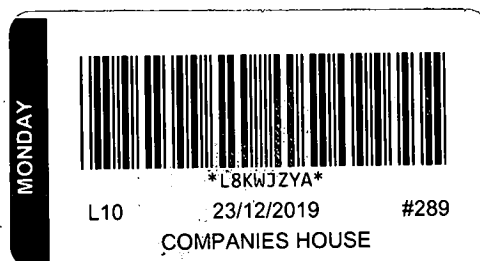


Registered number: 04612748

AMEC FOSTER WHEELER GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



AMEC FOSTER WHEELER GROUP LIMITED

COMPANY INFORMATION

Directors

SJ Nicol
WG Setter
MJ Watson

Company secretary

IA Jones

Registered number

04612748

Registered office

Booths Park
Chelford Road
Knutsford
Cheshire
WA16 8QZ

Independent auditors

KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

AMEC FOSTER WHEELER GROUP LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 5
Independent Auditors' Report	6 - 8
Income Statement	9
Statement of Comprehensive Income	10
Balance Sheet	11 - 12
Statements of Changes in Equity	13 - 14
Notes to the Financial Statements	15 - 46

AMEC FOSTER WHEELER GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Directors present their Strategic report for the year ended 31 December 2018.

Principal activities

The Company is a wholly owned subsidiary of Amec Foster Wheeler Limited ('Amec Foster Wheeler') a focused supplier of consultancy, engineering, project management and operations and maintenance services to customers in the world's oil and gas, mining, clean energy, environment and infrastructure markets. The Company operates primarily in the oil and gas and clean energy markets.

The Company has branches in Holland, Kazakhstan, Kuwait and Libya.

Business review

The key financial and other performance indicators of the Company during the year were as follows:

	2018	2017
Revenue from continuing operations £ million	408	901
EBITA* £ million	(16.9)	0.9
(Loss)/profit for the year £ million	(68.9)	54.8

* EBITA is gross profit on continuing operations of £0.6 million (2017: £32.6 million) less administrative expenses of £17.5 million (2017: £31.7 million).

Revenue has reduced from £901 million to £408 million during 2018, largely as a result of the sale of the Company's UK North Sea business in August 2017 as well as reduction in the level of management fee income received.

Margin has been impacted by business mix in 2017, along with a reduction in the management fee income that the Company charges to fellow group undertakings.

On 1 November 2018, the Company sold part of its Capital Projects business to two fellow group undertakings, Wood Group (UK) Limited and Mustang Engineering Limited, recognising a gain on disposal of £101 million.

During the year the Company recognised an impairment charge of £126 million against its brand asset as a result of the income stream associated with this asset ceasing. In addition to the impairment charge, an amortisation charge of £7 million was also recognised in the year.

A court ruling passed in October 2018 provided clarity in respect of Guaranteed Minimum Pension ('GMP') equalisation in relation to UK defined benefit pension schemes. As a result, the Company has allowed for GMP equalisation in determining its UK defined benefit scheme liabilities with the increase in liabilities arising of £23 million being recorded as an exceptional charge in the year. Additional charges of £7 million relate mostly to restructuring costs.

The Company continues to manage ongoing "long tail" obligations on completed contracts of its Built Environment business which was sold in 2007. Appropriate provisions have been made for legal claims or actions against the Company on the basis of likely outcome. During 2018 the Company released £18 million of provisions no longer required and also recognised £6 million of new provisions in respect of customer claims.

This resulted in a loss for the year of £68.9 million (2017: profit of £54.8 million).

AMEC FOSTER WHEELER GROUP LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

The principal general risks faced by the Company are as follows:

Financial risk management

The Company's operations expose it to a variety of financial risks, primarily foreign currency exchange risk and credit risk. To minimise risk, John Wood Group operates a system of globally applied policies and procedures. These, combined with comprehensive management oversight, the risk management process, project reviews, internal audit and peer reviews mitigate the Company's risk.

Foreign currency exchange risks

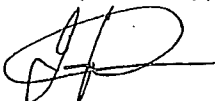
A proportion of the Company's foreign currency trading income is denominated in the local currency of the business operations which provides a natural hedge against the currency of its cost base. Where commercial contracts are undertaken, which are denominated in foreign currencies without a natural hedge, the Company seeks to mitigate the foreign exchange risk, when the cash flow giving rise to such exposure becomes certain or highly probable, through the use of forward currency arrangements, which may include the purchase of currency options.

There are currently no material transactional exposures which have been identified and remain unhedged. There is no reason to believe that any material outstanding forward contract will not be able to be settled from the underlying commercial transactions.

Credit risk

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

This report was approved by the board and signed on its behalf by:



IA Jones
Secretary

Date: 20 December 2019

AMEC FOSTER WHEELER GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £68,878,000 (2017 - profit £54,805,000).

The Company received dividends from subsidiary and joint venture undertakings of £2,200,000 in the year (2017: £25,000,000). No dividend was paid during the year (2017: £nil).

Directors

The Directors who served during the year were:

SJ Nicol
WG Setter
ND Shorten (resigned 30 June 2018)
MJ Watson

AMEC FOSTER WHEELER GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Future developments

Despite an increase in oil prices towards the end of 2018 and during 2019, market conditions remain challenging. The Company will seek to win new contracts which will maintain its low-risk and flexible business model and will continue to develop long-term customer relationships.

The UK's decision to leave the European Union has brought about a period of economic uncertainty that is likely to continue until after separation takes place. This uncertainty may dampen investment in an environment of negative market sentiment. We will continue to monitor developments resulting from the UK's decision to leave the EU and develop response strategies to mitigate risk.

Going concern

The Directors, having made enquiries, consider that the Company has adequate resources to operate for at least twelve months from the date of these financial statements and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the accounts. Further details of the assessment performed can be found in note 1.5.

Employee involvement

The Company employed on average 2,876 people in 2018 (2017: 4,638).

The Company gives high priority to the development of employees, to ensure that they have the necessary skills and behaviours to deliver its strategic business objectives and to provide for management succession.

Processes are in place across the John Wood Group for the regular and consistent review of employee performance, development and management succession.

It is of key importance to the Company that it engages with employees to ensure they understand the direction in which the Company is going, are committed to its values, and are empowered to propose and make changes to improve how it operates. The Company's employees embody its knowledge, brand and reputation and it is through their activities, day by day, that it delivers on its business objectives and commitments to shareholders, customers and the wider community. Surveys of employee opinion are regularly conducted and the Company is committed to sharing and acting on the outcomes. John Wood Group provides a wide range of mechanisms for employees to share knowledge, to be kept informed of developments within John Wood Group and to raise issues and discuss matters of concern.

Respect for cultural diversity and commitment to equal opportunities are included in John Wood Group's values and code of business conduct. John Wood Group's policy is to recruit from the widest labour market, to determine the careers of all employees solely on merit and to make judgements about employees free from the effects of bias and prejudice.

As part of John Wood Group's equal opportunities policy, procedures are in place that are designed to provide for full and fair consideration and selection of disabled applicants to ensure they are properly trained to perform safely and effectively, and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Company will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Qualifying third party indemnity provisions

The Company maintains Directors' and Officers' liability insurance cover. In addition, throughout the financial year and at the date of this report, qualifying third party indemnity provisions within the meaning of Sections 232-234 of the Companies Act 2006 were in place for all of the directors.

AMEC FOSTER WHEELER GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after the circulation of these financial statements to the Company's shareholders or 28 days after the latest date allowed for sending out copies of these financial statements, whichever is earlier.

This report was approved by the board and signed on its behalf by:



IA Jones
Secretary

Date: 20 December 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMEC FOSTER WHEELER GROUP LIMITED

Opinion

We have audited the financial statements of Amec Foster Wheeler Group Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statements of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as recognition of revenue and profit on long term contracts, the carrying value of fixed assets and provisions and the measurement, assumptions for defined benefit pension liabilities and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK; and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMEC FOSTER WHEELER GROUP LIMITED

Strategic Report and Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMEC FOSTER WHEELER GROUP
LIMITED**

The purpose of our audit work and to whom we owe our responsibilities

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.

A handwritten signature in black ink, appearing to read 'David Derby', with a long horizontal flourish extending to the right.

David Derbyshire (Senior statutory auditor)

for and on behalf of

KPMG LLP

Aberdeen, UK

Date: 23 December 2019

AMEC FOSTER WHEELER GROUP LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

		Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000	Continuing operations 2017 £000	Discontinued operations 2017 £000	Total 2017 £000
	Note						
Revenue	3	407,725	(3)	407,722	900,577	150	900,727
Cost of sales		(407,159)	9,790	(397,369)	(868,012)	1,430	(866,582)
Gross profit		566	9,787	10,353	32,565	1,580	34,145
Amortisation/ impairment of intangible assets	13	(132,847)	-	(132,847)	(17,571)	-	(17,571)
Exceptional items	11	(29,646)	-	(29,646)	(11,075)	-	(11,075)
Other administrative expenses		(17,488)	(13)	(17,501)	(31,692)	(46)	(31,738)
Operating loss	4	(179,415)	9,774	(169,641)	(27,773)	1,534	(26,239)
Gain/(loss) on disposal of operations		101,064	-	101,064	96,798	(3,360)	93,438
Amounts written off investments		-	-	-	(31,316)	-	(31,316)
Income from shares in group undertakings		2,200	-	2,200	25,000	-	25,000
Interest receivable and similar income	8	10,378	-	10,378	6,917	-	6,917
Interest payable and similar expenses	9	(11,557)	(136)	(11,693)	(7,901)	-	(7,901)
(Loss)/profit before tax		(77,330)	9,638	(67,692)	61,725	(1,826)	59,899
Tax on (loss)/ profit	10	(1,186)	-	(1,186)	(5,094)	-	(5,094)
(Loss)/profit for the financial year		(78,516)	9,638	(68,878)	56,631	(1,826)	54,805

The notes on pages 15 to 46 form part of these financial statements.

AMEC FOSTER WHEELER GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
Loss for the financial year	(68,878)	54,805
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	-	7,224
Deferred tax (charge)/credit on effective portion of changes in fair value of cash flow hedges	-	(1,260)
Currency translation differences	(2,150)	(4,611)
Deferred tax on translation differences	-	739
	<u>(2,150)</u>	<u>2,092</u>
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit schemes	78,022	147,964
Deferred tax charge on actuarial gain	(13,264)	(25,820)
	<u>64,758</u>	<u>122,144</u>
Total comprehensive income for the year	<u><u>(6,270)</u></u>	<u><u>179,041</u></u>

AMEC FOSTER WHEELER GROUP LIMITED
REGISTERED NUMBER:04612748

BALANCE SHEET
AS AT 31 DECEMBER 2018

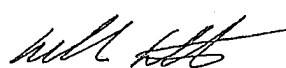
	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	13	5,838	139,000
Tangible assets	12	6,396	9,675
Investments	14	470,238	470,238
		<u>482,472</u>	<u>618,913</u>
Current assets			
Debtors (including amounts falling due after more than one year of £10,581,000 (2017: £29,392,000))	15	501,857	420,461
Cash and cash equivalents		13,970	4,349
		<u>515,827</u>	<u>424,810</u>
Creditors: amounts falling due within one year	16	(315,891)	(368,292)
Net current assets		<u>199,936</u>	<u>56,518</u>
Total assets less current liabilities		<u>682,408</u>	<u>675,431</u>
Creditors: amounts falling due after more than one year	17	(215,699)	(170,235)
		<u>466,709</u>	<u>505,196</u>
Provisions for liabilities			
Deferred taxation	18	(36,665)	(21,814)
Provisions for liabilities and charges	19	(88,957)	(74,691)
		<u>(125,622)</u>	<u>(96,505)</u>
Net assets excluding pension asset		<u>341,087</u>	<u>408,691</u>
Retirement benefit asset	26	290,027	228,077
Net assets		<u><u>631,114</u></u>	<u><u>636,768</u></u>

AMEC FOSTER WHEELER GROUP LIMITED
REGISTERED NUMBER:04612748

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital	24	400,000	400,000
Retained earnings		231,114	236,768
		<u>631,114</u>	<u>636,768</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


WG Setter
Director

Date: 20 December 2019

AMEC FOSTER WHEELER GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2018	400,000	236,768	636,768
Comprehensive income for the year			
Loss for the year	-	(68,878)	(68,878)
Actuarial gain on pension scheme	-	78,022	78,022
Deferred tax charge on actuarial gain	-	(13,264)	(13,264)
Currency translation differences	-	(2,150)	(2,150)
Other comprehensive income for the year	-	62,608	62,608
Total comprehensive income for the year	-	(6,270)	(6,270)
Equity settled share based payments	-	616	616
Total transactions with owners	-	616	616
At 31 December 2018	400,000	231,114	631,114

AMEC FOSTER WHEELER GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2017	400,000	52,780	452,780
Comprehensive income for the year			
Profit for the year	-	54,805	54,805
Actuarial gains on pension scheme	-	147,964	147,964
Deferred tax charge on actuarial gain	-	(25,820)	(25,820)
Effective portion of changes in fair value of cash flow hedges	-	7,224	7,224
Deferred tax charge on effective portion of changes in fair value of cash flow hedges	-	(1,260)	(1,260)
Currency translation differences	-	(4,611)	(4,611)
Deferred tax on translation differences	-	739	739
Total comprehensive income for the year	-	124,236	124,236
Total comprehensive loss for the year	-	179,041	179,041
Equity settled share based payments	-	4,947	4,947
Total transactions with owners	-	4,947	4,947
At 31 December 2017	400,000	236,768	636,768

The notes on pages 15 to 46 form part of these financial statements.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

Amec Foster Wheeler Group Limited is a private company, limited by shares and is incorporated and domiciled in England & Wales.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The results of the Company are included in the consolidated accounts of John Wood Group PLC which are available from 15 Justice Mill Lane, Aberdeen, AB11 6EQ.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

As set out in notes 1.6 and 1.11, in the year the Company has adopted IFRS 15: Revenue from contracts with customers and IFRS 9: Financial instruments.

The discontinued operations comprise the UK conventional power and Build Environment businesses.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- 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 paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- 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
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- 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

1.3 Dividend income

Dividend income is recognised when the right to receive payment is established.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.4 Dividend payment

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.5 Going concern

The Company made a loss of £68.9m and has net current assets of £199.9m and net assets of £631.1m as at 31 December 2018. Cash flow forecasts prepared demonstrate that the company has adequate resources to operate and continue to pay its liabilities as they fall due for at least 12 months from the date of signature of these financial statements. The Directors, having made enquiries, therefore consider it appropriate to continue to adopt the going concern basis in preparing the accounts.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.6 Revenue

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. Revenue comprises the fair value of the consideration specified in a contract with a customer and is stated net of sales taxes (such as VAT) and discounts.

The Company provides consultancy, engineering, project management and operations and maintenance services to customers.

The Company's contracts with customers for the provision of fixed-price engineering, procurement and construction services include a single performance obligation. The Company concluded that revenue from such services should be recognised over time given that the customer simultaneously receives and consumes the benefits provided by the Company.

Revenue on fixed-price or lump-sum contracts for services, construction contracts and fixed-price long-term service agreements is recognised over time according to the stage of completion reached in the contract by measuring the proportion of costs incurred for work performed to total estimated costs.

The Company applies the expected value method to assess / reassess variable consideration (e.g. variation orders, incentive income, claims and liquidated damages) at contract inception and at each reporting date. When assessing the likelihood of settlement with the customer, management considers all the relevant facts and circumstances available with reference to the contract, recent customer communication and other forms of documentary evidence available such that the amount of variable consideration assessed represents management's expected value and the estimated variable consideration is not expected to be constrained.

Advanced payments received from customers for fixed-price engineering, procurement and construction contracts are structured primarily for the reasons other than the provision of finance to the Company (e.g. mobilisation costs) and they do not provide customers with an alternative to pay in arrears. Also, the length of time between when the customer settles amounts to which the Company has the unconditional right to payment and the Company transfers goods and services to the customers is relatively short. Therefore, the Company concluded that there was not a significant financing component within such contracts.

The Company's contracts with customers for the provision of reimbursable engineering services include distinct performance obligations based on the assessment that the service is capable of being distinct both individually and within the context of the contract. The Company concluded that the revenue from such services should be recognised over time given that the customer simultaneously receives and consumes the benefits provided by the Company.

The Company has adopted IFRS 15 using the cumulative effect method from 1 January 2018. Accordingly, the information presented for 2017 has not been restated. Adoption of IFRS 15 has had no impact on the Company's financial statements in the current financial year or as at 1 January 2018.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.7 Intangible assets other than goodwill

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The estimated useful lives range as follows:

Brands & other intellectual property	-	15 years
Software	-	3 to 7 years

Amortisation is charged to the Income Statement on a straight line basis over the estimated useful economic lives of intangible assets from the date they are available for use.

1.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold buildings	-	50 years
Leasehold improvements	-	shorter of lease term or 50 years
Plant and equipment	-	mainly 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

1.9 Valuation of investments

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment.

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company recognises its financial assets in one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in the-money derivatives. These are carried in the Balance Sheet at fair value with changes in fair value recognised in the Income Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company has adopted IFRS 9: Financial Instruments (IFRS 9) with a date of initial application of 1 January 2018 using the cumulative effect method, by recognising the cumulative effect by initially applying IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. On transition to IFRS 9, comparative periods have not been restated and no restatement of the opening balance sheet at 1 January 2018 has been required.

Under IFRS 9, for trade and other receivables and other non-current assets, the Company applies a simplified approach in calculating Estimated Credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date, based on its historical credit loss experience.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

This category comprises only out-of-the-money derivatives. They are carried in the Balance Sheet at fair value with changes in fair value recognised in the Income Statement.

At amortised cost

Financial liabilities at amortised cost including bank borrowing are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (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.

1.12 Share based payments

Where the parent company grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company also accounts for these share based payments as equity-settled.

1.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Trading results of overseas branches are translated at monthly average rates.

All foreign exchange gains and losses are presented in the Income Statement within other operating profit/(loss).

1.14 Operating leases

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.15 Finance leases

Finance leases are capitalised at the commencement of the lease at the inception date 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.

1.16 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

1.17 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.18 Pensions

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the Income Statement as incurred.

Defined benefit plans

The Company is a participating employer in the Wood Pension Plan (formerly the Amec Foster Wheeler Pension plan). As the Company's employees constitute substantially all of the membership of the two schemes, the net pension asset and corresponding disclosures are recorded in the accounts of the Company.

The net surplus in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; the 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 Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised directly in equity in the year in which they arise.

1.19 Provisions for liabilities

Provisions are recognised when the Company 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 Company has taken internal and external advice in considering known legal claims and actions made by or against the Company. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the Company on the basis of likely outcome, but not provisions are made for those, which in the view of management are unlikely to succeed.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.20 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 Company has a present obligation as a result of a past event, it is probable that the Company 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.

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 recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

1.21 Research and development

Expenditure

Research and development expenditure is written off as incurred.

Government credits

The Company claims research and development government credits in the UK. 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 that they will be received which, given the necessary claims process, can be some time after the original expense is incurred.

1.22 Group accounts

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These accounts present information about the Company as an individual undertaking and not about its group.

1.23 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The Directors believe that the most significant areas of judgement and estimation arise from:

Revenue recognition and long term contracts

A significant amount of the Company's activities is undertaken via long-term contracts. 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.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

Provisions

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

Defined benefit pension schemes

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.

Intangible asset impairment

Determining whether the Company's intangible assets require impairment requires estimations of the assets' values in use. The value in use calculations require the Company to estimate future cash flows expected to arise from the assets and suitable discount rates in order to calculate present values.

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Revenue

Revenue is analysed by geographical area as follows:

	2018	2017
	£000	£000
United Kingdom - continuing	146,212	592,750
United Kingdom - discontinued	(3)	150
Rest of Europe	13,128	8,919
Asia	246,632	281,786
Rest of the World	1,753	17,122
	<u>407,722</u>	<u>900,727</u>
	2018	2017
	£000	£000
Major service lines		
Capital Projects	267,984	346,592
Operations Services	122,391	493,722
Technology & Consulting	14,846	30,459
Other	2,501	29,954
Total	<u>407,722</u>	<u>900,727</u>

The Company's revenue is largely derived from the provision of services over time.

Revenue in 2018 included £326m from reimbursable contracts and £81m from lump sum contracts. Revenue from lump sum contracts is calculated based on an estimate and the amount recognised could increase or decrease.

	2018	2017
	£000	£000
Contract assets and liabilities		
Trade debtors	52,377	60,243
Gross amounts due from customers	32,526	101,675
Gross amounts due to customers	(3,115)	(26,770)
	<u>81,788</u>	<u>135,148</u>

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of tangible fixed assets	1,122	324
Impairment of tangible fixed assets	-	1,233
Amortisation of intangible assets	6,887	17,534
Research & development government credits	(2,142)	(1,250)
Impairment of intangible assets	125,960	-
Minimum payments under operating leases	12,427	12,734
	<u>125,960</u>	<u>12,734</u>

5. Auditor's remuneration

Auditor's remuneration for the audit of the financial statements was £119,000 (2017: £348,000).

6. Directors' remuneration

	2018 £000	2017 £000
Fees and other emoluments	240	1,205
Pension contributions	8	10
	<u>248</u>	<u>1,215</u>

The remuneration disclosed includes all of the fees, other emoluments and pension contributions in respect of the qualifying services to the Company, and its subsidiaries, of the one director (2017: four directors) that were remunerated through the Company.

Also included in 2017 are fees, other emoluments and pension contributions in respect of the qualifying services relating to Amec Foster Wheeler Group Limited of two directors who are not remunerated through the Company. The remainder of these Directors' remuneration costs relate to qualifying services to other group companies.

The emoluments, including pension contributions, of the highest paid Director amounted to £248,000 (2017: £683,000).

No directors received an award of shares in respect of qualifying services (2017: four Directors).

No directors, exercised options during 2018 (2017: six Directors exercised share options).

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Staff costs

	2018	2017
	£000	£000
Wages and salaries	193,731	316,537
Social security	12,946	30,620
Pension costs - defined benefit scheme (note 26)	3,645	4,237
Pension costs - defined contribution scheme (note 26)	6,360	9,830
Equity-settled share based payments	616	4,947
	<u>217,298</u>	<u>366,171</u>

The average monthly number of employees during the year including directors was 2,876 (2017: 4,638).

Where the parent company grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company also accounts for these share based payments as equity-settled.

8. Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable from group companies	4,635	4,599
Foreign exchange gains	-	406
Net interest on pension scheme assets (note 26)	5,740	1,886
Other interest income	3	26
	<u>10,378</u>	<u>6,917</u>

9. Interest payable and similar expenses

	2018	2017
	£000	£000
Group interest payable	11,025	7,053
Finance leases and hire purchase interest	208	467
Other interest payable	460	381
	<u>11,693</u>	<u>7,901</u>

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Taxation on profit on ordinary activities

	2018 £000	2017 £000
Corporation tax		
Current tax on (loss)/profit for the year	645	-
Adjustment in respect of previous periods	(2,143)	823
	<u>(1,498)</u>	<u>823</u>
Foreign tax		
Overseas tax on income for the year	6,664	5,580
Overseas tax in respect of prior periods	-	1,902
	<u>6,664</u>	<u>7,482</u>
Total current tax	<u>5,166</u>	<u>8,305</u>
Deferred tax		
Origination and reversal of timing differences	(3,221)	1,560
Changes to tax rates	339	(146)
Adjustment in respect of prior years	(1,098)	(1,887)
Recognition of previously unrecognised deferred tax	-	(2,738)
Total deferred tax	<u>(3,980)</u>	<u>(3,211)</u>
Taxation on (loss)/profit	<u>1,186</u>	<u>5,094</u>

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Taxation on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax provision for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	<u>(67,692)</u>	<u>59,899</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(12,861)	11,531
Effects of:		
Non deductible expenses	24,315	8,706
Non taxable income	(19,975)	(23,643)
Deferred tax rate adjustment	339	(146)
Adjustments in respect of prior periods	(3,241)	838
Amounts not recognised	187	-
Overseas tax in excess of double taxation relief	5,419	5,580
Group relief for nil consideration	6,530	4,966
Change in recognition of deferred tax	644	(2,738)
Transfer pricing adjustments	(171)	-
Total tax charge for the year	<u><u>1,186</u></u>	<u><u>5,094</u></u>

Factors that may affect future tax charges

As at 31 December 2018 the reduction in the rate of corporation tax to 17% on 1 April 2020 had been enacted. The reduction in the rate of corporation tax to 17% is not forecast to have a significant impact on future charges/credits to the Income Statement. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Exceptional items

	2018	2017
	£000	£000
Restructuring costs	7,200	8,142
Exceptional pension charges	22,961	-
Other exceptional (income)/expense	(515)	2,933
	<u>29,646</u>	<u>11,075</u>

A court ruling passed in October 2018 provided clarity in respect of Guaranteed Minimum Pension ('GMP') equalisation in relation to UK defined benefit pension schemes. As a result, the Company has allowed for GMP equalisation in determining its UK defined benefit scheme liabilities with the increase in liabilities arising of £22,961,000 being recorded as an exceptional charge in the year.

12. Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2018	13,408	16,679	30,087
Additions	-	77	77
Disposals	(2,960)	(585)	(3,545)
Exchange adjustments	-	82	82
At 31 December 2018	<u>10,448</u>	<u>16,253</u>	<u>26,701</u>
Depreciation			
At 1 January 2018	6,894	13,518	20,412
Charge for the year on owned assets	549	573	1,122
Disposals	(1,018)	(286)	(1,304)
Exchange adjustments	-	75	75
At 31 December 2018	<u>6,425</u>	<u>13,880</u>	<u>20,305</u>
Net book value			
At 31 December 2018	<u>4,023</u>	<u>2,373</u>	<u>6,396</u>
At 31 December 2017	<u>6,514</u>	<u>3,161</u>	<u>9,675</u>

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Intangible assets

	Software £000	Brands and other intangible assets £000	Total £000
Cost			
At 1 January 2018	39,202	157,451	196,653
Disposals	(706)	-	(706)
At 31 December 2018	38,496	157,451	195,947
Amortisation			
At 1 January 2018	26,162	31,491	57,653
Charge for the year	6,887	-	6,887
Disposals	(391)	-	(391)
Impairment charge	-	125,960	125,960
At 31 December 2018	32,658	157,451	190,109
Net book value			
At 31 December 2018	5,838	-	5,838
At 31 December 2017	13,040	125,960	139,000

The carrying value of software held under deferred payment arrangements which are similar to finance leases as at 31 December 2018 was £5,438,000 (2017: £12,103,000).

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Fixed asset investments

	Investments in subsidiary companies £000	Investment in joint ventures £000	Total £000
Cost			
At 1 January 2018	503,548	9,740	513,288
At 31 December 2018	503,548	9,740	513,288
Impairment			
At 1 January 2018	41,909	1,141	43,050
At 31 December 2018	41,909	1,141	43,050
Net book value			
At 31 December 2018	461,639	8,599	470,238
At 31 December 2017	461,639	8,599	470,238

We set out below details of all of the Company's subsidiaries (direct and indirect) and other significant holdings other than subsidiary undertakings. Except where indicated, the shares are held in the form of ordinary shares or common stock.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. Fixed asset investments (continued)

Subsidiary undertakings and joint ventures

The following were subsidiary undertakings or joint ventures of the Company:

Name	Registered office	% interest
Metal and Pipeline Endurance Limited	{a}	100%
AMEC Utilities Limited	{a}	100%
AMEC Facilities Limited	{a}	100%
AMEC Projects Investments Limited	{a}	100%
AMEC Capital Projects Limited	{a}	100%
Wood Nuclear Holdings Limited	{a}	100%
Rider Hunt International Limited	{a}	100%
QED International Limited	{c}	100%
AMEC Wind Developments Limited	{a}	100%
AJS v.o.f.	{s}	50%
SZPE Amec Foster Wheeler Engineering Co., Ltd	{t}	50%
AMEC BKW Limited	{a}	100%
AMEC Civil Engineering limited	{a}	100%
AMEC Construction Limited	{a}	100%
AMEC (AGL) Limited	{a}	100%
AMEC Manufacturing and Services Limited	{a}	100%
AMEC Mechanical & Electrical Services Limited	{a}	100%
AMEC Process and Energy Limited	{a}	100%
AMEC (WSL) Limited	{a}	100%
AMEC (BCS) Limited	{a}	100%
James Scott Limited	{b}	100%
AMEC (MHL) Limited	{a}	100%
Rider Hunt International (USA) Inc.	{d}	100%
Fast Reactor Technology Limited	{a}	51%
AMEC Nuclear M & O Limited	{a}	100%
AMEC Nuclear Overseas Limited	{a}	100%
Amec Foster Wheeler Engineering Consultancy LLC	{e}	100%
National Nuclear Corporation Limited	{a}	100%
Amec Foster Wheeler s.r.o.	{f}	100%
Wood Nuclear Slovakia s.r.o.	{g}	100%
AMEC BKW Arabia Limited	{h}	50%
PWR Power Projects Limited	{a}	50%
Amec Foster Wheeler Asia K.K.	{i}	100%
AMEC Nuclear Consultants International Limited	{j}	100%
Nuclear Consultants International (Proprietary) Limited	{k}	84.9%
Wood Nuclear France S.A.S.	{l}	100%
Wood Nuclear Limited	{a}	100%
AMEC Nuclear Projects Limited	{a}	100%
Energy, Safety and Risk Consultants (UK) Limited	{a}	100%
UK Nuclear Restoration Limited	{a}	50%
QED International LLC	{d}	100%
QED International FZ LLC	{n}	100%
QED International (UK) Limited	{b}	100%
QED International (Kazakhstan) LLP	{o}	100%
Rider Hunt International (Malaysia) Sdn Bhd	{p}	100%
Rider Hunt International (Singapore) Pte Limited	{q}	100%
Rider Hunt International (Alberta) Inc	{r}	100%
Amec Foster Wheeler Nuclear International Limited	{a}	100%

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Fixed asset investments (continued)

Subsidiary undertakings and joint ventures (continued)

Registered address

Registered addresses of the subsidiary undertakings and joint ventures are as follows:

- {a} Booths Park, Chelford Road, Knutsford, Cheshire, WA16 8QZ, England.
- {b} Ground Floor, 15 Justice Mill Lane, Aberdeen, AB11 6EQ, Scotland.
- {c} C/o Appleby Management (Mauritius) Ltd, 11th Floor, Medine Mews, La Chaussee Street, port Louis, Mauritius.
- {d} 1999 Bryan Street, Ste. 900, Dallas, TX, 75201-3136, USA
- {e} PO Box 1469, Postal code 133, Al-Khuwait, Sultanate of Oman.
- {f} Krenova 58, Brno, 60200, Czech Republic.
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- {j} 95/97 Halkett Place, St Helier, JE1 1BX, Jersey.
- {k} Nr 5, 5th Ave, Melbox Strand, Cape Town, 7441, South Africa.
- {l} 92 Quai De Bercy, 75012 Paris, France.
- {n} Knowledge Village, Alsufouh Road, Dubai, UAE.
- {o} 78, "A" Azattyk Avenue, Atyrau 060005, Kazakhstan.
- {p} Level 7, Menara Millenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, Kuala Lumpur, 50490, Malaysia.
- {q} 24 Raffles Place, #24-03 Clifford Centre, 048621, Singapore.
- {r} 900 AMEC Place, 801-6th Avenue, S.W., Calgary, AB, T2P 3W3, Canada.
- {s} Verkeerstorenweg 3, 1786 PN Den Helder, Netherlands
- {t} No. 143 Jinyi Road, Jinshan District, Shanghai, 200540, China.

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Debtors

	2018	2017
	£000	£000
Due after more than one year		
Trade debtors	-	10,867
Other debtors	10,581	18,525
	<u>10,581</u>	<u>29,392</u>
Due within one year		
Trade debtors	52,377	49,376
Amounts owed by group undertakings	398,474	222,057
Amounts owed by joint ventures	670	1,065
Other debtors	7,175	14,260
Gross amounts due from customers	32,526	101,675
Derivative financial instruments	54	2,636
	<u>501,857</u>	<u>420,461</u>

16. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Bank overdrafts	-	20,335
Finance lease creditor	-	8,558
Gross amounts due to customers	3,115	26,770
Trade creditors	37,743	45,370
Amounts owed to group undertakings	199,719	187,410
Amounts owed to joint ventures	-	78
Corporation tax	4,427	4,400
Other taxation and social security costs	4,007	5,951
Obligations under finance lease and hire purchase contracts	2,843	-
Other creditors	24,933	19,795
Accruals	39,098	48,505
Derivative financial instruments	6	1,120
	<u>315,891</u>	<u>368,292</u>

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Finance lease creditor	2,832	2,833
Trade creditors	-	904
Amounts owed to group undertakings	212,867	152,930
Accruals and deferred income	-	13,568
	<u>215,699</u>	<u>170,235</u>

Amounts owed to group undertakings are interest bearing and fall due after more than one year.

18. Deferred taxation

	2018 £000	2017 £000
At beginning of year	(21,814)	(2,250)
Credited to profit or loss	11,101	3,211
Charged to other comprehensive income	(14,044)	(26,341)
Transfers from group companies	(11,908)	3,566
At end of year	<u>(36,665)</u>	<u>(21,814)</u>

The deferred tax liability is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	10,056	10,389
Share based schemes	109	30
Tax losses	-	3,745
Pension asset	(49,305)	(38,773)
Short term timing differences	2,475	2,795
	<u>(36,665)</u>	<u>(21,814)</u>

There is an unrecognised deferred tax asset of £817,000 as at 31 December 2018 (2017 - £10,242,000). This asset has not been recognised as the Directors of the Company consider that it is unlikely that the asset will crystallise in the foreseeable future.

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Provisions for liabilities and charges

	Insurance and asbestos related provisions £000	Litigation settlement and future legal costs £000	Indemnities granted and retained obligations on disposed operations £000	Other provisions £000	Total £000
At 1 January 2018	14,400	4,193	50,888	5,210	74,691
Charged/(credited) to profit or loss	(2,302)	-	(9,121)	30,703	19,280
Transferred from current liabilities	-	100	10,775	(1)	10,874
Disposed through transfer of trade	-	-	-	(10,318)	(10,318)
Utilised in year	-	(233)	(1,002)	(4,335)	(5,570)
At 31 December 2018	12,098	4,060	51,540	21,259	88,957

The Company is party to ongoing litigation involving clients and sub-contractors. Management has taken internal and external legal advice in considering known or reasonably likely legal claims and actions by and against the Company. 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.

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.

To the extent that the provisions were charged as exceptional items, any reversals are also included as exceptional items.

Indemnity provisions relate to the indemnification of the purchasers of the Built Environment and other peripheral businesses that were sold in 2007.

The insurance and asbestos related provisions relates to potential future claims against the Company by former employees. Associated insurance recoveries are recognised in other receivables.

Other provisions include property related provisions (including dilapidations) and contract related provisions.

Future outflows in respect of the dilapidations and onerous contracts are expected to occur over the next several years. Due to the nature of the liabilities, the timing of any potential future outflows in respect of the remaining provision classes is uncertain.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. Sale of Capital Projects business

During the year the Company sold the trade and assets of part of its Capital Projects business to two fellow group undertakings, Wood Group (UK) Limited and Mustang Engineering Limited in exchange for intercompany promissory notes with a value of £112,856,000 resulting in a gain on sale of £101,064,000 being recognised by the Company.

The assets and liabilities sold are shown in the table below:

	2018 £000
Intangible fixed assets	308
Property, plant & equipment	1,884
Deferred tax assets	11,908
Trade receivables	72,368
Bank overdrafts	(22,836)
Intercompany interest bearing loans	10,651
Other payables	(52,173)
Provisions	(10,318)
	<hr/>
	11,792
	<hr/>

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. Purchase of trade & assets of Amec Foster Wheeler Energy Limited in 2017

On 1 April 2017, the Company acquired the majority of the trade and assets of Amec Foster Wheeler Energy Limited, a fellow group undertaking based in the United Kingdom at book value in exchange for an intercompany loan of equal value. No goodwill arose on this transaction as the assets and liabilities were acquired at their book values.

The assets and liabilities acquired are shown in the table below:

	2017 £000
Intangible fixed assets	407
Property, plant & equipment	4,529
Deferred tax assets	3,566
Trade receivables	24,752
Contract work in progress	28,504
Other receivables	6,487
Net derivative financial assets	149
Cash and cash equivalents	19,533
Intercompany receivables	69,543
Trade payables	(31,991)
Other payables	(15,564)
Current tax payable	(92)
Non-current payables	(10,082)
Provisions	(3,108)
Intercompany payables	(9,176)
	<hr/>
	87,457
	<hr/>

From 1 April 2017, the acquired trade contributed £115.4 million of revenue and a loss of £13.0 million to the Company's total profit before tax from continuing operations. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been £942.3 million and a profit before tax from continuing operations for the Group would have been £61.9 million.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. Sale of trade & assets relating to upstream business in 2017

On 31 August 2017, the Company transferred certain trade and assets in respect of its upstream oil and gas business to its subsidiary company, AFW UK Oil & Gas Limited as part of the wider project to prepare this business for disposal.

The Company received an intercompany loan of £69,428,000 payable by AFW UK Oil & Gas Limited in exchange for the net assets transferred.

The table below summarises the assets and liabilities sold:

	2018 £000
Intangible fixed assets including goodwill	11,102
Property, plant and equipment	1,258
Trade receivables	73,864
Contract work in progress	51,221
Trade payables	(51,342)
Other payables	(16,675)
	<hr/> 69,428 <hr/>

On 19 October 2017, the Company also transferred its investments in Performance Improvements (PI) Group Limited, Primat Recruitment Limited, Specialist Equipment Solutions Limited, Scopus Group (Holdings) Limited and Ingen Holdings Limited to AFW UK Oil & Gas Limited in exchange for an issue of ordinary share capital.

23. Profit on disposal of investment in subsidiaries in 2017

On 27 October 2017, the Company sold its investment in AFW UK Oil and Gas Limited to a third party.

The Company received £227,047,000 in consideration for the investment disposal, including £69,428,000 to settle the intercompany loan created during the transfer of trade and assets to AFW UK Oil & Gas Limited as discussed in note 22.

The Company recognised a profit on disposal of £96,798,000 which is explained in the table below:

	£000
Cash received	227,047
Less amount attributable to loan repayments	(69,428)
Less working capital adjustment	(1,623)
Net proceeds	<hr/> 155,996
Value of subsidiary disposed	(56,907)
Costs associated with disposal	(2,291)
Profit on disposal	<hr/> 96,798 <hr/>

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. Called up share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
400,000,000 (2017 - 400,000,000) Ordinary shares of £1.00 each	400,000	400,000
The Company has 500,000,000 authorised ordinary shares of £1 each.		

25. Contingent liabilities

The Company is party to cross-guarantee arrangements relating to overdrafts for certain group companies. The maximum gross exposure as at 31 December 2018 was £95 million (2017 - £95 million).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

26. Pension commitments

Defined contribution pension schemes

The Company operates a number of defined contribution pension schemes. The pension cost for the period represents contributions payable by the Company to the schemes and amounted to £6,360,000 (2017: £9,830,000).

Defined benefit pension schemes

Amec Foster Wheeler Limited (formerly Amec Foster Wheeler plc) operates a defined benefit pension scheme for its UK employees. It is not possible to separately identify the share of the assets and liabilities of the schemes relating to each company whose employees are members of the schemes. As the Company's employees constitute substantially all of the membership of the scheme, the net pension asset and corresponding disclosures are recorded in the accounts of the Company.

Following an employee consultation exercise and subsequent Trustee approval all schemes were closed to further accrual from 1 April 2016 and replaced with a new defined contribution arrangement.

The 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 2020.

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 entities, the Company is also exposed to equity market risk.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

26. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2018 £000	2017 £000
At the beginning of the year	2,668,586	2,781,372
Current service cost	363	535
Interest cost	65,271	72,198
Actuarial gains	(140,952)	(12,748)
Plan participants' contributions	54	67
Benefits paid	(131,694)	(172,838)
Past service cost	22,961	-
At the end of the year	2,484,589	2,668,586

Reconciliation of present value of plan assets:

	2018 £000	2017 £000
At the beginning of the year	2,896,663	2,851,123
Interest income	71,011	74,084
Actuarial (losses)/gains	(62,936)	135,216
Plan participants' contributions	54	67
Benefits paid	(131,694)	(172,838)
Administrative expenses	(3,282)	(3,702)
Employer contributions	4,800	12,713
At the end of the year	2,774,616	2,896,663

Composition of plan assets:

	2018 per cent	2017 per cent
Equities	13	38
Bonds	75	53
Property	8	9
Other	4	-
Total plan assets	100	100

The equities and bonds are predominantly quoted investments. There is a small investment in privately held pooled fund investments and the property/other investments are unquoted.

AMEC FOSTER WHEELER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

26. Pension commitments (continued)

	2018 £000	2017 £000
Fair value of plan assets	2,774,616	2,896,663
Present value of plan liabilities	(2,484,589)	(2,668,586)
Net pension scheme asset	290,027	228,077

The amounts recognised in the income statement are as follows:

	2018 £000	2017 £000
Current service cost and administrative expenses	3,645	4,237
Interest cost	65,271	72,198
Interest income on plan assets	(71,011)	(74,084)
Total	(2,095)	2,351

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £552,474,000 (2017 - £474,452,000).

The Company expects to contribute £6,383,000 to its Defined Benefit Pension Scheme in 2019.

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

	£000
Year 1	135,044
Year 2	138,481
Year 3	142,009
Year 4	145,630
Year 5	149,347
Next 5 years	806,017
	1,516,528

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

26. Pension commitments (continued)

Principal actuarial assumptions at the Balance Sheet date:

	2018	2017
Discount rate %	2.9	2.5
Rate of increase in pensions in payment (service before/after 1 January 2008) %	2.8/2.0	2.7/1.9
Inflation assumption %	3.1	3.1
Mortality rates (years)		
- for a male aged 65 now	22.5	22.6
- at 65 for a male aged 45 now	23.8	23.9
- for a female aged 65 now	24.0	24.1
- at 65 for a female member aged 45 now	25.6	25.6

The assumptions used by the actuaries are the best estimates chose from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The impact on the defined benefit obligation of the principal pension schemes of changes in the most significant assumptions as at 31 December 2018 is shown below:

	£000
Discount rate	
-10bps	43,213
+10bps	(42,128)
Inflation	
-10bps	(25,080)
+10bps	25,269
Mortality	
-1 year	(88,029)
+1 year	87,299

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 2018.

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

27. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
In one year or less	7,113	9,563
Between one and five years	2,245	50,464
Over five years	14,016	23,494
Total	23,374	83,521

The Company enters into leases for plant and equipment with lease periods of two to five years and longer term property leases. None of the leases include any contingent rentals.

28. Finance lease commitments

The Company has deferred payment arrangements which are similar to finance leases. All of these arrangements relate to software. Future minimum lease payments under finance leases are as follows:

	2018 £000	2017 £000
In one year or less	2,832	8,767
Between one and five years	2,939	2,928
	<u>5,771</u>	<u>11,695</u>
Less future finance charges	(96)	(304)
	<u>5,675</u>	<u>11,391</u>

29. Related party transactions

During 2018 there were a number of transactions with joint venture entities:

	2018 £000	2017 £000
Value of transactions in the year		
Services rendered to joint venture undertakings	847	1,048
Outstanding balance		
Services rendered to joint venture undertakings	670	1,065
Services received from joint venture undertakings	-	78

30. Post balance sheet events

There have been no significant events affecting the Company since the year end.

AMEC FOSTER WHEELER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

31. Controlling party

The immediate parent company is Amec Foster Wheeler Limited, which is incorporated in England and Wales.

The Directors consider the Company's ultimate parent company to be John Wood Group PLC, a company incorporated in Scotland.

The largest group in which the results of the Company were consolidated for the year ended 31 December 2018 was John Wood Group PLC.