5 between 31 December 2013 and 13 February 2014.

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

Financial instruments

Disclosures relating to the group's use of financial instruments can be found in note 19 on page 127 to 131 and are incorporated into this report by reference.

Significant arrangements – change of control

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the company.

Under a £377,000,000 five year multi-currency revolving credit facility agreement dated 18 July 2012 and a £100,000,000 one year sterling term loan facility dated 9 April 2013 between, amongst others, the company and The Royal Bank of Scotland plc (as facility agent for both facilities), the company must promptly notify the facility agent if it becomes aware of any change of control.

Following such notice the lenders will negotiate with the company for a period of 30 days with a view to agreeing terms and conditions acceptable to the company and all the lenders for continuing the facilities.

If agreement is not reached by the end of the 30-day period, if a lender so requires, the facility agent must, by notice of not less than 30 days to the company, cancel the commitments of that lender and declare the participations of that lender in all outstanding loans together with accrued interest and all other amounts accrued under the facilities to be immediately due and payable.

A change of control occurs if any person or group of persons acting in concert gains control of the company.

Employees

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

Information on employee development and training, how we engage with our employees to ensure they understand the direction in which the company is going and are committed to AMEC's values, the actions taken to share knowledge with our employees and keep them informed of developments, how we assess and act on employee opinion and encourage involvement in the company's performance, and our commitment to cultural diversity and equal opportunities can be found on pages 14 to 17 and is incorporated in this report by reference. As can be seen in AMEC's Code of Business Conduct, AMEC is committed to providing a workplace which offers equal opportunity for promotion and advancement. The Code of Business Conduct is supported by global policies and mandatory procedures which in turn are supported by local and operating unit policies and procedures.

As part of AMEC's equal opportunities policy, procedures are in place that are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, AMEC will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Sustainability

Summary details about our commitment to sustainability and its importance to our day-to-day activities are set out specifically on page 25 and in general throughout our strategic report. Further detail is available in our sustainability report and on our website.

Greenhouse gas emissions

Disclosures relating to the group's greenhouse gas emissions, as required to be disclosed under the Companies Act 2006 [Strategic Report and Directors Report] Regulations 2013, can be found in the Strategic report on page 26

Political donations

During 2013, AMEC made no political donations in the UK or European Union, including donations as defined for the purposes of the Political Parties, Elections and Referendums Act 2000

AMEC Americas Limited, a subsidiary of the company in Canada, made contributions to non-EU political parties in Canada totalling C\$1,200 (£740)

Going concern

The directors, having made enquiries, consider that the group has adequate resources to operate for the foreseeable future and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the accounts. Further details of this review can be found on page 102

Auditor

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

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

The above statement is made in accordance with Section 418 of the Companies Act 2006

Responsibility statements

The statement of directors' responsibilities, including the fair, balanced and understandable statement, in respect of the annual report and accounts can be found on page 90. The statement by the company's auditor relating to their reporting responsibilities can be found on page 91

Annual general meeting

This year's AGM will be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED on 3 April 2014 at 10.30am. The notice of meeting, which includes explanatory notes on the business to be transacted at the meeting, accompanies this report and is also available on our website

Separate resolutions will be proposed at the AGM to receive the annual report and accounts, to declare a final dividend, to approve the remuneration report and remuneration policy, with the exception of Tim Faithfull, to re-elect all of the current directors who will retire in accordance with the provisions of the Code, to re-elect Ernst & Young LLP as auditor, and to authorise the directors to fix the auditor's remuneration

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

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

On behalf of the board

Alison Yapp

General Counsel and Company Secretary

13 February 2014

Find out more online

- Visit our website at amec.com/investors for further information regarding this year's AGM

Responsibility statements of the directors

Statement of directors' responsibilities in respect of the annual report and the accounts

The directors are responsible for preparing the annual report and the consolidated and parent company accounts, in accordance with applicable law and regulations

Company law requires the directors to prepare consolidated and parent company accounts for each financial year. Under that law the directors are required to prepare the consolidated accounts in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the consolidated and parent company accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period

In preparing each of the consolidated and parent company accounts, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- for the consolidated accounts, state whether they have been prepared in accordance with IFRS as adopted by the EU
- for the parent company accounts, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company accounts and
- prepare the consolidated and parent company accounts on the going concern basis unless it is inappropriate to presume that the consolidated and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors report, directors remuneration report and corporate governance statement that comply with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of consolidated and parent company accounts may differ from legislation in other jurisdictions

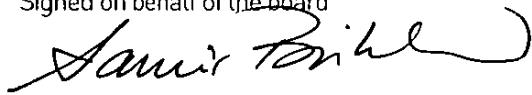
Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge

- the accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole and
- the strategic report and 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

In addition, we confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and proves the information necessary for shareholders to assess the performance, strategy and business model of the company

Signed on behalf of the board



Samir Briko

Chief Executive



Ian McHoul

Chief Financial Officer

13 February 2014

Independent auditors' report to the members of AMEC plc

Registered number 1675285

We have audited the consolidated accounts of AMEC plc for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors Responsibilities Statement set out on page 90, the directors are responsible for the preparation of the consolidated accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated accounts

An audit involves obtaining evidence about the amounts and disclosures in the consolidated accounts sufficient to give reasonable assurance that the consolidated accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the consolidated accounts. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited consolidated accounts and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated accounts

In our opinion the consolidated accounts

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and article 4 of the IAS regulation.

Our assessment of risks of material misstatement

We identified the following risks that we believed would have the greatest impact on our overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- Revenue recognition on contracts and valuation of gross amounts due from customers and receivables,
- Adequacy of contract and other provisions,
- Adequacy of legacy liabilities,
- Valuation of pension assets and liabilities,
- Risk of fraud and management override,
- Adequacy of taxation provisions,
- Presentation of discontinued operations,
- Recognition and presentation of research and development government credits

Our application of materiality

We determined materiality for the group to be £15 million (2012 £15 million), which is approximately 5% (2012 5%) of pre-tax profit for the year adjusted for exceptional items. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement is that performance materiality was 75% (2012 75%) of our materiality, namely £11.25 million (2012 £11.25 million). Our objective in adopting this approach was to ensure that uncorrected and undetected audit differences in all accounts did not exceed our planning materiality level.

Independent auditors' report to the members of AMEC plc continued

Registered number 1675285

Our application of materiality continued

We agreed with the Audit Committee that we would report to them corrected and uncorrected audit differences in excess of £0.5 million (2012 £0.5 million), as well as differences below that threshold that in our view warranted reporting on qualitative grounds

An overview of the scope of our audit

Our group audit scope focussed on three operating units, all of which were subject to a full scope audit for the year ended 31 December 2013. An additional seven operating units were selected for specific scope audit procedures where the extent of audit work was based on our assessment of the risks of material misstatement and of the materiality of those locations to the group's business operations. Together with the group functions which were also subject to a full or specific scope audit for the year ended 31 December 2013, these locations represent the principal business units of the group and account for 91% of the group's revenue, 95% of the group's profit before tax, and 91% of the group's total assets.

Audits of these locations are performed at a performance materiality level calculated with reference to a proportion of the group materiality appropriate to the relative scale and risk associated with each location. They are also selected to provide a basis for undertaking audit work to address the risks of material misstatement identified above.

The group audit team follows a programme of planned site visits that is designed to ensure that the Senior Statutory Auditor or his designate visits each full scope location at least once every other year on a rotational basis. This year, the group team visited two out of three full scope locations, reviewed key working papers, participated in the component team's planning including the discussion of fraud and error, and attended the audit closing meetings for each full scope component.

The principal ways in which we responded to the risks identified above included:

Revenue recognition on contracts and valuation of gross amounts due from customers and receivables

We performed audit procedures on the controls in place to assess the appropriate determination of the percentage completion of each significant contract. We challenged management in respect of the reasonableness of judgements made regarding the cost to complete estimate, the timing of recognition of variation orders, the adequacy of contingency provisions to mitigate contract specific risks and their assessments around the potential for liquidated damages for projects behind schedule.

We consider these to be the key judgemental areas driving the recognition of revenue and margins in respect of long term contracts. We also assessed whether management's policies and processes for making these estimates continue to be robust and are applied consistently to all contracts.

Adequacy of contract and other provisions / Adequacy of legacy liabilities

We challenged and applied professional scepticism to judgements and accounting treatments made by management arising from contractual disputes and other risks. We performed audit procedures on supporting calculations and assumptions to challenge whether these are appropriate in the circumstances and in line with the group's accounting policies as well as the requirements of IFRS. Where appropriate we have held discussions with management's legal experts.

Valuation of pension assets and liabilities

We challenged the key actuarial assumptions used by management to determine the defined benefit pension accounting position. This included holding discussions with the external actuary used to value the schemes. We also performed audit procedures on the input data used by the actuary in the valuations and the disclosures made in the consolidated accounts.

Risk of fraud and management override

Procedures included analytical procedures and journal entry testing in order to identify and address the risk of management override of controls. We designed testing procedures and thresholds for all balances in such a way as to ensure that the risk of fraud and error is mitigated.

Adequacy of taxation provisions

We challenged and applied professional scepticism to tax exposures estimated by management and the risk analysis associated with these exposures along with claims or assessments made by tax authorities to date. We performed audit procedures on the calculation and disclosure of deferred tax to assess compliance with local tax rules and the group's accounting policies including the impact of complex items such as management's assessment of the likelihood of the recoverability of deferred tax assets. These assessments relate to the accuracy of management forecasts and the time period over which assets are likely to be recovered.

Independent auditors' report to the members of AMEC plc continued

Registered number 1675285

Overview

Presentation of discontinued operations

We challenged and applied professional scepticism to judgements made by management in concluding that all relevant criteria had been met in order to classify the UK Conventional Power business as discontinued, in accordance with IFRS. We have also performed audit procedures on the disclosures made in the consolidated accounts.

Strategic report

Recognition and Presentation of research and development government credits

We challenged the appropriateness of the group's accounting policy in respect of the classification of the US research and development government credits within operating profit rather than the tax expense line. As this presentation is judgemental owing to lack of specific guidance in IFRS and mixed practice amongst IFRS reporters in this area, we have agreed that the policy applied is appropriate. This policy is required for the first time this year.

Governance

Opinions on other matter prescribed by Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors Report for the financial year for which the consolidated accounts are prepared is consistent with the consolidated accounts.

Financials

Matters on which we are required to report by exception

We have nothing to report in respect of the following.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited consolidated accounts, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit, or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under Companies Act 2006 we are required to report to you if, in our opinion:

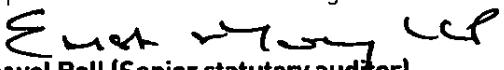
- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors statement, set out on page 89, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Other matter

We have reported separately on the parent company accounts of AMEC plc for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.


Hywel Ball (Senior statutory auditor)

for and on behalf of Ernst & Young LLP
Statutory auditor, London

13 February 2014

Consolidated income statement

For the year ended 31 December 2013

		2013			2012		
	Note	Before amortisation and exceptional items £ million	Amortisation and exceptional items (note 5) £ million	Total £ million	Before amortisation and exceptional items (restated) £ million	Amortisation and exceptional items (note 5) £ million	Total (restated) £ million
Continuing operations							
Revenue	2,3	3,974	–	3,974	4,088	–	4,088
Cost of sales		(3,431)	–	(3,431)	(3,556)	–	(3,556)
Gross profit		543	–	543	532	–	532
Administrative expenses		(228)	(65)	(293)	(221)	(68)	(289)
Loss on business disposals and closures		–	(7)	(7)	–	–	–
Profit/(loss) before net financing expense	4	315	(72)	243	311	(68)	243
Financial income		12	–	12	10	–	10
Financial expense		(14)	–	(14)	(11)	–	(11)
Net financing expense	7	(2)	–	(2)	(1)	–	(1)
Share of post-tax results of joint ventures	2,13	14	–	14	12	–	12
Profit/(loss) before income tax	2	327	(72)	255	322	(68)	254
Income tax	8	(67)	(2)	(69)	(68)	21	(47)
Profit/(loss)							
for the year from continuing operations		260	(74)	186	254	(47)	207
(Loss)/profit for the year from discontinued operations	9	(8)	–	(8)	(3)	5	2
Profit/(loss) for the year		252	(74)	178	251	(42)	209
Attributable to							
Equity holders of the parent				179			208
Non-controlling interests				(1)			1
				178			209
Basic earnings/(loss) per share	10						
Continuing operations		89.0p		63.8p	80.1p	65.2p	
Discontinued operations		(2.7)p		(2.7)p	(0.8)p	0.6p	
		86.3p		61.1p	79.3p	65.8p	
Diluted earnings/(loss) per share	10						
Continuing operations		87.2p		62.5p	78.6p	64.0p	
Discontinued operations		(2.7)p		(2.7)p	(0.8)p	0.6p	
		84.5p		59.8p	77.8p	64.6p	

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Note	2013 £ million	2012 (restated) £ million
Profit for the year		178	209
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange movements			
Exchange movements on translation of foreign subsidiaries		(70)	(34)
Net (loss)/gain on hedges of net investment in foreign subsidiaries	19	(1)	1
Tax on exchange movements		1	(1)
Cash flow hedges			
Effective portion of changes in fair value		3	3
Tax on effective portion of changes in fair value		(1)	(1)
Transferred to the income statement		1	-
		(67)	(32)
Items that will not be reclassified to profit and loss			
Actuarial gains on defined benefit pension schemes	14	40	37
Tax on actuarial gains		(20)	(24)
		20	13
Other comprehensive income		(47)	(19)
Total comprehensive income		131	190
Attributable to			
Equity holders of the parent		133	189
Non-controlling interests		(2)	1
Total comprehensive income		131	190

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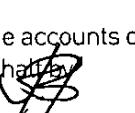
Financials

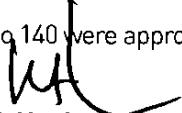
Consolidated balance sheet

As at 31 December 2013

	Note	2013 £ million	2012 £ million
ASSETS			
Non-current assets			
Property, plant and equipment	11	39	43
Intangible assets	12	907	969
Interests in joint ventures	13	52	47
Derivative financial instruments	19	1	-
Retirement benefit assets	14	102	86
Other receivables	20	24	27
Deferred tax assets	15	35	42
Total non-current assets		1,160	1,214
Current assets			
Inventories	16	3	4
Trade and other receivables	17	956	1,014
Derivative financial instruments	19	5	1
Current tax receivable		10	10
Bank deposits (more than three months)	23	18	17
Cash and cash equivalents (excluding bank overdrafts)	23	232	258
Total current assets		1,224	1,304
Total assets		2,384	2,518
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	23	(129)	(176)
Trade and other payables	18	(801)	(905)
Derivative financial instruments	19	(1)	(4)
Current tax payable		(73)	(66)
Total current liabilities		(1,004)	(1,151)
Non-current liabilities			
Trade and other payables	20	(11)	(11)
Retirement benefit liabilities	14	(62)	(93)
Deferred tax liabilities	15	(20)	(9)
Provisions	21	(163)	(171)
Total non-current liabilities		(256)	(284)
Total liabilities		(1,260)	(1,435)
Net assets		1,124	1,083
EQUITY			
Share capital	22	152	154
Share premium account	22	101	101
Hedging and translation reserves	22	33	99
Capital redemption reserve	22	34	32
Retained earnings	22	802	693
Total equity attributable to equity holders of the parent		1,122	1,079
Non-controlling interests		2	4
Total equity		1,124	1,083

The accounts on pages 94 to 140 were approved by the board of directors on 13 February 2014 and were signed on its behalf.


Samir Brikho
Chief Executive


Ian McHoul
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2013

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	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Capital redemption reserve £ million	Retained earnings £ million	Total £ million	Non-controlling interests £ million	Total equity £ million
As at 1 January 2013	154	101	(2)	101	32	693	1,079	4	1,083
Profit for the year	-	-	-	-	-	179	179	(1)	178
Exchange movements on translation of foreign subsidiaries	-	-	-	(69)	-	-	(69)	(1)	(70)
Net loss on hedges of net investment in foreign subsidiaries	-	-	-	(1)	-	-	(1)	-	(1)
Tax on exchange movements	-	-	-	1	-	-	1	-	1
Effective portion of changes in fair value of cash flow hedges	-	-	3	-	-	-	3	-	3
Tax on effective portion of changes in fair value of cash flow hedges	-	-	(1)	-	-	-	(1)	-	(1)
Cash flow hedges transferred to the income statement	-	-	1	-	-	-	1	-	1
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	40	40	-	40
Tax on actuarial gains	-	-	-	-	-	(20)	(20)	-	(20)
Other comprehensive income for the year	-	-	3	(69)	-	20	(46)	(1)	(47)
Total comprehensive income for the year	-	-	3	(69)	-	199	133	(2)	131
Dividends	-	-	-	-	-	(108)	(108)	-	(108)
Equity-settled share-based payments	-	-	-	-	-	14	14	-	14
Tax on equity-settled share-based payments	-	-	-	-	-	(1)	(1)	-	(1)
Acquisition of shares by trustees of the Performance Share Plan	-	-	-	-	-	(2)	(2)	-	(2)
Utilisation of treasury shares	-	-	-	-	-	7	7	-	7
Acquisition of shares under the buyback programme	(2)	-	-	-	2	-	-	-	-
As at 31 December 2013	152	101	1	32	34	802	1,122	2	1,124

Consolidated statement of changes in equity continued

For the year ended 31 December 2012

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Capital redemption reserve £ million	Retained earnings (restated) £ million	Total (restated) £ million	Non-controlling interests £ million	Total equity (restated) £ million
As at 1 January 2012	169	101	(4)	135	17	955	1,373	1	1,374
Profit for the year	—	—	—	—	—	208	208	1	209
Exchange movements on translation of foreign subsidiaries	—	—	—	(34)	—	—	(34)	—	(34)
Net gain on hedges of net investment in foreign subsidiaries	—	—	—	1	—	—	1	—	1
Tax on exchange movements	—	—	—	(1)	—	—	(1)	—	(1)
Effective portion of changes in fair value of cash flow hedges	—	—	3	—	—	—	3	—	3
Tax on effective portion of changes in fair value of cash flow hedges	—	—	(1)	—	—	—	(1)	—	(1)
Actuarial gains on defined benefit pension schemes	—	—	—	—	—	37	37	—	37
Tax on actuarial gains	—	—	—	—	—	(24)	(24)	—	(24)
Other comprehensive income for the year	—	—	2	(34)	—	13	(19)	—	(19)
Total comprehensive income for the year	—	—	2	(34)	—	221	189	1	190
Dividends	—	—	—	—	—	(98)	(98)	—	(98)
Equity-settled share-based payments	—	—	—	—	—	15	15	—	15
Acquisition of shares by trustees of the Performance Share Plan	—	—	—	—	—	(6)	(6)	—	(6)
Utilisation of treasury shares	—	—	—	—	—	9	9	—	9
Acquisition of treasury shares	—	—	—	—	—	(36)	(36)	—	(36)
Acquisition of shares under the buyback programme	(15)	—	—	—	15	(322)	(322)	—	(322)
Forward share purchase agreement as at 31 December 2012*	—	—	—	—	—	(45)	(45)	—	(45)
Arising on business combinations	—	—	—	—	—	—	—	2	2
As at 31 December 2012	154	101	(2)	101	32	693	1,079	4	1,083

* See note 22 for further details

Consolidated cash flow statement

For the year ended 31 December 2013

Overview

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	Note	2013 £ million	2012 (restated) £ million
Cash flow from operating activities			
Profit before income tax from continuing operations	9	255	254
(Loss)/profit before income tax from discontinued operations		(16)	2
Profit before income tax		239	256
Financial income	7	(12)	(10)
Financial expense	7	14	11
Share of post-tax results of joint ventures	2, 13	(14)	(12)
Intangible amortisation	5, 12	47	44
Impairment of joint venture investment	13	-	3
Depreciation	11	12	11
Loss on disposal of businesses	5, 9	6	11
Difference between contributions to retirement benefit schemes and current service cost		-	(5)
Profit on disposal of property, plant and equipment		(1)	(2)
Loss on disposal of intangible assets		-	1
Equity-settled share-based payments		14	15
		305	323
Decrease in inventories		1	-
Decrease/(Increase) in trade and other receivables		66	(154)
(Decrease)/increase in trade and other payables and provisions		(80)	102
Cash generated from operations		292	271
Tax paid		(52)	(29)
Net cash flow from operating activities		240	242
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)		(20)	(159)
Funding of joint ventures		(7)	(11)
Purchase of property, plant and equipment		(10)	(19)
Purchase of intangible assets		(13)	(15)
Movements in bank deposits (more than three months)		(1)	11
Disposal of businesses (net of cash disposed of)		(4)	(6)
Disposal of property, plant and equipment		1	4
Interest received		9	8
Dividends received from joint ventures	13	8	11
Amounts paid on maturity of net investment hedges		(3)	(7)
Net cash flow from investing activities		(40)	(183)
Net cash flow before financing activities		200	59
Cash flow from financing activities			
(Repayments of)/proceeds from other borrowings		(30)	150
Interest paid		(11)	(9)
Dividends paid		(108)	(98)
Acquisition of shares for cancellation		(45)	(322)
Cash flows in respect of treasury shares (net)*		7	(27)
Acquisition of shares by trustees of the Performance Share Plan		(2)	(6)
Net cash flow from financing activities		(189)	(312)
Increase/(decrease) in cash and cash equivalents		11	(253)
Cash and cash equivalents as at the beginning of the year		232	493
Exchange losses on cash and cash equivalents		(20)	(8)
Cash and cash equivalents as at the end of the year	23	223	232
Cash and cash equivalents consist of:			
Cash at bank and in hand	23	153	169
Bank deposits (less than three months)	23	79	89
Bank overdrafts	23	(9)	(26)
Cash and cash equivalents as at the end of the year	23	223	232
Bank deposits (more than three months)	23	18	17
Bank loans	23	(120)	(150)
Net cash as at the end of the year		121	99

* Net of £7 million (2012 £9 million) received from SAYE option holders on exercise of options

Notes to the consolidated accounts

1 Significant accounting policies

AMEC plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK

Statement of compliance

The consolidated accounts include the accounts of AMEC plc (AMEC) and all of its subsidiaries made up to 31 December each year, and the group's share of the profit after interest and tax and net assets of joint ventures based on the equity method of accounting

In accordance with EU law (IAS Regulation EC 1606/2002), the consolidated accounts of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU as at 31 December 2013 (adopted IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The company has elected to prepare its parent company accounts in accordance with UK Generally Accepted Accounting Principles (UK GAAP), these are presented on pages 141 to 146

Accounting standards adopted in the year

The following new accounting standards and amendments to existing standards have been adopted during the year

IAS 19 Employee Benefits was amended in June 2011. The impact on the group has been to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset/liability

The group's reported results and financial position have been restated as a result of the adoption of IAS 19 (2011). The impact on the results for the year ended 31 December 2012 is an increase in cost of sales of £1 million, a reduction in net financing income of £12 million and a reduction in the income tax charge of £5 million, resulting in a lower profit after tax of £8 million. Within the consolidated statement of other comprehensive income, the impact is an increase of £13 million to the actuarial gains on defined benefit schemes and an increase of £5 million in the tax on actuarial gains resulting in an increased total comprehensive income of £8 million. There is no impact on either the net retirement benefit liability or related deferred tax balance within the balance sheet

The impact of IAS 19 (2011) on the results for the year ended 31 December 2013 has been a reduction in profit before tax of £19 million and a reduction in the income tax

charge of £4 million, resulting in a lower profit after tax of £15 million. Within the consolidated statement of other comprehensive income, the impact is an increase of £19 million to the actuarial gains on defined benefit schemes and an increase of £4 million in the tax on actuarial gains resulting in an increased total comprehensive income of £15 million. There is no impact on either the net retirement benefit liability or related deferred tax balance within the balance sheet

IAS 36 Recoverable Amount Disclosures for Non-financial Assets was amended in May 2013 to clarify certain disclosure requirements following the issue of IFRS 13 Fair Value Measurement

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated accounts of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess

IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures. IFRS 11 considers the classification of joint arrangements in which two or more parties have joint control. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements

IFRS 12 Disclosures of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles

IFRS 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS

Adoption of IAS 36 (revised), IFRS 10, 11, 12 and 13 have no impact on the group's reported results or financial position

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

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

1 Significant accounting policies continued

Basis of preparation

The accounts are presented in Sterling, rounded to the nearest million. All calculated numbers, for example earnings per share, are calculated on the underlying numbers to one decimal place precision. They are prepared on the historical cost basis except that derivative financial instruments and retirement benefit assets and liabilities are stated at fair value.

During 2012, AMEC announced a new organisation structure, to be adopted on 1 January 2013, designed to more fully support the future needs of its customers. The group is now managed geographically and the segmental analysis, as presented in note 2, has been restated to reflect the new structure of Americas, Europe and Growth Regions, together with Investment Services.

For a number of years, AMEC has been taking a more selective approach to the bidding of contracts in the former Power and Process (P&P) division in the UK, most notably in the area of conventional power. During 2013, all revenue-generating activity ceased. The UK conventional power business was considered to be a major line of business and is now reported as a discontinued business and the 2012 comparatives have been restated accordingly.

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 long-term contracts under IAS 11 Construction Contracts, for provisions under IAS 37 Provisions, Contingent Liabilities and Contingent Assets,

and for defined benefit pension schemes under IAS 19 (revised) Employee Benefits. In addition judgement has also been applied in determining the appropriate presentation of the UK conventional power business and certain research and development government credits.

A significant amount of the group's activities is undertaken via long-term contracts. These contracts are accounted for in accordance with IAS 11 Construction Contracts which requires estimates to be made for contract costs and revenues.

Management bases its judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of incentive payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

When accounting for provisions for litigation and other items the group has taken internal and external advice in considering known legal claims and actions made by or against the group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the group on the basis of likely outcome, but no provisions are made for those which, in the view of management, are unlikely to succeed.

Defined benefit pension schemes are accounted for in accordance with the advice of independent qualified actuaries but significant judgements are required in relation to the assumptions for future salary and pension increases, discount rate, inflation and member life expectancy that underpin their valuations. For AMEC, these assumptions are important given the relative size of the schemes and remain open.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the post-tax results of discontinued operations are disclosed separately in the consolidated income statement.

Notes to the consolidated accounts continued

1 Significant accounting policies continued

Basis of preparation continued

Discontinued operations include the non-core Built Environment businesses, which were sold during 2007, SPIE, which was sold in 2006, and the UK conventional power business that was discontinued in 2013. The cash flows of discontinued operations are fully consolidated within AMEC up to the date of sale. The results and other disclosures in respect of discontinued operations are shown in note 9.

Going concern

The directors are satisfied that the group has adequate resources to operate for the foreseeable future. As at 31 December 2013 the group held net cash of £121 million and had committed banking facilities of £477 million.

The group will finance operations and growth from its existing cash resources and its committed banking facilities. The group's policy aims to ensure the constant availability of an appropriate amount of funding to meet both current and future forecast requirements consistent with the group's budget and strategic plans.

Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated accounts.

Basis of consolidation

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of the joint venture since the acquisition date. The results of the joint ventures are included in the consolidated accounts from the date the joint control commences until the date that it ceases.

The aggregate of the group's share of profit or loss of a joint venture is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the joint venture.

Losses of a joint venture are recognised only to the extent of the group's interest in the joint venture, unless the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- its assets and liabilities, including its share of any assets and liabilities held jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by joint operation
- its expenses, including its share of any expenses incurred jointly

Bid costs

Bid costs are expensed as incurred until the group is appointed as the preferred bidder. Subsequent to appointment as preferred bidder, bid costs are capitalised and held on the balance sheet provided the award of the contract is virtually certain and it is expected to generate sufficient net cash flow to allow recovery of the bid costs. Where bid costs are reimbursed at financial close, the proceeds are applied first against the balance of costs included in the balance sheet, with any additional amounts treated as deferred income and released to profit over the period of the contract.

Business combinations and goodwill

The purchase method is used to account for all business combinations.

Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the assets, liabilities and contingent liabilities acquired.

Goodwill arising on acquisitions since 1 January 2004 is capitalised and subject to an impairment review, both annually and when there are indications that its carrying value may not be recoverable. Goodwill is not amortised.

1 Significant accounting policies continued

Cash and cash equivalents and short-term investments

Cash comprises cash balances and deposits repayable on demand and available within one working day without penalty

Cash equivalents are other deposits with a maturity period of three months or less from date of acquisition, convertible without an undue period of notice and not subject to a significant risk of changes in value

Bank overdrafts that are repayable on demand and form an integral part of AMEC's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows

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

Deposits with a maturity period of more than three months at inception are classified as bank deposits (more than three months)

Development expenditure

Expenditure that is directly attributable to the development of wind farm projects is recognised as an intangible asset when the group can demonstrate it is probable that the wind farm development will generate future economic benefits in excess of the amounts capitalised and other relevant criteria for capitalising such costs in accordance with IAS 38 Intangible Assets have been met

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the wind farm development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is reviewed for impairment annually

Discontinued operations and assets

and liabilities held for sale

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

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

Dividend income

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

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the income statement as incurred

Defined benefit plans

The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA-rated corporate bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset

Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise

Exceptional items

As permitted by IAS 1 Presentation of Financial Statements, certain items are presented separately as exceptional on the face of the consolidated income statement. In the opinion of the directors, these exceptional items require separate disclosure by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the group's underlying performance and to provide consistency with internal management reporting. Exceptional items may include, but are not restricted to, profits or losses arising on disposal of businesses or on closure of businesses, business restructuring charges, and profits or losses arising on the disposal of fixed assets. In addition, acquisition-related costs including transaction costs, changes in deferred consideration and elements of deferred compensation (those dependent on continued employment) which, in line with IFRS 3 Business Combinations, are required to be charged to the income statement are also classified as exceptional.

Financial instruments

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

Cash, bank deposits, borrowings and trade receivables and payables are held at amortised cost

Notes to the consolidated accounts continued

1 Significant accounting policies continued

Financial instruments continued

Derivative financial instruments are recognised initially and subsequently at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments or by discounting the expected future cash flows at prevailing interest rates.

The sale and purchase of derivative financial instruments are non-speculative.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge against the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, any gain or loss on the effective part of the derivative financial instrument is recognised in other comprehensive income and accumulated within the hedging reserve. The gain or loss on any ineffective portion of the hedge is recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised. The cumulative gain or loss previously recognised in the hedging reserve remains there until the forecast transaction occurs. The cumulative gain or loss in the hedging reserve is transferred to the income statement in the same period that the hedged item affects profit or loss.

Foreign currencies

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

At an individual entity level, transactions in a currency other than the functional currency of the entity are translated to the functional currency at the exchange rate ruling at the day of the transaction. Entities which have multiple foreign currency transactions apply the average rate for the month as an approximation of the exchange rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling at the balance sheet date and any foreign exchange differences arising are recognised

in the income statement except those arising on intra-group balances, settlement of which is neither planned nor probable to occur, which are recognised in other comprehensive income. Non-monetary assets and liabilities are measured in terms of historical cost and are translated using the exchange rate at the date of the transaction.

On consolidation, the results of entities with a functional currency other than Sterling are translated into Sterling using a monthly average exchange rate. The net assets of such entities are translated into Sterling at the closing exchange rate.

Exchange differences arising on the translation of foreign currency net investments and any foreign currency borrowings, or forward contracts used to hedge those investments, are taken to a translation reserve. They are recycled and recognised as a profit or loss on the disposal or closure of a business. The cumulative translation difference for all foreign operations was deemed to be zero as at 1 January 2004, the date of transition to adopted IFRS.

Impairment

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

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

Intangible assets other than goodwill

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

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

The estimated lives of intangible assets held at 31 December 2013 are as follows:

Software	Three to seven years
Customer relationships	Two to ten years
Brand/trademarks	Up to five years
Other	Up to six years

1 Significant accounting policies continued

Inventories

Inventories, including land held for and in the course of development, are stated at the lower of cost and net realisable value

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development. Cost includes cost of acquisition and development to date, including directly attributable fees and expenses net of rental and other income attributable to the development

Leases

Operating lease costs, including incentives received, are charged to the income statement on a straight line basis over the period of the lease

Long-term contracts

As soon as the outcome of a long-term contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to costs incurred to date as a percentage of total forecast costs. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are expensed as incurred. An expected loss on a contract is recognised immediately in the income statement

Revenue in respect of variations to the contract scope and claims is recognised when it is probable that it will be received and is capable of being reliably measured. Incentive payments are recognised when a contract is sufficiently far advanced that it is probable that the required conditions will be met and the amount of the payment can be reliably measured

The gross amounts due from customers under long-term contracts are stated at cost plus recognised profits, less provision for recognised losses and progress billings. These amounts are reported in trade and other receivables

Payments on account in excess of the gross amounts due from customers are included in trade and other payables

Net financing expense

Net financing expense comprises interest receivable on funds invested, interest payable, pension financing income, the unwinding of discounted balances and foreign exchange gains and losses. Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

Directly attributable finance costs are capitalised in the cost of purchased and constructed property, plant and equipment, until the relevant assets are brought into operational use

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment as at 1 January 2004, the date of transition to adopted IFRS, was determined by reference to its fair value at that date.

Depreciation is provided on all property, plant and equipment, with the exception of freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life. Reviews are made annually of the estimated remaining lives and residual values of individual assets

The estimated lives used are

Freehold buildings	Up to 50 years
Leasehold land and buildings	The shorter of the lease term or 50 years
Plant and equipment	Mainly three to five years

Provisions for liabilities and charges

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

The group has taken internal and external advice in considering known and reasonably likely legal claims and actions made by or against the group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the group on the basis of likely outcome, but no provisions are made for those which, in the view of management, are unlikely to succeed. These possible but not probable liabilities are disclosed in note 26 as contingent liabilities

Notes to the consolidated accounts continued

1 Significant accounting policies continued

Research and development government credits

The group claims research and development government credits in the UK, US and Canada. These are judged to have characteristics more akin to grants than income taxes and are offset against the relevant expenditure caption. Credits are recognised to the extent there is reasonable assurance they will be received which, given the necessary claims processes, can be some time after the original expense is incurred.

Revenue

Revenue is measured at the fair value of consideration received or receivable, excluding value added tax, for goods and services supplied to external customers. It includes the group's share of revenue from work carried out under jointly controlled operations.

Revenue from services and construction contracts is recognised by reference to the stage of completion of the contract, as set out in the accounting policy for long-term contracts.

Share-based payments

There are various share-based payment arrangements which allow AMEC employees to acquire AMEC shares, these awards are granted by AMEC. The fair value of awards granted is recognised as a cost of employment with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the award. The fair value of the award is measured using a valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where non-vesting is due to total shareholder return not achieving the threshold for vesting.

Taxation

Income tax expense comprises the sum of the current tax charge and the movement in deferred tax.

Current tax payable or recoverable is based on taxable profit for the year using tax rates and laws that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity as appropriate.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences with deferred tax assets being recognised where it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjustments made to the extent that it is no longer probable that sufficient profits will be available.

Assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted to apply when the deferred tax asset is realised or the liability is settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and it is intended that they will be settled on a net basis.

2 Segmental analysis of continuing operations

AMEC is a focused supplier of consultancy, engineering and project management services to customers in the world's oil and gas, mining, clean energy, and environment and infrastructure markets. Following a restructure in late 2012, the group's results are now reported on a geographic, rather than divisional basis. This reflects the new structure, introduced to strengthen customer focus and so maximise potential growth opportunities. Each of the three geographies is considered to be a reportable segment.

AMEC's Chief Executive together with the senior management team constitute the chief operating decision maker and they regularly review the performance of these three geographies, as well as the Investment Services segment. Details of the services offered by each business unit and the end markets in which they operate are given in the strategic report in general and specifically by business unit on pages 35 to 38.

Revenue and results

	Revenue		Profit/(Loss)	
	2013 £ million	2012 (restated) £ million	2013 £ million	2012 (restated) £ million
Americas	2,247	2,500	241	233
Europe	1,227	1,080	93	95
Growth Regions	536	531	33	32
Investment Services	6	9	11	7
	4,016	4,120	378	367
Internal revenue	(42)	(32)	—	—
External revenue	3,974	4,088	—	—
Corporate costs ¹			(35)	[33]
EBITA ²			343	334
Net financing expense ³			(11)	[7]
Adjusted profit before tax			332	327
Tax on results of joint ventures ⁴			(5)	(5)
			327	322
Intangible amortisation			(47)	(44)
Exceptional items			(25)	(24)
Profit before income tax			255	254

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

2 EBITA is earnings from continuing operations before net financing expense, tax, intangible amortisation and pre-tax exceptional items of £315 million (2012 £311 million), but including joint venture EBITA of £28 million (2012 £23 million)

3 Net financing expense includes AMEC's share of net interest payable of joint ventures

4 The share of post-tax results of joint ventures is further analysed as follows

	2013 £ million	2012 £ million
EBITA	28	23
Net financing expense	(9)	(6)
Tax	(5)	(5)
	14	12

Notes to the consolidated accounts continued

2 Segmental analysis of continuing operations continued

Revenue and results continued

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

	2013 £ million	2012 (restated) £ million
Americas	18	15
Europe	17	8
Growth Regions	7	9
	42	32

Other information

	Share of post-tax results of joint ventures		Depreciation		Intangible amortisation	
	2013 £ million	2012 (restated) £ million	2013 £ million	2012 (restated) £ million	2013 £ million	2012 (restated) £ million
Americas	2	1	7	6	18	18
Europe	7	12	3	3	17	16
Growth Regions	2	2	2	2	12	10
Investment Services	3	(3)	-	-	-	-
	14	12	12	11	47	44

Geographical origin

	Revenue		Non-current assets	
	2013 £ million	2012 (restated) £ million	2013 £ million	2012 (restated) £ million
United Kingdom	1,112	1,030	326	336
Canada	1,104	1,260	188	211
United States	1,070	1,097	284	278
Rest of the world	688	701	225	261
	3,974	4,088	1,023	1,086

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

3 Revenue

	2013 £ million	2012 (restated) £ million
Construction contracts	342	414
Services	3,632	3,674
	3,974	4,088

The revenue from construction contracts shown above is based on the definition of construction contracts included in IAS 11 and includes revenue from all contracts directly related to the construction of an asset even if AMEC's role is as a service provider, for example project management

4 Profit before net financing expense – continuing operations

	2013 £ million	2012 £ million
Depreciation of property, plant and equipment	12	11
Minimum payments under operating leases	96	92
Research and development government credits	(22)	(5)

There are no material receipts from subleases

	2013 £ million	2012 £ million
Fees paid to the auditor and its associates	0.3	0.3
The auditing of the accounts	1.1	1.0
The auditing of accounts of any subsidiaries of the company	0.3	0.3
Taxation compliance services	0.1	0.1
All taxation advisory services other than compliance	1.6	0.2
All services relating to corporate finance transactions entered into, or proposed to be entered into, by or on behalf of the company or any of its associates	0.1	0.1
All other non-audit services	3.5	2.0

5 Amortisation and exceptional items

	2013 £ million	2012 £ million
Continuing operations		
Administrative expenses – exceptional items	(18)	(24)
Administrative expenses – intangible amortisation	(47)	(44)
	(65)	(68)
Loss on business disposals and closures	(7)	–
	(72)	(68)
Taxation (charge)/credit on exceptional items of continuing operations	(6)	9
Taxation charge on restructuring	(16)	–
Taxation credit on intangible amortisation	20	12
	(2)	21
Post-tax amortisation and exceptional items of continuing operations	(74)	(47)
Exceptional items of discontinued operations (post-tax)	–	5
Post-tax amortisation and exceptional items	(74)	(42)

Post-tax exceptional items for 2013 are further analysed as follows

	Loss on disposals £ million	Loss in respect of business closures £ million	Loss on business disposals and closures £ million	Other exceptional items £ million	Total £ million
Continuing operations	–	(7)	(7)	(18)	(25)
Discontinued operations	(6)	–	(6)	–	(6)
Loss before tax	(6)	(7)	(13)	(18)	(31)
Taxation charge on restructuring	–	–	–	(16)	(16)
Taxation on exceptional items	6	–	6	(6)	–
Loss after tax	–	(7)	(7)	(40)	(47)

Notes to the consolidated accounts continued

5 Amortisation and exceptional items continued

Additional indemnity provisions of £10 million and costs in respect of businesses sold in prior years (and classified as discontinued) were offset by the release of a £5 million litigation provision and indemnity provisions no longer required, and give a pre-tax exceptional loss on disposals of £6 million

There were additional litigation provisions of £9 million offset by releases of £2 million in respect of businesses closed in a prior year and classified as continuing

Exceptional costs of £18 million in continuing operations includes £14 million restructuring costs associated with the management reorganisation into geographic business units and transaction costs of £4 million which, in line with IFRS 3, are charged to the income statement

A tax provision of £16 million has been established for potential withholding tax following a group restructuring that resulted in a significant amount of cash being repatriated from foreign subsidiaries

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

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

A loss on disposals of £11 million arose from adjustments to provisions held in respect of a business sold in prior years (and classified as discontinued) and foreign exchange movements on provisions established on the disposal of SPIE

Exceptional costs of £24 million in continuing operations included the £11 million costs of funding a joint venture which was part of a recent acquisition, costs of £11 million associated with restructuring following the management reorganisation into geographic business units and transaction and deferred compensation costs which, in line with IFRS 3, are charged to the income statement. Transaction costs of £2 million were incurred in the year

The exceptional gain in discontinued operations of £17 million arises from the recognition of an insurance receivable following the Supreme Court judgement on mesothelioma liability, a provision against which was established a number of years ago

6 Staff costs and employee numbers – continuing operations

	2013 £ million	2012 (restated) £ million
Wages and salaries	1,459	1,424
Social security costs	98	94
Equity-settled share-based payments (note 22)	14	15
Contributions to defined contribution schemes	36	34
Defined benefit pension scheme expense (note 14)	32	32
	1,639	1,599

6 Staff costs and employee numbers – continuing operations continued

	2013 number	2012 (restated) number
The average number of people employed was as follows		
Americas	13,046	13,516
Europe	7,216	7,294
Growth Regions	3,070	2,348
Investment Services/Centre	240	221
	23,572	23,379

Details of directors remuneration are provided in the Directors remuneration report on pages 62 to 77

The average number of employees as stated above excludes agency staff

7 Net financing expense – continuing operations

	2013 £ million	2012 (restated) £ million
Financial income		
Interest income on bank deposits	7	7
Other interest and similar income	3	2
Pension financing income	1	–
Foreign exchange gains	1	1
	12	10
Financial expense		
Interest payable on bank loans and overdrafts	(9)	(5)
Other interest and similar expense	(3)	(2)
Pension finance expense	–	(3)
Foreign exchange losses	(2)	(1)
	(14)	(11)
Net financing expense	(2)	(1)

8 Income tax – continuing operations

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

	2013 £ million	2012 (restated) £ million
Income tax expense on continuing operations before exceptional and intangible amortisation	67	68
Income tax credit on intangible amortisation	(20)	(12)
Income tax charge on restructuring	16	–
Income tax charge/(credit) in respect of other exceptional items	6	(9)
Total income tax expense from continuing operations in the income statement	69	47

Notes to the consolidated accounts continued

8 Income tax – continuing operations continued

	2013 £ million	2012 (restated) £ million
Current tax		
UK corporation tax at 23.25 per cent (2012 24.5 per cent)	18	16
Double tax relief	(3)	(4)
Overseas tax	80	56
Adjustments in respect of prior years	(26)	(7)
	69	61
Deferred tax		
UK deferred tax at 20.0 per cent (2012 23.0 per cent), pension surplus at 20.0 per cent (2012 35.0 per cent) – origination and reversal of temporary differences	(16)	4
Overseas deferred tax	14	(15)
Adjustments in respect of prior years	2	(3)
	–	(14)
Total income tax expense for continuing operations	69	47

In his budget speeches on 21 March 2012 and 20 March 2013, the UK chancellor of the exchequer announced reductions in the rate of corporation tax to 23 per cent from 1 April 2013, 21 per cent from 1 April 2014 and 20 per cent from 1 April 2015.

As at 31 December 2013, the reduction in the rate of corporation tax to 20 per cent had been substantively enacted.

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

	2013 £ million	2012 (restated) £ million
Profit before income tax from continuing operations	255	254
Expected income tax expense	59	62
Non-deductible expenses – pre-exceptional	12	9
Non-deductible expenses – exceptional	–	1
Non-taxable income – pre-exceptional	(6)	(5)
Impact of providing deferred tax on pension surplus at 20.0 per cent (2012 35.0 per cent)	(21)	(1)
Impact of change in UK tax rate to 20.0 per cent (2012 23.0 per cent) on deferred tax	–	3
Overseas income and expenses taxed at rates other than 23.25 per cent (2012 24.5 per cent)	25	3
Change in recognition of deferred tax assets	28	(11)
Other adjustments in respect of prior years	(24)	(10)
Effects of results of joint ventures	(4)	(4)
Total income tax expense for the year for continuing operations	69	47

8 Income tax – continuing operations continued

	2013 £ million	2012 (restated) £ million
Tax recognised directly in equity		
Current tax	–	(1)
Deferred tax (note 15)	21	27
Tax charge recognised directly in equity	21	26

As at 31 December 2013, the deferred tax liability arising on the UK pension surplus has been measured at the substantively enacted UK tax rate of 20 per cent. It was previously measured at 35 per cent being the tax rate that would be applied if the surplus was refunded. The change in the year reflects the fact there is no longer any reasonable expectation of a refund of the pension surplus in advance of anything that may become due on the eventual winding-up of the scheme. The impact of the change is a deferred tax credit in respect of continuing operations of £21 million, a deferred tax credit in respect of discontinued operations of £4 million and a deferred tax charge of £12 million recognised in other comprehensive income.

9 (Loss)/profit for the year from discontinued operations

Discontinued operations represent the residual assets and retained obligations in respect of businesses sold in prior years, as well as the UK conventional power business, which was discontinued in the year.

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:

	2013 £ million	2012 (restated) £ million
Revenue	15	70
Cost of sales and net operating expenses	(25)	(74)
Loss before exceptional items and income tax	(10)	(4)
Attributable tax	2	1
	(8)	(3)
Loss on disposal	(6)	(11)
Tax on disposals	6	3
Other exceptional items	–	17
Tax on exceptional items	–	(4)
(Loss)/profit for the year from discontinued operations	(8)	2

Other exceptional items in 2012 related to the recognition of an insurance receivable, following the Supreme Court judgement on mesothelioma liability.

Notes to the consolidated accounts continued

10 Earnings per share

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

		2013		2012	
	Earnings £ million	Weighted average shares number million	Earnings per share pence	Earnings (restated) £ million	Weighted average shares number million
Basic earnings from continuing operations	187	293	63.8	206	315
Share options	-	2	(0.4)	-	2
Employee share and incentive schemes	-	4	(0.9)	-	4
Diluted earnings from continuing operations	187	299	62.5	206	321
Basic earnings from discontinued operations	(8)	293	(2.7)	2	315
Share options	-	2	-	-	2
Employee share and incentive schemes	-	4	-	-	4
Diluted earnings from discontinued operations	(8)	299	(2.7)	2	321

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

	2013 £ million	2012 (restated) £ million
Profit for the year from continuing operations	186	207
Loss/(profit) attributable to non-controlling interests	1	(1)
Basic and diluted profit from continuing operations	187	206

10 Earnings per share continued

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

	2013			2012		
	Earnings £ million	Weighted average shares number million	Earnings per share pence	Earnings (restated) £ million	Weighted average shares number million	Earnings per share (restated) pence
Basic earnings from continuing operations	187	293	63.8	206	315	65.2
Exceptional items (post-tax)	47	-	16.0	15	-	4.7
Amortisation (post-tax)	27	-	9.2	32	-	10.2
Basic earnings from continuing operations before amortisation and exceptional items	261	293	89.0	253	315	80.1
Share options	-	2	(0.6)	-	2	(0.5)
Employee share and incentive schemes	-	4	(1.2)	-	4	(1.0)
Diluted earnings from continuing operations before amortisation and exceptional items	261	299	87.2	253	321	78.6
Basic (loss)/earnings from discontinued operations	(8)	293	(2.7)	2	315	0.6
Exceptional items (post-tax)	-	-	-	[5]	-	(1.4)
Basic earnings from discontinued operations before amortisation and exceptional items	(8)	293	(2.7)	(3)	315	(0.8)
Share options	-	2	-	-	2	-
Employee share and incentive schemes	-	4	-	-	4	-
Diluted loss from discontinuing operations before amortisation and exceptional items	(8)	299	(2.7)	(3)	321	(0.8)

Notes to the consolidated accounts continued

11 Property, plant and equipment

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Cost			
As at 1 January 2013	32	103	135
Exchange and other movements	(2)	(4)	(6)
Additions	2	8	10
Disposals	(2)	(12)	(14)
As at 31 December 2013	30	95	125
Depreciation			
As at 1 January 2013	17	75	92
Exchange and other movements	(1)	(3)	(4)
Provided during the year	3	9	12
Disposals	(2)	(12)	(14)
As at 31 December 2013	17	69	86
Cost			
As at 1 January 2012	31	106	137
Acquired through business combinations	–	2	2
Additions	4	15	19
Disposals	(3)	(20)	(23)
As at 31 December 2012	32	103	135
Depreciation			
As at 1 January 2012	16	86	102
Provided during the year	3	8	11
Disposals	(2)	(19)	(21)
As at 31 December 2012	17	75	92
Net book value			
As at 31 December 2013	13	26	39
As at 31 December 2012	15	28	43
As at 1 January 2012	15	20	35
	31 December 2013 £ million	31 December 2012 £ million	
The net book value of land and buildings comprised			
Freehold	5	5	
Short leasehold	8	10	
	13	15	

12 Intangible assets

	Goodwill £ million	Software £ million	Customer relationships £ million	Other £ million	Total £ million
Cost					
As at 1 January 2013	831	53	188	56	1,128
Exchange and other movements	(52)	(1)	(4)	(2)	(59)
Acquired through business combinations	13	—	4	2	19
Additions	—	15	—	—	15
Disposals and retirements	—	(1)	(4)	(16)	(21)
As at 31 December 2013	792	66	184	40	1,082
Amortisation					
As at 1 January 2013	40	21	58	40	159
Exchange and other movements	(5)	(1)	(3)	(1)	(10)
Provided during the year	—	10	29	8	47
Disposals and retirements	—	(1)	(4)	(16)	(21)
As at 31 December 2013	35	29	80	31	175
Cost					
As at 1 January 2012	764	46	107	57	974
Exchange and other movements	(20)	(3)	(3)	(1)	(27)
Acquired through business combinations	87	1	85	5	178
Additions	—	12	—	—	12
Disposals and retirements	—	(3)	(1)	(5)	(9)
As at 31 December 2012	831	53	188	56	1,128
Amortisation					
As at 1 January 2012	39	19	36	32	126
Exchange and other movements	1	(2)	(1)	(1)	(3)
Provided during the year	—	6	24	14	44
Disposals and retirements	—	(2)	(1)	(5)	(8)
As at 31 December 2012	40	21	58	40	159
Net book value					
As at 31 December 2013	757	37	104	9	907
As at 31 December 2012	791	32	130	16	969
As at 1 January 2012	725	27	71	25	848

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

	31 December 2013 £ million	31 December 2012 £ million
Brand/trademarks	4	8
Order backlog	2	2
Non-compete agreement	1	3
Licences	2	3
	9	16

Notes to the consolidated accounts continued

12 Intangible assets continued

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

The review of goodwill for indications of impairment by management is performed against the three core geographies of Americas, Europe and Growth Regions, being the lowest level of cash-generating units (CGU) monitored for goodwill purposes. This is consistent with the integration of acquisitions into the three segments in order to generate synergies. Goodwill has been allocated between geographic segments on a relative fair value basis.

The recoverable amount of the CGU has been based on value-in-use calculations. These calculations use cash flow projections included in the financial budgets approved by management covering a two-year period and pre-tax discount rates as set out in the table below. Given the current market conditions, management believe that the discount rates chosen are conservative. For the purposes of the calculation of the recoverable amount, the cash flow projections beyond the two-year period include 2 per cent growth per annum (2012 2 per cent), which is in line with long-term average growth rates for the regions in which the CGUs operate. The value in use has been compared to the carrying value for each CGU and no impairment is required nor has been charged in respect of any of the CGUs.

The financial budgets reflect management's judgement of the future cash flows which includes past experience and expectations of future performance. The most significant assumptions relate to EBITA margin¹ and the conversion of EBITA into cash (cash conversion). Revenue is underpinned by a secure order book for each CGU and the order book remains strong at £4.1 billion as at 31 December 2013 (2012 £3.6 billion). The selection of EBITA margin takes into account the margins being generated on contracts in progress and management's view of the margin on orders received, and is consistent with Vision 2015 objectives. The cash conversion reflects past experience and current contract mix.

A sensitivity analysis has been performed, at the individual CGU level, in order to review the impact of changes in key assumptions. For example, a 10 per cent decrease in volume, with all other assumptions held constant, or a 1 per cent decrease in margin, with all other assumptions held constant, did not identify any impairments. Similarly, zero growth after the initial two-year period, with all other assumptions held constant or a 1 per cent increase in discount rate, did not identify any impairments.

Goodwill is as follows:

	Goodwill 31 December 2013 £ million	Pre-tax discount rate 2013 per cent
Americas	431	12
Europe	250	12
Growth Regions	76	12

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

13 Interests in joint ventures

Interests in joint ventures

The group does not hold any individual material interests in joint ventures in either the current or prior year

Details in aggregate of the group's interests in all individually immaterial joint ventures that are accounted for using the equity method are as follows

	£ million
Net book value	
As at 1 January 2013	47
Exchange and other movements	(1)
Additions	1
Reclassifications	(1)
Total comprehensive income	14
Dividends received	(8)
As at 31 December 2013	52
As at 1 January 2012	41
Exchange and other movements	2
Additions	6
Impairment of investment	(3)
Total comprehensive income	12
Dividends received	(11)
As at 31 December 2012	47

Total comprehensive income of £14 million (2012 £12 million) is net of provisions of £15 million (2012 £4 million) taken against the comprehensive income of one joint venture entity, where the corresponding increase in the carrying value of the joint venture is not recoverable

Principal group companies are listed on page 148

PPP service concessions

Details of the PPP service concessions are as follows

		Financial close	Equity stake	Concession period	Net equity invested
Transport	A13 Thames Gateway	2000	25%	30 years	–
	Incheon Bridge, Korea	2005	23%	30 years	£15m
Waste management	Lancashire Waste Project	2007	50%	25 years	£2m

Interests in joint operations

The group does not hold any individual material interests in joint operations in either the current or prior year

Notes to the consolidated accounts continued

14 Retirement benefit assets and liabilities

Defined benefit schemes

The group operates a number of pension schemes for UK and overseas employees. The principal defined benefit schemes are in the UK, with the main schemes being the AMEC Staff pension scheme and the AMEC Executive pension scheme. These schemes were closed to new members during 2012 but remain open to further accrual. The majority of overseas members are in defined contribution schemes. Contributions by the group into defined contribution schemes are disclosed in note 6.

IAS 19 Employee Benefits was amended in June 2011. The impact on the group has been to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset/liability. Details of the restatement are included in note 1.

The group's main defined benefit plans are average salary plans for UK employees (the AMEC Staff pension scheme and the AMEC Executive pension scheme), which require contributions to be made to a separately administered fund. These schemes are governed by the employment laws of the UK. The level of benefits provided depends on the member's length of service and salary each year. Once the benefits are in payment, the pension is adjusted each year relative to the UK's Retail Prices Index. The defined benefit plans require contributions to be made to a separately administered fund. The fund is established under trust law and is governed by a Board of Trustees, which consists of employers and employees representatives together with two independent trustees. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Every three years, the Board of Trustees is required to review the level of funding in the pension plans as required by legislation. The Board of Trustees decides the contribution levels in consultation with the employers based on the results of this triennial review. In the event that there is a funding deficit, the Trustees and employers will agree a recovery plan to eliminate that deficit over as short a period as is reasonably affordable.

Due to the nature of the liabilities, the pension plans are exposed to inflation, interest rate risk and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equities, the group is also exposed to equity market risk.

The valuations used have been based on the most recent valuation of the two major UK schemes as at 31 March 2011 and updated by the schemes' actuaries for the requirement to assess the present value of the liabilities of the schemes as at 31 December 2013. The assets of the schemes are stated at their aggregate market value as at 31 December 2013.

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

	31 December 2013 per cent	31 December 2012 per cent
Rate of discount	4.6	4.5
Rate of inflation	3.3	2.9
Rate of increase in salaries	3.3	2.9
Rate of increase in pensions in payment (service before/after 1 January 2008)	3.2/2.2	2.8/2.0

The main overseas schemes as at 31 December 2013 consist of three funded defined benefit schemes held in Canada and The Law Companies Group, Inc Pension Plan that was acquired as part of the acquisition of MACTEC. A discount rate of 4.9 per cent (2012 4.3 per cent) and salary inflation rate of 2.75 per cent (2012 2.75 per cent) have been used for the three defined benefit schemes held in Canada. A discount rate of 4.7 per cent (2012 3.7 per cent) has been used for the Law Companies Group, Inc Pension Plan retirement scheme. No further benefits are being accrued in this scheme.

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

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

	31 December 2013 Male years	31 December 2013 Female years	31 December 2012 Male years	31 December 2012 Female years
Member aged 65 (current life expectancy)	22.9	24.4	22.8	24.3
Member aged 45 (life expectancy at 65)	24.7	26.3	24.6	26.2

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice

The amounts recognised in the balance sheet are as follows

	31 December 2013 £ million	31 December 2012 £ million
Retirement benefit assets	102	86
Retirement benefit liabilities	(62)	(93)
Retirement benefit net asset/(liability)	40	(7)

The retirement benefit liabilities of £62 million (2012 £93 million) reflect primarily the deficits on the overseas schemes

The major categories of scheme assets as a percentage of total scheme assets are as follows

	31 December 2013 per cent	31 December 2012 per cent
Equities	41.3	39.8
Bonds (including gilts)	47.6	51.8
Property	8.8	8.2
Other	2.3	0.2
	100.0	100.0

The equities and bonds as listed above are predominantly quoted investments. There is a small investment in privately held pooled fund investments and the property/other investments are unquoted

The amounts recognised in the income statement are as follows

	2013 £ million	2012 (restated) £ million
Current service cost and administrative expenses	33	29
Interest cost	72	75
Interest income	(73)	(72)
Total amount recognised in the income statement and included within staff costs (note 6)	32	32
Settlement gain	-	(4)
Total amount recognised in the income statement	32	28
The total amount is recognised in the income statement as follows		
Cost of sales	19	15
Administrative expenses	14	10
Net financing (income)/expense	(1)	3
Total amount recognised in the income statement	32	28

Notes to the consolidated accounts continued

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

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

	2013 £ million	2012 (restated) £ million
As at 1 January	1,652	1,618
Exchange and other movements	(14)	(6)
Current service cost	31	29
Interest cost	72	75
Plan participants contributions	12	12
Actuarial charges arising from changes in financial assumptions	58	8
Actuarial charges arising from changes in demographic assumptions	7	–
Settlements	(4)	(13)
Benefits paid	(71)	(71)
As at 31 December	1,743	1,652

The defined benefit obligation can be allocated to the plans participants as follows

	2013 per cent	2012 per cent
Active plan participants	25.2	23.4
Deferred plan participants	33.8	32.5
Retirees	41.0	44.1
100.0	100.0	100.0

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18.7 years

Changes in the fair value of scheme assets are as follows

	2013 £ million	2012 (restated) £ million
As at 1 January	1,645	1,569
Exchange and other movements	(8)	(3)
Interest income	73	72
Actuarial gains	105	45
Employer contributions	29	30
Plan participants contributions	12	12
Administrative expenses	(2)	–
Settlements	–	(9)
Benefits paid	(71)	(71)
As at 31 December	1,783	1,645

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

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

	2013 £ million	2012 (restated) £ million
Scheme net liability as at 1 January	(7)	(49)
Exchange and other movements	6	3
Total charge as above	(32)	(32)
Employer contributions	29	30
Settlements	4	4
Actuarial gains recognised in other comprehensive income	40	37
Scheme net asset/(liability) as at 31 December	40	(7)

The impact on the defined benefit obligation of the main UK schemes of changes in the most significant assumptions as at 31 December 2013 is shown below

	£ million
Discount rate	
-10 bps	(29)
+10 bps	29
Inflation	
-10 bps	22
+10 bps	(24)
Salary increase	
-10 bps	3
+10 bps	(3)
Mortality	
+ 1 year	(46)
- 1 year	46

The sensitivity analysis above is based on a method that extrapolates the impact on the defined benefit obligation of reasonable changes in key assumptions occurring as at 31 December 2013

The defined benefit obligations of the overseas schemes are significantly lower than those of the main UK schemes. Sensitivity analysis of reasonable changes in the key assumptions as at 31 December did not indicate any significant changes to the defined benefit obligations of those schemes

Expected benefit payments from the defined benefit plans in future years are as follows

	£ million
Year 1	75
Year 2	76
Year 3	81
Year 4	85
Year 5	91
Next five years	540
	948

The group expects to contribute £32 million to its defined benefit pension schemes in 2014. This includes special contributions of £5 million

Notes to the consolidated accounts continued

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	31 December 2013 £ million	31 December 2012 £ million	31 December 2013 £ million	31 December 2012 £ million
Property, plant and equipment	15	14	(2)	(4)
Intangible assets	-	-	(33)	(48)
Retirement benefits	8	19	(20)	(30)
Derivative financial instruments	1	1	(1)	(1)
Provisions	46	60	-	-
Employee share schemes	3	4	-	-
Other items	13	13	(18)	(10)
Tax losses carried forward	3	15	-	-
Deferred tax assets/(liabilities)	89	126	(74)	(93)
Offset of deferred tax assets and liabilities relating to income tax levied by the same taxation authority	(54)	(84)	54	84
Net deferred tax assets/(liabilities)	35	42	(20)	(9)

	As at 1 January 2013 £ million	Exchange and other movements £ million	Acquisitions £ million	Recognised in income £ million	Recognised in equity £ million	As at 31 December 2013 £ million
Property, plant and equipment	10	(1)	-	4	-	13
Intangible assets	(48)	1	-	14	-	(33)
Retirement benefits	(11)	(2)	-	21	(20)	(12)
Provisions	60	(2)	-	(12)	-	46
Employee share schemes	4	-	-	-	(1)	3
Other items	3	2	-	(10)	-	(5)
Tax losses carried forward	15	(1)	-	(11)	-	3
	33	(3)	-	6	(21)	15

	As at 1 January 2012 £ million	Exchange and other movements £ million	Acquisitions £ million	Recognised in income (restated) £ million	Recognised in equity (restated) £ million	As at 31 December 2012 £ million
Property, plant and equipment	15	-	(3)	(2)	-	10
Intangible assets	(37)	1	(22)	10	-	(48)
Retirement benefits	14	(1)	-	-	(24)	(11)
Derivative financial instruments	1	-	-	-	(1)	-
Provisions	57	(2)	-	5	-	60
Employee share schemes	6	-	-	-	(2)	4
Other items	(1)	-	-	4	-	3
Tax losses carried forward	17	-	-	(2)	-	15
	72	(2)	(25)	15	(27)	33

The deferred tax credit of £6 million (2012 £15 million) recognised in income consists of a credit of £nil (2012 £14 million) relating to continuing operations and a £6 million credit (2012 £1 million) in respect of discontinued operations

15 Deferred tax and liabilities continued

Factors affecting the tax charge in future years

There are a number of factors that may affect the group's future tax charge including the resolution of open issues with tax authorities, corporate acquisitions and disposals, the use of brought-forward losses and changes in tax legislation and tax rates.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items

	31 December 2013 £ million	31 December 2012 £ million
Deductible temporary differences	33	20
Tax losses	20	14
	53	34

Tax losses and deductible temporary differences not recognised by the group do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the group can utilise these assets.

In addition, claims have been made to HM Revenue & Customs (HMRC) to offset tax losses of up to £79 million against the group's UK taxable profits. These losses were generated in a legacy German business in accounting periods up to 31 December 2002. If successful, the claims will result in a refund of UK corporation tax. The amount and availability of the refund depends on a number of factors which are currently being discussed with HMRC. This potential refund is not included as an asset in the accounts.

Unrecognised deferred tax liabilities

No deferred tax liability has been recognised in respect of £355 million (2012 £551 million) of unremitted earnings of subsidiaries and joint ventures because the group is in a position to control the timing of the reversal of the temporary difference and it is not probable that such differences will reverse in the foreseeable future.

The amount of unrecognised deferred tax liabilities in respect of these unremitted earnings is estimated to be £16 million (2012 £29 million).

16 Inventories

	31 December 2013 £ million	31 December 2012 £ million
Development land and work in progress	3	4

Notes to the consolidated accounts continued

17 Current trade and other receivables

	31 December 2013 £ million	31 December 2012 £ million
Amounts expected to be recovered within one year		
Gross amounts due from customers	385	451
Trade receivables	471	482
Amounts owed by joint ventures	22	13
Other receivables	18	12
Prepayments and accrued income	56	48
	952	1,006
Amounts expected to be recovered after more than one year		
Trade receivables	2	7
Amounts owed by joint ventures	2	1
	4	8
	956	1,014

Trade receivables expected to be recovered within one year include retentions of £34 million (2012 £35 million) relating to contracts in progress. Trade receivables expected to be recovered after more than one year include retentions of £2 million (2012 £7 million) relating to contracts in progress.

The aggregate amount of costs incurred plus recognised profits (less recognised losses) for all long-term contracts in progress for continuing businesses at the balance sheet date was £4,960 million (2012 £4,504 million).

Trade receivables, amounts owed by joint ventures and other receivables are classified as loans and receivables.

18 Current trade and other payables

	31 December 2013 £ million	31 December 2012 £ million
Amounts expected to be settled within one year		
Trade payables	449	500
Gross amounts due to customers	76	77
Other taxation and social security costs	59	53
Other payables	134	156
Accruals	75	67
Forward share purchase agreement	–	45
	793	898
Amounts expected to be settled after more than one year		
Other payables	3	2
Accruals	5	5
	8	7
	801	905

Gross amounts due to customers include advances received of £3 million (2012 £26 million).

Trade payables, other payables and accruals are classified as other financial liabilities.

19 Capital and financial risk management

Capital management

The objective of the group's capital management is to ensure that it has a strong financial position from which to grow the business to meet its Vision 2015 targets and is able to maximise shareholder value. The appropriate capital structure for the group comprises of a mix of debt and equity. The mix is determined by considering business profile and strategy, financial policies and availability and cost of funding.

The group is currently in a net cash position. The long-term net debt is expected to be no more than two times EBITDA. The group may exceed this operating parameter should the business profile require it. However, it is expected that any increases would be temporary given the net operational cash flows of the group.

The group has committed banking facilities of £477 million (2012 £377 million). This consists of a £377 million multi-currency revolving facility that was taken out on 18 July 2012. The facility is committed for five years and is available for general corporate purposes. In addition on 9 April 2013 the group entered into a £100 million Sterling term loan for a period of 12 months. As at 31 December 2013, £120 million (2012 £150 million) of the loans and facilities had been utilised.

In February 2012, the board approved a share buyback programme of £400 million. During the year a total of 4 million shares (31 December 2012 33 million shares) have been purchased under this programme. During 2012 this included the use of forward share purchase contracts through close periods. The group completed the buyback programme on 8 February 2013.

No changes were made to the objectives, policies or processes for managing capital during 2013 or 2012.

Financial risk management

The principal financial risks to which the group is exposed are foreign currency exchange risk, funding and liquidity risk, counterparty credit risk, and interest rate risk. The board has approved policies for the management of these risks.

The group's treasury department manages funding, liquidity, credit risk and risks arising from movements in interest and foreign currency rates within a framework of policies and guidelines approved by the board. The treasury department does not operate as a profit centre and the undertaking of speculative transactions is not permitted. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the board, most recently in October 2013.

Foreign currency exchange risk

The group publishes its consolidated accounts in Sterling. The majority of the group's trading income is denominated in the local currency of the business operations which provides a natural hedge against the currency of its cost base. Where commercial contracts are undertaken which are denominated in foreign currencies, the group seeks to mitigate the foreign exchange risk, when the cash flow giving rise to such exposure becomes certain or highly probable. This is achieved through the use of forward currency arrangements, which may include the purchase of currency options. There are currently no material transactional exposures which have been identified and remain unhedged. AMEC has no reason to believe that any outstanding forward contract will not be able to be settled from the underlying commercial transactions.

A portion of the group's earnings is generated in non-Sterling currencies. Such overseas profits are translated into Sterling at the average exchange rate prevailing throughout the year. There is currently no hedging in place for profits generated in non-Sterling currencies but the impact on group profits is monitored on an ongoing basis. In addition, the group has various assets denominated in foreign currencies, principally US Dollars and Canadian Dollars. A proportion of these assets, including unamortised goodwill, had been designated in net investment hedges using cross-currency instruments. The policy was changed in 2009 to cease translation hedging for core assets of the business and the remaining hedging contracts matured during the year. In specific circumstances, for example the planned repatriation of foreign assets, the group may from time to time enter into new net investment hedges to manage foreign exchange risks.

Notes to the consolidated accounts continued

19 Capital and financial risk management continued

Hedging of foreign currency exchange risk – cash flow hedges

The group looks to mitigate the foreign exchange risk typically arising where contracts are awarded in, or involve costs in, non-local currency. Forward foreign exchange contracts and foreign exchange swaps are used for this purpose and are designated as cash flow hedges. The notional contract amount, carrying amount and fair values of forward contracts and swaps designated as cash flow hedges are as follows:

	2013 Notional contract amount £ million	2012 Notional contract amount £ million	2013 Carrying amount and fair value £ million	2012 Carrying amount and fair value £ million
Current assets	56	13	3	–
Current liabilities	12	13	–	–
	68	26	3	–

The following tables indicate the periods in which the cash flows associated with the forward foreign exchange contracts designated as cash flow hedges are expected to occur and the periods in which they are expected to impact profit or loss:

	2013				
	Carrying amount £ million	Expected cash flows £ million	12 months or less £ million	1 to 2 years £ million	2 to 5 years £ million
Forward exchange contracts					
Assets	3	56	55	1	–
Liabilities	–	12	12	–	–
	3	68	67	1	–

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

There was no charge for ineffectiveness recognised in either 2013 or 2012.

Hedging of foreign currency exchange risk – fair value through income statement

Certain forward foreign exchange contracts and foreign exchange swaps are not designated as cash flow hedges and changes in their fair value are recognised through the income statement. The notional contract amount, carrying amount and fair values of these forward contracts and swaps are as follows:

	2013 Notional contract amount £ million	2012 Notional contract amount £ million	2013 Carrying amount and fair value £ million	2012 Carrying amount and fair value £ million
Current assets	36	71	2	–
Current liabilities	13	73	–	–
	49	144	2	–

19 Capital and financial risk management continued

Hedging of foreign currency exchange risk – net investment hedges

The group previously had forward foreign exchange contracts which had been designated as hedges of the net investments in core subsidiaries in Canada and the US. The group revised its policy and the existing hedging contracts were not replaced when they matured. All such remaining hedging contracts matured during the year. The notional contract amount, carrying amount and fair values of swaps designated as net investment hedges are as follows:

	2013 Notional contract amount £ million	2012 Notional contract amount £ million	2013 Carrying amount and fair value £ million	2012 Carrying amount and fair value £ million
Current liabilities	-	14	-	[3]

A net foreign exchange loss for the year of £1 million (2012 gain of £1 million) was recognised in the translation reserve in respect of these forward foreign exchange contracts and currency interest rate swaps.

Other financial derivative assets and liabilities

The group has other financial derivative assets of £1 million (2012 £1 million) and financial derivative liabilities of £1 million (2012 £1 million).

Sensitivity analysis

The group hedges its material transaction-related exposures and hence has no material transactional profit or loss sensitivity.

Funding and liquidity risk

The group's policy aims to ensure the constant availability of an appropriate amount of funding to meet both current and future forecast requirements consistent with the group's budget and strategic plans. The group will finance operations and growth from its existing cash resources and the £477 million committed banking facilities. The requirement to enter into additional external facilities has been kept under review during the year.

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

Counterparty credit risk

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

The credit risk associated with customers is considered as part of each tender review process and is addressed initially through contract payment terms. Where appropriate, payment security is sought. Credit control practices are applied thereafter during the project execution phase. A right to interest and suspension is normally sought in all contracts.

Credit risks arising from treasury activities are managed by a central treasury function in accordance with the board approved treasury policy. The objective of the policy is to diversify and minimise the group's exposure to credit risk from its treasury activities by ensuring that surplus funds are placed with a diversified range of 25 to 30 mainstream banks and with each counterparty up to a pre-approved limit. These limits are set at prudent levels by the board and are based primarily on credit ratings set by Moody's, Standard & Poor's and Fitch. Credit ratings are monitored continually by the group treasury department.

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

Notes to the consolidated accounts continued

19 Capital and financial risk management continued

Counterparty credit risk continued

The ageing of trade receivables at the year end was

	Gross receivables 31 December 2013 £ million	Impairment 31 December 2013 £ million	Gross receivables 31 December 2012 £ million	Impairment 31 December 2012 £ million
Not past due	234	-	271	-
Past due 0 to 30 days	107	-	106	-
Past due 31 to 120 days	79	(1)	65	(3)
Past due 121 to 365 days	28	(10)	14	(6)
More than one year	5	(5)	6	(6)
	453	(16)	462	(15)

The above analysis excludes retentions relating to contracts in progress of £34 million (2012 £35 million) expected to be recovered within one year and £2 million (2012 £7 million) expected to be recovered after one year Net receivables as at 31 December 2013 include £nil (2012 £nil) in respect of amounts overdue by more than one year

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

	2013 £ million	2012 £ million
As at 1 January	(15)	(20)
Net impairment allowance (charged)/credited	(1)	5
As at 31 December	(16)	(15)

Based on past experience, the group believes that no material impairment allowance is necessary in respect of trade receivables not past due

Trade receivable exposures are typically with large companies and government-backed organisations and the credit ratings of these organisations are monitored Credit risks are minimised through the use of letters of credit, parent company guarantees, insurance instruments and forward funding where achievable

The group's most significant customer in 2013 accounted for around 8 per cent (2012 15 per cent) of continuing revenues, and around 4 per cent (2012 similar percentage) of current trade and other receivables The revenue was generated in the Americas

Interest rate risk

The group was in both a net cash and net deficit position during the year When the group is in a net cash position long-term interest rate hedging (for periods beyond three to six months) is not considered appropriate as the surplus cash is viewed as temporary

The £377 million multi-currency revolving credit facility is subject to an interest rate of LIBOR plus a margin depending on leverage The £100 million Sterling term loan is subject to an interest rate of LIBOR plus a fixed margin

19 Capital and financial risk management continued

Interest rate risk – contractual maturity and effective interest rates

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature

						2013
	Effective interest rate per cent	Total £ million	6 months or less £ million	6 to 12 months £ million	1 to 2 years £ million	2 to 5 years £ million
Bank deposits (more than three months)	0.56	18	13	3	1	1
Cash and cash equivalents (excluding bank overdrafts)	0.82	232	232	-	-	-
Bank overdrafts	0.21	(9)	(9)	-	-	-
Bank loans	1.25	(120)	(120)	-	-	-
		121	116	3	1	1

			2012
	Effective interest rate per cent	Total £ million	6 months or less £ million
Bank deposits [more than three months]	0.94	17	17
Cash and cash equivalents (excluding bank overdrafts)	0.98	258	258
Bank overdrafts	0.53	(26)	(26)
Bank loans	1.67	(150)	(150)
		99	99

Group borrowing

The group's bank overdrafts are all denominated in US Dollars (2012 Sterling) and the bank loans are all denominated in Sterling (2012 Sterling)

All covenants attached to borrowings have been complied with throughout the current and prior years

Fair values

Fair values are determined using observable market prices (level 2 as defined by IFRS 13 Fair Value Measurement) as follows

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate

20 Other non-current receivables and payables

Other non-current receivables of £24 million (2012 £27 million) represent indemnities received on the acquisition of MACTEC and certain insurance receivables, both of which are matched by liabilities included within provisions

Trade and other payables of £11 million (2012 £11 million) represents lease incentives received which are being amortised over the period of the lease and deferred consideration on acquisitions payable in more than one year

Notes to the consolidated accounts continued

21 Provisions

	Litigation settlement and future legal costs £ million	Indemnities granted and retained obligations on disposed businesses £ million	Insurance £ million	Onerous property contracts and provisions to fund joint ventures £ million	Total £ million
As at 1 January 2013	40	69	36	26	171
Exchange and other movements	(1)	1	-	-	-
Utilised	(4)	(3)	(2)	(10)	(19)
Charged/(credited) to the income statement					
Additional provisions	9	10	4	2	25
Unused amounts reversed	(7)	(6)	(1)	-	(14)
As at 31 December 2013	37	71	37	18	163

Provision was made during 2006 and prior for the estimated litigation, settlement and future legal costs in connection with the group's ongoing major litigation. To the extent that these provisions were charged as exceptional items, any reversals are also included as exceptional items.

The provision for indemnities relates to the indemnification of the purchasers of SPIE in 2006, purchasers of the Built Environment businesses and other peripheral businesses in 2007. These businesses are reported as discontinued operations and any adjustments to the provisions are treated as adjustments to the profits on disposal which were treated as exceptional items.

The insurance provision relates to the potential liabilities in the group's captive insurance entity and provisions in relation to risks associated with insurance claims. These potential liabilities and risks relate predominantly to industrial disease of former employees.

Provision has also been made for AMEC's potential liability to fund loss-making joint venture entities.

Future outflows in respect of the onerous property contracts are expected to occur over the next several years.

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

22 Share capital and reserves

Movements in share capital and reserves are shown in the Consolidated statement of changes in equity on pages 97 and 98.

Share capital

The authorised share capital of the company is £350 million (2012 £350 million). This comprises 700 million (2012 700 million) ordinary shares of 50 pence each. All the ordinary shares rank pari passu in all respects. To the company's knowledge and belief, there are no restrictions on the transfer of shares in the company or on voting rights between holders of shares.

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

	Number	£ million
As at 1 January 2012	337,965,871	169
Cancellation of shares acquired under the buyback programme	(29,968,301)	(15)
As at 31 December 2012	307,997,570	154
As at 1 January 2013	307,997,570	154
Cancellation of shares acquired under the buyback programme	(4,174,716)	(2)
As at 31 December 2013	303,822,854	152

22 Share capital and reserves continued

Share buyback programme

During the year, 4 million ordinary shares (2012 33 million ordinary shares) were purchased at an average price of £10.84 (2012 £10.76) and a total cost of £45 million (2012 £358 million). Of the total shares purchased under this buyback programme, 34 million shares (2012 30 million shares) have subsequently been cancelled.

As at 31 December 2012 the company was party to an irrevocable closed season buyback agreement for the purchase of its own ordinary shares for a maximum total cost of £45 million. The purchase of these shares was dependent upon the company's share price not reaching a pre-determined level during the remainder of the contract period. The outstanding share purchase mandate liability of £45 million was presented as a current liability in accordance with IAS 32.23. The company was not party to any such contracts as at 31 December 2013.

Reserves

As at 1 January 2013, there were 7,291,522 shares held in treasury (2012 5,735,806). All of the shares purchased during 2013 have subsequently been cancelled, but 3,250,000 of the shares purchased during 2012 are held in treasury. During the year, 1,104,557 shares were transferred to share scheme participants (2012 1,694,284), leaving a balance held in treasury as at 31 December 2013 of 6,186,965 shares (2012 7,291,522). £62 million (2012 £71 million) has been deducted from equity in respect of these shares.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The translation reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations, as well as from the translation of liabilities and the cumulative net change in the fair value of instruments that hedge the company's net investment in foreign subsidiaries, that have arisen since 1 January 2004, being the date of transition to adopted IFRS.

Share-based payments

Offers are made periodically in certain countries under the UK and International Savings-related Share Option Schemes which are open to all employees in those countries who meet minimum service criteria. Grants of share options are made to participating employees that entitle them to buy shares in the company normally after three years at up to 20 per cent discount to the market price of the shares at the time of offer. In the US, to conform with the relevant tax rules, options are granted at a maximum discount of 15 per cent to the share price at the time of grant and are normally exercisable after two years.

Under the Performance Share Plan, annual awards are made to directors and selected senior employees of restricted shares that are subject to both market and non-market based conditions calculated over a three-year period. Detailed terms of this plan are included in the Directors remuneration report on pages 62 to 77.

Under the Restricted Share Plan, awards are made to selected employees as restricted shares which vest in full after three years provided the employee has remained in continuous employment.

The share-based payment arrangements operated by the group are equity settled and, other than in defined good leaver circumstances, require participants to be still in employment with the group at the time of vesting.

Notes to the consolidated accounts continued

22 Share capital and reserves continued

Share-based payments continued

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

	Weighted average exercise price 2013 pence	Number of options 2013	Weighted average exercise price 2012 pence	Number of options 2012
Outstanding on 1 January	751	6,954,967	643	7,646,883
Lapsed/cancelled	789	(901,776)	645	(839,094)
Exercised	644	(1,127,999)	525	(1,752,145)
Granted	866	1,766,691	927	1,899,323
Outstanding on 31 December	794	6,691,883	751	6,954,967
Exercisable on 31 December	760	283,867	772	131,041

Options were exercised on a regular basis during the year and the average share price for the year was 1,070 pence (2012 1,066 pence)

Options outstanding on 31 December 2013 have weighted average remaining contractual lives as follows

	Weighted average remaining contractual life 2013 years	Number of options 2013	Weighted average remaining contractual life 2012 years	Number of options 2012
600 00 pence to 699 99 pence	0.4	2,711,612	0.9	3,988,698
700 00 pence to 799 99 pence	–	683,313	0.1	1,021,906
800 00 pence to 899 99 pence	0.7	1,488,608	–	54,032
Over 900 00 pence	0.4	1,808,350	0.8	1,890,331
		6,691,883		6,954,967

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

	Number of shares 2013	Number of shares 2012
As at 1 January	3,923,198	3,931,369
Lapsed	(766,743)	(584,809)
Vested	(591,863)	(1,144,754)
Granted	1,629,656	1,721,392
As at 31 December	4,194,248	3,923,198

22 Share capital and reserves continued

Share-based payments continued

The fair value of services received in return for share options granted and shares awarded are measured by reference to the fair value of those instruments. For grants in either the current or preceding year, the pricing models used and inputs (on a weighted average basis where appropriate) into those models are as follows:

	Savings-related Share Option Scheme (Black-Scholes model)		Performance Share Plan (Monte Carlo model)		Restricted Share Plan (Monte Carlo model)	
	2013	2012	2013	2012	2013	2012
Weighted average fair value at measurement date	217p	239p	948p	1,053p	960p	990p
Weighted average share price at measurement date	1,061p	1,103p	1,060p	1,139p	1,070p	1,106p
Exercise price	866p	927p	n/a	n/a	n/a	n/a
Expected share price volatility	27%	28%	28%	29%	n/a	n/a
Option life	3.3 years	3.3 years	2.8 years	3.0 years	2.7 years	2.7 years
Expected dividend yield	4.0%	3.3%	n/a	n/a	3.0%	3.0%
Risk-free interest rate	1.0%	1.0%	n/a	n/a	n/a	n/a
Comparator share price volatility	n/a	n/a	33%	35%	n/a	n/a
Correlation between two companies in comparator group	n/a	n/a	50%	50%	n/a	n/a

The expected share price volatility is based on the historical volatility of the company's share price.

The performance conditions attaching to the Performance Share Plan involve a comparison of the total shareholder return of the company with that of its comparators and achievement of targeted earnings per share growth. The former is a market based test and as such is incorporated into the grant date fair value of the award. There are no performance conditions attached to the Restricted Share Plan.

Dividends

The directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 28.5 pence per share, which will absorb an estimated £84 million of equity. Subject to approval, it will be paid on 2 July 2014 to shareholders on the register of members on 30 May 2014. 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 13.5 pence (2012 11.7 pence) per share results in a total dividend for the year of 42.0 pence per share (2012 36.5 pence).

	2013 £ million	2012 £ million
Dividends charged to reserves and paid		
Interim dividend in respect of 2012 of 11.7 pence (2012 interim dividend in respect of 2011 of 10.2 pence) per share	36	34
Final dividend in respect of 2012 of 24.8 pence (2012 final dividend in respect of 2011 of 20.3 pence) per share	72	64
	108	98

The amount waived by trustees of the Performance Share Plan in respect of the interim and final dividends was £1 million (2012 £1 million).

Notes to the consolidated accounts continued

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

	As at 1 January 2013 £ million	Cash flow £ million	Exchange and other non-cash movements £ million	As at 31 December 2013 £ million
Cash at bank and in hand	169	5	(21)	153
Bank deposits (less than three months)	89	(11)	1	79
Cash and cash equivalents (excluding bank overdrafts)	258	(6)	(20)	232
Bank overdrafts	(26)	17	-	(9)
Cash and cash equivalents	232	11	(20)	223
Bank deposits (more than three months)	17	1	-	18
Bank loans	(150)	30	-	(120)
Net cash as at the end of the year	99	42	(20)	121

Cash and cash equivalents as at 31 December 2013 includes £25 million (2012 £30 million) that is held in countries from which prior approval is required to transfer funds abroad. There are restrictions on the use of £7 million (2012 £9 million) of cash held on behalf of joint venture arrangements. In addition, there are restrictions on the use of a further £16 million (2012 £13 million) of cash and cash equivalents in respect of commitments of the group's captive insurance subsidiary to certain insurers.

All bank loans and overdrafts are repayable within one year.

24 Acquisitions and disposals

Acquisitions in 2013

The following purchase has been accounted for as an acquisition. The business acquired did not make a material contribution to consolidated revenue and profit in the period from its acquisition to 31 December 2013, nor would it have done in the year ended 31 December 2013 had it been acquired on 1 January 2013.

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

Automated Engineering Services Corp

On 15 November 2013, the group acquired all of the shares in Automated Engineering Services Corp (AES) for up to US\$35 million, with US\$29 million paid on completion and up to \$6 million deferred for three years dependent of the achievement of certain performance targets.

AES is a 175-person professional design engineering nuclear services firm based in Naperville, Illinois, US. It provides plant design/modification engineering, engineering analysis, safety, licensing and regulatory services, and engineering programme support to existing nuclear utilities, primarily in the US.

The acquisition is fully aligned with AMEC's Vision 2015 strategy and builds on AMEC's nuclear position in the US, allowing AMEC to better serve its clients and providing a strong platform from which to achieve further growth.

24 Acquisitions and disposals continued

Acquisitions in 2013 continued

Automated Engineering Services Corp continued

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

	Recognised value £ million
Intangible assets	6
Trade and other receivables	6
Trade and other payables	(2)
Net identifiable assets and liabilities	10
Goodwill on acquisition	12
	22
Consideration	
Cash – paid on completion	18
– deferred	4
	22

Goodwill has arisen on the acquisition of AES primarily due to its skilled workforce which did not meet the criteria for recognition as intangible assets as at the date of acquisition

Other acquisitions

A further £2 million was paid in the period in respect of business acquired in 2012 and prior years

Acquisitions in 2012

Unidel

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

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

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

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

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

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

Notes to the consolidated accounts continued

24 Acquisitions and disposals continued

Acquisitions in 2012 continued

Energy, Safety and Risk Consultants

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

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

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

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

Other acquisitions

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

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

Net cash flows attributable to discontinued operations

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

	2013 £ million	2012 [restated] £ million
Net cash flow from operating activities	(12)	(12)
Net cash flow from investing activities	(2)	(4)
	<u>(14)</u>	<u>(16)</u>

25 Operating leases

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

	31 December 2013 £ million	31 December 2012 £ million
In one year or less	66	71
Between one and five years	157	168
Over five years	61	66
	284	305

AMEC enters into the following types of lease short-term plant hires, leases for motor vehicles and office equipment with lease periods of two to five years, and longer-term property leases. None of the leases include any contingent rentals.

26 Contingent liabilities

Guarantees and indemnities

The borrowings of joint ventures are generally without recourse to AMEC.

Legal claims and actions

AMEC has taken internal and external legal advice in considering known or reasonably likely legal claims and actions by or against the company. Consequently, it carefully assesses the likelihood of the success of a claim or action. AMEC makes an appropriate provision for those legal claims or actions against the company on the basis of the likely outcome but makes no provision for those which are, in its view, unlikely to succeed. Provisions of £37 million (2012 £40 million) are shown in note 21 in respect of these claims.

Known and reasonably likely legal claims or actions for which a provision has not been established are not expected to have a material impact on the group. The possibility of other claims being made in the future is considered by AMEC, but in general their occurrence or outcome cannot be predicted within any degree of certainty.

27 Related party transactions

During 2013 there were a number of transactions with the senior management group, joint venture entities and subsidiary companies.

Transactions with the senior management group

Following the restructure in late 2012, the senior management group now consists of AMEC plc board members and the presidents of the Americas, Europe and Growth Regions geographies. In 2012 the senior management group consisted of AMEC plc board members.

The senior management group and relatives controlled 0.81 per cent of the voting rights of the company as at 31 December 2013.

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

	2013 £ million	2012 £ million
Short-term employee benefits	6	4
Pension costs	-	-
Equity-settled share-based payments	3	3
	9	7

Notes to the consolidated accounts continued

27 Related party transactions continued

Transactions and related balances outstanding with joint ventures

The transactions and related balances outstanding with joint venture entities are as follows

	Value of transactions in the year		Outstanding balance as at 31 December	
	2013 £ million	2012 £ million	2013 £ million	2012 £ million
Services rendered	38	28	15	14
Provision of finance	8	5	41	35

In September 2012, the UK government's Department for Business, Innovation and Skills announced a change to UK legislation with respect to the requirement for a UK company to be subject to annual audit. An additional audit exemption has been introduced, such that for a subsidiary of a parent established in a European Economic Area state, that subsidiary can be exempt from annual audit if certain conditions are met. The principal conditions are the requirement for the subsidiary's shareholders to agree to the exemption and a guarantee to be issued to the subsidiary by the parent undertaking, guaranteeing all of the subsidiary's outstanding liabilities at the year end, until they are satisfied in full.

The group will be exempting the following companies from an audit in 2013 under Section 479A of the Companies Act 2006, all of which are fully consolidated in these accounts

- AMEC Canada Limited (Registered number 3941785)
- AMEC Finance Asia Limited (Registered number 6205760)
- AMEC Hedge Co 1 Limited (Registered number 07870120)
- AMEC Kazakhstan Holdings Limited (Registered number 4530056)
- AMEC Property and Overseas Investments Limited (Registered number 1580678)
- AMEC USA Finance Limited (Registered number 5299446)
- AMEC USA Holdings Limited (Registered number 4041261)
- AMEC USA Limited (Registered number 4044800)
- Amplemark Limited (Registered number 4530054)
- PI Energy & Emissions Limited (Registered number SC209704)
- Sandiway Solutions (No 3) Limited (Registered number 5318249)
- Sigma Financial Facilities Limited (Registered number 3863449)

28 Post balance sheet event

On 13 February 2014, AMEC announced that it had entered into a definitive agreement with Foster Wheeler AG (Foster Wheeler) under which AMEC will make a recommended offer to acquire the entire issued and to be issued share capital of Foster Wheeler.

Under the terms of the acquisition, Foster Wheeler shareholders would receive 0.8998 new AMEC securities and \$16.00 in cash for each Foster Wheeler share (representing approximately \$3.3 billion, or £2.0 billion* in aggregate).

Due to its size, the acquisition is a class 1 transaction under the UK listing rules and therefore requires the approval of AMEC shareholders. Completion of the transaction will also be subject to AMEC having received valid acceptance to the offer from holders of Foster Wheeler shares holding a minimum of 80 per cent of the total issued share capital of Foster Wheeler, regulatory and anti-trust approvals, a Foster Wheeler shareholder vote, and the satisfaction of other customary closing conditions.

The transaction is expected to close in the second half of 2014.

* Calculated using the AMEC share price of 1092 pence and a pound sterling to US\$ exchange rate of 1.1658 both as at the close on 12 February 2014. The recommended offer value has been calculated using a Foster Wheeler diluted share count of approximately 99.9 million shares (based on treasury share method) that will be settled in new AMEC securities and cash, plus approximately 1.2 million of shares currently in Foster Wheeler award schemes that are expected to be rolled into new AMEC awards.

AMEC plc

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Our values

Cover shows AMEC employees working in mining Perth Australia

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Shareholder information

Our website

AMEC's website, amec.com, is the best source of useful, up-to-date information about AMEC and its activities, including annual reports, AGM documents and other shareholder communications.

All announcements made to the London Stock Exchange can be found at amec.com/rns and alerting services are available at amec.com/utilities/email_alerts.

AMEC's registrars

AMEC's registrars are Capita Asset Services. They maintain the shareholder register on our behalf and handle all the administration related to it. They should be your first point of call if you have any queries relating to your shareholding in AMEC. The best way to contact them depends on the type of query you may have.

For DRIP, electronic communications

and general enquiries

Email	shareholderenquiries@capita.co.uk	
Website	www.capitaassetservices.com	
Postal address	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom	
Telephone ¹	UK	0871 664 0300 ²
	Others	+44 20 8639 3399

Payment of dividends overseas

Telephone ¹	+44 20 8639 0385
Email	ips@capita.co.uk

¹ Lines open 9.00am to 5.30pm UK time Monday to Friday (excluding public holidays)

² Calls cost 10 pence per minute plus network extras

Financial calendar

AMEC's year end is 31 December. The normal annual calendar is as follows:

Full-year results issued	February
Annual report published	March
Annual general meeting	April
Half-year results issued	August
Interim management statements	April and November

Full details are available at amec.com/investors/financialcalendar/2014

Dividends

AMEC's interim dividend is usually announced with the half-year results and paid in the following January, the final dividend is proposed with the full-year results and paid in July.

Dividends can be paid directly into your bank or building society account and can also be paid in local currency in certain overseas territories. Contact our registrars for more details.

We have a Dividend Reinvestment Plan (DRIP) if you would prefer to buy more AMEC shares rather than receive cash dividends. This is only available to shareholders in certain countries. You can find out more on our website amec.com/investors/shareholderinformation/dividends or by contacting our registrars.

Electronic shareholder communication

The majority of AMEC's shareholders now receive information from us electronically. If you have elected to do so and provided an email address, you will receive an email from our registrars whenever any new shareholder information is published. In the absence of an email address, you will be sent a letter which includes details of where the information can be found on our website.

You can register for electronic shareholder communication and also manage your personal shareholding online at www.capitashareportal.com. You will need your Investor Code (IVC) which can be found on your proxy card, share certificate or dividend tax voucher.

Printed copies of the annual report

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

AMEC's registered office

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

Five-year record

Overview

Strategic report

Governance

Financials

	2013 £ million	2012 (restated) £ million	2011 (restated) £ million	2010 (restated) £ million	2009 (restated) £ million
Summarised consolidated results					
Continuing operations					
Revenue	3,974	4,088	3,133	2,786	2,452
Adjusted profit before tax ¹	332	327	323	286	228
Joint ventures tax	(5)	(5)	(7)	(7)	(5)
	327	322	316	279	223
Amortisation and impairment	(47)	(44)	(39)	(25)	(16)
Exceptional items	(25)	(24)	(6)	11	9
Profit before income tax	255	254	271	265	216
Income tax	(69)	(47)	(55)	(27)	(50)
Profit for the year from continuing operations	186	207	216	238	166
(Loss)/profit for the year from discontinued operations (net of income tax)	(8)	2	16	(8)	7
Profit for the year	178	209	232	230	173
Basic earnings per share from continuing operations	89.0p	80 1p	66 1p	73 8p	50 3p
Diluted earnings per share from continuing operations ²	87.2p	78 6p	73 2p	63 3p	49 6p
Dividends per share	42.0p	36 5p	30 5p	26 5p	17 7p
Dividend cover ²	2.1x	2 2x	2 4x	2 4x	2 8x
Summarised consolidated balance sheets					
Non-current assets	1,160	1,214	1,051	820	686
Net working capital	99	54	55	(43)	(131)
Net cash	121	99	521	740	743
Other non-current liabilities	(256)	(284)	(253)	(242)	(272)
Net assets	1,124	1,083	1,374	1,275	1,026
Total attributable to equity holders of the parent	1,122	1,079	1,373	1,272	1,023
Non-controlling interests	2	4	1	3	3
Total equity	1,124	1,083	1,374	1,275	1,026

The five-year record has been prepared under adopted IFRS and is stated in accordance with the accounting policies set out on pages 100 to 106, with the exception of the years 2009 to 2011, as these years have not been restated for the impact of IAS 19 Employee Benefits (revised). All previous comparatives have been restated to treat the UK conventional power business as a discontinued activity.

¹ Adjusted profit before intangible amortisation and goodwill impairment and pre-tax exceptional items, but including joint venture profit before tax

² Before amortisation, impairment and exceptional items

Principal group companies

As at 31 December 2013

The subsidiaries and joint ventures which, in the opinion of the directors, principally affect group trading results and net assets are listed below. Except where indicated, all subsidiaries listed below are wholly owned, incorporated in Great Britain and carry on their activities principally in their countries of incorporation. Shares are held by subsidiary companies except where marked with an asterisk, where they are held directly by the company. A full list of subsidiaries will be filed with the Registrar of Companies with the next annual return.

Subsidiaries

AMEC AES, Inc (US)
AMEC Americas Limited (Canada)
AMEC Australia Pty Limited (Australia)
AMEC Asia KK (Japan)
AMEC (Bermuda) Limited (Bermuda)
AMEC Cade Ingeniería y Desarrollo de Proyectos Limitada (Chile)
AMEC Cade Servicios de Ingeniería Limitada (Chile)
AMEC Environment & Infrastructure Pty Limited (Australia)
AMEC Engineering Holdings Pty Limited (Australia)
AMEC Environment & Infrastructure UK Limited
AMEC Environment & Infrastructure, Inc (US)
AMEC Earth and Environmental (UK) Limited
AMEC E&C Services, Inc (US)
*AMEC Finance Limited
AMEC GRD SA BV (Netherlands)
*AMEC Group Limited
AMEC Holdings, Inc (US)
AMEC Inc (Canada)
AMEC International Ingeniería y Construcción Limitada (Chile)
AMEC Kamtech, Inc (US)
AMEC Nuclear UK Limited
AMEC NCL Limited (Canada)
AMEC NSS Limited (Canada)
AMEC Nuclear Holdings Limited
AMEC Oil & Gas, Inc (US)
AMEC Operations Ghana Limited (Ghana)
AMEC Petroleo e Gas Ltda (Brazil)
AMEC (Peru) S A (Peru)
AMEC Programs, Inc (US)
AMEC Project Investments Limited
*AMEC Property and Overseas Investments Limited
Aquenta Consulting Pty Limited (Australia)
Atlantic Services Limited (Bermuda)

Energy, Safety and Risk Consultants (UK) Limited
Kromav Engenharia S A (Brazil)¹
National Ventures, Inc (US)
Performance Improvements (PI) Limited
Performance Improvements (PI) Group Limited
Primat Recruitment Limited
Rider Hunt International Limited
Terra Nova Technologies, Inc (US)

Joint ventures

AMEC Black Cat LLC (Qatar) (49 per cent)
AMEC Black & McDonald Limited (Canada) (50 per cent)
AMEC Larastia Sdn Bhd (Malaysia) (49 per cent)
AMEC Samsung Oil and Gas LLC (US) (49 per cent)
Beca AMEC Ltd (New Zealand) (50 per cent)
Clough AMEC Pty Ltd (Australia) (50 per cent)
Global Renewables Lancashire Holdings Ltd (UK) (50 per cent)
Incheon Bridge Co Ltd (Korea) (23 per cent)
Nuclear Management Partners Limited (UK) (36 per cent)
Paragon Angola Engenharia E Serviços, Limitada (Angola) (60 per cent)
Petersbogen Immobilengesellschaft GmbH & Co KG (Germany) (50 per cent)
PT AMEC Berca Indonesia (50 per cent)
Road Management [A13] Holdings Limited (UK) (25 per cent)
Shanghai Zone Petrochemical Engineering Co , Ltd (China) (50 per cent)
Waste 2 Resources – Project Lancashire LLP (UK) (50 per cent)

¹ Kromav Engenharia S.A. is 50 per cent owned by AMEC

Independent auditors' report to the members of AMEC plc

Registered number 1675285

We have audited the parent company accounts of AMEC plc for the year ended 31 December 2013 which comprise the company balance sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 90, the directors are responsible for the preparation of the parent company accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the parent company accounts

- give a true and fair view of the state of the company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the accounts are prepared is consistent with the parent company accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company accounts and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group accounts of AMEC plc for the year ended 31 December 2013.

Hywel Ball (Senior statutory auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor, London

13 February 2014

Notes to the company balance sheet continued

9 Contingent liabilities

Guarantees and indemnities

Guarantees given by the company in respect of borrowings of subsidiaries amounted to £nil as at 31 December 2013 (2012 £nil)

In addition, the company is party to cross-guarantee arrangements relating to overdrafts for certain group companies
The maximum gross exposure as at 31 December 2013 was £20 million (2012 £82 million)

The company will guarantee the debts and liabilities of the following UK subsidiaries in accordance with Section 479C of the Companies Act 2006

- AMEC Canada Limited (Registered number 3941785)
- AMEC Finance Asia Limited (Registered number 6205760)
- AMEC Hedge Co 1 Limited (Registered number 07870120)
- AMEC Kazakhstan Holdings Limited (Registered number 4530056)
- AMEC Property and Overseas Investments Limited (Registered number 1580678)
- AMEC USA Finance Limited (Registered number 5299446)
- AMEC USA Holdings Limited (Registered number 4041261)
- AMEC USA Limited (Registered number 4044800)
- Amplemark Limited (Registered number 4530054)
- PI Energy & Emissions Limited (Registered number SC209704)
- Sandway Solutions (No 3) Limited (Registered number 5318249)
- Sigma Financial Facilities Limited (Registered number 3863449)

The company has assessed the probability of loss under these guarantees as remote

10 Related party transactions

During the year the only related party transactions for which disclosure is required under FRS 8 Related Party Disclosures were with the senior management group. As allowed by FRS 8 transactions with wholly owned subsidiary undertakings are not disclosed.

Transactions with the senior management group

The senior management group of the company consists of AMEC plc board members

The senior management group of the company and their immediate relatives controlled 0.77 per cent of the voting rights of the company as at 31 December 2013

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

	2013 £ million	2012 £ million
Short-term employee benefits	4	4
Pension costs	–	–
Equity-settled share-based payments	3	3
	7	7

6 Creditors: amounts falling due after one year

	31 December 2013 £ million	31 December 2012 £ million
Amounts owed to subsidiaries	761	857

7 Share capital

The authorised share capital of the company is £350 million (2012 £350 million)

	31 December 2013 £ million	31 December 2012 £ million
Allotted, called up and fully paid ordinary shares of 50 pence each	152	154

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

	Number	£ million
As at 1 January 2013	307,997,570	154
Cancellation of shares acquired under the buyback programme	(4,174,716)	[2]
As at 31 December 2013	303,822,854	152

Share-based payment

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

8 Reserves

	Share capital £ million	Share premium account £ million	Capital redemption reserve £ million	Profit and loss account £ million	Total £ million
As at 1 January 2013	154	101	32	1,235	1,522
Profit for the year	-	-	-	148	148
Dividends	-	-	-	(108)	(108)
Equity-settled share-based payments	-	-	-	14	14
Acquisition of shares by trustees of the Performance Share Plan	-	-	-	(2)	(2)
Utilisation of treasury shares	-	-	-	7	7
Acquisition of shares under the buyback programme	[2]	-	2	-	-
As at 31 December 2013	152	101	34	1,294	1,581

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

During 2012 AMEC plc generated a significant profit from an internal restructuring. This becomes distributable as qualifying consideration is passed to AMEC plc. As at 31 December 2013, £842 million of reserves are considered to be distributable

The company's profit for the year in 2012 was £879 million

Notes to the company balance sheet continued

4 Debtors

	31 December 2013 £ million	31 December 2012 £ million
Debtors: amounts falling due within one year		
Amounts owed by subsidiaries	2	1
Derivative financial instruments	5	4
Corporation tax	27	9
Prepayments and accrued income	5	4
Other debtors	1	-
	40	18
Debtors: amounts falling due after one year		
Deferred tax	-	1
	40	19

The deferred tax asset is analysed as follows

	31 December 2013 £ million	31 December 2012 £ million
Difference between accumulated depreciation and capital allowances	1	(1)
Share-based schemes	(1)	2
	-	1

In his budget speeches on 21 March 2012 and 20 March 2013 the UK chancellor of the exchequer announced reductions in the rate of corporation tax to 23 per cent from 1 April 2013, 21 per cent from 1 April 2014 and 20 per cent from 1 April 2015

As at 31 December 2013, the reduction in the rate of corporation tax to 20 per cent had been substantively enacted

5 Creditors: amounts falling due within one year

	31 December 2013 £ million	31 December 2012 £ million
Bank overdrafts	1	30
Bank and other loans	120	150
Trade creditors	2	2
Amounts owed to subsidiaries	-	1
Derivative financial instruments	5	4
Other taxation and social security costs	14	11
Forward share purchase agreement	-	45
Other creditors	4	1
Accruals	8	6
	154	250

The company has committed banking facilities of £477 million. This consists of a £377 million multi-currency revolving facility that was entered into on 18 July 2012 with a number of relationship banks. The facility is committed for five years and is available for general corporate purposes. In addition on 9 April 2013 the company entered into a £100 million Sterling term loan. The term loan is for a period of 12 months. As at 31 December 2013 £120 million (2012 £150 million) of the loans and facilities had been utilised.

2 Tangible assets

	Plant and equipment £ million	Software £ million	Total £ million
Cost			
As at 1 January 2013	4	21	25
Additions	-	9	9
As at 31 December 2013	4	30	34
Depreciation			
As at 1 January 2013	3	1	4
Provided during the year	-	3	3
As at 31 December 2013	3	4	7
Net book value			
As at 31 December 2013	1	26	27
As at 1 January 2013	1	20	21

3 Investments (held as fixed assets)

	Shares in subsidiaries £ million	Amounts owed by subsidiaries £ million	Total investment in subsidiaries £ million
Cost			
As at 1 January 2013	1,519	1,043	2,562
Exchange and other movements	-	(8)	(8)
Additions	6	2	8
Loan repayment	-	[163]	[163]
As at 31 December 2013	1,525	874	2,399
Provisions			
As at 1 January and 31 December 2013	46	-	46
Net book value			
As at 31 December 2013	1,479	874	2,353
As at 1 January 2013	1,473	1,043	2,516

Principal group companies are listed on page 148

Notes to the company balance sheet

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards and the Companies Act 2006

The company has not presented its own profit and loss account, as permitted by Section 408 of the Companies Act 2006

Cash flow statement

The company is exempt from the requirement of FRS 1 Cash Flow Statements to prepare a cash flow statement as its cash flows are included within the consolidated cash flow of the group

Depreciation

Depreciation is provided on all tangible assets, other than assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its estimated useful life. The estimated lives of tangible assets as at 31 December 2013 are as follows

Plant and equipment	Three to five years
Software	Three to seven years

Depreciation is provided from the month in which the asset is available for use

Dividend income

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

Financial instruments

Financial instruments are initially recorded at fair value. Subsequent valuation depends on the designation of the instruments. Cash, deposits and short-term investments are held at amortised cost. Derivative financial instruments are accounted for as described in note 1 to the consolidated accounts

The company is exempt from the disclosure requirements of FRS 29 Financial Instruments Disclosures as the financial instruments disclosures of IFRS 7 Financial Instruments Disclosures and IFRS 13 Fair Value Measurement are included in the notes to the consolidated accounts

Foreign currencies

Transactions in a currency other than Sterling are translated to Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date and exchange differences are taken to profit and loss accounts in the year. Non-monetary assets and liabilities are measured in terms of historical cost and are translated using the exchange rate at the date of the transaction.

Interest

Interest is recognised in profit or loss on an accruals basis using the effective interest method

Investments

Investments are stated at cost less provision for permanent diminution in value. Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the company and the investment in subsidiaries are adjusted to reflect this capital contribution

Pensions

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

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

Remuneration of auditors

The detailed information concerning auditors remuneration is shown in note 4 of the consolidated accounts

Share-based payments

There are share-based payment arrangements which allow AMEC employees to acquire AMEC shares, these awards are granted by AMEC. The fair value of awards granted is recognised as a cost of employment with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the award. The fair value of the award is measured using a valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as a cost is adjusted to reflect the actual number of shares that vest except where non-vesting is due to share prices not achieving the threshold for vesting

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred Tax

Company balance sheet

As at 31 December 2013

	Note	2013 £ million	2012 £ million
Fixed assets			
Tangible assets	2	27	21
Investment in subsidiaries	3	2,353	2,516
		2,380	2,537
Current assets			
Debtors including amounts falling due after one year of £nil (2012 £1 million)	4	40	19
Cash at bank and in hand		76	73
		116	92
Current liabilities			
Creditors amounts falling due within one year	5	(154)	(250)
Net current liabilities		(38)	(158)
Total assets less current liabilities		2,342	2,379
Creditors amounts falling due after one year	6	(761)	(857)
Net assets		1,581	1,522
Capital and reserves			
Called up share capital	7, 8	152	154
Share premium account	8	101	101
Capital redemption reserve	8	34	32
Profit and loss account	8	1,294	1,235
Equity shareholders' funds		1,581	1,522

The accounts on pages 141 to 146 were approved by the board of directors on 13 February 2014 and were signed on its behalf by

Samir Brikho

Chief Executive

Ian McHoul

Chief Financial Officer

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Investments are stated at cost less provision for permanent diminution in value. Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the company and the investment in subsidiaries are adjusted to reflect this capital contribution

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2 Tangible assets

	Plant and equipment £ million	Software £ million	Total £ million
Cost			
As at 1 January 2013	4	21	25
Additions	-	9	9
As at 31 December 2013	4	30	34
Depreciation			
As at 1 January 2013	3	1	4
Provided during the year	-	3	3
As at 31 December 2013	3	4	7
Net book value			
As at 31 December 2013	1	26	27
As at 1 January 2013	1	20	21

3 Investments (held as fixed assets)

	Shares in subsidiaries £ million	Amounts owed by subsidiaries £ million	Total investment in subsidiaries £ million
Cost			
As at 1 January 2013	1,519	1,043	2,562
Exchange and other movements	-	(8)	(8)
Additions	6	2	8
Loan repayment	-	(163)	(163)
As at 31 December 2013	1,525	874	2,399
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As at 1 January and 31 December 2013	46	-	46
Net book value			
As at 31 December 2013	1,479	874	2,353
As at 1 January 2013	1,473	1,043	2,516

Principal group companies are listed on page 148

Notes to the company balance sheet continued

4 Debtors

	31 December 2013 £ million	31 December 2012 £ million
Debtors: amounts falling due within one year		
Amounts owed by subsidiaries	2	1
Derivative financial instruments	5	4
Corporation tax	27	9
Prepayments and accrued income	5	4
Other debtors	1	-
	40	18
Debtors: amounts falling due after one year		
Deferred tax	-	1
	40	19

The deferred tax asset is analysed as follows

	31 December 2013 £ million	31 December 2012 £ million
Difference between accumulated depreciation and capital allowances	1	(1)
Share-based schemes	(1)	2
	-	1

In his budget speeches on 21 March 2012 and 20 March 2013 the UK chancellor of the exchequer announced reductions in the rate of corporation tax to 23 per cent from 1 April 2013, 21 per cent from 1 April 2014 and 20 per cent from 1 April 2015

As at 31 December 2013, the reduction in the rate of corporation tax to 20 per cent had been substantively enacted

5 Creditors: amounts falling due within one year

	31 December 2013 £ million	31 December 2012 £ million
Bank overdrafts	1	30
Bank and other loans	120	150
Trade creditors	2	2
Amounts owed to subsidiaries	-	1
Derivative financial instruments	5	4
Other taxation and social security costs	14	11
Forward share purchase agreement	-	45
Other creditors	4	1
Accruals	8	6
	154	250

The company has committed banking facilities of £477 million. This consists of a £377 million multi-currency revolving facility that was entered into on 18 July 2012 with a number of relationship banks. The facility is committed for five years and is available for general corporate purposes. In addition on 9 April 2013 the company entered into a £100 million Sterling term loan. The term loan is for a period of 12 months. As at 31 December 2013 £120 million (2012 £150 million) of the loans and facilities had been utilised.

6 Creditors: amounts falling due after one year

	31 December 2013 £ million	31 December 2012 £ million
Amounts owed to subsidiaries	761	857

7 Share capital

The authorised share capital of the company is £350 million (2012 £350 million)

	31 December 2013 £ million	31 December 2012 £ million
Allotted, called up and fully paid ordinary shares of 50 pence each	152	154

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

	Number	£ million
As at 1 January 2013	307,997,570	154
Cancellation of shares acquired under the buyback programme	(4,174,716)	(2)
As at 31 December 2013	303,822,854	152

Share-based payment

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

8 Reserves

	Share capital £ million	Share premium account £ million	Capital redemption reserve £ million	Profit and loss account £ million	Total £ million
As at 1 January 2013	154	101	32	1,235	1,522
Profit for the year	-	-	-	148	148
Dividends	-	-	-	(108)	(108)
Equity-settled share-based payments	-	-	-	14	14
Acquisition of shares by trustees of the Performance Share Plan	-	-	-	(2)	(2)
Utilisation of treasury shares	-	-	-	7	7
Acquisition of shares under the buyback programme	[2]	-	2	-	-
As at 31 December 2013	152	101	34	1,294	1,581

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

During 2012 AMEC plc generated a significant profit from an internal restructuring. This becomes distributable as qualifying consideration is passed to AMEC plc. As at 31 December 2013, £842 million of reserves are considered to be distributable

The company's profit for the year in 2012 was £879 million

Notes to the company balance sheet continued

9 Contingent liabilities

Guarantees and indemnities

Guarantees given by the company in respect of borrowings of subsidiaries amounted to £nil as at 31 December 2013 (2012 £nil)

In addition, the company is party to cross-guarantee arrangements relating to overdrafts for certain group companies

The maximum gross exposure as at 31 December 2013 was £20 million (2012 £82 million)

The company will guarantee the debts and liabilities of the following UK subsidiaries in accordance with Section 479C of the Companies Act 2006

- AMEC Canada Limited (Registered number 3941785)
- AMEC Finance Asia Limited (Registered number 6205760)
- AMEC Hedge Co 1 Limited (Registered number 07870120)
- AMEC Kazakhstan Holdings Limited (Registered number 4530056)
- AMEC Property and Overseas Investments Limited (Registered number 1580678)
- AMEC USA Finance Limited (Registered number 5299446)
- AMEC USA Holdings Limited (Registered number 4041261)
- AMEC USA Limited (Registered number 4044800)
- Amplemark Limited (Registered number 4530054)
- PI Energy & Emissions Limited (Registered number SC209704)
- Sandiway Solutions (No 3) Limited (Registered number 5318249)
- Sigma Financial Facilities Limited (Registered number 3863449)

The company has assessed the probability of loss under these guarantees as remote

10 Related party transactions

During the year the only related party transactions for which disclosure is required under FRS 8 Related Party Disclosures were with the senior management group. As allowed by FRS 8 transactions with wholly owned subsidiary undertakings are not disclosed.

Transactions with the senior management group

The senior management group of the company consists of AMEC plc board members

The senior management group of the company and their immediate relatives controlled 0.77 per cent of the voting rights of the company as at 31 December 2013

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

	2013 £ million	2012 £ million
Short-term employee benefits	4	4
Pension costs	-	-
Equity-settled share-based payments	3	3
	7	7

Independent auditors' report to the members of AMEC plc

Registered number 1675285

We have audited the parent company accounts of AMEC plc for the year ended 31 December 2013 which comprise the company balance sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 90 the directors are responsible for the preparation of the parent company accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the parent company accounts

- give a true and fair view of the state of the company's affairs as at 31 December 2013,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the accounts are prepared is consistent with the parent company accounts

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company accounts and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the group accounts of AMEC plc for the year ended 31 December 2013.



Hywel Ball (Senior statutory auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor, London

13 February 2014

Principal group companies

As at 31 December 2013

The subsidiaries and joint ventures which, in the opinion of the directors, principally affect group trading results and net assets are listed below. Except where indicated, all subsidiaries listed below are wholly owned, incorporated in Great Britain and carry on their activities principally in their countries of incorporation. Shares are held by subsidiary companies except where marked with an asterisk, where they are held directly by the company. A full list of subsidiaries will be filed with the Registrar of Companies with the next annual return.

Subsidiaries

AMEC AES, Inc (US)
AMEC Americas Limited (Canada)
AMEC Australia Pty Limited (Australia)
AMEC Asia KK (Japan)
AMEC (Bermuda) Limited (Bermuda)
AMEC Cade Ingenieria y Desarrollo de Proyectos Limitada (Chile)
AMEC Cade Servicios de Ingenieria Limitada (Chile)
AMEC Environment & Infrastructure Pty Limited (Australia)
AMEC Engineering Holdings Pty Limited (Australia)
AMEC Environment & Infrastructure UK Limited
AMEC Environment & Infrastructure, Inc (US)
AMEC Earth and Environmental (UK) Limited
AMEC E&C Services, Inc (US)
*AMEC Finance Limited
AMEC GRD SA BV (Netherlands)
*AMEC Group Limited
AMEC Holdings, Inc (US)
AMEC Inc (Canada)
AMEC International Ingenieria y Construcción Limitada (Chile)
AMEC Karntech, Inc (US)
AMEC Nuclear UK Limited
AMEC NCL Limited (Canada)
AMEC NSS Limited (Canada)
AMEC Nuclear Holdings Limited
AMEC Oil & Gas, Inc (US)
AMEC Operations Ghana Limited (Ghana)
AMEC Petroleo e Gas Ltda (Brazil)
AMEC (Peru) S.A (Peru)
AMEC Programs, Inc (US)
AMEC Project Investments Limited
*AMEC Property and Overseas Investments Limited
Aquentia Consulting Pty Limited (Australia)
Atlantic Services Limited (Bermuda)

Energy, Safety and Risk Consultants (UK) Limited
Kromav Engenharia S A (Brazil)¹
National Ventures, Inc (US)
Performance Improvements (PI) Limited
Performance Improvements (PI) Group Limited
Primat Recruitment Limited
Rider Hunt International Limited
Terra Nova Technologies, Inc (US)

Joint ventures

AMEC Black Cat LLC (Qatar) (49 per cent)
AMEC Black & McDonald Limited (Canada) (50 per cent)
AMEC Larastia Sdn Bhd (Malaysia) (49 per cent)
AMEC Samsung Oil and Gas LLC (US) (49 per cent)
Beca AMEC Ltd (New Zealand) (50 per cent)
Clough AMEC Pty Ltd (Australia) (50 per cent)
Global Renewables Lancashire Holdings Ltd (UK) (50 per cent)
Incheon Bridge Co Ltd (Korea) (23 per cent)
Nuclear Management Partners Limited (UK) (36 per cent)
Paragon Angola Engenharia E Servicos, Limitada (Angola) (60 per cent)
Petersbogen Immobilengesellschaft GmbH & Co KG (Germany) (50 per cent)
PT AMEC Berca Indonesia (50 per cent)
Road Management (A13) Holdings Limited (UK) (25 per cent)
Shanghai Zone Petrochemical Engineering Co , Ltd (China) (50 per cent)
Waste 2 Resources – Project Lancashire LLP (UK) (50 per cent)

¹ Kromav Engenharia S.A. is 50 per cent owned by AMEC

Five-year record

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	2013 £ million	2012 (restated) £ million	2011 (restated) £ million	2010 (restated) £ million	2009 (restated) £ million
Summarised consolidated results					
Continuing operations					
Revenue	3,974	4,088	3,133	2,786	2,452
Adjusted profit before tax ¹	332	327	323	286	228
Joint ventures tax	(5)	(5)	(7)	(7)	(5)
	327	322	316	279	223
Amortisation and impairment	(47)	(44)	(39)	(25)	(16)
Exceptional items	(25)	(24)	(6)	11	9
Profit before income tax	255	254	271	265	216
Income tax	(69)	(47)	(55)	(27)	(50)
Profit for the year from continuing operations	186	207	216	238	166
(Loss)/profit for the year from discontinued operations (net of income tax)	(8)	2	16	(8)	7
Profit for the year	178	209	232	230	173
Basic earnings per share from continuing operations	89.0p	80.1p	66.1p	73.8p	50.3p
Diluted earnings per share from continuing operations ²	87.2p	78.6p	73.2p	63.3p	49.6p
Dividends per share	42.0p	36.5p	30.5p	26.5p	17.7p
Dividend cover ²	2.1x	2.2x	2.4x	2.4x	2.8x
Summarised consolidated balance sheets					
Non-current assets	1,160	1,214	1,051	820	686
Net working capital	99	54	55	(43)	(131)
Net cash	121	99	521	740	743
Other non-current liabilities	(256)	(284)	(253)	(242)	(272)
Net assets	1,124	1,083	1,374	1,275	1,026
Total attributable to equity holders of the parent	1,122	1,079	1,373	1,272	1,023
Non-controlling interests	2	4	1	3	3
Total equity	1,124	1,083	1,374	1,275	1,026

The five-year record has been prepared under adopted IFRS and is stated in accordance with the accounting policies set out on pages 100 to 106, with the exception of the years 2009 to 2011, as these years have not been restated for the impact of IAS 19 Employee Benefits (revised). All previous comparatives have been restated to treat the UK conventional power business as a discontinued activity.

¹ Adjusted profit before intangible amortisation and goodwill impairment and pre-tax exceptional items but including joint venture profit before tax

² Before amortisation, impairment and exceptional items

Shareholder information

Our website

AMEC's website, amec.com, is the best source of useful, up-to-date information about AMEC and its activities, including annual reports, AGM documents and other shareholder communications

All announcements made to the London Stock Exchange can be found at amec.com/rns and alerting services are available at amec.com/utilities/email_alerts

AMEC's registrars

AMEC's registrars are Capita Asset Services. They maintain the shareholder register on our behalf and handle all the administration related to it. They should be your first point of call if you have any queries relating to your shareholding in AMEC. The best way to contact them depends on the type of query you may have.

For DRIP, electronic communications and general enquiries

Email	shareholderenquiries@capita.co.uk	
Website	www.capitaassetservices.com	
Postal address	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom	
Telephone ¹	UK	0871 664 0300 ²
	Others	+44 20 8639 3399

Payment of dividends overseas

Telephone ¹	+44 20 8639 0385
Email	ips@capita.co.uk

¹ Lines open 9.00am to 5.30pm UK time Monday to Friday (excluding public holidays)

² Calls cost 10 pence per minute plus network extras

Financial calendar

AMEC's year end is 31 December. The normal annual calendar is as follows:

Full-year results issued	February
Annual report published	March
Annual general meeting	April
Half-year results issued	August
Interim management statements	April and November

Full details are available at amec.com/investors/financialcalendar/2014

Dividends

AMEC's interim dividend is usually announced with the half-year results and paid in the following January, the final dividend is proposed with the full-year results and paid in July

Dividends can be paid directly into your bank or building society account and can also be paid in local currency in certain overseas territories. Contact our registrars for more details

We have a Dividend Reinvestment Plan (DRIP) if you would prefer to buy more AMEC shares rather than receive cash dividends. This is only available to shareholders in certain countries. You can find out more on our website amec.com/investors/shareholderinformation/dividends or by contacting our registrars

Electronic shareholder communication

The majority of AMEC's shareholders now receive information from us electronically. If you have elected to do so and provided an email address, you will receive an email from our registrars whenever any new shareholder information is published. In the absence of an email address, you will be sent a letter which includes details of where the information can be found on our website

You can register for electronic shareholder communication and also manage your personal shareholding online at www.capitashareportal.com. You will need your Investor Code (IVC) which can be found on your proxy card, share certificate or dividend tax voucher

Printed copies of the annual report

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

AMEC's registered office

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

Our values

Cover shows AMEC employees working in mining Perth, Australia

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