Independent auditor's report to the members of Amec Foster Wheeler plc

Our opinion on the financial statements

In our opinion:

- the Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements for the year ended 31 December 2016 comprise:

Group	Parent company
Consolidated income statement Consolidated statement of comprehensive income Consolidated balance sheet Consolidated statement of changes in equity Consolidated cash flow statement Related Notes 1 to 29 to the financial statements	Balance sheet Statement of changes in equity Related Notes 1 to 12 to the financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Overview of our audit approach

Risks of material misstatement	▸ **(New in 2016)** Preparation of the financial statements using the going concern basis ▸ Appropriateness of revenue recognition on contracts and adequacy of contract related provisions ▸ Goodwill and intangible asset impairment ▸ Liabilities for uncertain tax positions, recognition of deferred tax assets and recognition of Research and Development tax credits ▸ Adequacy of legacy liabilities including asbestos
Audit scope	▸ We performed an audit of the complete financial information of 4 components and audit procedures on specific balances for a further 31 components ▸ The components where we performed full or specific audit procedures accounted for 92% of profit before tax adjusted for pre-tax non-recurring items and 96% of Revenue
Materiality	▸ Overall Group materiality of £9m which represents 5% of profit before taxes adjusted for pre-tax non-recurring items

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Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Appropriateness of adopting the Going Concern basis of accounting in preparing the financial statements		
Refer to the Strategic Report (page 45); the Audit Committee Report (page 67); Note 1 of the Group financial statements. The Company has taken steps to reduce its debt including the disposal of non-core assets, cost savings measures and suspending dividend payments until sustainable free cash flow is being generated. We focused on this area because despite the actions taken to date, there is a risk that the leverage ratio will exceed the maximum leverage ratio under the Debt Facility Arrangement of 3.75:1 in the measurement period ended 30 June 2017 and in subsequent periods. As described in Note 1 to the financial statements an amendment to the banking covenants was agreed on 10 April 2017. This increases the leverage covenant ratio to 4.5:1 for measurement periods up to and including June 2018. The magnitude of the risk (i.e., the likelihood of occurrence and the size of an error should it occur) has increased compared to the prior year.	We read management's assessment of the Company's ability to continue as a going concern. We understood the key assumptions underpinning the Group's forecasts and assessed whether they are appropriate by considering the Group's historical performance and the current market conditions. We assessed the historical accuracy of management's forecasts by comparing the actual result to forecasts. We assessed the adequacy of the sensitivities and stress testing applied to forecasts and the underlying key assumptions. We tested the arithmetical accuracy of the cash flow model and the related financial covenant forecasts. We agreed the Company's committed debt facilities, including financial covenant terms and the timing of early repayment in the event there is a breach, to facility agreements and amendments. We inspected the Covenant Amendment Letter approved on 10 April 2017. We considered whether the disclosures in the Annual Report and Accounts relating to going concern are fair, balanced and understandable.	We are satisfied that having assessed the appropriateness of management's forecasts, and given a signed Covenant Amendment Letter which increases the leverage covenant ratio to 4.5:1 for periods up to and including June 2018 has been obtained by the Company, the adoption of the going concern basis of accounting in the preparation of the financial statements is reasonable. The disclosures made in the Annual Report and Accounts with respect to the Company's ability to continue as a going concern are appropriate.
Appropriateness of revenue recognition on contracts and adequacy of contract related provisions		
Refer to the Strategic Report (page 29); the Audit Committee Report (page 66); Critical accounting policies and the use of judgements, estimates and assumptions (page 113) and Note 3 of the Group financial statements. For the year ended 31 December 2016, revenue recorded was £5.4bn. We focused on this area because there is a risk that due to the complexity associated with accounting for long term contracts and the judgements involved in determining contract provisions, the Group's financial statements could be misstated. Specific risks over revenue recognition include inappropriate percentage of completion accounting, inappropriate recognition of variation orders and claims and inappropriate determination of recoverable costs. Specific risks over contract related provisions include unrecorded liabilities for contractual disputes and inappropriate application of the Group's policy for aged work in progress and receivables. The magnitude of the risk (i.e., the likelihood of occurrence and the size of an error should it occur) is consistent with the prior year.	We tested internal financial controls over the calculation of revenue, including those used to determine the percentage of completion for fixed price contracts. For a sample of contracts, we challenged management in respect of the reasonableness of judgements made regarding the cost to complete estimate, the timing of the recognition of variation orders and claims and the appropriateness of assumptions made in estimating warranty provisions. We tested the arithmetical accuracy of cost to complete calculations, agreed key contractual terms back to signed contracts, discussed and corroborated key judgements with various levels of management including project managers and inspected third party correspondence in the case of variation orders and claims where appropriate. For a sample of lump-sum contracts, we re-performed the calculation of the revenue taken in the year based on the percentage of completion. We challenged management's assessment of the adequacy of contingency provisions against contract specific risks and its assessments around the potential for liquidated damages for projects with delays. For those contracts subject to claims, we have made enquires of internal and external legal counsel to assess the adequacy of and corroborate the position taken by management. We have understood management's assessment of the recoverability of aged work in progress and receivables. For a sample of balances, we tested the arithmetical accuracy of the aging of work in progress and receivables. We performed audit procedures on the recoverability of a sample of trade receivable balances by obtaining customer confirmations and subsequent cash receipts where appropriate. We performed audit procedures on a sample of unbilled work in progress balances by assessing the company's calculations and subsequent invoicing. We assessed whether the Group's accounting policies have been appropriately applied. We have assessed whether management's policies and processes for making these estimates are appropriate, in accordance with IAS 37 and consistently applied.	Overall, we are satisfied that the Group's accounting policies for revenue recognition and contract related provisions are reasonable and have been appropriately applied. The valuation of contract risk provisions at 31 December 2016 is within an acceptable range of potential outcomes based on the facts and circumstances as at that date.

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Risk	Our response to the risk	Key observations communicated to the Audit Committee
Goodwill and intangible asset impairment		
Refer to the Audit Committee Report (page 67); Critical accounting policies and the use of judgements, estimates and assumptions (page 113) and Note 12 of the Group financial statements. The total carrying value of goodwill at the year end is £2.2bn. This reflects impairments of £289m recorded in the year. Of this, £214m has been recorded against the carrying value of goodwill in the Global Power Group ('GPG') cash generating unit ('CGU') and £75m in the Americas CGU. An impairment has arisen as the recoverable amount of the GPG and Americas CGU's was less than the carrying value of the investment. The total carrying value of other intangible assets at the year end is £0.5bn. This is following impairments of £211m in the year, the most significant of which relate to customer relationship assets. Of this, £32m has been recorded in the GPG segment, £125m in the Americas segment, £14m in AMEASE and £40m in Northern Europe and CIS ('NECIS'). Impairments in the carrying value of these intangible assets have arisen following a downturn in trading meaning the recoverable amounts of these assets was less than their carrying values. We focused on these areas given the significant judgements and complexity of valuation methodologies requiring the use of estimates used to determine whether the carrying value of goodwill and customer relationships is appropriate. These include the assumptions used within models to support the recoverable amount of goodwill and intangible assets. The magnitude of the risk (i.e., the likelihood of occurrence and the size of an error should it occur) is the same as the prior year.	We tested internal financial controls over the goodwill and intangible assets impairment process including the determination of assumptions used within the models to assess the recoverable amount. We tested the arithmetical accuracy of the models and confirmed the CGUs identified are the lowest level at which management monitors goodwill. We performed audit procedures over the assumptions used in respect of forecast growth rates and involved our valuation specialists to corroborate the appropriateness of the discount and growth rates used by reference to third party source data. We have verified that the profit forecasts used in the valuation models are consistent with those reviewed and approved by the board. We have evaluated the profit forecasts used within the models against current trading conditions and validated the key assumptions underpinning the forecasts are consistent with our findings from other areas of the audit. We performed sensitivity analysis by stress testing the valuation models, to determine the degree to which the assumptions would need to move before an impairment would be triggered.	The impairments recognised in respect of the goodwill and intangible assets allocated to GPG, Americas, AMEASE and NECIS have been appropriately determined. The carrying value of goodwill and intangible assets at the year end is appropriate. We agree with management that a reasonably possible change in assumptions would result in further impairment losses in the Americas cash generating unit and that the additional sensitivity disclosures in Note 12 comply with the requirements of IAS 36.
Liabilities for uncertain tax positions, recognition of deferred tax assets and recognition of Research and Development tax credits		
Refer to the Audit Committee Report (page 67) and Notes 8 and 15 of the Group financial statements. We focused on the risk arising from tax planning given the significant judgements involved in assessing the appropriateness of the valuation and completeness of uncertain tax positions including those relating to the financing structures the Group has in place in Canada and the United States. We focus on the recognition of certain deferred tax assets and assets relating to research and development tax credits as both these areas involve judgement in the assessment of the recoverability of the associated tax asset. This includes assessment of the period over which taxable profits will be available to utilise the assets against. The magnitude of the risk (i.e., the likelihood of occurrence and the size of an error should it occur) is consistent with the prior year.	We tested internal financial controls over the determination of uncertain tax provisions. We also tested internal financial controls over the recognition of deferred tax assets and assets relating to research and development tax credits. We challenged the valuation of tax exposures estimated by management. Using our tax experts, we evaluated the range and quantum of risks associated with these exposures along with claims or assessments made by tax authorities to date. We have also inspected documentation in relation to tax audits to ensure that exposures the tax authorities are raising have been considered and provided for where necessary. We have challenged the profit forecasts used by management in determining the quantum and period over which deferred tax assets and assets held in respect of research and development tax credits will be recovered. We have also assessed if management's rationale over the length of time such assets will be recovered, is supportable and consistent with prior periods based on forecasting information and growth assumptions. We have evaluated the historical accuracy of forecasting taxable profits and the integrity of the models used.	We are satisfied that the provisions recorded in respect of tax risks are within an acceptable range. The carrying value of assets relating to deferred tax and research and development tax credits are within an acceptable range at the year end.

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Risk	Our response to the risk	Key observations communicated to the Audit Committee
Adequacy of legacy liabilities including asbestos		
Refer to the Strategic Report (page 31), the Audit Committee Report (page 67); Critical accounting policies and the use of judgements, estimates and assumptions (page 113) and Note 21 of the Group financial statements. The Group has risks relating to claims or potential claims resulting from the disposal of businesses in previous years and those relating to asbestos exposure. Total provisions relating to legacy businesses at the year end are £124m, and asbestos £413m. We focused on this area, as determining the impact and likely outcome of litigation matters requires significant judgement. There is a risk that provisions are not made for claims which have been received. The magnitude of the risk (i.e., the likelihood of occurrence and the size of an error should it occur) is consistent with the prior year.	We tested internal financial controls over the appropriate valuation and completeness of liabilities. We assessed the judgements and accounting treatments, including recognition of provisions and contingent liabilities, made by management arising from contractual disputes, indemnities and warranty obligations. We performed audit procedures including discussions with management's legal experts, obtaining external legal letters, inspection of claims documentation and review of out-turn of historic estimates. We have engaged our own actuarial specialists to compare the methodology used by management to assess asbestos liabilities with industry accepted practice including assessment of the appropriateness of the discount rate. We tested the completeness and accuracy of the data used by management's expert to calculate the liability. We have assessed the recoverability of insurance receivables due to the Group.	The valuation of legacy liabilities at 31 December 2016 is within an acceptable range. We are satisfied that the company has made a reasonable estimate of the asbestos liability at 31 December 2016.

In the prior year, our auditor's report included a risk of material misstatement in relation to purchase price allocation adjustments relating to the acquisition of Foster Wheeler. This is not a relevant significant risk in the current year as the period in which adjustments to the provisional fair value of assets and liabilities acquired could be made ended on 13 November 2015.

In addition to the risks identified as part of our audit planning, the size of and judgement involved in determining the Group's exceptional items affected the allocation of resources and the direction of our audit efforts and for which our audit response was as follows:

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Presentation of exceptional items		
The Group consider the separate reporting of exceptional costs helps to provide a better indication of the Group's underlying business performance. Continuing pre-tax exceptional costs including impairment and amortisation recorded in the current year are £792m (2015: £559m). There is judgement in determining whether the classification and measurement of items presented as exceptional is reasonable. There is also a risk that the Group's policy for such items is not applied consistently.	We tested internal financial controls over the determination of items to be presented as exceptional. We have challenged management over whether the costs which have been recorded as exceptional are presented in line with the Group's policy and have been appropriately excluded from trading profit. We obtained supporting calculations and invoices for a sample of costs presented as exceptional. In particular, we have focused on whether the inclusion of internal labour costs on the basis of time spent on integration activities is reasonable by inspecting management's calculations, agreeing details to a sample of employment contracts and assessing whether the presentation of restructuring costs as exceptional is reasonable. In doing so, we have considered the Financial Reporting Council ('FRC') guidance on items being reported as exceptional. We have assessed whether the level of disclosure provided in the financial statements appropriately reflects the assessment made by management in determining the classification of such items as exceptional.	The disclosure of exceptional items is in accordance with the Group's disclosed accounting policy for exceptional items and is in accordance with the requirements of IAS 1, Presentation of Financial Statements.

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The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Group Internal Audit result findings when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we selected 35 components covering entities within UK, US, Canada, Italy, China and Singapore, which represent the principal business units within the Group. The Primary Team performs audit procedures on those areas of accounting performed centrally such as goodwill and intangible asset impairment reviews and consolidation adjustments.

Of the 35 components selected, we performed an audit of the complete financial information of 4 components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 31 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The audit risks disclosed above were subject to full scope audit procedures as appropriate.

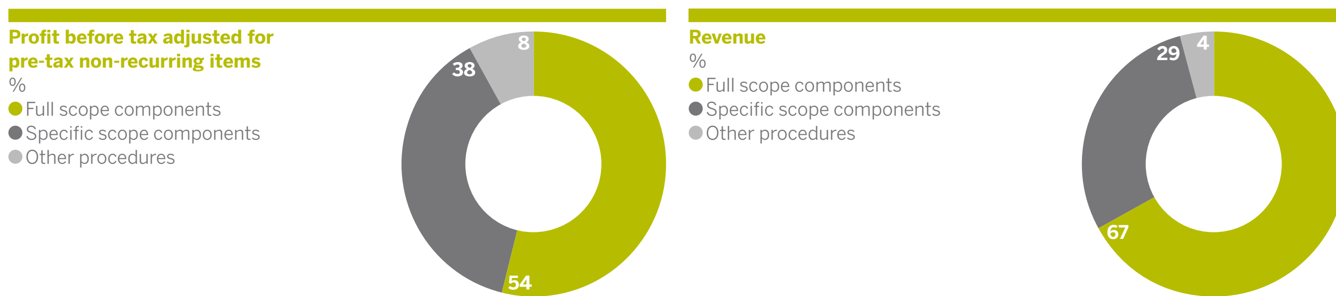
The reporting components where we performed full and specific audit procedures accounted for 92% (2015: 90%) of the Group's profit before tax adjusted for pre-tax non-recurring items and 96% (2015: 89%) of the Group's Revenue.

For the current year, the full scope components contributed 54% of the Group's profit before tax adjusted for pre-tax non-recurring items and 67% of the Group's Revenue.

The specific scope components contributed 38% of the profit before tax adjusted for pre-tax non-recurring items used to calculate materiality and 29% of the Group's Revenue. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of risks tested for the Group.

Of the remaining components that together represent 8% of the Group's profit before tax adjusted for pre-tax non-recurring items, none are individually greater than 5% of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 4 full scope components, audit procedures were performed on 1 of these directly by the primary audit team and 3 by component teams. For the 31 specific scope components, where the work was primarily performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor or his designate visits each of the key locations at both the interim and year end stages of the audit process. During the current year's audit cycle, visits were undertaken at least once by the primary audit team to the component teams in Canada, the United States and various sites in the UK, including some specific scope locations.

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These visits involved co-developing the significant risk area audit approach, reviewing key local working papers and conclusions, meeting with local and regional leadership team, getting an understanding of key control processes including centralised entity level control processes and attending closing meetings. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, attended all full scope and certain specific scope closing meetings in person and all other specific scope close meetings via conference call, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

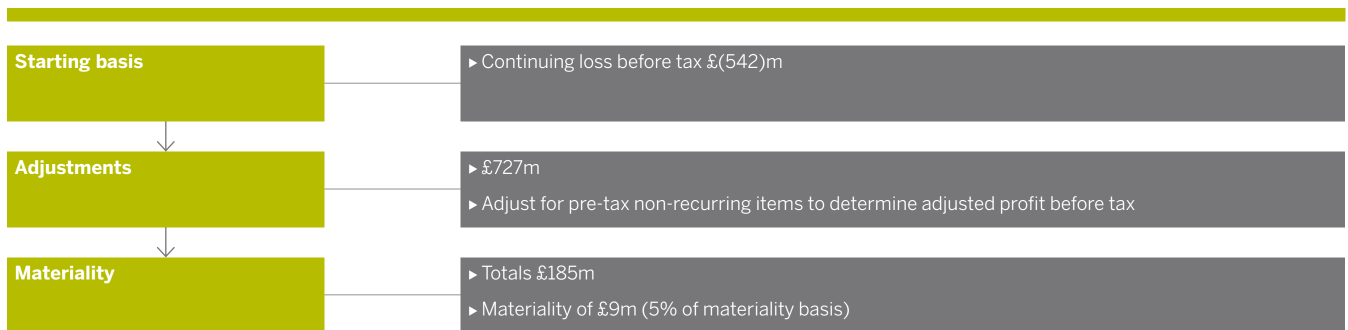
Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £9 million (2015: £10 million), which is 5% (2015: 5%) of profit before tax adjusted for pre-tax non-recurring items. We believe that profit before tax, adjusted for the items, as described below, provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity. Detailed audit procedures are performed on material exceptional items.



Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment and other qualitative considerations, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) was 50% (2015: 50%) of our planning materiality, namely £4.5m (2015: £5m). We have set performance materiality at this percentage to ensure that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1m to £3m (2015: £1m to £4m).

Reporting threshold

An amount below which identified misstatements is considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5m (2015: £0.5m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 and 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 financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 93, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements 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.

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.

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
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

We have no exceptions to report.

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Companies Act 2006 reporting

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We are required 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 financial statements 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.

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- the directors' statement, in relation to going concern, set out on page 45, and longer-term viability, set out on page 32; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

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

25 April 2017

Notes

1 The maintenance and integrity of the Amec Foster Wheeler plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Report of independent registered public accounting firm on internal control over financial reporting

The Board of Directors and Shareholders of Amec Foster Wheeler plc

We have audited Amec Foster Wheeler plc's internal control over financial reporting as of 31 December 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission 2013 framework (the COSO criteria). Amec Foster Wheeler plc's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Amec Foster Wheeler plc maintained, in all material respects, effective internal control over financial reporting as of 31 December 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Amec Foster Wheeler as of 31 December 2016 and 2015, and the related consolidated income statement, statement of comprehensive income, changes in equity and cash flow statement for each of the three years in the period ended 31 December 2016 of Amec Foster Wheeler plc and our report dated 21 March 2017, expressed an unqualified opinion thereon.

Ernst & Young LLP
London, England

25 April 2017

Report of independent registered public accounting firm

The Board of Directors and Shareholders of Amec Foster Wheeler plc

We have audited the accompanying consolidated balance sheets of Amec Foster Wheeler plc as of December 31, 2016 and 2015, and the related consolidated income statement, statements of comprehensive income, change in equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amec Foster Wheeler at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Amec Foster Wheeler plc's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (2013 framework) and our report dated 21 March 2017, expressed an unqualified opinion thereon.

Ernst & Young LLP
London, England

25 April 2017

Consolidated income statement
For the year ended 31 December 2016

	Note	2016 Before impairment, amortisation, exceptional items and asbestos-related items £m	2016 Impairment, amortisation, exceptional items and asbestos-related items (note 5) £m	2016 Total £m	2015 Before impairment, amortisation, exceptional items and asbestos-related items £m	2015 Impairment, amortisation, exceptional items and asbestos-related items (note 5) £m	2015 Total £m	2014 Before amortisation, exceptional items and asbestos-related items £m	2014 Amortisation, exceptional items and asbestos-related items (note 5) £m	2014 Total £m
Continuing operations										
Revenue	2, 3	**5,440**	**–**	**5,440**	5,455	–	5,455	3,993	–	3,993
Cost of sales		**(4,852)**	**–**	**(4,852)**	(4,787)	–	(4,787)	(3,475)	–	(3,475)
Gross profit		**588**	**–**	**588**	668	–	668	518	–	518
Administrative expenses		**(288)**	**(784)**	**(1,072)**	(334)	(538)	(872)	(219)	(135)	(354)
Profit/(loss) on business disposals and closures		**–**	**2**	**2**	–	(1)	(1)	–	(16)	(16)
Profit/(loss) before net financing expense	4	**300**	**(782)**	**(482)**	334	(539)	(205)	299	(151)	148
Financial income		**16**	**–**	**16**	16	–	16	11	–	11
Financial expense		**(77)**	**(10)**	**(87)**	(54)	(20)	(74)	(11)	(5)	(16)
Net financing expense	7	**(61)**	**(10)**	**(71)**	(38)	(20)	(58)	–	(5)	(5)
Share of post-tax results of joint ventures	2, 13	**11**	**–**	**11**	28	–	28	12	–	12
Profit/(loss) before income tax	2	**250**	**(792)**	**(542)**	324	(559)	(235)	311	(156)	155
Income tax	8	**(53)**	**69**	**16**	(63)	45	(18)	(67)	18	(49)
Profit/(loss) for the year from continuing operations		**197**	**(723)**	**(526)**	261	(514)	(253)	244	(138)	106
Profit/(loss) for the year from discontinued operations	9	**5**	**7**	**12**	(5)	1	(4)	(8)	(19)	(27)
Profit/(loss) for the year		**202**	**(716)**	**(514)**	256	(513)	(257)	236	(157)	79
Attributable to:										
Equity holders of the parent				**(518)**			(256)			82
Non-controlling interests				**4**			(1)			(3)
				(514)			(257)			79
Basic (loss)/earnings per share	10									
Continuing operations		**50.7p**		**(138.9)p**	68.1p		(66.1)p	81.8p		36.1p
Discontinued operations		**1.4p**		**3.3p**	(1.3)p		(1.1)p	(2.6)p		(8.9)p
		52.1p		**(135.6)p**	66.8p		(67.2)p	79.2p		27.2p
Diluted (loss)/earnings per share	10									
Continuing operations		**50.4p**		**(138.9)p**	67.7p		(66.1)p	79.5p		35.1p
Discontinued operations		**1.4p**		**3.3p**	(1.3)p		(1.1)p	(2.5)p		(8.6)p
		51.8p		**(135.6)p**	66.4p		(67.2)p	77.0p		26.5p

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Note	2016 £m	2015 £m	2014 £m
(Loss)/profit for the year		**(514)**	(257)	79
Other comprehensive income				
Items that are or may be reclassified subsequently to profit and loss				
Exchange movements:				
– Exchange movements on translation of foreign subsidiaries		**315**	(46)	(4)
– Cumulative exchange movement recognised in profit on disposal		**(10)**	–	–
– Net loss on hedges of net investment in foreign subsidiaries	19	**(127)**	(3)	(4)
Cash flow hedges:				
– Effective portion of changes in fair value		**(2)**	(2)	(1)
– Tax on effective portion of changes in fair value		**–**	2	–
– Transferred to the income statement		**2**	–	–
		178	(49)	(9)
Items that will not be reclassified to profit and loss				
Actuarial (losses)/gains on defined benefit pension schemes	14	**(169)**	150	(58)
Tax on actuarial (losses)/gains		**31**	(25)	11
		(138)	125	(47)
Other comprehensive income/(loss)		**40**	76	(56)
Total comprehensive (loss)/income		**(474)**	(181)	23
Attributable to:				
Equity holders of the parent		**(480)**	(181)	26
Non-controlling interests		**6**	–	(3)
Total comprehensive (loss)/income		**(474)**	(181)	23

Consolidated balance sheet
As at 31 December 2016

Registered number 1675285

	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**71**	127
Intangible assets	12	**2,675**	3,025
Interests in joint ventures	13	**38**	104
Derivative financial instruments	19	**28**	18
Retirement benefit assets	14	**70**	231
Other receivables	20	**140**	145
Deferred tax assets	15	**85**	50
Total non-current assets		**3,107**	3,700
Current assets			
Inventories	16	**9**	13
Trade and other receivables	17	**1,418**	1,455
Derivative financial instruments	19	**9**	16
Current tax receivable		**30**	25
Bank deposits (more than three months)	23	**22**	23
Cash and cash equivalents (excluding bank overdrafts)	23	**342**	340
Assets classified as held for sale	24	**336**	–
Total current assets		**2,166**	1,872
Total assets		**5,273**	5,572
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	23	**(109)**	(683)
Trade and other payables	18	**(1,412)**	(1,459)
Derivative financial instruments	19	**(45)**	(21)
Current tax payable		**(118)**	(98)
Liabilities classified as held for sale	24	**(187)**	–
Provisions	21	**(9)**	–
Total current liabilities		**(1,880)**	(2,261)
Non-current liabilities			
Interest-bearing loans and borrowings	23	**(1,317)**	(640)
Trade and other payables	20	**(149)**	(121)
Derivative financial instruments	19	**(28)**	(4)
Retirement benefit liabilities	14	**(207)**	(168)
Deferred tax liabilities	15	**(57)**	(106)
Provisions	21	**(610)**	(664)
Total non-current liabilities		**(2,368)**	(1,703)
Total liabilities		**(4,248)**	(3,964)
Net assets		**1,025**	1,608
EQUITY			
Share capital	22	**197**	197
Share premium account		**133**	133
Merger reserve		**33**	540
Hedging and translation reserves		**150**	(26)
Capital redemption reserve		**34**	34
Retained earnings		**467**	721
Total equity attributable to equity holders of the parent		**1,014**	1,599
Non-controlling interests		**11**	9
Total equity		**1,025**	1,608

The accounts on pages 104 to 166 were approved by the board of directors on 25 April 2017 and were signed on its behalf by:

Jonathan Lewis
Chief Executive Officer

Ian McHoul
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
As at 1 January 2016	197	133	540	–	(26)	34	721	**1,599**	9	**1,608**
(Loss)/profit for the year	–	–	–	–	–	–	(518)	**(518)**	4	**(514)**
Exchange movements on translation of foreign subsidiaries	–	–	–	–	313	–	–	**313**	2	**315**
Cumulative exchange movement recognised in profit on disposal	–	–	–	–	(10)	–	–	**(10)**	–	**(10)**
Net loss on hedges of net investment in foreign subsidiaries	–	–	–	–	(127)	–	–	**(127)**	–	**(127)**
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2)	–	–	–	**(2)**	–	**(2)**
Cash flow hedges transferred to the income statement	–	–	–	2	–	–	–	**2**	–	**2**
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	–	(169)	**(169)**	–	**(169)**
Tax on actuarial losses	–	–	–	–	–	–	31	**31**	–	**31**
Other comprehensive income for the year	–	–	–	–	176	–	(138)	**38**	2	**40**
Total comprehensive loss for the year	–	–	–	–	176	–	(656)	**(480)**	6	**(474)**
Dividends	–	–	–	–	–	–	(113)	**(113)**	–	**(113)**
Dividends to non-controlling interests	–	–	–	–	–	–	–	**–**	(4)	**(4)**
Equity-settled share-based payments	–	–	–	–	–	–	10	**10**	–	**10**
Acquisition of shares by trustees of the Employee Share Trust	–	–	–	–	–	–	(2)	**(2)**	–	**(2)**
Transfer of impairment losses to merger reserve	–	–	(507)	–	–	–	507	**–**	–	**–**
As at 31 December 2016	197	133	33	–	150	34	467	**1,014**	11	**1,025**

Consolidated statement of changes in equity continued
For the year ended 31 December 2015

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
As at 1 January 2015	194	101	877	–	24	34	744	**1,974**	22	**1,996**
Loss for the year	–	–	–	–	–	–	(256)	**(256)**	(1)	**(257)**
Exchange movements on translation of foreign subsidiaries	–	–	–	–	(47)	–	–	**(47)**	1	**(46)**
Net loss on hedges of net investment in foreign subsidiaries	–	–	–	–	(3)	–	–	**(3)**	–	**(3)**
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2)	–	–	–	**(2)**	–	**(2)**
Tax on effective portion of changes in fair value of cash flow hedges	–	–	–	2	–	–	–	**2**	–	**2**
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	–	150	**150**	–	**150**
Tax on actuarial gains	–	–	–	–	–	–	(25)	**(25)**	–	**(25)**
Other comprehensive income for the year	–	–	–	–	(50)	–	125	**75**	1	**76**
Total comprehensive loss for the year	–	–	–	–	(50)	–	(131)	**(181)**	–	**(181)**
Dividends	–	–	–	–	–	–	(167)	**(167)**	–	**(167)**
Dividends to non-controlling interests	–	–	–	–	–	–	–	**–**	(4)	**(4)**
Equity-settled share-based payments	–	–	–	–	–	–	7	**7**	–	**7**
Acquisition of shares by trustees of the Employee Share Trust	–	–	–	–	–	–	(5)	**(5)**	–	**(5)**
Utilisation of treasury shares	–	–	–	–	–	–	15	**15**	–	**15**
Acquisition of non-controlling interests	–	–	–	–	–	–	(79)	**(79)**	(9)	**(88)**
Shares issued	3	32	–	–	–	–	–	**35**	–	**35**
Transfer of impairment losses to merger reserve	–	–	(337)	–	–	–	337	**–**	–	**–**
As at 31 December 2015	197	133	540	–	(26)	34	721	**1,599**	9	**1,608**

Consolidated statement of changes in equity continued
For the year ended 31 December 2014

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
As at 1 January 2014	152	101	–	1	32	34	802	**1,122**	2	**1,124**
Profit for the year	–	–	–	–	–	–	82	**82**	(3)	**79**
Exchange movements on translation of foreign subsidiaries	–	–	–	–	(4)	–	–	**(4)**	–	**(4)**
Net loss on hedges of net investment in foreign subsidiaries	–	–	–	–	(4)	–	–	**(4)**	–	**(4)**
Effective portion of changes in fair value of cash flow hedges	–	–	–	(1)	–	–	–	**(1)**	–	**(1)**
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	–	(58)	**(58)**	–	**(58)**
Tax on actuarial losses	–	–	–	–	–	–	11	**11**	–	**11**
Other comprehensive loss for the year	–	–	–	(1)	(8)	–	(47)	**(56)**	–	**(56)**
Total comprehensive income for the year	–	–	–	(1)	(8)	–	35	**26**	(3)	**23**
Dividends	–	–	–	–	–	–	(124)	**(124)**	–	**(124)**
Equity-settled share-based payments	–	–	–	–	–	–	25	**25**	–	**25**
Utilisation of treasury shares	–	–	–	–	–	–	6	**6**	–	**6**
Arising on business combinations	–	–	–	–	–	–	–	**–**	23	**23**
Shares issued	42	877	–	–	–	–	–	**919**	–	**919**
Transfer to merger reserve	–	(877)	877	–	–	–	–	**–**	–	**–**
As at 31 December 2014	194	101	877	–	24	34	744	**1,974**	22	**1,996**

Consolidated cash flow statement
For the year ended 31 December 2016

	Note	**2016 £m**	2015 £m	2014 £m
Cash flow from operating activities				
(Loss)/profit before income tax from continuing operations		**(542)**	(235)	155
Profit/(loss) before income tax from discontinued operations	9	**15**	(5)	(33)
(Loss)/profit before income tax		**(527)**	(240)	122
Financial income	7	**(16)**	(16)	(11)
Financial expense	7	**87**	74	16
Share of post-tax results of joint ventures	2, 13	**(11)**	(28)	(12)
Intangible impairment and amortisation	5, 12	**629**	444	49
Impairment of assets held for sale	5	**26**	–	–
Depreciation and impairment of property, plant and equipment	11	**29**	26	16
(Profit)/loss on disposal of businesses	5	**(9)**	(1)	44
Difference between contributions to retirement benefit schemes and amount charged to profit before net financing expense	14	**(4)**	(3)	(2)
Profit on disposal of property, plant and equipment		**–**	(1)	–
Loss on disposal of intangible assets		**–**	–	1
Equity-settled share-based payments		**10**	7	8
		214	262	231
Decrease in inventories		**–**	1	–
(Increase)/decrease in trade and other receivables		**(39)**	38	106
Decrease in trade and other payables and provisions		**(5)**	(81)	(137)
Cash generated from operations		**170**	220	200
Tax paid		**(32)**	(79)	(54)
Net cash flow from operating activities		**138**	141	146
Cash flow from investing activities				
Acquisition of businesses (net of cash acquired)	25	**(2)**	(5)	(781)
Investment in joint ventures		**(2)**	(1)	(1)
Purchase of property, plant and equipment		**(16)**	(15)	(14)
Purchase of intangible assets		**(10)**	(23)	(17)
Movements in bank deposits (more than three months)		**1**	(2)	(3)
Disposal of businesses (net of cash disposed of)		**(5)**	(2)	(2)
Disposal of joint ventures		**40**	11	(21)
Disposal of property, plant and equipment		**2**	2	–
Advance disposal proceeds	24	**30**	–	–
Interest received		**11**	3	4
Dividends received from joint ventures	13	**34**	42	14
Dividends received from joint ventures classified as held for sale		**1**	–	–
Amounts (paid)/received on maturity of net investment hedges		**(16)**	37	(7)
Net cash flow from investing activities		**68**	47	(828)
Net cash flow before financing activities		**206**	188	(682)
Cash flow from financing activities				
Proceeds from other borrowings		**1,333**	68	1,198
Repayments of other borrowings		**(1,345)**	(143)	(100)
Cash flows in respect of facility arrangement fees		**(18)**	(3)	(13)
Interest paid		**(58)**	(38)	(7)
Dividends paid		**(113)**	(167)	(124)
Acquisition of non-controlling interest	25	**–**	(54)	–
Cash received in respect of debt related cash flow hedges	23	**30**	12	–
Dividends paid to non-controlling interests		**(4)**	(4)	–
Cash flows in respect of treasury shares*		**–**	15	6
Acquisition of shares by trustees of the Employee Share Trust		**(2)**	(5)	–
Net cash flow from financing activities		**(177)**	(319)	960
Increase/(decrease) in cash and cash equivalents		**29**	(131)	278
Cash and cash equivalents as at the beginning of the year	23	**340**	495	223
Exchange gains/(losses) on cash and cash equivalents	23	**19**	(24)	(6)
Cash and cash equivalents as at the end of the year	23	**388**	340	495

Consolidated cash flow statement continued
For the year ended 31 December 2016

	Note	2016 £m	2015 £m	2014 £m
Cash and cash equivalents consist of:				
Cash at bank and in hand	23	**286**	307	377
Bank deposits (less than three months)	23	**56**	33	118
Cash at bank and in hand classified as held for sale	24	**46**	–	–
Cash and cash equivalents as at the end of the year	23	**388**	340	495
Bank deposits (more than three months)	23	**22**	23	21
Bank loans	23	**(1,388)**	(1,264)	(1,267)
Loan payable to joint venture	23, 28	**(2)**	–	–
Bank loans classified as held for sale	23, 24	**(25)**	–	–
Fees capitalised against bank facilities	23	**15**	–	9
Derivatives classified as net debt	23	**27**	14	–
Finance leases	23	**(51)**	(59)	(61)
Finance leases classified as held for sale	23, 24	**(7)**	–	–
Net debt as at the end of the year		**(1,021)**	(946)	(803)

*Cash received from SAYE option holders on exercise of options.

Notes to the consolidated accounts

1 Significant accounting policies

Amec Foster Wheeler plc is a public limited company, which is listed on both the London Stock Exchange and the New York Stock Exchange and incorporated and domiciled in England. The principal activities of the Company and its subsidiaries (the Group) are described in note 2.

Statement of compliance

The consolidated accounts include the accounts of Amec Foster Wheeler plc 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. These are available from the registered office of the Company, Booths Park, Chelford Road, Knutsford, Cheshire WA16 8QZ, UK.

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 2016 (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 Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101); these are presented on pages 167 to 175.

From the Group's perspective, there are no applicable differences between adopted IFRS and IFRS as issued by the IASB, and therefore the financial statements also comply with IFRS as issued by the IASB.

Accounting standards adopted in the year

There are no IFRS, IAS amendments or IFRIC interpretations effective for the first time this financial year that have had a material impact on the Group.

New standards, amendments and interpretations issued but not effective which have not been early adopted by the Group

IFRS 9 'Financial Instruments' replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including the new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

We do not expect the adoption of IFRS 9 to have a significant impact on the total assets, total liabilities, guarantees, equity, earnings and earnings per share.

IFRS 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue' and IAS 11 'Construction Contracts'.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has performed an initial assessment of the potential impact of implementing IFRS 15. Under the existing accounting policy, contract revenue is recognised over the term of the contract by reference to the stage of completion on the contract activity at the end of each reporting period. Under IFRS 15, revenue will be recognised when a customer obtains control of the services, which can be at a point in time or over time.

For each performance obligation satisfied over time, revenue needs to be recognised by measuring the progress towards complete satisfaction of that performance obligation at the end of each reporting period.

Based on the initial review a large number of contracts were identified where the impact of implementing the standard may impact the timing of revenue recognition, in particular recognition of variation orders.

A further detailed assessment will commence shortly, and will involve each business segment reviewing the existing contracts in place to assess the likely impact of introducing the standard.

The Group has not yet determined whether to adopt the modified retrospective transition approach upon initial adoption of IFRS 15. An update will be made during the 2017 interim reporting.

IFRS 16 'Leases' replaces the existing guidance in IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. The standard introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. The income statement will include depreciation on the leased asset and an interest charge on the liability.

IFRS 16 is effective for annual periods on or after 1 January 2019 with early adoption permitted if IFRS 15 has also been applied.

The Group has begun a systematic review of all existing major lease contracts to ensure that the impact and effects of IFRS 16 are fully understood and changes to the current accounting procedures are highlighted and acted upon in advance of the effective date. Details of the Group's operating lease commitments are included in note 26. This shows as at 31 December 2016 there were off-balance operating lease obligations (undiscounted) of £379 million.

1 Significant accounting policies continued

New standards, amendments and interpretations issued but not effective which have not been early adopted by the Group continued

The Group has not yet decided whether to early adopt IFRS 16 and which transition approach to apply, and has not yet decided whether it will use any of the optional exemptions.

Other than as described above, there are no other IFRS, IAS amendments or IFRIC interpretations which are not yet effective that would be expected to have a material impact on the Group.

Basis of preparation

The accounts are presented in Sterling, rounded to the nearest million. All calculated numbers, for example earnings per share, are calculated on the underlying numbers to one decimal place precision. They are prepared on the historical cost basis except that derivative financial instruments and retirement benefit assets and liabilities are stated at fair value.

The preparation of accounts in accordance with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are 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.

Amec Foster Wheeler believe some of these policies require a high level of judgement, and the most critical accounting policies and significant areas of judgement and estimation arise from:

- long-term contracts under IAS 11 'Construction Contracts'
- intangible assets, including goodwill, under IAS 38 'Intangible Assets' and IAS 36 'Impairment of Assets'
- provisions under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and other similar liabilities
- classification of businesses as held for sale and for discontinued operations under IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'
- uncertain tax positions under IAS 12 'Income Taxes'
- defined benefit pension schemes under IAS 19 'Employee Benefits'
- acquisition accounting under IFRS 3 'Business Combinations'

In addition, judgement has also been applied in the presentation of certain research and development government credits and in presenting the UK conventional power business as a discontinued operation in 2013.

IAS 11 'Construction 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 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.

Principally, there are two types of long-term contracts being cost reimbursable contracts and fixed price contracts. Due to the nature of these contracts the significant estimates tend to arise on fixed price contracts rather than cost reimbursable contracts.

IAS 38 'Intangible Assets' and IAS 36 'Impairment of Assets'

The Group has a significant amount of intangible assets on its balance sheet. The determination of carrying value involves significant judgements when allocating goodwill to the cash generating units ('CGUs') expected to benefit from the acquisition. The estimation of the recoverable amounts also requires significant judgements and estimates including the future cash flows of the CGU, terminal growth rates and the appropriate rate at which to discount those cash flows. See note 12 for further details of the impairment reviews performed during the year. In total £500m of impairment charges have been recorded against goodwill and intangible assets during the year, see note 5 for further details.

1 Significant accounting policies continued

Basis of preparation continued

IAS 37 'Provisions, Contingent Liabilities and Contingent Assets and other similar liabilities'
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.

The Group has a significant asbestos-related provision. Some of the Group's US and UK subsidiaries are defendants in numerous asbestos-related lawsuits and out-of-court informal claims pending in the US and UK. Plaintiffs claim damages for personal injury alleged to have arisen from exposure to or use of asbestos in connection with work allegedly performed by the Group's subsidiaries during the 1970s and earlier.

The provision for asbestos is the Group's best estimate of its obligation required to settle claims that is expected to continue up until 2050. The provision is discounted back to a net present value using a US Treasury yield curve discount rate.

As part of the ongoing cost reduction programme, there has been consolidation of office space and significant onerous lease liabilities have been established. The estimation of these liabilities involves management's assessment of the ability of the Group to sub-lease the vacated space and the value of sub-lease income that will be generated.

See note 21 for further details of the Group's provisions.

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'
A non-current asset, or disposal group, is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continued use. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', assets and disposal which meet the definition of held for sale are valued at the lower of carrying value and fair value less costs to sell and their assets and liabilities are presented separately from other assets and liabilities on the balance sheet.

On 5 November 2015, a review of the assets portfolio was announced, since then a number of assets have been identified as no longer being core to the future of the business and the disposals process is well advanced.

The Group's interests in PetroPower Energia Limitada, The Incheon Bridge Co. Ltd, Foster Wheeler Power S.r.l., Aquenta Consulting Ltd and the GPG core boiler business were all classified as held for sale during 2016.

Judgements required in determining whether an asset meets the IFRS 5 criteria of held for sale include whether the business is being actively marketed, is available for sale in its current condition and whether a sale is highly probable within 12 months of classification as held for sale. On 2 March 2017, the potential disposal of the nuclear business was announced, this is not considered to have met the held for sale criteria as at 31 December 2016 as it had not been actively marketed at that date. When calculating fair value less costs to sell of an asset or disposal group, estimates of future disposal proceeds and goodwill to be allocated to the disposal group are required. Further details are provided in note 24.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the post-tax results of discontinued operations are disclosed separately in the consolidated income statement.

Discontinued operations include the non-core Built Environment businesses, which were sold during 2007, SPIE, which was sold in 2006, and the UK conventional power business that was discontinued in 2013.

Judgements required in determining whether an asset or disposal group meets the IFRS 5 criteria of discontinued includes whether it represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Of the assets classified as held for sale in 2016, the largest is the GPG core boiler business which contributed 4% to group revenue in 2016. In view of their relative size in relation to both the Group and the operating segment in which they are reported, none of assets or disposal groups classified as held for sale on 2016 are considered to be major lines of business and therefore are not discontinued operations.

The judgements applied in presenting the UK conventional power business as discontinued are explained in note 1 to the 2013 financial statements. The results and other disclosures in respect of discontinued operations are shown in note 9.

IAS 12 'Income Taxes'
Significant judgement is required in determining liabilities related to uncertain tax positions, in particular those in respect of financing structures. A current tax provision is recognised when the Group has a present obligation as a result of a past event, and it is more likely than not that the Group will be required to settle that obligation. A current tax provision is measured using the single best estimate of the likely outcome approach. There is also significant judgement required in assessing the recoverability of deferred tax assets, particularly to the extent they are supported by forecast profits and determining the period of forecasts used to support the asset.

1 Significant accounting policies continued

Basis of preparation continued

IAS 19 'Employee 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 and member life expectancy that underpin their valuations.

See note 14 for further details of the Group's retirement benefit schemes.

IFRS 3 'Business Combinations'

During 2014, the Group acquired Foster Wheeler AG. The acquisition was accounted for as a purchase under IFRS 3. Determining the fair value of the assets and liabilities acquired involved significant judgement and estimates. This involved the use of valuation models to determine the fair value of the intangible assets acquired. Inputs to these models include estimates of the future cash flows of Foster Wheeler; the appropriate discount rate to apply to these future cash flows, estimates of the retention rates for key customers and the likelihood of renewal of significant service contracts.

Going concern

As at 31 December 2016, the Company had net debt of £1,021m. Committed facilities under the principal Debt Facility Arrangement and other smaller facilities were £1,745m of which £300m was undrawn. The Company has taken steps to reduce its debt including the disposal of non-core assets, cost savings measures and suspending dividend payments until the Company is generating sustainable free cash flow. Despite the actions taken to date, there remained a risk that the leverage ratio would exceed the maximum leverage ratio under the Debt Facility Arrangement of 3.75:1 in the measurement period ended 30 June 2017 and in subsequent periods.

Should there be a breach of the leverage covenant, the lenders could demand accelerated repayment and the Company may not have the funds to make these repayments. To ensure continued compliance with its financial covenants, the Company has approached its banking group and successfully agreed a waiver to increase the leverage covenant in its banking facilities to 4.5:1 to provide additional headroom through to the reporting period ending 30 June 2018. The Directors have a reasonable expectation that the Company and the Group will comply with this revised covenant and will be able to operate within the level of available facilities and cash for the foreseeable future and accordingly believe that it is appropriate to prepare the financial statements on a going concern basis.

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

The consolidated accounts comprise the accounts of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally there is a presumption that a majority of voting rights result in control.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate there is a change of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated accounts from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of comprehensive income is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

1 Significant accounting policies continued

Basis of consolidation continued
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

Assets held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to property, plant and equipment or where appropriate the interest in joint ventures. The remaining assets and liabilities continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any interest in joint ventures are no longer equity accounted.

Bid costs
Bid costs and all related expenditure are expensed in the income statement as incurred.

Business combinations and goodwill
The purchase method is used to account for all business combinations.

Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the assets, liabilities and contingent liabilities acquired.

Goodwill arising on acquisitions since 1 January 2004 is capitalised and subject to an impairment review, both annually and when there are indications that its carrying value may not be recoverable. Goodwill is not amortised.

Cash and cash equivalents and short-term investments
Cash comprises cash balances and deposits repayable on demand and available within one working day without penalty.

Cash equivalents are other deposits with a maturity period of three months or less from date of acquisition; convertible without an undue period of notice and not subject to a significant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of Amec Foster Wheeler'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).

1 Significant accounting policies continued

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
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 those settlements and provisions arise from or are directly related to the discontinued operations.

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.

A net surplus from a defined benefit plan is recognised on the balance sheet when the asset would be recoverable as a result of an expected future refund after a gradual settlement of plan liabilities.

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: impairment charges, acquisition-related costs; restructuring costs; gains and losses on the disposal of fixed assets; and gains and losses on the disposal or closure of businesses. Acquisition-related costs may include transaction costs (including external advisory, legal, valuation and other professional fees and attributable internal costs), the amortisation of acquisition-related facility fees, payments to selling shareholders that are accounted for as remuneration and changes in the fair value of contingent consideration.

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.

Bank loans and similar borrowings are recognised initially at fair value (i.e. proceeds received) net of directly attributable transaction fees. Interest expense, including transaction fees is recognised over the life of the bank loan using the effective interest method.

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.

1 Significant accounting policies continued

Financial instruments continued

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.

Net investment hedges

Foreign currency differences arising on the retranslation of financial instruments designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income, to the extent that the hedge is effective. The gain or loss of any ineffective portion of the hedge is recognised immediately in the income statement. On disposal of the foreign operation, the cumulative value of gains and losses recorded in equity is transferred to the income statement.

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.

Goodwill

Goodwill arising on acquisitions represents the excess of the fair value of the purchase consideration over the fair value of the assets and liabilities acquired. Goodwill is capitalised and subject to impairment review, both annually and when there are indications that its carrying value may not be recoverable.

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.

1 Significant accounting policies continued

Intangible assets other than goodwill

Intangible assets acquired by the Group, which include customer relationships, brands/trademarks, order backlog, patents and software, are stated at cost less accumulated amortisation and impairment losses. The cost of an intangible asset acquired in a business combination is its 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 2016 are as follows:

Customer relationships	Two to 18 years
Brand/trademarks	Up to 20 years
Order backlog	Three to five years
Patents	15 years
Software	Three to seven years
Other	Up to six years

Inventories

Inventories, including land held for and in the course of development, are stated at the lower of cost and net realisable value.

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development. Cost includes cost of acquisition and development to date, including directly attributable fees and expenses net of rental and other income attributable to the development.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease costs, including incentives received, are charged to the income statement on a straight line basis over the period of the lease.

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.

1 Significant accounting policies continued

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 27 as contingent liabilities.

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 recognition and long term contracts

Revenue represents the amount received or receivable for goods and services supplied by the Group to its customers, including the Group's share of revenue from work carried out by jointly controlled operations. Revenue excludes intra-Group sales and value added tax and other sales taxes.

The Group's revenue is derived principally from service and construction-type contracts. Contract revenue is recognised over the term of the contract by reference to the stage of completion of the contract activity at the end of each reporting period.

Revenue from cost reimbursable contracts is based on the services provided, typically represented by man-hours worked, and is measured by reference to agreed charge-out rates or to the estimated total contract revenue. Flow-through costs on cost reimbursable contracts, typically consisting of materials, equipment or subcontractor services, are included as both contract revenue and contract costs.

Revenue from fixed price contracts is recognised using the percentage-of-completion method, measured by reference to physical completion or the ratio of costs incurred to total estimated contract costs. If the outcome of a contract cannot be estimated reliably, as may be the case in the initial stages of completion of the contract, revenue is recognised only to the extent of the costs incurred that are expected to be recoverable. If a contract is expected to be loss-making, the expected amount of the loss is recognised immediately in the income statement.

A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. Variations are included in contract revenue when it is probable that the customer will approve the variation and the related adjustment to the contract price can be measured reliably.

A claim is an amount that the contractor seeks to collect from the customer as reimbursement for costs whose inclusion in the contract price is disputed, and may arise from, for example, delays caused by the customer, errors in specification or design and disputed variations in contract work. Claims are included in contract revenue when negotiations with the customer have reached an advanced stage such that it is probable that the customer will accept the claim and the amount of the claim can be measured reliably.

Incentive payments are additional amounts payable to the contractor if specified performance standards are met or exceeded. Incentive payments are recognised when the contract is sufficiently far advanced that it is probable that the required performance standards will be met and the amount of the payment can be measured reliably.

1 Significant accounting policies continued

Revenue recognition and long term contracts continued

Gross amounts due from customers included in trade and other receivables represent the costs incurred plus recognised profits, less provision for recognised losses and progress billings. Progress billings that have not been settled by customers (including retentions related to contracts in progress) are included in trade receivables where they are stated after allowance for any doubtful debts.

Trade receivables, which are generally of a short term nature, are recognised and carried at the original invoiced amount less an allowance for estimated irrecoverable amounts. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Gross amounts due to customers included in trade and other payables represent payments on account received from customers in excess of the gross amounts due from customers and advances. Advances are amounts received by the customer before the related work is performed.

Share-based payments

There are various share-based payment arrangements which allow Amec Foster Wheeler employees to acquire Amec Foster Wheeler shares; these awards are granted by Amec Foster Wheeler. 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. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments, and due to items that are never taxable or deductible.

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.

A current tax provision is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account risks and uncertainties surrounding the obligation. Separate provisions for interest and penalties are also recorded if appropriate. Movements in interest and penalty amounts in respect of tax provisions are not included in the tax charge, but are disclosed within profit/(loss) before income tax.

Tax provisions are based on management's interpretation of country specific tax law and the likelihood of settlement. This involves a significant amount of judgement as tax legislation can be complex and open to different interpretation. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks. Where actual tax liabilities differ from the provisions, adjustments are made which can have a material impact on the Group's profits for the year.

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 Foster Wheeler designs, delivers and maintains strategic and complex assets for its customers across the global energy and related sectors.

During 2016, the Group's continuing operations were organised into five operating units: Americas; Northern Europe and CIS; Asia, Middle East, Africa and Southern Europe; Global Power Group and Investment Services. Details of the services offered by each segment and the end markets in which they operate are given on pages 2 to 4 and 14 to 15.

With effect from 1 January 2017, the Group has organised its Engineering & Construction business into four market-based business lines: Oil, Gas & Chemicals; Mining; Power and Environment & Infrastructure. The Global Power Group and Investment Services will continue to be reported separately – See page 3 for further details of the new business lines.

Segment information is presented on a consistent basis with the information presented to the Group's Executive Committee for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses.

The Group Executive Committee uses trading profit as the measure of the profitability of the Group's businesses. Trading profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Trading profit represents profit before net financing expense excluding exceptional items; the amortisation and impairment of intangible assets; and asbestos-related costs (net of insurance recoveries). Trading profit includes the Group's share of the trading profit of joint ventures.

Revenue and results

	Revenue			Profit/(loss)		
	2016 £m	2015 £m	2014 £m	**2016 £m**	2015 £m	2014 £m
Americas	**2,516**	2,646	2,184	**109**	161	212
Northern Europe and CIS	**1,497**	1,492	1,293	**121**	134	105
Asia, Middle East, Africa and Southern Europe	**1,102**	1,050	516	**61**	68	25
Global Power Group	**406**	364	53	**54**	51	1
Investment Services	**16**	15	8	**17**	14	9
	5,537	5,567	4,054	**362**	428	352
Internal revenue	**(97)**	(112)	(61)	**–**	–	–
External revenue	**5,440**	5,455	3,993	**–**	–	–
Corporate costs[1]				**(44)**	(54)	(31)
Trading profit[2]				**318**	374	321
Net financing expense[3]				**(64)**	(40)	(4)
Adjusted profit before tax				**254**	334	317
Tax on results of joint ventures[4]				**(4)**	(10)	(6)
				250	324	311
Intangible amortisation and impairment[5]				**(655)**	(444)	(49)
Exceptional and asbestos-related items[5]				**(137)**	(115)	(107)
(Loss)/profit before income tax				**(542)**	(235)	155

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

2 Trading profit is earnings from continuing operations before net financing expense, tax, intangible amortisation and impairment, pre-tax exceptional items and asbestos-related items of £303m (2015: £334m; 2014: £299m), but including joint venture trading profit of £18m (2015: £40m; 2014: £22m).

3 Net financing expense excludes exceptional and asbestos-related items, but includes Amec Foster Wheeler's share of net interest payable of joint ventures.

4 The share of post-tax results of joint ventures is further analysed as follows:

	2016 £m	2015 £m	2014 £m
Trading profit	**18**	40	22
Net financing expense	**(3)**	(2)	(4)
Tax	**(4)**	(10)	(6)
	11	28	12

5 See note 5 for further details.

2 Segmental analysis of continuing operations continued

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

	2016 £m	2015 £m	2014 £m
Americas	**13**	12	13
Northern Europe and CIS	**29**	35	23
Asia, Middle East, Africa and Southern Europe	**53**	65	24
Global Power Group	**2**	–	–
Investment Services	**–**	–	1
	97	112	61

Other information

	Share of post-tax results of joint ventures			Depreciation			Intangible amortisation and impairment[1]		
	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m
Americas	**(1)**	(1)	1	**8**	9	8	**241**	46	20
Northern Europe and CIS	**4**	15	8	**5**	6	5	**42**	41	19
Asia, Middle East, Africa and Southern Europe	**3**	3	2	**4**	4	2	**42**	23	6
Global Power Group	**4**	11	2	**5**	4	1	**275**	334	4
Investment Services	**1**	–	(1)	**3**	3	–	**21**	–	–
Corporate costs	**–**	–	–	**–**	–	–	**34**	–	–
	11	28	12	**25**	26	16	**655**	444	49

1 See Note 5 for details.

Geographical origin

	Revenue			Non-current assets		
	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m
United Kingdom	**1,312**	1,223	1,067	**627**	647	801
Canada	**538**	741	938	**296**	288	297
United States	**1,979**	1,873	1,218	**1,009**	1,302	1,175
Rest of the world	**1,611**	1,618	770	**852**	1,019	1,442
	5,440	5,455	3,993	**2,784**	3,256	3,715

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

Revenue to external customers by region is based on the location of the Group subsidiary which made the sale.

3 Revenue

	2016 £m	2015 (restated) £m	2014 £m
Construction contracts	**1,603**	1,637	917
Services	**3,837**	3,818	3,076
	5,440	5,455	3,993

The 2015 comparative has been restated following a review of the classification of a number of legacy Foster Wheeler contracts.

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 Foster Wheeler's role is as a service provider, for example project management.

4 Profit before net financing expense – continuing operations

	2016 £m	2015 (restated) £m	2014 £m
Depreciation and impairment of property, plant and equipment	**29**	26	16
Minimum payments under operating leases	**113**	107	87
Research and development government credits	**(17)**	(15)	(23)

The 2015 comparative for minimum payments under operating leases has been restated to include leases with a value of £18m not previously reported.

There are no material receipts from subleases.

	2016 £m	2015 £m	2014 £m
Fees paid to the auditor and its associates:			
The auditing of the accounts	**3.6**	4.1	3.9
The auditing of accounts of any subsidiaries of the company	**1.6**	1.4	1.5
Taxation compliance services	**0.2**	0.9	0.4
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	**1.2**	0.9	6.4
All other non-audit services	**0.1**	0.2	0.1
	6.7	7.5	12.3

5 Amortisation, impairment, exceptional and asbestos-related items

	2016 £m	2015 £m	2014 £m
Continuing operations:			
Administrative expenses – exceptional and asbestos-related items	**(129)**	(94)	(86)
Administrative expenses – intangible amortisation and impairment	**(655)**	(444)	(49)
	(784)	(538)	(135)
Profit/(loss) on business disposals and closures	**2**	(1)	(16)
Net financing expense	**(10)**	(20)	(5)
	(792)	(559)	(156)
Taxation credit on exceptional and asbestos-related items of continuing operations	**26**	18	6
Taxation credit on intangible amortisation and impairment	**43**	27	12
	69	45	18
Post-tax amortisation, impairment, exceptional and asbestos-related items of continuing operations	**(723)**	(514)	(138)
Exceptional items of discontinued operations (post-tax)	**7**	1	(19)
Post-tax amortisation, impairment, exceptional and asbestos-related items	**(716)**	(513)	(157)
Post-tax exceptional and asbestos-related items	**(104)**	(96)	(120)
Post-tax intangible amortisation and impairment	**(612)**	(417)	(37)
	(716)	(513)	(157)

Intangible amortisation and impairments are analysed as follows:

	2016 £m	2015 £m	2014 £m
Intangible amortisation	**129**	129	49
Impairment of goodwill and intangible assets	**500**	315	–
Impairment of assets on classification as held for sale	**26**	–	–
	655	444	49

5 Amortisation, impairment, exceptional and asbestos-related items continued

Impairment of goodwill and intangible assets

During 2016, the goodwill in the Global Power Group has been written down by £214m (2015: £308m) and in the Americas by £75m (2015: £nil). The Customer Relationship intangible assets acquired with Foster Wheeler and allocated to the Global Power Group and the Americas segments have also been written down by £32m and £125m respectively, following a review of the cash flows associated with these assets.

There were impairments of £20m charged against the Brand and Customer Relationship assets acquired with smaller acquisitions and a £34m impairment of an ERP system.

In total, there were impairment charges of £500m against goodwill and intangible assets in 2016, of which £246m arose in GPG, £200m in the Americas, £14m in AMEASE, £6m in NECIS and £34m in the Corporate centre. The impairment loss of £315m recognised in 2015 related to a £308m impairment of goodwill in the Global Power Group and a £7m impairment of the order backlog intangible asset in the Americas.

Impairment of assets on classification as held for sale

During 2016, the Group's interests in PetroPower Energia Limitada, The Incheon Bridge Co. Ltd, Aquenta Consulting Pty Ltd and the core boiler business of the Global Power Group were classified as held for sale. As part of the assessment of fair value less costs to sell of these businesses, impairment charges of £26m were recognised, this included goodwill of £16m allocated to the disposal groups.

Post-tax exceptional and asbestos-related items for 2016 are further analysed as follows:

						2016
	Profit on disposals £m	Profit in respect of business closures £m	Profit on business disposals and closures £m	Asbestos-related items £m	Other exceptional items £m	Total £m
Continuing operations	–	2	2	(4)	(135)	(137)
Discontinued operations	9	–	9	–	–	9
Profit/(loss) before tax	9	2	11	(4)	(135)	(128)
Taxation on exceptional items	(2)	1	(1)	–	25	24
Profit/(loss) after tax	**7**	**3**	**10**	**(4)**	**(110)**	**(104)**

Profit on disposals

During 2016, there were contract settlements and other positive developments on a number of retained liabilities associated with businesses sold in prior years and classified as discontinued. This resulted in provision releases which were offset by other movements in indemnities provisions and costs associated with running these businesses to give a profit on disposal of £9m.

Asbestos related items

There was a credit of £6m relating to a change in the discount rate applied to the asbestos liability. This was offset by a charge of £8m in respect of unwinding the discount and costs of managing the liability of £2m. There was no change to the actual liability required following the annual reassessment in 2016.

Other exceptional items

During 2016, the integration of the AMEC and Foster Wheeler businesses has continued and there has been an ongoing cost savings programme. Costs of £135m have been incurred in achieving the integration and the cost savings. This includes £54m of onerous lease and other property costs, which was incurred predominantly in the Americas, as the property portfolio has been reviewed and consolidated. Severance and other exit costs were £45m, which largely relates to delayering management and removing overlapping functions, but also includes severance cost related to engineers in the Oil and Gas Americas business following the down turn in trading in that business during the year. Professional fees of £31m have been incurred in relation to establishing the new group strategy and structure, the establishment of a Global Shared Services Centre and IT integration. There were also internal costs of £5m in relation to integration and restructuring activities.

Cash payments of £82m have been made during the year in respect of exceptional items incurred in the current and prior years.

5 Amortisation, impairment, exceptional items and asbestos-related items continued

Post-tax exceptional and asbestos-related items for 2015 are further analysed as follows:

2015	Profit on disposals £m	Loss in respect of business closures £m	Profit/(loss) on business disposals and closures £m	Asbestos-related items £m	Other exceptional items £m	Total £m
Continuing operations	–	(1)	(1)	6	(120)	(115)
Discontinued operations	1	–	1	–	–	1
Profit/(loss) before tax	1	(1)	–	6	(120)	(114)
Taxation on exceptional items	–	–	–	–	18	18
Profit/(loss) after tax	1	(1)	–	6	(102)	(96)

The pre-tax profit on disposal of £1m relates to costs and movements in indemnity provisions associated with businesses sold in prior years and classified as discontinued.

There was a credit of £5m relating to a change in the discount rate applied to the asbestos liability and experiential gains of £9m as the liability is reassessed on an annual basis. These credits were offset by a £7m charge in respect of unwinding the discount and £1m other costs of managing the liability.

Other exceptional items of £120m includes £97m relating to the costs of integrating the Amec and Foster Wheeler businesses, £13m amortisation of fees associated with the borrowings taken on to fund the acquisition, a £5m loss incurred following an unauthorised payment made from the Australian business and not expected to be recovered and other exceptional items totalling £5m.

Integration costs includes severance (£32m), professional and consultancy fees (£11m), costs of rationalisation of agents (£8m), property and office rationalisation (£27m), and staff costs (£11m) as well as IT, rebranding and Sarbanes-Oxley Act implementation costs totalling £8m.

Cash payments of £72m have been made during the year in respect of exceptional items incurred in the current and prior years.

Post-tax exceptional and asbestos-related items for 2014 are further analysed as follows:

2014	Loss on disposals £m	Profit in respect of business closures £m	Loss on business disposals and closures £m	Asbestos-related items £m	Other exceptional items £m	Total £m
Continuing operations	(21)	5	(16)	(9)	(82)	(107)
Discontinued operations	(23)	–	(23)	–	–	(23)
(Loss)/profit before tax	(44)	5	(39)	(9)	(82)	(130)
Taxation on exceptional items	5	–	5	–	5	10
(Loss)/profit after tax	(39)	5	(34)	(9)	(77)	(120)

During the year ended 31 December 2014, the Group disposed of its investment in the Lancashire Waste project at a loss of £21m mainly arising from a reverse premium payable on exit. This combined with additional indemnity provisions and costs of £23m associated with businesses sold in prior years (and classified as discontinued) to give a pre-tax loss on disposal of £44m. This includes a provision of £11m in respect of a new claim received in the year related to a contract completed by the DPS business which was sold in 2007.

There was a credit of £5m from the release of a provision no longer required in respect of a business closed in a prior year (and classified as continuing).

Other exceptional items of £82m includes transaction costs of £37m relating to the acquisition of Foster Wheeler AG, £35m costs of integrating the two businesses and £4m of fees associated with the borrowings taken on to fund the acquisition. Integration costs include consultancy and other costs of identifying cost synergies of £18m which includes associated internal labour, plus £17m costs of achieving cost synergies (including £14m redundancy costs). In addition £6m was incurred in completing the previously announced restructuring into geographic business units. There was a charge of £8m relating to a change in the discount rate applied to the asbestos liability and £1m in respect of unwinding the discount.

Cash payments of £58m have been made during the year in respect of exceptional items incurred in the current and prior years.

6 Staff costs and employee numbers – continuing operations

	2016 £m	2015 £m	2014 £m
Wages and salaries	**1,872**	1,857	1,466
Social security costs	**190**	193	100
Equity-settled share-based payments (note 22)	**10**	7	8
Contributions to defined contribution schemes	**50**	42	37
Defined benefit pension scheme expense (note 14)	**16**	38	31
	2,138	2,137	1,642

	2016 number	2015 number	2014 number
The average number of people employed was as follows:			
Americas	**12,670**	15,040	12,365
Northern Europe and CIS	**9,572**	9,232	7,898
Asia, Middle East, Africa and Southern Europe	**6,139**	7,086	3,376
Global Power Group	**2,099**	2,332	322
Investment Services/Centre	**420**	323	264
	30,900	34,013	24,225

The average number of people employed in 2014 includes AMEC staff for the full year and Foster Wheeler staff for the period following the acquisition.

The average number of employees as stated above excludes agency staff.

Details of directors' remuneration are provided in the Directors' remuneration report on pages 74 to 88.

7 Net financing expense – continuing operations

	2016 £m	2015 £m	2014 £m
Financial income			
Interest income on bank deposits	**9**	7	3
Other interest and similar income	**2**	3	5
Pension financing income	**–**	–	2
Foreign exchange gains	**5**	6	1
	16	16	11
Financial expense			
Interest payable on bank loans and overdrafts	**(76)**	(51)	(10)
Other interest and similar expense	**–**	(7)	(4)
Pension finance expense	**–**	(2)	–
Foreign exchange losses	**(3)**	(7)	(1)
Unwinding of the discount on the asbestos provision	**(8)**	(7)	(1)
	(87)	(74)	(16)
Net financing expense	**(71)**	(58)	(5)

The unwinding of the discount on the asbestos provision of £8m (2015: £7m, 2014: £1m) as well as costs associated with the refinancing of the acquisition facilities of £2m (2015: £nil, 2014: £nil) have been presented separately in the income statement as exceptional items. Included within exceptional financing expense in 2015 and 2014 were costs relating to the amortisation of the acquisition facility fees of £13m and £4m respectively.

Interest income on bank deposits and interest payable on bank loans and overdrafts relates to financial assets and liabilities measured at amortised cost.

8 Income tax – continuing operations

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

	2016 £m	2015 £m	2014 £m
Income tax expense on continuing operations before intangible amortisation and impairment, exceptionals and asbestos-related items	**53**	63	67
Income tax credit on intangible amortisation and impairment	**(43)**	(27)	(12)
Income tax credit in respect of other exceptional items	**(26)**	(18)	(6)
Total income tax (credit)/expense from continuing operations in the income statement	**(16)**	18	49

The income tax charge is split between current and deferred tax as follows:

	2016 £m	2015 (restated) £m	2014 (restated) £m
Current tax			
Current year	**67**	62	74
Adjustments in respect of prior years	**(22)**	(22)	(8)
	45	40	66
Deferred tax			
Origination and reversal of temporary differences	**(60)**	(19)	(13)
Adjustments in respect of prior years	**(1)**	(3)	(4)
	(61)	(22)	(17)
Total income tax (credit)/expense for continuing operations	**(16)**	18	49

The standard rate of corporation tax in the UK will be reduced to 19% with effect from 1 April 2017, with a further reduction to 17% from 1 April 2020. These changes were all substantively enacted prior to the end of the year.

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

	2016 £m	2015 £m	2014 £m
(Loss)/profit before tax	**(542)**	(235)	155
Less: share of net income from joint ventures	**(11)**	(28)	(12)
(Loss)/profit before tax from continuing operations (excluding joint ventures)	**(553)**	(263)	143
Expected income tax (credit)/expense at UK tax rate	**(111)**	(53)	31
Non-deductible expenses – pre-exceptional	**9**	7	13
Non-deductible expenses – exceptional	**8**	3	11
Non-deductible impairments	**62**	62	–
Non-taxable income – pre-exceptional	**(11)**	(2)	–
Benefit from finance structures	**(15)**	(12)	(6)
Closure of HMRC enquiry into intragroup lending	**–**	(12)	–
Impact of change in tax rates on deferred tax	**(3)**	(7)	–
Overseas income and expenses taxed at rates other than UK rate	**(24)**	5	8
Utilisation of tax assets not previously recognised	**(6)**	(1)	–
Recognition of tax assets not previously recognised	**(8)**	(3)	(8)
Current year tax assets not recognised	**29**	15	10
Write-off of previously recognised tax assets	**69**	26	–
Other adjustments in respect of prior years	**(15)**	(10)	(10)
Total income tax (credit)/expense for the year for continuing operations	**(16)**	18	49

The benefit from financing structures includes prior year adjustments in relation to tax risk provisions of £8m (2015: £3m, 2014: £2m).

Overseas income and expenses taxed at rates other than UK rate decreases the tax charge in 2016 primarily because of losses in the US including impairments of intangible assets relating to the legacy Foster Wheeler US business. Given the low rate of tax in the UK, this would typically increase the tax charge as in 2014 and 2015. However in 2016, the impact of losses is greater than the impact of profits in countries with higher tax rates than the UK.

8 Income tax – continuing operations continued

Current year tax assets not recognised primarily relates to the losses of the legacy Foster Wheeler US business.

Write-off of previously recognised tax assets primarily relates to assets that have been derecognised as a result of impairments of intangible assets reducing the deferred tax liabilities which previously supported the corresponding asset recognition.

During 2015, HMRC's enquiry into the nature of the intercompany debt payable from the legacy AMEC US group to the UK was concluded without tax adjustment. Accordingly, £12m of risk provision was released in full during the year.

Net income tax liabilities in the Group balance sheet include £104m (2015: £105m) relating to uncertain tax positions.

	2016 £m	2015 £m	2014 £m
Tax recognised directly in other comprehensive income			
Current tax	**–**	–	–
Deferred tax (note 15)	**(31)**	23	(11)
Tax (credit)/charge recognised directly in other comprehensive income	**(31)**	23	(11)

9 Profit/(loss) for the year from discontinued operations

Discontinued operations represent the residual assets and retained obligations in respect of businesses sold in prior years, including the UK conventional power business, which was discontinued in 2013.

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 all attributable to the equity holders of the parent and are as follows:

	2016 £m	2015 £m	2014 £m
Revenue	**(7)**	–	(13)
Cost of sales and net operating expenses	**13**	(6)	3
Profit/(loss) before exceptional items and income tax	**6**	(6)	(10)
Attributable tax	**(1)**	1	2
	5	(5)	(8)
Profit/(loss) on disposal	**9**	1	(23)
Tax on profit/(loss) on disposal	**(2)**	–	4
Profit/(loss) for the year from discontinued operations	**12**	(4)	(27)

The negative revenue and profit before exceptional items and income tax in 2016 arose from the settlement of the final account of a contract in the UK conventional power business. The profit on disposals of £9m is a result of movements in indemnities provisions and costs associated with businesses sold in prior years.

The loss before exceptional items and income tax in 2015 represents additional provisions on certain contracts within the UK conventional power business.

The negative revenue of £13m and loss of £10m before exceptional items and income tax in 2014 related to the settlement of final accounts and additional provisions on the UK conventional power contracts.

The loss on disposals of £23m in 2014 relates to additional indemnity provisions and costs associated with businesses sold in prior years.

Net cash flows attributable to discontinued operations

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

	2016 £m	2015 £m	2014 £m
Net cash flow from operating activities	**8**	(1)	(3)
Net cash flow from investing activities	**(5)**	2	3
	3	1	–

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 Employee Share Trust and those held in treasury by the Company. As the Group has reported a basic loss per ordinary share from continuing operations, any potential ordinary shares are anti-dilutive and so excluded from the calculation of diluted loss per share.

	2016			2015			2014		
	(Loss)/ earnings £m	Weighted average shares number million	(Loss)/ earnings per share pence	Loss £m	Weighted average shares number million	Loss per share pence	Earnings £m	Weighted average shares number million	Earnings/ (loss) per share pence
Basic (loss)/earnings from continuing operations	**(530)**	**383**	**(138.9)**	(252)	383	(66.1)	109	302	36.1
Share options	**–**	**–**	**–**	–	–	–	–	2	(0.2)
Employee share and incentive schemes	**–**	**–**	**–**	–	–	–	–	7	(0.8)
Diluted (loss)/earnings from continuing operations	**(530)**	**383**	**(138.9)**	(252)	383	(66.1)	109	311	35.1
Basic earnings/(loss) from discontinued operations	**12**	**383**	**3.3**	(4)	383	(1.1)	(27)	302	(8.9)
Share options	**–**	**–**	**–**	–	–	–	–	2	0.1
Employee share and incentive schemes	**–**	**–**	**–**	–	–	–	–	7	0.2
Diluted earnings/(loss) from discontinued operations	**12**	**383**	**3.3**	(4)	383	(1.1)	(27)	311	(8.6)

Basic and diluted (loss)/profit from continuing operations is calculated as set out below:

	2016 £m	2015 £m	2014 £m
(Loss)/profit for the year from continuing operations	**(526)**	(253)	106
(Profit)/loss attributable to non-controlling interests	**(4)**	1	3
Basic and diluted (loss)/profit from continuing operations	**(530)**	(252)	109

10 Earnings per share continued

In order to appreciate the effects on the reported performance of intangible amortisation and impairment, exceptional items and asbestos-related items, along with the impact of the potential ordinary shares, additional calculations of earnings per share are presented.

	2016			2015			2014		
	(Loss)/ earnings £m	**Weighted average shares number million**	**(Loss)/ earnings per share pence**	(Loss)/ earnings £m	Weighted average shares number million	(Loss)/ earnings per share pence	(Loss)/ earnings £m	Weighted average shares number million	Earnings/ (loss) per share pence
Basic (loss)/earnings from continuing operations	**(530)**	**383**	**(138.9)**	(252)	383	(66.1)	109	302	36.1
Exceptional and asbestos-related items (post-tax)	**111**	**–**	**29.4**	97	–	25.3	101	–	33.4
Amortisation and impairment (post-tax)	**612**	**–**	**160.2**	417	–	108.9	37	–	12.3
Basic earnings from continuing operations before impairment, amortisation, exceptional and asbestos-related items	**193**	**383**	**50.7**	262	383	68.1	247	302	81.8
Share options	**–**	**–**	**–**	–	–	–	–	2	(0.5)
Employee share and incentive schemes	**–**	**2**	**(0.3)**	–	2	(0.4)	–	7	(1.8)
Diluted earnings from continuing operations before impairment, amortisation, exceptional and asbestos-related items	**193**	**385**	**50.4**	262	385	67.7	247	311	79.5
Basic earnings/(loss) from discontinued operations	**12**	**383**	**3.3**	(4)	383	(1.1)	(27)	302	(8.9)
Exceptional items (post-tax)	**(7)**	**–**	**(1.9)**	(1)	–	(0.2)	19	–	6.3
Basic earnings/(loss) from discontinued operations before exceptional items	**5**	**383**	**1.4**	(5)	383	(1.3)	(8)	302	(2.6)
Share options	**–**	**–**	**–**	–	–	–	–	2	–
Employee share and incentive schemes	**–**	**2**	**–**	–	2	–	–	7	0.1
Diluted earnings/(loss) from discontinuing operations before exceptional items	**5**	**385**	**1.4**	(5)	385	(1.3)	(8)	311	(2.5)

11 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
As at 1 January 2016	75	171	246
Exchange and other movements	8	24	32
Reclassifications	(6)	4	(2)
Additions	6	11	17
Disposals	(2)	(7)	(9)
Transfer to assets held for sale	(7)	(62)	(69)
As at 31 December 2016	**74**	**141**	**215**
Depreciation			
As at 1 January 2016	29	90	119
Exchange and other movements	5	12	17
Reclassifications	–	(1)	(1)
Provided during the year	7	18	25
Disposals	(2)	(6)	(8)
Impairment loss	2	2	4
Transfer to assets held for sale	(2)	(10)	(12)
As at 31 December 2016	**39**	**105**	**144**
Cost			
As at 1 January 2015	78	172	250
Exchange and other movements	(3)	(4)	(7)
Reclassifications	(2)	(5)	(7)
Additions	4	12	16
Disposals	(2)	(4)	(6)
As at 31 December 2015	75	171	246
Depreciation			
As at 1 January 2015	24	76	100
Exchange and other movements	(1)	(2)	(3)
Provided during the year	7	19	26
Disposals	(1)	(3)	(4)
As at 31 December 2015	29	90	119
Net book value			
As at 31 December 2016	**35**	**36**	**71**
As at 31 December 2015	46	81	127
As at 1 January 2015	54	96	150

	31 December 2016 £m	31 December 2015 £m
The net book value of land and buildings comprised:		
Freehold	**18**	24
Short leasehold	**17**	22
	35	46

The carrying value of land and buildings held under finance lease at 31 December 2016 was £4m (2015: £5m). Additions during the year include £nil (2015: £nil) under finance leases.

12 Intangible assets

	Goodwill £m	Customer relationships £m	Brands/ trademarks £m	Order backlog £m	Patents £m	Software £m	Total £m
Cost							
As at 1 January 2016	2,531	530	194	137	117	145	3,654
Exchange and other movements	391	65	35	20	23	10	544
Additions	–	–	–	–	–	13	13
Disposals and retirements	–	–	–	–	–	(3)	(3)
Transfer to assets held for sale	(645)	–	(14)	(16)	(92)	(5)	(772)
Reclassifications	–	–	–	–	–	2	2
As at 31 December 2016	**2,277**	**595**	**215**	**141**	**48**	**162**	**3,438**
Amortisation							
As at 1 January 2016	339	119	32	65	9	65	629
Exchange and other movements	70	25	5	12	3	5	120
Impairment loss	289	173	4	–	–	34	500
Provided during the year	–	40	11	46	8	24	129
Disposals and retirements	–	–	–	–	–	(3)	(3)
Transfer to assets held for sale	(585)	–	(2)	(11)	(13)	(2)	(613)
Reclassifications	–	–	–	–	–	1	1
As at 31 December 2016	**113**	**357**	**50**	**112**	**7**	**124**	**763**
Cost							
As at 1 January 2015	2,551	560	186	137	109	123	3,666
Exchange and other movements	(21)	1	8	–	8	–	(4)
Additions	1	–	–	–	–	21	22
Disposals and retirements	–	(31)	–	–	–	(6)	(37)
Reclassifications	–	–	–	–	–	7	7
As at 31 December 2015	2,531	530	194	137	117	145	3,654
Amortisation							
As at 1 January 2015	35	107	21	14	1	45	223
Exchange and other movements	(4)	–	–	1	1	1	(1)
Impairment loss	308	–	–	7	–	–	315
Provided during the year	–	43	11	43	7	25	129
Disposals and retirements	–	(31)	–	–	–	(6)	(37)
As at 31 December 2015	339	119	32	65	9	65	629
Net book value							
As at 31 December 2016	**2,164**	**238**	**165**	**29**	**41**	**38**	**2,675**
As at 31 December 2015	2,192	411	162	72	108	80	3,025
As at 1 January 2015	2,516	453	165	123	108	78	3,443

The carrying value of software held under deferred payment arrangements which are similar to finance leases as at 31 December 2016 was £21m (2015: £24m). Additions during the year include £4m (2015: £nil) of software held under deferred payment arrangements.

During 2016 there has been an impairment charge against the goodwill in the Global Power Group of £214m (2015: £308m) and in the Americas of £75m (2015: £nil). The customer relationship intangible assets in the Global Power Group and the Americas have also been impaired by £32m and £125m respectively.

In addition, there were impairments of £20m charged against the brand and customer relationship assets acquired with smaller acquisitions and a £34m impairment of an ERP system.

12 Intangible assets continued

The impairment loss of £315m recognised in 2015 related to a £308m impairment of goodwill in the Global Power Group and a £7m impairment of the order backlog intangible asset in the Americas.

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 at the operating segment level, being the lowest level of cash-generating units (CGU) monitored for goodwill purposes.

The table below shows the goodwill allocated to each CGU, post recognition of any impairment losses.

	Goodwill 31 December 2016 £m	Pre-tax discount rate 2016 %
Americas	**1,172**	**11**
Northern Europe and CIS	**655**	**11**
Asia, Middle East, Africa and Southern Europe	**337**	**11**
Global Power Group	**–**	**13**

The recoverable amount of all CGUs has been based on value-in-use calculations. These calculations use cash flow projections included in the financial budgets approved by the board for 2017 and 2018, and pre-tax discount rates as set out in the table above. For the purposes of the calculation of the recoverable amount, the cash flow projections beyond the budgeted period include 5% growth in 2019, 10% growth in 2020 and 3% growth per annum thereafter. The long-term growth rates are in line with long-term average growth rates for the regions in which the CGUs operate.

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 trading profit margin and the conversion of trading profit into cash (cash conversion). Revenue is underpinned by a secure order book for each CGU and the order book which stood out at £5.8 billion as at 31 December 2016 (2015: £6.6 billion). The selection of trading profit 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 Amec Foster Wheeler's growth strategy. The cash conversion reflects past experience and current contract mix.

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 the Northern Europe and CIS, or Asia, Middle East, Africa and Southern Europe CGUs.

The carrying amount of the Global Power Group CGU has been reduced to its recoverable amount through recognition of an impairment loss of £214m against goodwill. This has been included in administrative expenses in the income statement. The impairment loss arose during the first half of 2016 due to a further deterioration in the forecast results of the Global Power Group with further delays and project cancellations and reduced bookings in the period. The residual goodwill in the Global Power Group CGU was allocated to the core boiler business which was classified as held for sale as at 31 December 2016.

The carrying amount of the Americas CGU has been reduced to its recoverable amount through recognition of an impairment loss of £75m against goodwill. This has been included in administrative expenses in the income statement. The impairment loss arose following a significant deterioration in the trading conditions and forecast out-turn of the oil and gas business based in Houston. The recoverable amount of the Americas CGU is £1,226m.

A sensitivity analysis has been performed in order to review the impact of changes in key assumptions on the results of the impairment tests. Any adverse changes in the key assumptions would increase the impairment loss recorded in the Americas.

The value-in-use calculation for the Northern Europe and CIS CGU showed headroom of £173m, however, applying zero terminal growth would eliminate the headroom and would result in an impairment to goodwill of £107m. A zero growth rate would not result in an impairment in the Asia, Middle East, Africa and Southern Europe CGU. Consideration was also given to the impact of a 10% decrease in volume, a 1% decrease in margin, or a 1% increase in discount rate, in each case holding other assumptions constant. This did not identify any impairments in these CGUs.

13 Interests in joint ventures

Interests in joint ventures

Details in aggregate of the Group's interests in joint ventures that are accounted for using the equity method are as follows:

	£m
Net book value	
As at 1 January 2016	104
Exchange and other movements	12
Disposal of businesses	(1)
Additions	2
Reclassifications	4
Transfer to assets held for sale	(60)
Total comprehensive income	11
Dividends received	(34)
As at 31 December 2016	**38**
As at 1 January 2015	122
Exchange and other movements	2
Disposal of businesses	(9)
Additions	1
Reclassifications	2
Total comprehensive income	28
Dividends received	(42)
As at 31 December 2015	104

Group companies and their applicable registered offices are listed on pages 212 to 221.

Details of material joint ventures

PetroPower Energia Limitada

The Group had an 85% interest in PetroPower Energia Limitada, a joint venture alongside the state-owned oil company of the Republic of Chile, which began commercial operation in November 1998. The Group's interest was accounted for using the equity method in the consolidated financial statements.

Although the Group had an 85% interest in PetroPower Energia Limitada, the profits were split according to the joint venture agreement. In the year the profit after tax received by the Group from PetroPower Energia Limitada was £4m (2015: £11m), the carrying value of the investment was £nil (2015: £53m). The primary difference between the equity value of PetroPower Energia Limitada and the Group's carrying value of investment relates to the distributions that have been recognised as a liability but have not been paid to Amec Foster Wheeler.

On 30 June 2016, the Group's interest in PetroPower Energia Limitada was transferred to assets held for sale (see note 24), and on 7 December 2016, its sale was completed (see note 25).

Summarised financial information of the joint venture, based on its IFRS financial statements is set out below:

Summarised Balance Sheet of PetroPower Energia Limitada:

	2015 £m
Non-current assets	47
Current assets, including cash and cash equivalents of £20m	35
Current liabilities	(30)
Non-current liabilities	(12)
Equity	40
Group's carrying value of investment	53

13 Interests in joint ventures continued

Summarised Income Statement of PetroPower Energia Limitada:

	Period to 30 June 2016 £m	Year ended 31 December 2015 £m
Revenue	**20**	43
Cost of sales including depreciation of £3m (2015: £6m)	**(11)**	(20)
Administrative expenses	**(1)**	(2)
Profit before tax	**8**	21
Income tax expense	**(2)**	(5)
Profit for the period/year	**6**	16
Total comprehensive income	**6**	16
Group's share of profit for the period/year	**4**	11
Group's share of total comprehensive income for the period/year	**4**	11

Reconciliation of movement in the Group's carrying value in the investment in PetroPower Energia Limitada:

	2016 £m	2015 £m
As at 1 January	**53**	54
Exchange and other movement	**4**	4
Group share of total comprehensive income	**4**	11
Dividends paid to the Group	**(18)**	(16)
Transfer to assets held for sale	**(43)**	–
As at 31 December	**–**	53

Nuclear Management Partners Limited

The Group has a 36% interest in Nuclear Management Partners Limited. The Group's interest is accounted for using the equity method in the consolidated financial statements.

On 13 January 2015, the Nuclear Decommissioning Authority announced its intention to change the commercial model at Sellafield. Under the new arrangements, the Nuclear Decommissioning Authority terminated the Parent Body Agreement between Nuclear Management Partners Limited, it and Sellafield, with effect from 1 April 2016. It is intended that the company will be wound up in a structured manner in the future. Summarised financial information of the joint venture, based on its IFRS financial statements, is set out below:

Summarised Balance Sheet of Nuclear Management Partners Limited:

	2016 £m	2015 £m
Non-current assets	**–**	10
Current assets, including cash and cash equivalents of £1m (2015: £5m)	**2**	8
Current liabilities, including current financial liabilities of £2m (2015: £3m)	**(2)**	(6)
Non-current liabilities	**–**	–
Equity	**–**	12
Group's carrying value of investment	**–**	4

13 Interests in joint ventures continued

Summarised Income Statement of Nuclear Management Partners Limited:

	2016 £m	2015 £m
Revenue	2	6
Cost of sales	(2)	(6)
Administrative expenses	–	(2)
Share of post-tax results of associate	12	40
Profit before tax	12	38
Income tax expense	–	–
Profit for the year	12	38
Total comprehensive income	12	38
Group's share of profit for the year	4	14
Group's share of total comprehensive income for the year	4	14

Reconciliation of movement in the Group's carrying value of the investment in Nuclear Management Partners Limited

	2016 £m	2015 £m
As at 1 January	4	10
Share of total comprehensive income	4	14
Dividends paid	(8)	(20)
As at 31 December	–	4

Summary of individually immaterial joint ventures

	2016 £m	2015 £m
Profit for the year	3	3
Total comprehensive income	3	3

PPP service concessions

Details of the PPP service concessions are as follows:

		Financial close	Equity stake	Concession period	Net equity invested
Transport	A13 Thames Gateway	2000	25%	30 years	–
	Incheon Bridge, Korea*	2005	23%	30 years	£16m

*Presented in assets held for sale

Interests in joint operations

The Group does not hold any individually material interests in joint operations in either the current or prior year.

14 Retirement benefit assets and liabilities

Defined benefit schemes

The Group operates a number of pension schemes for UK and overseas employees. As at 31 December 2015, the two most significant defined benefit schemes were based in the UK: the AMEC Staff Pension Scheme (an open 'career average salary' scheme, which also has an associated Executive top-up scheme) and the Foster Wheeler Pension Plan (a legacy scheme that closed to further accrual in 2010). The next most significant was based in the US: The Foster Wheeler Inc. Salaried Employees Pension Plan which was closed to further accrual in 2003.

Following an employee consultation exercise at the end of 2015 and subsequent Trustee approval in early 2016, the Company closed the AMEC Staff and Executive top-up schemes to further accrual from 1 April 2016 and replaced them with a new defined contribution arrangement.

During 2016, all legacy defined benefit plans in the UK were merged into the AMEC Staff Pension Scheme, which was renamed the Amec Foster Wheeler Pension Plan on 1 April 2016. The merged scheme holds all the pension assets in a separately administered fund and is governed by the employment laws of the UK. The benefits are determined by the member's length of service and salary each year. Once the benefits are in payment, the pension is adjusted each year in accordance with the scheme's rules relative to UK price inflation. The scheme is established under trust law and is governed by a corporate Trustee Board (the 'Trustees'), which consists of employers' and employees' representatives and two independent trustees. The Trustees are responsible for the management and administration of the scheme and for the definition of the investment strategy.

Every three years, the Trustees undertake an actuarial valuation of the scheme's funding position. In the event that the valuation results indicate a funding deficit, the Trustees and the employer will agree a recovery plan to eliminate that deficit over as short a period as is reasonably affordable. The next triennial review of the Amec Foster Wheeler Pension Plan is due to take place as at 31 March 2017.

Due to the nature of the liabilities, the pension plan is 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.

Contributions by the Group into defined contribution schemes are disclosed in note 6.

The principal assumptions made by the actuaries are as follows:

	31 December 2016 %	31 December 2015 %	31 December 2014 %
The Amec Foster Wheeler Pension Plan (formerly AMEC Staff and Executive Pension schemes)			
Rate of discount	**2.7**	3.9	3.6
Rate of inflation	**3.2**	3.0	3.0
Rate of increase in pensions in payment (service before/after 1 January 2008)*	**3.0/2.1**	2.8/1.9	2.9/2.0
The Foster Wheeler Pension Plan			
Rate of discount	**N/A**	3.9	3.7
Rate of inflation	**N/A**	3.0	3.0
Rate of increase in pensions in payment (service before/after 5 April 2005, nil before 6 April 1997)	**N/A**	2.0/1.5	1.1
The Foster Wheeler Inc. Salaried Employees Pension Plan			
Rate of discount	**3.9**	3.9	3.6
Rate of inflation	**2.2**	2.3	2.5

*Assumptions disclosed are in respect of members of the former AMEC Staff and Executive Pension schemes. For members of the former Foster Wheeler Pension Plan, the rate of increase in pensions in payment is 2.2% for service before 5 April 2005, and 1.7% for service after 5 April 2005 (nil before 6 April 1997).

In addition the Group has a number of smaller overseas schemes. During the year the discount rate ranged from 1.3% to 9.1% (2015: 1.5% to 10.1%; 2014: 1.8% to 9.0%). The rate of increase in salaries ranged from 1.5% to 8.0% (2015: 1.9% to 8.0%; 2014: 1.8% to 8.0%).

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

For the principal defined benefit schemes, the assumed life expectancy is as follows:

	31 December 2016 Male years	31 December 2016 Female years	31 December 2015 Male years	31 December 2015 Female years	31 December 2014 Male years	31 December 2014 Female years
The Amec Foster Wheeler Pension Plan (formerly AMEC Staff and Executive Pension schemes)						
Member aged 65 (current life expectancy)	**22.4**	**24.7**	22.4	24.6	22.5	24.6
Member aged 45 (life expectancy at 65)	**24.2**	**26.6**	24.1	26.5	24.2	26.5
The Foster Wheeler Pension Plan						
Member aged 65 (current life expectancy)	**N/A**	**N/A**	23.4	23.2	23.5	23.2
Member aged 45 (life expectancy at 65)	**N/A**	**N/A**	25.1	25.1	25.3	25.1
The Foster Wheeler Inc. Salaried Employees Pension Plan						
Member aged 65 (current life expectancy)	**20.5**	**22.4**	21.1	23.1	21.6	23.7
Member aged 45 (life expectancy at 65)	**21.9**	**23.7**	23.2	25.2	23.2	25.4

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 2016 £m	31 December 2015 £m	31 December 2014 £m
Retirement benefit assets	**70**	231	102
Retirement benefit liabilities	**(207)**	(168)	(188)
Retirement benefit net (liability)/asset	**(137)**	63	(86)

The retirement benefit net (liability)/asset is analysed as follows:

	31 December 2016 £m	31 December 2015 £m	31 December 2014 £m
The Amec Foster Wheeler Pension Plan (formerly AMEC Staff and Executive Pension schemes)	**70**	184	65
The Foster Wheeler Pension Plan	**–**	47	37
The Foster Wheeler Inc. Salaried Employees Pension Plan	**(71)**	(59)	(57)
Other smaller pension schemes	**(136)**	(109)	(131)
	(137)	63	(86)

The retirement benefit liabilities of £207m (2015: £168m; 2014: £188m) reflect the deficits on the Foster Wheeler Inc. Salaried Employees Pension Plan and the smaller overseas schemes.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	31 December 2016 %	31 December 2015 %	31 December 2014 %
Equities	**35.5**	34.6	35.4
Bonds (including gilts)	**49.5**	51.8	52.6
Property	**7.0**	8.7	8.4
Other	**8.0**	4.9	3.6
	100.0	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.

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

The amounts recognised in the income statement are as follows:

	2016 £m	2015 £m	2014 £m
Current service cost, past service cost and administrative expenses	16	36	33
Interest cost	105	104	84
Interest income	(105)	(102)	(86)
Total amount recognised in the income statement and included within staff costs (note 6)	16	38	31
Settlement gain	–	(3)	(3)
Total amount recognised in the income statement	16	35	28
The total amount is recognised in the income statement as follows:			
Cost of sales	11	22	20
Administrative expenses	5	11	10
Net financing expense/(income)	–	2	(2)
Total amount recognised in the income statement	16	35	28

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

	2016 £m	2015 £m	2014 £m
As at 1 January	2,717	2,931	1,743
Exchange and other movements	95	(1)	3
Acquired through business combinations	–	–	898
Current and past service cost	13	32	29
Interest cost	105	104	84
Plan participants' contributions	5	11	12
Actuarial losses/(gains) arising from changes in financial assumptions and experience adjustments	587	(177)	278
Actuarial gains from changes in demographic assumptions	(16)	(14)	(19)
Settlements	–	(31)	(12)
Benefits paid	(165)	(141)	(85)
Reclassifications	–	3	–
As at 31 December	3,341	2,717	2,931

The defined benefit obligation can be allocated to the plans' participants as follows:

	2016 %	2015 %	2014 %
Active plan participants	21.8	20.5	22.0
Deferred plan participants	30.0	28.4	31.3
Retirees	48.2	51.1	46.7
	100.0	100.0	100.0

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

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

	2016 £m	2015 £m	2014 £m
As at 1 January	**2,780**	2,845	1,783
Exchange and other movements	**60**	–	3
Acquired through business combinations	**–**	–	826
Interest income	**105**	102	86
Actuarial gains/(losses)	**402**	(41)	201
Employer contributions	**20**	36	32
Plan participants' contributions	**5**	11	12
Administrative expenses	**(3)**	(4)	(4)
Settlements	**–**	(28)	(9)
Benefits paid	**(165)**	(141)	(85)
As at 31 December	**3,204**	2,780	2,845

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

	2016 £m	2015 £m	2014 £m
Scheme net asset/(liability) as at 1 January	**63**	(86)	40
Exchange and other movements	**(35)**	1	–
Acquired through business combinations	**–**	–	(72)
Total charge as per note 6	**(16)**	(38)	(31)
Employer contributions	**20**	36	32
Settlements	**–**	3	3
Actuarial (losses)/gains recognised in other comprehensive income	**(169)**	150	(58)
Reclassifications	**–**	(3)	–
Scheme net (liability)/asset as at 31 December	**(137)**	63	(86)

The impact on the defined benefit obligation of the principal pension schemes of changes in the most significant assumptions as at 31 December 2016 is shown below:

	The Amec Foster Wheeler Pension Plan £m	The Foster Wheeler Inc. Salaried Employees Pension Plan £m
Discount rate		
-10 bps	(54)	(3)
+10 bps	51	3
Inflation		
-10 bps	37	–
+10 bps	(38)	–
Mortality		
+1 year	(92)	(9)
- 1 year	92	9

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 2016.

The defined benefit obligations of the other benefit schemes are significantly lower than those of the principal defined benefit 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.

14 Retirement benefit assets and liabilities continued

Defined benefit schemes continued

Expected benefit payments from the defined benefit plans in future years are as follows:

	£m
Year 1	167
Year 2	170
Year 3	174
Year 4	177
Year 5	181
Next five years	958
	1,827

The Group expects to contribute £23m to its defined benefit pension schemes in 2017. This includes special contributions of £12m.

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 2016 £m	31 December 2015 £m	**31 December 2016 £m**	31 December 2015 £m
Property, plant and equipment	**25**	17	**(13)**	(10)
Intangible assets	**11**	4	**(153)**	(226)
Retirement benefits	**78**	43	**(43)**	(43)
Derivative financial instruments	**3**	2	**(5)**	(2)
Provisions	**108**	144	**–**	–
Employee share schemes	**1**	–	**–**	–
Other items	**11**	12	**(30)**	(29)
Tax losses carried forward	**34**	30	**–**	–
Tax credits carried forward	**2**	2	**–**	–
Deferred tax assets/(liabilities)	**273**	254	**(244)**	(310)
Offset of deferred tax assets and liabilities relating to income tax levied by the same taxation authority	**(182)**	(204)	**182**	204
Transfer to held for sale assets/(liabilities)	**(6)**	–	**5**	–
Net deferred tax assets/(liabilities)	**85**	50	**(57)**	(106)

Recognition of £45m of the legacy AMEC US deferred tax asset is based on forecast future profits for that business. Whilst the business has made a loss in the current year, this is partly attributable to one off items, and additionally, a reduction of the level of debt in the business during 2016 will lead to an increase in the profits in future years to support the asset recognition.

15 Deferred tax assets and liabilities continued

Recognised deferred tax assets and liabilities continued

	As at 1 January 2016 £m	Exchange and other movements £m	Reclassifications £m	Recognised in income £m	Recognised in other comprehensive income £m	**As at 31 December 2016 £m**
Property, plant and equipment	7	–	–	5	–	**12**
Intangible assets	(222)	(27)	–	107	–	**(142)**
Retirement benefits	–	5	–	(1)	31	**35**
Derivative financial instruments	–	–	–	(2)	–	**(2)**
Provisions	144	20	–	(56)	–	**108**
Employee share schemes	–	–	–	–	–	**1**
Other items	(17)	(6)	–	4	–	**(19)**
Tax losses carried forward	30	4	–	–	–	**34**
Tax credits carried forward	2	1	–	(1)	–	**2**
	(56)	(3)	–	57	31	**29**
Transfer to assets held for sale						**(1)**
						28

The deferred tax credit of £57m (2015: £22m) recognised in income consists of a credit of £61m (2015: £22m) relating to continuing operations and a £4m charge (2015: £nil) in respect of discontinued operations.

	As at 1 January 2015 £m	Exchange and other movements £m	Reclassifications £m	Recognised in income £m	Recognised in other comprehensive income £m	As at 31 December 2015 £m
Property, plant and equipment	6	–	–	1	–	7
Intangible assets	(250)	(6)	(1)	35	–	(222)
Retirement benefits	29	2	–	(5)	(26)	–
Derivative financial instruments	(2)	–	–	–	2	–
Provisions	130	1	–	12	1	144
Employee share schemes	1	–	–	(1)	–	–
Other items	(9)	1	1	(9)	(1)	(17)
Tax losses carried forward	42	(1)	(1)	(11)	1	30
Tax credits carried forward	1	–	1	–	–	2
	(52)	(3)	–	22	(23)	(56)

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.

Significant areas which are expected to impact on the tax charge in future years are:

The US President indicated during his election campaign that there would be substantial reforms of the US tax system following his election, including a potential reduction in the Federal rate of corporation tax. Whilst full details of the reforms are not available and it is not possible to determine the overall impact of the changes, for every 1% reduction in the Federal tax rate there would be a deferred tax charge of £1.3m based on the asset at 31 December 2016. In the longer term if the rate were reduced it is likely that this would reduce the effective tax rate of the Group.

Due to anti-hybrid legislation introduced as a result of the OECDs Base Erosion and Profit Shifting project, the benefit of tax efficient financing structures currently in place will reduce in 2017. By comparison to 2016 we anticipate the additional tax payable as result of the new legislation to be £1.7m.

Due to new legislation to be introduced to limit tax deductible interest deductions in the UK from 1 April 2017, we anticipate that an element of interest will no longer be deductible for tax purposes. The impact of this is dependent on a number of factors including the level of reduction in borrowings of the group, the timing of that reduction and the results in 2017. Based on forecasts we anticipate this will result in c£5m of additional tax charge in 2017.

15 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	31 December 2016 £m	31 December 2015 (restated) £m
Deductible temporary differences	**393**	322
Tax losses	**741**	687
	1,134	1,009

The prior year unrecognised losses have been restated to reflect losses not incorporated in the disclosure at 31 December 2015 which formed part of the acquisition of Foster Wheeler and which existed at that date. Work has been carried out during 2016 to confirm veracity of those losses.

As at 31 December 2016 the expiry dates of unrecognised deferred tax assets carried forward are as follows:

	Tax losses £m	Deductible temporary differences £m	Total £m
Expiring within 5 years	173	36	209
Expiring within 6-10 years	43	87	130
Expiring within 11-20 years	77	–	77
Unlimited	448	270	718
	741	393	1,134

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.

Unrecognised deferred tax liabilities
No deferred tax liability has been recognised in respect of £2,572m (2015: £2,390m (restated)) 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 £33m (2015: £28m).

16 Inventories

	31 December 2016 £m	31 December 2015 £m
Raw materials	**9**	13
	9	13

£4m of raw materials are held in assets held for sale as at 31 December 2016 (2015: £nil).

17 Current trade and other receivables

	31 December 2016 £m	31 December 2015 £m
Amounts expected to be recovered within one year		
Gross amounts due from customers	**499**	552
Trade receivables	**724**	717
Amounts owed by joint ventures	**12**	13
Other receivables	**66**	63
Prepayments and accrued income	**60**	72
Asbestos related insurance recovery debtor (note 21)	**14**	14
	1,375	1,431
Amounts expected to be recovered after more than one year		
Gross amounts due from customers	**–**	2
Trade receivables	**11**	7
Amounts owed by joint ventures	**6**	1
Other receivables	**26**	14
	43	24
	1,418	1,455

Trade receivables expected to be recovered within one year include retentions of £66m (2015: £34m) relating to contracts in progress. Trade receivables expected to be recovered after more than one year include retentions of £10m (2015: £7m) net of £1m impairment (2015: £1m) 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 £5,507m (2015: £6,428m).

Trade receivables, amounts owed by joint ventures and other receivables are classified as loans and receivables.

18 Current trade and other payables

	31 December 2016 £m	31 December 2015 £m
Amounts expected to be settled within one year		
Trade payables	**580**	584
Gross amounts due to customers	**324**	328
Other taxation and social security costs	**45**	50
Other payables	**224**	225
Accruals	**189**	198
	1,362	1,385
Amounts expected to be settled after more than one year		
Trade payables	**1**	1
Gross amounts due to customers	**–**	5
Other taxation and social security costs	**–**	17
Other payables	**45**	47
Accruals	**4**	4
	50	74
	1,412	1,459

Gross amounts due to customers include advances received of £74m (2015: £5m).

Other payables expected to be settled within one year includes an advanced payment represents the proceeds from the disposal of The Incheon Bridge Co. Ltd, which are repayable in the event that the disposal does not complete.

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 and 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 in a net debt position. The long-term net debt is targeted to be no more than two times trading profit. The Group may exceed this operating parameter should the business profile require it. However, it is expected that any increases would be temporary.

On 1 March 2016, the Group entered into a new £1,700m syndicated credit facilities agreement (as amended) comprising three tranches; a three-year £650m term loan (maturing 1 March 2019), a five-year £650m term loan (maturing 1 March 2021) and a five-year £400m revolving credit facility (maturing 1 March 2021). This new facility replaced the Foster Wheeler acquisition facility of $2.26bn.

During December 2016, the banking facilities were reduced by £39m as a result of a mandatory repayment following the disposal of PetroPower Energia Limitada and in February 2017 there was a further repayment of £20m following the disposal of Aquenta Consulting Pty Limited.

At 31 December 2016, the Group had committed banking facilities of £1,745m (2015: £1,827m, including £59m of finance leases). This consists of £26m project debt, £1,661m of the credit facilities agreement, £58m of finance leases and other smaller facilities.

As at 31 December 2016, all of the loans and facilities were utilised by way of debt (2015: £1,264m) and £nil was utilised by way of Letters of Credit (2015: £62m). As at 31 December 2016, the undrawn portion of the Group's committed facilities was £300m.

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 which are reviewed annually.

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, most recently in December 2016. The treasury department does not operate as a profit centre and the undertaking of speculative transactions is not permitted.

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. The Group has no reason to believe that any outstanding forward contract will not be able to be settled from the underlying commercial transactions.

A significant 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, Canadian Dollars and Euros. The Group hedges translation exposure, wherever possible, by matching the currency of its borrowing (either directly or via derivatives) to the currency of its net assets and future free cash flow. As a result, the Group has designated a series of derivatives and financial instruments as hedging instruments in net investment hedge relationships. In specific circumstances, for example the planned repatriation of foreign assets, the Group may from time to time enter into additional net investment hedges to manage foreign exchange risks. The Group applies hedge accounting in respect of transactions entered into to manage the cash flow exposures of its borrowings. Forward foreign exchange contracts and cross currency interest rate swap contracts are held to manage the cash flow exposures of a portion of borrowings denominated in foreign currencies and are designated as cash flow hedges.

Based on the Group's net debt as at 31 December 2016, if Sterling were to weaken against all other currencies by 10%, the Group's net debt would decrease by £13m (2015: increase by £46m). This represents a £45m increase in foreign currency borrowings (2015: £130m), a £23m increase in derivative assets designated as cash flow hedges of Group borrowings (2015: £50m) and a £35m increase in foreign currency cash and cash equivalents (2015: £34m).

If Sterling were to weaken against all other currencies by 10%, then the fair value of forward foreign exchange contracts and cross currency interest rate swaps, other than those designated as cash flow hedges of foreign currency borrowings, as at 31 December 2016 would decrease by £64m (2015: £51m).

Movements in the fair value of forward foreign exchange contracts and cross currency interest rate swaps would be recognised in other comprehensive income and accumulated in the hedging reserve (where designated as cash flow hedge) or translation reserve (where designated as net investment hedge).

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 arising on foreign currency borrowings and where contracts are awarded, 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 (including those held for sale) are as follows:

	2016 Notional contract amount £m	2015 Notional contract amount £m	2016 Carrying amount and fair value £m	2015 Carrying amount and fair value £m
Non-current assets – cash flow hedges of foreign currency borrowings	**199**	105	**27**	6
Total non-current assets	**199**	105	**27**	6
Current assets – cash flow hedges of contracts in foreign currencies	**64**	57	**1**	1
Current assets – cash flow hedges of foreign currency borrowings	**–**	328	**–**	8
Total current assets	**64**	385	**1**	9
Current liabilities – cash flow hedges of contracts in foreign currencies	**229**	191	**(11)**	(9)
Total current liabilities	**229**	191	**(11)**	(9)
	492	681	**17**	6

There was no charge for ineffectiveness recognised in either 2016 or 2015. A net foreign exchange loss for the year of £2m (2015: £2m) was recognised in the hedging reserve as a result of fair value movements on derivative financial instruments designated as cash flow hedging instruments of £1m (2015: £1m) and amounts recycled to the income statement in line with underlying cash flows £1m (2015: £1m).

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:

	2016 Notional contract amount £m	2015 Notional contract amount £m	2016 Carrying amount and fair value £m	2015 Carrying amount and fair value £m
Derivative financial instruments				
Current assets	**539**	241	**9**	5
Current liabilities	**998**	388	**(22)**	(5)
	1,537	629	**(13)**	–

Hedging of foreign currency exchange risk – net investment hedges

The Group had forward foreign exchange contracts which have been designated as hedges of the net investments in core subsidiaries in Canada (denominated in Canadian Dollar), the US (denominated in US Dollar) and Europe (denominated in Euro). Net investment hedges relating to core subsidiaries in Europe closed out during 2016. The notional contract amount, carrying amount and fair values of swaps designated as net investment hedges are as follows:

	2016 Notional contract amount £m	2015 Notional contract amount £m	2016 Carrying amount and fair value £m	2015 Carrying amount and fair value £m
Derivative financial instruments				
Non-current assets	**–**	105	**–**	12
Current assets	**–**	111	**–**	2
Non-current liabilities	**199**	–	**(27)**	–
Current liabilities	**208**	168	**(17)**	(7)
	407	384	**(44)**	7

A net foreign exchange loss for the year of £127m (2015: £3m) was recognised in the translation reserve in respect of forward foreign exchange contracts, currency interest rate swaps and borrowings designated as net investment hedging instruments.

19 Capital and financial risk management continued

Other derivative financial assets and liabilities

The Group has other derivative financial liabilities of £4m (2015: £4m). As at 31 December 2016 this was included in liabilities held for sale.

The following tables indicate the periods in which the cash flows associated with the other derivative financial instruments (including those held for sale) are expected to occur and the periods in which they are expected to impact profit or loss:

					2016
	Carrying amount £m	**Expected cash flows £m**	**12 months or less £m**	**1 to 2 years £m**	**2 to 5 years £m**
Derivative financial instruments					
Assets	**37**	**916**	**600**	**3**	**313**
Liabilities (including held for sale)	**(81)**	**1,856**	**1,426**	**16**	**414**
	(44)	**2,772**	**2,026**	**19**	**727**

					2015
	Carrying amount £m	Expected cash flows £m	12 months or less £m	1 to 2 years £m	2 to 5 years £m
Derivative financial instruments					
Assets	34	948	726	12	210
Liabilities	(25)	963	739	16	208
	9	1,911	1,465	28	418

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 £300m undrawn portion of the Group's committed banking facilities as at 31 December 2016. The requirement to enter into additional external facilities has been kept under review during the year. This includes discussions with the Group's main relationship banks to ensure additional bilateral lending capacity is available.

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 maximum credit risk exposure on derivatives at 31 December 2016 was £37m, being the total net debit fair values per derivative counterparty on forward foreign exchange contracts, currency swaps and interest rate swaps. The Group performs a Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) analysis to establish the credit risk inherent in the closing derivative portfolio. As at 31 December 2016, the result of this adjustment has no impact on the Group's income statement. In 2015, a similar analysis also had no impact on the Group's income statement. 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 publicly available credit ratings of counterparties. Credit ratings are monitored continually by the Group treasury department.

The maximum credit risk exposure on cash and cash equivalents and bank deposits (more than three months) at 31 December 2016 was £410m including cash reported within held for sale assets (2015: £363m). The Group treasury department monitors counterparty exposure on a global basis to avoid an over-concentration of exposure to any one counterparty.

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.

19 Capital and financial risk management continued

Counterparty credit risk continued

The ageing of trade receivables at the year-end was as follows:

	Gross receivables 31 December 2016 £m	Impairment 31 December 2016 £m	Gross receivables 31 December 2015 £m	Impairment 31 December 2015 £m
Not past due	**381**	**–**	357	–
Past due 0 to 30 days	**158**	**–**	216	–
Past due 31 to 120 days	**73**	**–**	90	(3)
Past due 121 to 365 days	**61**	**(17)**	40	(18)
More than one year	**109**	**(105)**	88	(86)
	782	**(122)**	791	(107)

The above analysis excludes retentions relating to contracts in progress of £66m (2015: £34m) expected to be recovered within one year and £10m (2015: £7m) net of £1m impairment (2015: £1m) expected to be recovered after one year. Net receivables as at 31 December 2016 include £4m (2015: £2m) 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:

	2016 £m	2015 £m
As at 1 January	**(107)**	(99)
Exchange movement	**(8)**	(1)
Increase in impairment allowance	**(18)**	(23)
Decrease in impairment allowance	**11**	16
As at 31 December	**(122)**	(107)

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 2016 accounted for around 9% (2015: 8%) of continuing revenues, and around 3% (2015: 2%) of current trade and other receivables. The revenue in 2016 was generated in the Americas.

Interest rate risk

The £1,700m syndicated credit facilities agreement (as amended) is subject to an interest rate of LIBOR plus a margin depending on leverage.

The Group is exposed to interest rate risk on cash and borrowings. Cash is viewed as temporary with any longer term surplus used to repay credit facilities.

When required, the Group uses interest rate swaps and cross currency interest rate swaps to meet its objective of protecting borrowing costs within parameters set by the board. The Group's policy is to keep between 30% and 70% of its borrowings at fixed rates of interest. Movements in the fair value of interest rates swaps and cross currency interest rate swaps that are designated as cash flow hedges of the Group's borrowings resulting from changes in market interest rates are recognised in other comprehensive income and accumulated in the hedging reserve with the fair value recorded in the balance sheet. At 31 December 2016, after taking into account the effect of interest rate swaps and cross currency interest rate swaps, approximately 32% of the Group's borrowings are at a fixed rate of interest (2015: 28%).

Based on the Group's gross borrowings as at 31 December 2016, if interest rates were to increase by 100 basis points in all currencies then the annual net interest charge would increase by £10m (2015: £9m). A decrease in interest rates by 100 basis points in all currencies would have an equal but opposite effect.

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:

						2016
	Effective interest rate %	Total £m	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m
Bank deposits (more than three months)	**0.47**	**22**	**19**	**3**	**–**	**–**
Cash and cash equivalents[1]	**1.75**	**388**	**388**	**–**	**–**	**–**
Fees capitalised against bank facilities	**–**	**15**	**5**	**5**	**5**	**–**
Bank loans[1]	**3.47**	**(1,413)**	**(106)**	**(4)**	**(1,299)**	**(4)**
Loans from joint ventures	**4.35**	**(2)**	**(2)**	**–**	**–**	**–**
Finance leases[1]	**8.54**	**(58)**	**(12)**	**(14)**	**(23)**	**(9)**
Derivatives classified as bank loans	**–**	**27**	**–**	**–**	**27**	**–**
		(1,021)	**292**	**(10)**	**(1,290)**	**(13)**

1 Included in the figures in the table above are cash balances of £46m (2015: £nil), bank loans of £25m (2015: £nil) and finance leases of £7m (2015: £nil) reported within held for sale assets and liabilities on the consolidated balance sheet.

						2015
	Effective interest rate %	Total £m	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m
Bank deposits (more than three months)	0.47	23	14	4	5	–
Cash and cash equivalents	3.00	340	340	–	–	–
Bank loans	3.28	(1,264)	(679)	(192)	(386)	(7)
Finance leases	6.84	(59)	(4)	(18)	(24)	(13)
Derivatives classified as bank loans	–	14	8	–	6	–
		(946)	(321)	(206)	(399)	(20)

Interest payments of £50m are expected to be paid within one year, £54m between one and two years, £91m between two and five years and £nil over five years.

Group borrowing

The Group had no overdrafts as at the end of 2016 or 2015. The bank loans are denominated in Sterling and US Dollars (2015: Sterling and US Dollars).

All covenants attached to borrowings have been complied with throughout the current and prior years.

Fair values

Fair values (excluding the fair value of assets and liabilities classified as held for sale) 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
- The fair value of interest rate swaps and cross currency interest rate swaps are estimated by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates

All derivative fair values are verified by comparison to valuations provided by the derivative counterparty banks. There are no material credit valuation adjustments (CVA) or debit valuation adjustments (DVA) required on the derivatives outstanding at 31 December 2016.

As at 31 December 2016, the Group has net assets classified held for sale of £149m (2015: £nil). The fair value of these net assets has been determined using inputs that are not based on observable market data (level 3 as defined by IFRS 13 'Fair Value Measurement'). Further information on assets and liabilities classified as held for sale has been included in note 24.

The Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year ended 31 December 2016 and 31 December 2015, there were no transfers into or out of level 2 fair value measurements.

20 Other non-current receivables and payables

Other non-current receivables

	2016 £m	2015 £m
Asbestos related insurance recovery debtor (note 21)	**102**	104
Indemnities receivable	**12**	16
Insurance receivables	**5**	4
Lease receivable	**16**	17
Other non-current receivables	**5**	4
	140	145

Other non-current payables

	2016 £m	2015 £m
Unfavourable leases	**112**	84
Lease incentives	**6**	8
Other payables	**22**	20
Other post-employment benefits	**9**	9
	149	121

21 Provisions

	Asbestos-related litigation £m	Project and environmental litigation £m	Obligations relating to disposed businesses £m	Property related provisions £m	Other £m	Total £m
As at 1 January 2016	378	154	78	19	35	664
Exchange and other movements	62	15	2	3	1	83
Transfer from other balance sheet captions	5	–	–	–	11	16
Transfer to liabilities held for sale	–	(4)	–	(4)	–	(8)
Utilised	(35)	(25)	(7)	(1)	(4)	(72)
Provided	2	1	23	4	3	33
Released	(1)	(52)	(36)	(4)	(6)	(99)
Change in discount rate	(6)	–	–	–	–	(6)
Unwinding of discount	8	–	–	–	–	8
As at 31 December 2016	**413**	**89**	**60**	**17**	**40**	**619**
Provisions classified as current liabilities						**9**
Provisions classified as non-current liabilities						**610**
						619

Asbestos-related litigation

Certain of the Company's subsidiaries in the US and the UK are defendants in numerous asbestos-related lawsuits and out-of-court informal claims pending in the US and the UK. Plaintiffs claim damages for personal injury alleged to have arisen from exposure to asbestos primarily in connection with equipment allegedly manufactured by certain of our subsidiaries during the 1970s or earlier. We expect that these subsidiaries will be named as defendants in additional and/or similar suits and that new claims will be filed in the future. Whilst some of these claims have been and are expected to be made in the UK, the overwhelming majority have been and are expected to be made in the US.

We assumed the majority of our asbestos-related liabilities when we acquired Foster Wheeler in November 2014. Management worked with independent asbestos valuation experts, to measure the asbestos-related liabilities assumed. Asbestos-related liabilities recognised by the Group include estimates of indemnity amounts and defence costs expected to be incurred in each year in the period to 2050, beyond which time management expects that there will no longer be a significant number of open claims. Management's estimates were based on the following information and/or assumptions: the number of open claims, the forecasted number of future claims, the estimated average cost per claim by disease type – mesothelioma, lung cancer and non-malignancies, claim filings which result in no monetary payments (the 'zero pay rate'), as well as other factors.

21 Provisions continued

Asbestos-related litigation continued

Over the last several years, certain of our subsidiaries have entered into settlement agreements calling for insurers to make lump-sum payments, as well as payments over time, for use by our subsidiaries to fund asbestos-related indemnity and defence costs, and, in certain cases, for reimbursement for portions of out-of-pocket costs incurred. Asbestos-related insurance recoveries under executed settlement agreements are recognised in trade and other receivables together with our best estimate of actual and probable insurance recoveries relating to our liability for pending and estimated future asbestos claims in the period to 2050. Our actual insurance recoveries may be limited by future insolvencies among our insurers. We do not recognise insurance recoveries due from currently insolvent insurers unless they are subject to court-approved settlement in liquidation proceedings.

We have discounted the expected future cash flows with respect to the asbestos-related liabilities and the expected insurance recoveries using discount rates determined by reference to appropriate risk-free market interest rates.

Asbestos-related liabilities and assets recognised on the Group's balance sheet were as follows:

			2016			2015
	US £m	UK £m	Total £m	US £m	UK £m	Total £m
Asbestos-related provision						
Gross provision	**478**	**56**	**534**	432	56	488
Effect of discounting	**(84)**	**–**	**(84)**	(74)	–	(74)
Net provision[1]	**394**	**56**	**450**	358	56	414
Insurance recoveries						
Gross recoveries	**(67)**	**(52)**	**(119)**	(68)	(54)	(122)
Effect of discounting	**3**	**–**	**3**	4	–	4
Net recoveries	**(64)**	**(52)**	**(116)**	(64)	(54)	(118)
Net asbestos-related liabilities	**330**	**4**	**334**	294	2	296

1 The net asbestos provision of £450m (2015: £414m) is made up of £413m included in provisions (2015: £378m) and £37m (2015: £36m) in respect of asbestos provisions included in trade and other payables.

Estimation of asbestos-related liabilities and insurance recoveries is subject to a number of uncertainties that may result in significant changes in the current estimates. Among these are uncertainties as to the ultimate number and type of claims filed, the amounts of claim costs, the impact of bankruptcies of other companies with asbestos claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, as well as potential legislative changes.

Fluctuations in market interest rates could cause significant changes in the discounted amount of the asbestos-related liabilities and insurance recoveries.

Project litigation

As described in note 27, the Group is party to litigation involving clients and sub-contractors arising out of project contracts.

Management has taken internal and external legal advice in considering known or reasonably likely legal claims and actions by and against the Group. Where a known or likely claim or action is identified, management carefully assesses the likelihood of success of the claim or action. Generally, a provision is recognised only in respect of those claims or actions that management considers are probable of success. Additionally, however, the Group recognises provisions for known or likely claims against an acquired business if, at the acquisition date, it is possible that the claim or action will be successful and its amount can be reliably estimated.

Provision is made for management's best estimate of the future legal costs to be incurred in defending each claim or action and of the likely settlement costs and/or damages to be awarded for those claims and actions that management considers are likely to be successful. Due to the inherent commercial, legal and technical uncertainties underlying the estimation of our project claims, the amounts ultimately paid or realised by the Group could differ materially from the amounts, if any, that are recognised in the financial statements.

As at 31 December 2016, there were two significant ongoing disputes with the US Power Plant arbitration being settled in early 2016. Both of these ongoing disputes involve Foster Wheeler and were ongoing at the acquisition date. Accordingly, in measuring Foster Wheeler's identifiable assets and liabilities at the acquisition date, management established provisions in respect of these disputes and made appropriate reductions to the carrying amount of the related receivables.

21 Provisions continued

Refinery Project Arbitration – India

In November 2012, Foster Wheeler commenced arbitration in India against its client seeking collection of unpaid invoices arising from services performed on a reimbursable basis in connection with the construction of an oil refinery plant in north-eastern India. The client rejected the claims and submitted counterclaims totalling approximately 76 billion Indian rupees (approximately £900 million based on the exchange rate as at 31 December 2016) for damages, including claims for revenue loss and loss of tax benefits due to delay in the execution of the project. The client also withheld payment of the Company's invoices on account of liquidated damages for delay. Amec Foster Wheeler strongly disputes the client's claims.

An arbitration panel was formed in 2013 and divided the parties' claims and counterclaims into two tracks. A number of hearings were held on the track 1 claims during 2014. A first partial award was made to Amec Foster Wheeler in March 2014, but the client petitioned the Delhi court for its annulment, which petition is still pending. In September 2015, the panel issued a further partial award on the track 1 claims, awarding Amec Foster Wheeler approximately £51 million on its invoice claims and dismissing the client's counterclaim allocated to the track 1 proceedings. In February 2016, the client petitioned the Delhi court to set aside this award as well. The petition is pending. The hearing on the track 2 claims, which included the client's main counterclaims, was held in February 2015. The panel's partial award on the track 2 claims was made in September 2016. The client's counterclaims were rejected almost in their entirety (except for two minor payments amounting to less than £300,000). The panel declared that the client is not entitled to collect liquidated damages for delay, or to apply rate discounts and that the client must pay all Amec Foster Wheeler invoices without any discount. The client has indicated that it will petition the Delhi court to set aside this award. Limited further proceedings in the arbitration are ongoing with respect to continuing invoice claim amounts in the track 1 proceedings as well as for interest and the costs of arbitration. Amec Foster Wheeler will continue to pursue the collection of unpaid invoices and enforcement of the awards made in its favour. As the project is nearing completion but remained in execution as of the end of 2016, the unpaid amount that Amec Foster Wheeler are seeking to collect has increased to the equivalent of approximately £60 million and may increase further should the client continue to withhold amounts from Amec Foster Wheeler's invoices. Management have made appropriate allowances against these receivables.

Chemical Plant Litigation in the United States

In 2013, one of Foster Wheeler's subsidiaries contracted to engineer, procure and construct a chemical plant for a client in Texas. In December 2015 the client partially terminated the contact and in September 2016, terminated the remainder of the contract and commenced a lawsuit in Texas against the subsidiary and also Amec Foster Wheeler plc, seeking damages for breach of contract and warranty, gross negligence, and fraud. The claim amount is unspecified but the client alleges that the projected cost for the assigned scope of work is approximately $700 million above the alleged estimate and that Foster Wheeler's subsidiary's delays have caused it to suffer continuing monthly damages of $25 million due to the fact that the facility is not complete and it is not able to sell the expected products from the facility. The client seeks recovery of actual and punitive damages, as well as the disgorgement of the full project fixed fee paid to Foster Wheeler's subsidiary (approximately $66.5 million).

Amec Foster Wheeler believes the claims lack legal and factual merit. The estimate that Foster Wheeler's subsidiary provided was in connection with the client's initial request for a lump sum bid and highly conditioned. The contract that was ultimately signed, and which governs the dispute, is a reimbursable cost plus fixed fee contract, with no guaranteed price or schedule, wherein the client assumed joint responsibility for management of the work and development of the project schedule. Liability for consequential damages is barred, except in the case of wilful misconduct. Except for gross negligence, wilful misconduct, and warranty claims, Amec Foster Wheeler's overall liability is capped at 10 percent of the contract price (or approximately $100 million). Amec Foster Wheeler has denied the claims and intends to vigorously defend the lawsuit. Amec Foster Wheeler is in the early stages of the proceeding. There is no trial date and the matter is not expected to be called for trial until late 2018, at the earliest. As the lawsuit is in its early stages it would be premature to predict the ultimate outcome of the matter. Amec Foster Wheeler has taken provisions of $48m as of 31 December 2016 (2015: £$52m) on this project against disallowed costs and warranties, which includes $34m as part of the fair value exercise on the acquisition of Foster Wheeler.

21 Provisions continued

Power Plant Arbitration – US

Foster Wheeler has been involved in arbitration arising from its role in the construction of a power plant in West Virginia, US. Foster Wheeler contracted with its client, Longview Power LLC ('Longview'), the owner of the power plant, to supply the steam generation equipment. Separate contracts existed between Longview and Siemens Energy, Inc. ('Siemens') for the supply of the turbine, electricity generator and other plant equipment and with Kvaerner North American Construction Inc. (Kvaerner) for the erection of the plant.

Beginning in 2011, various claims and counterclaims were made between Foster Wheeler, Kvaerner, Siemens and Longview. In February 2014, Foster Wheeler reached a partial settlement with Longview. In December 2014, various settlement agreements were entered into involving the parties, leaving the claims between Foster Wheeler and Kvaerner the only claims to be resolved. Kvaerner's total claims against Foster Wheeler amounted to approximately US$190m in relation to compensation for alleged delays, disruptions, inefficiencies and extra work associated with the construction of the plant allegedly caused by Foster Wheeler's performance under its steam generation equipment supply contract. Foster Wheeler claimed approximately US$26m from Kvaerner in relation to claims for extra work, delays, scope disputes, and improperly assessed delay liquidated damages, as well as the cost to perform certain ongoing rehabilitation work on the steam generation equipment due to erection failures by Kvaerner. Pursuant to the settlement agreements reached in December 2014, Foster Wheeler and Kvaerner exchanged parent guarantees, securing their respective claims against each other. Foster Wheeler's parent guarantee was capped at US$58m. The arbitration hearing of the dispute between Foster Wheeler and Kvaerner, conducted by the American Arbitration Association, occurred in early 2015. In October 2015, the three-arbitrator tribunal rejected Foster Wheeler's claims in their entirety and awarded Kvaerner US$74m, including interest and arbitration costs. Kvaerner commenced an action in New York state court to confirm the award. We opposed the action, seeking an order to vacate the award in whole or in part on various grounds. In early March 2016, the parties settled their dispute. We paid Kvaerner US$70m in full and final settlement of the claims. The parties exchanged releases and the court action was dismissed.

Environmental risks

Certain of the jurisdictions in which the Group operates, in particular the US and the EU, have environmental laws under which current and past owners or operators of property may be jointly and severally liable for the costs of removal or remediation of toxic or hazardous substances on or under their property, regardless of whether such materials were released in violation of law and whether the operator or owner knew of, or was responsible for, the presence of such substances. Largely as a consequence of the acquisition of Foster Wheeler, the Group currently owns and operates, or owned and operated, industrial facilities. It is likely that, as a result of the Group's current or former operations, hazardous substances have affected the property on which those facilities are or were situated. The Group have also received and may continue to receive claims pursuant to indemnity obligations from the present owners of facilities we have transferred, which claims may require us to incur costs for investigation and/or remediation. As at 31 December 2016, the Group held provisions totalling £35m (2015: £44m) for the estimated future environmental clean-up costs in relation to industrial facilities that it no longer operates. Whilst the timing of the related cash flows is typically uncertain, the Group expects that certain of its remediation obligations may continue for up to 60 years.

Indemnities and retained obligations

As described in note 27, the Group agreed to indemnify certain third parties relating to businesses and/or assets that were previously owned by the Group and were sold to them. As at 31 December 2016, we recognised indemnity provisions totalling £60m (2015: £78m). Indemnity provisions principally relate to the indemnification of the purchasers of SPIE in 2006, and the Built Environment and other peripheral businesses that were sold in 2007. During 2016, the Group recognised additional indemnity provisions of £23m in relation to businesses sold in previous years and released provisions of £36m that were no longer required following settlement of the underlying issues.

Property-related provisions

Property-related provisions related to dilapidations of leasehold buildings. On average these settle between one to four years following the end of the lease term.

Other provisions

Other provisions include £2m (2015: £7m) in respect of the Group's legal and constructive obligations to fund loss-making joint ventures and to meet its share of certain of their obligations, and insurance provisions of £25m (2015: £28m) relating 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. These are expected to unwind over the next 20 years.

22 Share capital and reserves

Movements in share capital and reserves are shown in the consolidated statement of changes in equity on pages 107 to 109.

Share capital

The share capital of the Company comprises 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	£m
As at 1 January 2015	388,875,843	194
Issued during the year	4,255,970	3
As at 31 December 2015	393,131,813	197
Issued during the year	–	–
As at 31 December 2016	**393,131,813**	**197**

Reserves

As at 1 January 2016, there were 3,158,310 shares held in treasury (2015: 5,431,314). During the year there were no shares transferred to share scheme participants (2015: 2,273,004), leaving a balance held in treasury as at 31 December 2016 of 3,158,310 (2015: 3,158,310). £35m (2015: £35m) 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.

The merger reserve was created by the issue of new equity in relation to the acquisition of Foster Wheeler AG during the year ended 31 December 2014.

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% 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% to the share price at the time of grant and are normally exercisable after two years.

Under the Long-Term Incentive Plan, annual awards are made to directors and selected senior employees of nil-cost options or restricted shares. For employees below board level, awards are split between a performance based element and a non-performance element. Awards are made in the form of nil-cost options other than in certain countries where they are made in the form of restricted shares. Awards to Executive Directors are as described in the Directors' remuneration report on pages 74 to 88.

Under the Performance Share Plan, annual awards were 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.

Under the Restricted Share Plan, awards were made to selected employees as restricted shares which vest in full after three years provided the employee has remained in continuous employment.

Prior to the acquisition, Foster Wheeler's Compensation and Executive Development Committee administered the Foster Wheeler AG Omnibus Incentive Plan for Foster Wheeler's employees, non-employee directors and third-party service providers.

Under the terms of the Implementation Agreement, equivalent awards of AMEC shares were granted by AMEC in replacement of Foster Wheeler awards and the terms of those replacement awards are equivalent in all material respects to the terms of the Foster Wheeler Omnibus Plan. All employees of Foster Wheeler and its subsidiaries and/or affiliates, its non-employee directors, and certain of its third-party service providers were eligible to participate in the Foster Wheeler Omnibus Plan. As at the date of acquisition, only Foster Wheeler options, Foster Wheeler RSUs and Foster Wheeler PRSUs were outstanding under the Foster Wheeler Omnibus Plan.

The share-based payment arrangements operated by the Group are predominantly 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.

Our current practice is to satisfy awards vesting or options being exercised under the executive plans with market-purchased shares held in the Amec Foster Wheeler Employee Share Trust and to satisfy Sharesave options being exercised by the transfer of shares held in treasury.

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 2016 pence	Number of options 2016	Weighted average exercise price 2015 pence	Number of options 2015
Outstanding on 1 January	775	8,170,379	819	7,711,995
Lapsed/cancelled	814	(3,084,357)	850	(1,920,215)
Exercised	–	–	675	(2,295,911)
Granted	–	–	683	4,674,510
Outstanding on 31 December	751	5,086,022	775	8,170,379
Exercisable on 31 December	829	265,055	863	373,627

No options were exercised during the year. The average share price for the year was 467 pence (2015: 780 pence).

Options outstanding on 31 December 2016 have weighted average remaining contractual lives as follows:

	Weighted average remaining contractual life 2016 years	Number of options 2016	Weighted average remaining contractual life 2015 years	Number of options 2015
600.00 pence to 699.99 pence	2.0	2,897,637	3.0	3,965,570
700.00 pence to 799.99 pence	1.0	339,155	2.0	467,796
800.00 pence to 899.99 pence	0.6	1,848,258	1.3	2,710,501
Over 900.00 pence	–	972	–	1,026,512
		5,086,022		8,170,379

The numbers of shares held under the Long-Term Incentive Plan, Performance Share Plan, Restricted Share Plan and Foster Wheeler Omnibus Plan are as follows:

	Number of shares 2016	Number of shares 2015
As at 1 January	6,192,922	6,717,237
Lapsed	(2,353,640)	(1,361,021)
Vested	(890,078)	(1,674,001)
Granted	4,748,075	2,510,707
As at 31 December	7,697,279	6,192,922

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 years, 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)		Long-Term Incentive Plan (Monte Carlo model)		Performance Share Plan (Monte Carlo model)	Restricted Share Plan (Monte Carlo model)	Foster Wheeler Omnibus Plan
	2015	2014	**2016**	2015	2014	2014	2014
Weighted average fair value at measurement date	149p	198p	**436p**	789p	1,006p	949p	1,027p
Weighted average share price at measurement date	769p	1,014p	**489p**	938p	1,105p	1,082p	1,081p
Exercise price	683p	874p	**n/a**	n/a	n/a	n/a	n/a
Expected share price volatility	28%	27%	**38%**	27%	26%	n/a	n/a
Option life	3.3 years	3.3 years	**2.2 years**	2.7 years	3.1 years	2.7 years	n/a
Expected dividend yield	3.6%	3.5%	**n/a**	n/a	n/a	3.5%	3.5%
Risk-free interest rate	1.2%	1.0%	**n/a**	n/a	n/a	n/a	n/a
Comparator share price volatility	n/a	n/a	**36%**	32%	32%	n/a	n/a
Correlation between two companies in comparator group	n/a	n/a	**40%**	40%	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 Long-Term Incentive Plan and the Performance Share Plan involve a comparison of the total shareholder return of the Company with that of its comparators, achievement of targeted earnings per share growth, and, in respect of the 2016 award, a third performance measure relating to the implementation and execution of the Group's strategy. The total shareholder return condition 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.

Prior to the acquisition, Foster Wheeler had issued shares awards to employees, non-employee directors and certain third parties under the Foster Wheeler AG Omnibus Incentive Plan. Under the terms of the Implementation Agreement, equivalent awards of Amec Foster Wheeler shares were granted in replacement of these Foster Wheeler awards. On acquisition awards of 2,400,766 Amec Foster Wheeler shares were granted. There are no performance conditions attached to these awards.

Dividends

The directors are not proposing a final dividend in respect of the year ended 31 December 2016 giving a total dividend for the year of 7.4 pence. In 2015 there was an interim dividend of 14.8 pence (2014: 14.8 pence) and a final dividend of 14.2 pence (2014: 28.5 pence), giving a total dividend of 29.0 pence (2014: 43.3 pence).

	2016 £m	2015 £m	2014 £m
Dividends charged to reserves and paid			
Interim dividend in respect of 2015 of 14.8 pence (2015: interim dividend in respect of 2014 of 14.8 pence; 2014: interim dividend in respect of 2013 of 13.5 pence) per share	**58**	56	40
Final dividend in respect of 2015 of 14.2 pence (2015: final dividend in respect of 2014 of 28.5 pence; 2014: final dividend in respect of 2013 of 28.5 pence) per share	**55**	111	84
	113	167	124

The amount waived by trustees of the Employee Share Trust in respect of the interim and final dividends was £nil (2015: £1m; 2014: £1m).

23 Analysis of net debt

	As at 1 January 2016 £m	Cash flow £m	Lease inception £m	Exchange and other non-cash movements £m	Reclassification of net cash/(debt) of disposal groups £m	**As at 31 December 2016 £m**
Cash at bank and in hand	307	6	–	19	(46)	**286**
Bank deposits (less than three months)	33	23	–	–	–	**56**
Cash and cash equivalents	340	29	–	19	(46)	**342**
Bank deposits (more than three months)	23	(1)	–	–	–	**22**
Bank loans	(1,264)	4	–	(153)	25	**(1,388)**
Loan payable to joint venture	–	(2)	–	–	–	**(2)**
Fees capitalised against bank facilities	–	18	–	(3)	–	**15**
Derivatives classified as net debt	14	(30)	–	43	–	**27**
Finance leases	(59)	10	(4)	(5)	7	**(51)**
Net cash/(debt) of disposal groups	–	–	–	–	14	**14**
Net debt as at the end of the year	(946)	28	(4)	(99)	–	**(1,021)**

	As at 1 January 2015 £m	Cash flow £m	Exchange and other non-cash movements £m	As at 31 December 2015 £m
Cash at bank and in hand	377	(46)	(24)	307
Bank deposits (less than three months)	118	(85)	–	33
Cash and cash equivalents	495	(131)	(24)	340
Bank deposits (more than three months)	21	2	–	23
Bank loans	(1,267)	64	(61)	(1,264)
Fees capitalised against bank facilities	9	3	(12)	–
Derivatives classified as net debt	–	(12)	26	14
Finance leases	(61)	11	(9)	(59)
Net debt as at the end of the year	(803)	(63)	(80)	(946)

The fair value of bank loans is £1,388m (2015: £1,264m) compared to a carrying value of £1,388m (2015: £1,264m). The fair value of finance leases is £51m (2015: £59m) compared to a carrying value of £51m (2015: £59m).

The fair value of bank loans and finance leases is determined using observable market prices (level 2 as defined by IFRS 13 'Fair Value Measurement').

Included within cash and cash equivalents are £54m (2015: £79m) of overdrafts which have been offset against £63m (2015: £82m) of cash balances as a legally enforceable offset agreement exists.

Cash and cash equivalents as at 31 December 2016 includes £66m (2015: £47m) that is held in countries from which prior approval is required to transfer funds abroad. There are restrictions on the use of £5m (2015: £9m) of cash held on behalf of joint venture arrangements and £28m (2015: £17m) held on behalf of customers and collateral against bank guarantees. In addition, there are restrictions on the use of a further £15m (2015: £16m) of cash and cash equivalents in respect of commitments of the Group's captive insurance subsidiary to certain insurers.

24 Assets held for sale

In March 2016, the Group announced its intention to reduce net debt via the disposal of non-core assets. Assets and liabilities expected to be disposed and which meet the definition of held for sale in line with IFRS 5 are presented as a disposal group. Actions to sell the entities within the disposal group have commenced and disposals are expected to complete within 12 months.

During the year the following disposal groups were classified as held for sale:

Disposal Group	Classification	Date classified as held for sale	Date of disposal	Location
Incheon Bridge Co. Ltd	Equity Joint Venture	H1 2016	N/A	Korea
PetroPower Energia Limitada	Equity Joint Venture	H1 2016	7 December 2016	Chile
Amec Foster Wheeler Power SRL	Subsidiary	H1 2016	N/A	Italy
Aquenta Consulting Pty Limited	Subsidiary	H2 2016	N/A	Australia
GPG – Core Boiler Business	Subsidiary	H2 2016	N/A	Global

The disposal of PetroPower Energia Limitada completed in December 2016 and Aquenta Consulting Pty Limited in January 2017.

Accordingly, the Group's interest in The Incheon Bridge Co. Ltd and Amec Foster Wheeler Power SRL, the GPG core boiler business and Aquenta Consulting Pty Limited are presented as held for sale as at 31 December 2016.

The major classes of assets and liabilities of the disposal groups are as follows:

	2016 £m
Assets	
Property, plant and equipment	**47**
Intangible assets	**143**
Interests in joint ventures	**16**
Deferred tax assets	**6**
Trade and other receivables	**73**
Inventories	**4**
Current tax receivable	**1**
Cash and cash equivalents	**46**
Assets classified as held for sale	**336**
Liabilities	
Trade and other payables	**(132)**
Current tax payable	**(3)**
Interest-bearing loans and borrowings	**(32)**
Derivative financial instruments	**(7)**
Deferred tax liabilities	**(5)**
Provisions	**(8)**
Liabilities classified as held for sale	**(187)**
Net assets directly associated with the disposal groups	**149**

The results of the assets held for sale for the period from classification as held for sale to 31 December is as follows:

	2016 £m
Revenue	**11**
Cost of sales and net operating expenses	**(1)**
Profit before income tax	**10**
Income tax	**–**
Profit after tax	**10**

On 3 August 2016, the Group signed a sale and purchase agreement relating to its interest in The Incheon Bridge Co. Ltd. Cash proceeds of £30m were received on 2 December 2016, and are reported within current payables. The disposal remains subject to regulatory approval but it is expected to complete in 2017.

An impairment loss of £26m writing down the carrying amount of the disposal group to its fair value less costs to sell has been included within the impairment charges recognised in the income statement.

25 Acquisitions and disposals

Acquisitions in 2016
£2m was paid in respect of businesses acquired in 2015 and prior years.

Acquisitions in 2015
On 5 October 2015, the Group acquired the remaining 49.9% shareholding in KROMAV Engenharia S.A., a company incorporated in Brazil, for a consideration of £3m. As a result of the transaction, the non-controlling interest released was £1m resulting in a charge of £4m recognised in the consolidated statement of changes in equity.

Mandatory purchase of minority Foster Wheeler shareholders
On 19 January 2015, Amec Foster Wheeler plc completed the squeeze-out merger under Swiss law (the 'Squeeze-Out Merger') of Foster Wheeler AG ('Foster Wheeler') through its wholly owned subsidiaries AMEC International Investments BV and A-FW International Investments GmbH.

All remaining Foster Wheeler shareholders received, for each Foster Wheeler share held, a combination of $16.00 in cash and either (i) 0.8998 Amec Foster Wheeler shares, if the shareholder's address on the books and records of Foster Wheeler was outside the United States or (ii) 0.8998 Amec Foster Wheeler American depositary shares ('ADSs'), if the shareholder's address on the books and records of Foster Wheeler was in the United States.

The cash portion of the consideration was increased by $0.225 for each Amec Foster Wheeler share or Amec Foster Wheeler ADS received, in lieu of the Amec Foster Wheeler dividend of £0.148 (announced on 7 August 2014). This was calculated by converting the dividend amount to US$ (at the European Central Bank's 5 January 2015 exchange rate of $1.5223 per £1.00).

In aggregate, Amec Foster Wheeler paid as consideration in the Squeeze-Out Merger £51m ($77m) in cash and issued 4,255,970 Amec Foster Wheeler shares.

The purchase consideration was allocated as follows:

	Recognised value £m
Assets acquired	–
Liabilities assumed	–
Net identifiable assets and liabilities	–
Amount recognised in the consolidated statement of changes in equity	75
Non-controlling interest acquired	10
	85
Consideration	
Shares issued	34
Cash paid on completion	51
	85

Acquisitions in 2014
Foster Wheeler
Background
On 6 October 2014, the Group launched a public tender offer to acquire the entire issued share capital of Foster Wheeler AG, the ultimate parent company of Foster Wheeler. Pursuant to the tender offer, which closed on 13 November 2014 (the acquisition date), the Group acquired 95.3 percent of the issued share capital of Foster Wheeler AG.

Consideration payable for the interests in Foster Wheeler acquired by the Group amounted to £1,915m (measured at fair value at the acquisition date), of which £979m was settled in cash, £919m was settled by the issue of ordinary shares and ADSs and £17m was settled by the grant of replacement share options and awards to Foster Wheeler employees.

25 Acquisitions and disposals continued

Acquisitions in 2014 continued

The purchase consideration was allocated as follows:

	£m
Identifiable assets acquired	
Property, plant and equipment	111
Identifiable intangible assets	742
Interests in joint ventures	73
Current tax receivable	13
Deferred tax assets	27
Inventories	11
Trade and other receivables	751
– Gross contractual amounts receivable	818
– Allowance for doubtful debts	(67)
Derivative financial instruments	(12)
Cash and cash equivalents	265
Liabilities assumed	
Bank loans	(39)
Finance lease obligations	(32)
Trade and other payables	(856)
Current tax	(65)
Retirement benefit liabilities	(72)
Deferred tax liabilities	(113)
Provisions	(592)
Net identifiable assets acquired	212
Non-controlling interests	(23)
Goodwill	1,726
Consideration	**1,915**

Non-controlling interests in Foster Wheeler were measured at their proportionate share of Foster Wheeler's identifiable assets and liabilities at the acquisition date.

Goodwill of £1,726m was recognised on the acquisition of Foster Wheeler. Management considers that the goodwill is attributable to the future strategic growth opportunities arising from the acquisition, Foster Wheeler's highly skilled, customer-oriented and collaborative assembled workforce, the significant cost synergies that are expected to result from the integration of Foster Wheeler with the Group's existing operations, and the potential for tax synergies. None of the goodwill is expected to be deductible for tax purposes.

Acquisition-related costs relating to the acquisition of Foster Wheeler totalling £33m were recognised within administrative expenses during 2014.

In the period from its acquisition to 31 December 2014, Foster Wheeler contributed £274m to the Group's revenue and £1m to the Group's trading profit. After amortisation, exceptional items and net asbestos-related items, Foster Wheeler generated a loss of £44m in the period from acquisition to 31 December 2014.

Management estimated that if Foster Wheeler had been acquired on 1 January 2014, the Group's revenue for the year would have been £1,814m higher than reported at £5,800m. Management was unable to estimate reliably what the Group's profit or loss for the year would have been on this basis, principally because it is not practicable to retrospectively apply the significant purchase accounting adjustments that were made to the carrying amounts of the assets and liabilities of Foster Wheeler at its acquisition date and the tax effects of those adjustments.

Changes to the provisional fair value allocation

As discussed above, during 2015 management completed its assessment of the fair values of Foster Wheeler's assets and liabilities as at the acquisition date resulting in the recognition of additional goodwill of $245m. The most significant updates were as follows:

25 Acquisitions and disposals continued

Acquisitions in 2014 continued

Longview

As previously disclosed, during 2015, the arbitration panel awarded Kvaerner approximately $74m (approximately £48m) in respect of the arbitration with Kvaerner North American Construction Inc arising from GPG's role in the construction of the Longview power plant in West Virginia, US in 2011. As the contract was complete prior to the acquisition, this award has been fully reflected in the purchase price allocation.

Refinery project arbitration – India

As disclosed in the 2014 financial statements, Foster Wheeler commenced arbitration in India against its client seeking collection of unpaid invoices in connection with the construction of an oil refinery plant in north-eastern India. Its client rejected the claim and submitted significant counterclaims. The provisional purchase price allocation included an allowance against the outstanding debts but, due to the ongoing risks and the passage of time, a further charge of £16m has been made. This represents full provision against the outstanding receivables.

Other project litigation

A provision of £33m has been established against costs expected to be disallowed and a potential alleged breach of warranty claim in respect of design work undertaken on a design, build and construct project based in the Southern US.

Management has performed a detailed review of the contracts in the GPG business and made provisions for defect rectification and damages claims totalling £19m across a number of contracts.

A number of smaller provisions (totalling £21m) have been established against specific contract risks.

Receivables and payables

Provision has been made against receivables and unbilled work in progress on a number of contracts (including £10m on one contract) that were outstanding as at the acquisition date and remained uncollected at the end of the hindsight period.

Provision has also been made against an employment tax risk associated with a permanent establishment overseas.

Uncertain tax positions

Management has reviewed the ongoing tax positions of Foster Wheeler and increased the provisions for uncertain tax positions in a number of jurisdictions. The most significant increases withholding tax on potential deemed distributions.

Property, plant and equipment

The carrying value of property, plant and equipment has been reviewed resulting in a £9m write down of two properties to their expected market value.

Deferred tax

Deferred tax liabilities reduced by £23m. This movement includes a potential tax liability on the future unwind of an overseas branch, as well as the deferred tax impact of the additional adjustments to the purchase price offset by the impact of the finalisation of the intangible asset allocation. The recognition of deferred tax on the purchase price allocation is restricted as a result of uncertainty over future profits and capacity constraints.

Scopus

On 15 December 2014, the Group acquired the entire issued share capital of Scopus Group (Holdings) Limited (Scopus) for £68m with £67m paid on completion and £1m deferred for one year. Headquartered in Aberdeen, UK, with bases in international oil and gas hubs, Scopus has around 200 employees who provide specialist engineering services to the global oil and gas, petrochemical and nuclear industries.

Goodwill of £35m was recognised on the acquisition which management considers is principally attributable to its skilled workforce which did not meet the criteria for recognition as an intangible asset at the date of acquisition. This specialist expertise will complement Amec Foster Wheeler's existing project delivery capability across the lifecycle of a project.

25 Acquisitions and disposals continued

Acquisitions in 2014 continued

Summary of financial effect

Purchase consideration was allocated as follows:

	£m
Intangible assets	31
Tangible assets	1
Trade and other receivables	7
Cash and cash equivalents	3
Trade and other payables	(3)
Deferred tax liability	(6)
Net identifiable assets and liabilities	33
Goodwill on acquisition	35
	68
Consideration	
Cash – paid on completion	67
– deferred	1
	68

Scopus did not make a material contribution to the Group's results for the year and would not have done so even if it had been acquired on 1 January 2014.

Disposals in 2016

On 7 December 2016, the sale to Energia Que Mueve A Chile (ENAP) of PetroPower Energia Limitada was completed.

The carrying value of the interests in joint ventures sold and profit on disposal in respect of the continuing operations were as follows:

	£m
Cash consideration received	40
Interest in Joint Venture classified as held for sale	(45)
Cumulative foreign exchange gains recycled from the translation reserve	10
Severance costs incurred as a result of the disposal	(4)
Legal fees incurred and other related expenses	(2)
Net loss on disposal	(1)

26 Commitments

Operating lease commitments

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

	31 December 2016 £m	31 December 2015 £m
In one year or less	**94**	86
Between one and five years	**225**	224
Over five years	**60**	75
	379	385

Amec Foster Wheeler 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 Commitments continued

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of property and deferred payment arrangements which are similar to finance leases for software. These leases have terms of renewal, but no purchase options or escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows:

	2016		2015	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
In one year or less	15	12	6	4
Between one and five years	42	37	49	42
Over five years	10	9	15	13
Total minimum lease payments	67	58	70	59
Less amounts representing finance charges	(9)	–	(11)	–
Present value of minimum lease payments	58	58	59	59

Included within the present value of minimum lease payments above is £7m relating to a finance lease classified within held for sale liabilities (2015: £nil).

27 Contingent liabilities

Legal claims and actions

From time to time, the Group is party to litigation involving clients and sub-contractors arising out of project contracts. Such litigation includes claims or actions by and against the Group for cancelled contracts, for additional costs incurred in excess of contract provisions, as well as for back charges for alleged breaches of warranty and other contract commitments. We have recognised provisions for certain known or reasonably likely legal claims or actions against the Group. We do not expect known and reasonably likely legal claims or actions for which a provision has not been established to have a material impact on the Group's financial position, results of operations or cash flows.

Indemnities and retained obligations

We have agreed to indemnify certain third parties relating to businesses and/or assets that were previously owned by the Group and were sold to them. Such indemnifications relate primarily to breach of covenants, breach of representations and warranties, as well as potential exposure for retained liabilities, environmental matters and third party claims for activities conducted by the Group prior to the sale of such businesses and/or asset. We have established provisions for those indemnities in respect of which we consider it probable that there will be a successful claim. We do not expect indemnities or retained obligations for which a provision has not been established to have a material impact on the Group's financial position, results of operations or cash flows.

Guarantees

During the year, one of the Group's subsidiaries disposed of a refinery/electricity generation plant located in Chile. A condition of the disposal was that the subsidiary was required to sign an operation and maintenance contract with the purchaser. This has resulted in a number of performance obligations with respect to refinery output and electricity generation by the plant.

Mount Polley

The Mount Polley mine is owned and operated by Mount Polley Mining Corporation, a subsidiary of Imperial Metals Corporation, and is located near the town of Likely, British Columbia, Canada. On 4 August 2014, a tailings pond facility at the mine failed releasing large quantities of water and mine tailings into the local environment. The dam was in the process of being raised (as part of its annual raise) at the time of the failure. One of Amec Foster Wheeler's subsidiaries, along with other parties, had various design and quality assurance responsibilities associated with the development of this facility. Amec Foster Wheeler's subsidiary was providing engineering services at the time of the breach, but did not perform the original design.

An independent review panel, appointed by the government of British Columbia, issued a report on 30 January 2015 concluding that the cause of failure was shearing along a zone of weak soil along with other contributory factors. On 17 December 2015, the chief inspector of mines for British Columbia issued a report that for the most part agreed with the conclusions of the independent review panel. Whilst the chief inspector concluded that there were failings in the required standard of care of all of the engineers, he concluded that the responsibility for the breach lies primarily with the mine owner, Mount Polley Mining Corporation. He also concluded that there was no evidence of any significant contravention of regulatory requirements.

27 Contingent liabilities continued

Mount Polley continued

On 4 July 2016, Mount Polley Mining Corporation and Imperial Metals Corporation filed suit against Amec Foster Wheeler's subsidiary and others. The claim seeks CDN$3 million in costs payable to government agencies and unspecified damages for loss of profit, reconstruction costs and environmental remediation. Subsequent to this filing, several tourist operators and First Nations also filed suit alleging that they suffered damages as a result of the tailings facility failure. It is Amec Foster Wheeler management's opinion that its employees performed in a professional manner consistent with the standard of care for a competent engineer on a project of this nature in British Columbia. In addition, the contracts between Amec Foster Wheeler's subsidiary and Mount Polley Mining Corporation contain limitations of liability provisions that exclude claims for consequential damages and limit the subsidiary's liability to Mount Polley Mining Corporation to the amount of professional fees charged, which were less than CDN$1 million.

Amec Foster Wheeler has retained outside counsel and filed a response to Mount Polley Mining Corporation's civil claim on 23 September 2016. Given the early stage of this matter, it is difficult to predict the likely outcome of this proceeding. Mindful of the foregoing caveat, it is Amec Foster Wheeler management's opinion that it is probable that there will be an outflow in respect of this issue (with liability shared with the other parties), but it is probable that if there is an outflow to Mount Polley Mining Corporation, it will be limited to the prescribed contractual limitation of liability referenced above.

Investigations

Amec Foster Wheeler has received voluntary requests for information from, and continues to cooperate with, the SEC and the US Department of Justice ('DOJ') regarding the historical use of agents by Foster Wheeler, primarily in the Middle East, and certain of the Company's other business counterparties in that region. In addition, the Company has provided information relating to the historical use of third parties by Foster Wheeler and certain of its operations to the DOJ and SEC in other regions. The Company has also made a disclosure to the UK Serious Fraud Office. Given the stage of these matters, it is not possible to estimate reliably what effect the outcome that any investigation or any regulatory determination may have on the Company.

Tax planning

The Group undertakes tax planning which is compliant with current legislation and accepted practice. Recent changes to the tax environment, including the OECDs project around Base Erosion and Profit Shifting have brought into question the legitimacy of tax planning previously undertaken by multinational entities. There have been several recent high profile tax cases against tax authorities and large groups. The European Commission continues formal investigations to examine whether decisions by the tax authorities in certain European countries comply with European Union rules, and has issued judgments in some cases which are being contested by the groups and the countries effected. We are monitoring the outcome of these cases in order to understand whether there is any risk to the Group. Based on the Group's current assessment of such issues, it is too early to speculate on any areas of challenge and potential liabilities, and as a result, it is not currently considered probable that there will be an outflow in respect of these issues.

28 Related party transactions

During 2016 there were a number of transactions with the senior management group, joint venture entities and subsidiary companies.

Transactions with the senior management group

During 2016, the senior management group consisted of Amec Foster Wheeler plc board members and the presidents of the Americas, Northern Europe and CIS, Asia, Middle East, Africa and Southern Europe, and the Global Power Group.

The senior management group and immediate relatives controlled 0.20% of the voting rights of the Company as at 31 December 2016.

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 Long-Term Incentive Plan. The Company also contributes to a defined benefit plan on behalf of certain executive directors. Details of their compensation are as follows:

	2016 £m	2015 £m
Short-term employee benefits	5	5
Pension costs	–	–
Equity-settled share-based payments	1	–
	6	5

28 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	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Services received	**1**	1	**–**	–
Services rendered	**21**	28	**8**	12
Provision of finance	**9**	–	**24**	17
Receipt of finance	**2**	–	**2**	–

During the year, a loan of £2m was advanced to the Group from an equity accounted joint venture at an interest rate of 4.35%.

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 2016 under Section 479A of the Companies Act 2006, all of which are fully consolidated in these accounts:

Amec Foster Wheeler Finance Asia Limited (Registered number: 6205760)

Amec Foster Wheeler Property and Overseas Investments Limited (Registered number: 1580678)

AMEC Hedge Co 1 Limited (Registered number: 07870120)

AMEC Kazakhstan Holdings Limited (Registered number: 4530056)

AMEC USA Finance Limited (Registered number: 5299446)

AMEC USA Holdings Limited (Registered number: 4041261)

AMEC USA Limited (Registered number: 4044800)

AMEC Wind Developments Limited (Registered number: 8781332)

Ard Ghaoth Wind Farm Limited (Registered number: 7625013)

Atlantis Hedge Co 1 Limited (Registered number: 09302428)

Atlantis Hedge Co 2 Limited (Registered number: 09302562)

Auld Clay Wind Farm Limited (Registered number: 7285550)

Castlecary Wind Farm Limited (Registered number: 7611293)

Hilton Wind Farm Limited (Registered number: 7767187)

PI Energy & Emissions Limited (Registered number: SC209704)

Sandiway Solutions (No 3) Limited (Registered number: 5318249)

Sigma Financial Facilities Limited (Registered number: 3863449)

29 Post balance sheet events

In January 2017, the Company sold Aquenta Consulting Pty Ltd., a specialist consultancy business based in Australia, to Jacobs Group (Australia) Pty Ltd for £21m. Aquenta contributed revenue of £27m and trading profit of £4m in 2016.

On 2 March 2017, the Company signed an agreement to sell its core boiler business to Sumitomo Heavy Industries, Ltd for £137m. The core boiler business contributed revenues of £200m and trading profit of £25m. The sale is conditional on customary regulatory approvals in certain jurisdictions and is expected to be completed during the second quarter of 2017.

Also, on 2 March 2017, the Group announced its intention to dispose of its nuclear business. The nuclear operations contributed revenue of £274m and trading profit of £16m in 2016.

To ensure continued compliance with its financial covenants, the Company approached its banking group and on 10 April 2017 successfully agreed a waiver to increase the leverage covenant in its banking facilities to 4.5:1 to provide additional headroom through to the reporting period ending 30 June 2018.

Company balance sheet
As at 31 December 2016

	Note	2016 £m	2015 £m
Fixed assets			
Intangible assets	2	**1**	33
Tangible assets	3	**–**	1
Investment in subsidiaries	4	**3,359**	4,219
		3,360	4,253
Current assets			
Debtors: including amounts falling due after one year of £2,442m (2015: £1,310m)	5	**2,567**	1,378
Cash at bank and in hand		**54**	41
		2.621	1,419
Current liabilities			
Creditors: amounts falling due within one year	6	**(1,467)**	(1,661)
Net current assets/(liabilities)		**1,154**	(242)
Total assets less current assets/(liabilities)		**4,514**	4,011
Creditors: amounts falling due after one year	7	**(3,117)**	(2,091)
Net assets		**1,397**	1,920
Capital and reserves			
Called up share capital	8, 9	**197**	197
Share premium account	9	**133**	133
Capital redemption reserve	9	**34**	34
Merger reserve	9	**33**	540
Retained earnings[1]	9	**1,000**	1,016
Equity shareholders' funds		**1,397**	1,920

1 The company's loss for the year was £418m (2015: £368m).

The accounts on pages 167 to 175 were approved by the board of directors on 25 April 2017 and were signed on its behalf by:

Jonathan Lewis
Chief Executive Officer

Ian McHoul
Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2016

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total £m**
As at 1 January 2016	197	133	540	34	1,016	**1,920**
Loss for the year	–	–	–	–	(418)	**(418)**
Total comprehensive loss for the year	–	–	–	–	(418)	**(418)**
Transfer of impairment losses to merger reserve	–	–	(507)	–	507	**–**
Dividend	–	–	–	–	(113)	**(113)**
Equity-settled share-based payments	–	–	–	–	10	**10**
Acquisition of shares by trustees of the Performance Share Plan	–	–	–	–	(2)	**(2)**
As at 31 December 2016	197	133	33	34	1,000	**1,397**

For the year ended 31 December 2015

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total £m**
As at 1 January 2015	194	101	877	34	1,198	**2,404**
Loss for the year	–	–	–	–	(368)	**(368)**
Total comprehensive loss for the year	–	–	–	–	(368)	**(368)**
Transfer of impairment losses to merger reserve	–	–	(337)	–	337	**–**
Dividend	–	–	–	–	(167)	**(167)**
Equity-settled share-based payments	–	–	–	–	1	**1**
Utilisation of treasury shares	–	–	–	–	15	**15**
Shares issued	3	32	–	–	–	**35**
As at 31 December 2015	197	133	540	34	1,016	**1,920**

1 Accounting policies

Basis of preparation

The accounts have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and under the historical cost convention, except that derivative financial instruments are stated at fair value, 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.

The accounts are presented in Sterling, rounded to the nearest million.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of services received was determined)
- the requirements of IFRS 7 'Financial Instruments: Disclosures'
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1
  - paragraph 73(e) of IAS 16 'Property, Plant and Equipment'
  - paragraph 118(e) of IAS 38 'Intangible Assets'
- the requirements of the following paragraphs of IAS 1 'Presentation of Financial Statements':
  - 10(d) (statement of cash flows)
  - 16 (statement of compliance with all IFRSs)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)
- the requirements of IAS 7 'Statement of Cash Flows'
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation)
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

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 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.

Amec Foster Wheeler believe some of these policies require a high level of judgement, and the most critical accounting policies and significant areas of judgement and estimation arise from:

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' recoverable amount. Where recoverable amount is based on value in use, these calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £3,359m (2015: £4,219m) with an impairment loss of £539m recognised in 2016 (2015: £351m).

1 Accounting policies continued

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 instrument and is as described in note 1 to the consolidated financial statements.

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 the profit and loss account 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.

Intangible assets
Intangible assets are measured at cost less accumulated amortisation and impairment losses.

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 useful lives of intangible assets held at 31 December 2016 are as follows:

Software	Three to seven years

Interest
Interest is recognised in profit or loss on an accruals basis using the effective interest method.

Investments
Investments are stated at cost less impairment losses. 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 investments in subsidiaries are adjusted to reflect this capital contribution.

Pensions
The Company participates in the Amec Foster Wheeler Pension Plan (formerly the Amec Staff and Executive defined benefit pension schemes). The assets of these schemes are held separately from those of the Company. As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual Group entities, the Company has recognised a cost equal to the contributions payable to the schemes in respect of the accounting period.

Details of the defined benefit schemes can be found in note 14 of the consolidated accounts.

Contributions to the defined contribution schemes are recognised in profit or loss in the period in which they become payable.

Tangible assets
Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided on all property, plant and equipment 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. The estimated useful lives as at 31 December 2016 are as follows:

Plant and equipment	Three to five years

Remuneration of auditors
The detailed information concerning auditor's remuneration is shown in note 4 of the consolidated accounts.

Share-based payments
There are share-based payment arrangements which allow Amec Foster Wheeler employees to acquire Amec Foster Wheeler shares; these awards are granted by Amec Foster Wheeler. 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 temporary differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all temporary 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 IAS 12 'Income Taxes'.

2 Intangible assets

	Software £m
Cost	
As at 1 January 2016	50
Additions	5
As at 31 December 2016	**55**
Amortisation	
As at 1 January 2016	17
Impairment loss	31
Provided during the year	6
As at 31 December 2016	**54**
Net book value	
As at 31 December 2016	**1**
As at 1 January 2016	33

3 Tangible assets

	Plant and equipment £m
Cost	
As at 1 January 2016	4
Additions	–
As at 31 December 2016	**4**
Depreciation	
As at 1 January 2016	3
Provided during the year	1
As at 31 December 2016	**4**
Net book value	
As at 31 December 2016	**–**
As at 1 January 2016	1

4 Investments (non-current)

	Shares in subsidiaries £m	Amounts owed by subsidiaries £m	Total investment in subsidiaries £m
Cost			
As at 1 January 2016	4,152	464	4,616
Additions	2,103	2	2,105
Disposals	(2,819)	(461)	(3,280)
As at 31 December 2016	**3,436**	**5**	**3,441**
Provisions			
As at 1 January 2016	397	–	397
Provided during the year	537	2	539
Disposals	(854)	–	(854)
Reclassification	(3)	3	–
As at 31 December 2016	**77**	**5**	**82**
Net book value			
As at 31 December 2016	**3,359**	**–**	**3,359**
As at 1 January 2016	3,755	464	4,219

Group companies and their applicable registered offices are listed on pages 212 to 221.

5 Debtors

	31 December 2016 £m	31 December 2015 £m
Debtors: amounts falling due within one year		
Amounts owed by subsidiaries	**60**	6
Derivative financial instruments	**53**	33
Corporation tax	**–**	21
Prepayments and accrued income	**12**	8
	125	68
Debtors: amounts falling due after one year		
Derivative financial instruments	**56**	19
Amounts owed by subsidiaries	**2,386**	1,291
	2,567	1,378

The deferred tax balance is analysed as follows:

	31 December 2016 £m	31 December 2015 £m
Difference between accumulated depreciation and capital allowances	**–**	(1)
Tax losses	**–**	1
	–	–

6 Creditors: amounts falling due within one year

	31 December 2016 £m	31 December 2015 £m
Bank overdrafts	**15**	12
Bank and other loans	**95**	673
Trade creditors	**45**	42
Corporation Tax	**1**	–
Derivative financial instruments	**54**	33
Amounts owed to subsidiaries	**1,257**	901
	1,467	1,661

On 1 March 2016, the Company entered into a new £1,700m syndicated credit facilities agreement comprising three tranches; a three-year £650m term loan (maturing 1 March 2019), a five-year £650m term loan (maturing 1 March 2021) and a five-year £400m revolving credit facility (maturing 1 March 2021). This new facility replaced the Company's previous £377m revolving credit facility and the Foster Wheeler acquisition facility of $2.26bn.

At 31 December 2016, the Company had committed banking facilities of £1,661m (2015: £1,741m). As at 31 December 2016, the undrawn portion of the Company's facilities was £300m.

7 Creditors: amounts falling due after one year

	31 December 2016 £m	31 December 2015 £m
Amounts owed to subsidiaries	**1,784**	1,509
Bank and other loans	**1,276**	563
Derivative financial instruments	**57**	19
	3,117	2,091

8 Share capital

The share capital of the Company comprises 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.

	31 December 2016 £m	31 December 2015 £m
Allotted, called up and fully paid ordinary shares of 50 pence each	**197**	197

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

	Number	£m
As at 1 January 2016 and 31 December 2016	**393,131,813**	**197**

Share-based payment

Details of share-based payment schemes operated by the Company are provided in note 22 to the consolidated accounts.

9 Reserves

Movements in reserves are shown in the Company statement of changes in equity on page 168.

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

During 2012, Amec Foster Wheeler plc generated a significant profit from an internal restructuring. This becomes distributable as qualifying consideration is passed to Amec Foster Wheeler plc. As at 31 December 2016, £548m of reserves are considered to be distributable.

The Company's loss for the year in 2016 was £418m (2015: £368m).

10 Staff costs and employee numbers

	2016 £m	2015 £m
Wages and salaries	23	19
Social security costs	2	2
Equity-settled share-based payments	–	(1)
Contributions to defined contribution schemes	1	–
Defined benefit pension scheme expense	–	1
	26	21

	2016 number	2015 number
The average number of people employed was as follows:		
Administration	193	186

Details of directors' remuneration are provided in the Directors' remuneration report on pages 74 to 88.

11 Contingent liabilities

Guarantees and indemnities

Guarantees given by the Company in respect of borrowings of subsidiaries amounted to £nil as at 31 December 2016 (2015: £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 2016 was £55m (2015: £79m).

The Company will guarantee the debts and liabilities of the following UK subsidiaries in accordance with Section 479C of the Companies Act 2006:

Amec Foster Wheeler Finance Asia Limited (Registered number: 6205760)

Amec Foster Wheeler Property And Overseas Investments Limited (Registered number: 1580678)

AMEC Hedge Co 1 Limited (Registered number: 07870120)

AMEC Kazakhstan Holdings Limited (Registered number: 4530056)

AMEC USA Finance Limited (Registered number: 5299446)

AMEC USA Holdings Limited (Registered number: 4041261)

AMEC USA Limited (Registered number: 4044800)

AMEC Wind Developments Limited (Registered number: 8781332)

Ard Ghaoth Wind Farm Limited (Registered number: 7625013)

Atlantis Hedge Co 1 Limited (Registered number: 09302428)

Atlantis Hedge Co 2 Limited (Registered number: 09302562)

Auld Clay Wind Farm Limited (Registered number: 7285550)

Castlecary Wind Farm Limited (Registered number: 7611293)

Hilton Wind Farm Limited (Registered number: 7767187)

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.

12 Related party transactions

During the year the only related party transactions for which disclosure is required under FRS 101 'Financial Reporting Standard 101 'Reduced Disclosure Framework' were with the senior management group. As allowed by FRS 101, 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 Foster Wheeler plc board members.

The senior management group of the Company and their immediate relatives controlled 0.14% of the voting rights of the Company as at 31 December 2016.

Details of directors' remuneration are provided in the Directors' remuneration report on pages 74 to 88.