

1675285.

AMEC plc ANNUAL REPORT AND ACCOUNTS 2002

AMEC
EXPERTISE



1	Overview	44	Directors' remuneration report
2	AMEC market sectors	51	Consolidated profit and loss account
4	Chairman's statement	52	Consolidated balance sheet
5	Financial highlights	53	Company balance sheet
6	Chief Executive's review	54	Consolidated cash flow statement
10	Oil and gas	55	Consolidated statement of total recognised gains and losses
14	Transport	55	Note of consolidated historical cost profits and losses
18	Infrastructure	55	Reconciliation of movements in consolidated shareholders' funds
22	Industrial	56	Notes to the accounts
26	Regional services	76	Statement of directors' responsibilities
30	Operating and financial review	77	Independent auditors' report
36	Segmental review	78	Five year record
39	The board	79	Principal group companies
40	Report of the directors	80	Shareholder information

Unless otherwise stated, amounts and percentage movements throughout the annual report and accounts relating to the profit and loss account are stated before goodwill amortisation and exceptional items. Amounts and percentage movements relating to total operating profit and margin of the Client Support Services, Capital Projects and Investments businesses are stated before e-commerce and corporate costs of £1.9 million and £20.4 million respectively, goodwill amortisation of £13.1 million, exceptional reorganisation, disposal and closure costs of £24.9 million and an exceptional write-off of goodwill of £28.0 million.

Unless otherwise stated, all references to 2001 earnings per share and percentage movement thereon relate to a pro forma calculation, which assumes the preference shares were converted to ordinary shares on 1 January 2001.

AMEC
EXPERTISE

AMEC IS AN INTERNATIONAL ENGINEERING SERVICES COMPANY THAT PROVIDES DESIGN, PROJECT DELIVERY AND MAINTENANCE SUPPORT TO CLIENTS IN THE OIL AND GAS, TRANSPORT, INFRASTRUCTURE AND INDUSTRIAL SECTORS. THE COMPANY WORKS AT LOCAL, NATIONAL AND INTERNATIONAL LEVELS, EMPLOYING 50,000 PEOPLE THROUGHOUT THE UK, CONTINENTAL EUROPE, NORTH AMERICA AND SOME 40 COUNTRIES WORLDWIDE.

OVERVIEW

AMEC's principal goal is sustainable earnings growth and the creation of value for all its stakeholders by fully exploiting its technical expertise, geographic coverage and strong client base.

The company expects to capitalise on opportunities to expand its client relationships and market share in the oil and gas, transport, infrastructure and industrial sectors and expand its regional services businesses serving local clients throughout Europe and North America.

A COMPANY TRANSFORMED

With its purchase of the outstanding shares of SPIE in March 2003, AMEC achieved its strategic transformation from being principally a regional UK construction company in 1997, into one of the world's largest engineering services companies. The company now enjoys a balance of three major 'home markets' – the UK, continental Europe and the Americas – and strong, long-term relationships with a wide base of local, national and international clients.

AMEC EXPERTISE

AMEC has unique expertise in design, environmental consultancy, project delivery and support services. The company works with its clients to create and maintain more productive and sustainable capital assets.

The company also invests in and delivers privately financed infrastructure and property projects on a selective basis, often with associated long-term support services contracts.

AMEC'S PRINCIPAL GOAL IS SUSTAINABLE EARNINGS GROWTH AND THE CREATION OF VALUE FOR ALL ITS STAKEHOLDERS BY UTILISING ITS TECHNICAL EXPERTISE, GEOGRAPHIC COVERAGE AND STRONG CLIENT BASE.

OIL AND GAS

19%

£1.0 BILLION

- UPSTREAM
- DOWNSTREAM
- PIPELINES

Major clients include

- Shell
- Transco
- BP
- ExxonMobil
- TotalFinaElf
- Sinopec

TRANSPORT

19%

£1.0 BILLION

- RAIL
- HIGHWAYS
- AIRPORTS

Major clients include

- BAA
- UK and French railways
- Highways agencies in the UK, US and Canada

AMEC HAS BUILT A HIGH QUALITY BUSINESS FOCUSED ON REPEAT WORK AND LONG-TERM RELATIONSHIPS WITH A RANGE OF LOCAL CLIENTS, GOVERNMENT DEPARTMENTS AND SECTOR LEADERS IN SOME 40 COUNTRIES WORLDWIDE.

INFRASTRUCTURE

22%

£1.2 BILLION

- DEFENCE
- PUBLIC AND PRIVATE BUILDINGS
- URBAN RENEWAL

Major clients include

- UK, French and US defence sectors
- Government and UK regional development agencies
- Marks & Spencer
- Crédit Agricole

INDUSTRIAL

16%

£0.9 BILLION

- CHEMICALS
- ELECTRONICS AND TELECOM
- FOOD AND GENERAL MANUFACTURING
- FOREST INDUSTRY
- MINING AND METALS
- NUCLEAR
- PHARMACEUTICAL
- POWER GENERATION AND TRANSMISSION

Major clients include

- Electricité de France (EDF)
- BNFL
- BT
- France Télécom
- AstraZeneca
- General Mills
- Weyerhaeuser
- Teck Cominco

REGIONAL SERVICES

24%

£1.3 BILLION

CONTINENTAL EUROPE
(300+ LOCATIONS)

- ELECTRICAL
- COMMUNICATIONS
- HVAC[†]
- MECHANICAL AND INDUSTRIAL

NORTH AMERICA
(90+ LOCATIONS)

- ENVIRONMENTAL AND GEOTECHNICAL CONSULTING

- AMEC serves over 50,000 customers across a wide variety of markets

[†]Heating, ventilation and air conditioning.

CHAIRMAN'S STATEMENT

General softness in the global economy made 2002 a particularly difficult year for certain of our clients in the industrial sector. The sharp slowdown in their spending in the second half flowed through to impact on AMEC's results. Whilst this was a disappointing outcome, we acted decisively throughout the year to improve our competitive position by reducing costs and further rationalising our portfolio of businesses. I am pleased to report that as a result of our actions, we began 2003 in good order.

AMEC once again delivered a strong cash performance in the second half, with average net debt for the year reducing to £195 million. The company is in good financial health, and as a reflection of this and our confidence going forward, the board is recommending a final ordinary dividend of 6.6 pence, making 10.0 pence in total for the year, an increase of 5.3 per cent.

With the completion of our investment in SPIE on 5 March 2003, we have now built a world class engineering services company, with a sound financial base and significant opportunities for growth. We will continue to pursue our strategy of growth in services, with our focus being on increasing market share in selected markets. This will be achieved through building on long-term client relationships, taking advantage of new business opportunities, and further expansion of our regional services businesses. I am confident that this strategy will continue to provide AMEC with competitive advantage and allow us to deliver improving performance.

As always, I wish to pay tribute to all of our skilled people around the world for their contribution during a challenging year for the company. I warmly welcome all the people of SPIE fully into the AMEC team. In addition, I am very pleased that your board has been strengthened with the addition of Jean-Paul Jacamon as a non-executive director.

Finally, I can report that despite continued uncertainties in the global economy, AMEC is very well positioned in its markets and that long-term prospects are good.

Sydney Gillibrand CBE
Chairman
6 March 2003

**WITH THE COMPLETION OF OUR INVESTMENT IN SPIE,
WE HAVE NOW BUILT A WORLD CLASS ENGINEERING
SERVICES COMPANY, WITH A SOUND FINANCIAL BASE
AND SIGNIFICANT OPPORTUNITIES FOR GROWTH.**

FINANCIAL HIGHLIGHTS

	2002 £ million	2001 £ million
Total turnover	4,331.6	4,467.5
Total operating profit	126.2	130.5
Pre-tax profit	105.2	116.7
Average net debt*	(195.0)	(210.0)
Diluted earnings per ordinary share	24.3p	26.5p [†]
Dividends per ordinary share	10.0p	9.5p

- **PRE-TAX PROFIT £105.2 MILLION**
- **AVERAGE NET DEBT* REDUCED TO £195.0 MILLION**
- **DIVIDEND INCREASED BY 5.3% TO 10.0 PENCE PER SHARE**
- **EXPECTED VALUE OF PROJECTS RECENTLY ANNOUNCED IN EXCESS OF £1.5 BILLION**
- **ACQUISITION OF SPIE COMPLETED**

*Weekly average for the year ended 31 December.

[†]Pro forma basis assuming preference shares were converted to ordinary shares on 1 January 2001.

CHIEF EXECUTIVE'S REVIEW

During 2002, AMEC made further significant progress in its strategy of building an international engineering services business founded on a steady base of recurring revenues from longer-term client relationships. AMEC is financially sound, has a balanced portfolio of activities, excellent client partnerships and is well positioned to benefit from its international presence. Major markets in oil and gas, transport and infrastructure are strong and offer significant potential for growth.

Against the board's original expectations, results for 2002 were disappointing. AMEC faced challenges in certain of its industrial markets, took action to close or sell a number of non-core or under performing small businesses and focused on cost reduction. Pre-tax profit for 2002 was in line with the board's revised expectations at the time of the December 2002 trading statement. The average net debt during 2002 was reduced and the order book has strengthened with several large contracts being awarded in recent weeks.

MARKET REVIEW

In addition to the analysis of AMEC's activities into Client Support Services, Capital Projects and Investments which appears in the Financial Review, a review of sales and orders by market has also been introduced to present AMEC's key activities more clearly and provide a perspective on its ongoing performance and growth prospects. Markets are defined in terms of work performed for clients in the oil and gas, transport, infrastructure and industrial sectors. Separately identified is AMEC's regional services business, which serves clients across all of AMEC's key market sectors and follows a distinct local business model.

This market review is based on the pro forma inclusion of SPIE at 100 per cent, in order to provide a meaningful basis for future comparisons.

OIL AND GAS

Oil and gas, with sales of about £1.0 billion*, generated 19 per cent of total turnover in 2002. This is a strong part of AMEC's business, with a sound base of long-term operational service contracts and major projects. The sector has enjoyed an excellent intake of new orders in the first part of 2003. Offshore activities and pipelines continue to lead growth in this market sector and encouraging prospects are also seen in downstream, following a recent period of relatively quiet activity.

AMEC is well positioned with leading oil industry clients as they move to invest in the development of new deepwater, offshore production areas. BP alone plans to spend more than US\$20 billion over the next five years on new profit centres including West Africa, Azerbaijan, the Gulf of Mexico and Asia Pacific – all areas where AMEC is already well established.

**AMEC IS FINANCIALLY SOUND, HAS A BALANCED
PORTFOLIO OF BUSINESS ACTIVITIES, EXCELLENT CLIENT
PARTNERSHIPS AND IS WELL POSITIONED TO BENEFIT
FROM ITS INTERNATIONAL PRESENCE.**

*Based on total turnover with the pro forma inclusion of SPIE at 100 per cent.

TRANSPORT

Transport also generated about £1.0 billion*, or 19 per cent, of total turnover in 2002. AMEC's work includes services and projects for clients in rail, highways and airports. Rail is currently the leading growth element in the transport sector. In the UK, rail maintenance activities are at unprecedented levels and a number of important new capital project orders have been received. Opportunities in continental Europe for high-speed projects, rail renewals, municipal tramways and other work are considered equally promising.

AMEC continues to win a leading share of the growing UK market for highways and, if the Government fulfils its commitment to increase substantially its spending in this area, the outlook is more promising than it has been for many years.

Airports continue to be affected by the events of 11 September 2001, but this market is also providing AMEC with growth opportunities. The company is focused on US homeland security services at airports, since spending is directed to these immediate priorities. AMEC's work on 100 per cent hold baggage screening at Logan Airport, Boston is one example in this area. Activity levels in certain areas remain high, as seen in a new partnership agreement with BAA, with the potential for £800 million of activity over ten years, together with increasing levels of activity at Heathrow's Terminal 5.

INFRASTRUCTURE

AMEC's work in the infrastructure sector includes construction and maintenance of public and private sector buildings, particularly in defence, detention and urban renewal. Infrastructure represented about £1.2 billion*, or 22 per cent, of total turnover in 2002 and includes much of AMEC's UK work in urban renewal and non-transport PFI projects.

In September 2002, AMEC was selected in joint venture as preferred bidder for the seven year £460 million Regional Prime Contract (AMEC share 50 per cent) for property services to the Ministry of Defence's Scottish Estate, which includes some 400 facilities.

Growth potential is also seen in the US defence sector, where AMEC is well established with key clients such as the Pentagon and various branches of the Armed Forces.

AMEC continues to be active in PFI/PPP and recently took two projects to financial close. AMEC is currently bidding on a further five contracts.

INDUSTRIAL

The industrial market sector includes work for a number of private sector industries and generated some £0.9 billion*, or 16 per cent, of total turnover in 2002. In December 2002, AMEC signalled its concern at the impact of a rapid downturn in industrial spending and indicated delays or cancellations on some 20 industrial projects worth more than US\$500 million in total. Project delays affected both the Americas' design and engineering services and UK activities and impacted their results during 2002.

At present, AMEC remains cautious about the outlook for this market sector in 2003, and its strategy has been to reduce costs and maximise long-standing client relationships.

REGIONAL SERVICES

AMEC's multi-market regional services businesses generated sales of about £1.3 billion* and contributed 24 per cent of total turnover in 2002. This segment includes the earth and environmental business in the Americas and SPIE's electrical, HVAC, communications, mechanical and industrial services activities delivered locally across continental Europe. Regional services follow a distinct business model focused on repeat business and ongoing support for numerous clients at the local level. Historically, it has been a stable business characterised by a very large volume of small or renewable contracts.

*Based on total turnover with the pro forma inclusion of SPIE at 100 per cent.

AMEC's objectives in this sector are to sell more services to existing customers and to expand the network geographically. A good example is the recent selection of AMEC by the US Air Force to provide environmental and engineering support within a long-term framework agreement. Another is SPIE's communications services, which benefited from the acquisition of Matra Nortel Communications in 2002 and has now entered into distribution agreements with EADS TELECOM, Nortel Networks, Siemens and CISCO.

ORDER BOOK AND MARKET PROSPECTS**

The oil and gas market remains strong. The order book at 31 December 2002 was just over £1 billion, equivalent to about one year's sales. The order book has been boosted recently by contract awards in North-East Russia, South Korea, West Africa, the UK and the Gulf of Mexico. Upstream and pipelines activities are driving growth in this sector, which is expected to remain buoyant for the foreseeable future.

The transport sector is also strong, with the year-end order book standing at about £1 billion, again around one year's sales. The order book has recently been increased by major contracts for the Docklands Light Railway extension, A1(M) motorway and various contracts for Network Rail. Prospects in rail and highways are particularly promising.

After taking account of the £400 million fall in the Construction Management order book as a result of the planned downsizing and adjusting the December 2002 order book for new contracts recently announced in other areas of the sector, the infrastructure order book would have been about £600 million, similar to the level reported in 2001. The outlook for defence, health and other public buildings continues to be encouraging.

The order book situation in industrial reflects the sharp downturn in investment seen in the second half of 2002 and in the fourth quarter in particular. At 31 December 2002, the industrial order book stood at some £300 million, down only slightly on the previous year. The reduction in the order book would be more apparent but for the large volume of short-term work carried out for industrial clients. Of over US\$500 million of projects announced as deferred or cancelled in December 2002, around US\$250 million, mostly power projects, is now seen as cancelled; US\$50 million is still deferred; US\$150 million is underway and US\$50 million is presently very active.

In contrast with the situation in the industrial sector, the position elsewhere is very different, with new projects recently announced expected to be worth in excess of £1.5 billion. Further contract announcements are expected shortly.

The order book in regional services at any point in time is not a guide to prospects, with order intake and sales in a given period being more meaningful. At 30 June 2002, orders and sales in regional services were comfortably ahead of the previous year but slowed in the second half to end the year very much in line with 2001, at around £1.3 billion.

MAJOR MARKETS IN OIL AND GAS, TRANSPORT AND INFRASTRUCTURE ARE STRONG AND OFFER SIGNIFICANT POTENTIAL FOR GROWTH.

**With the pro forma inclusion of SPIE at 100 per cent.

SUSTAINABILITY

In its first annual sustainability report, published in association with the 2001 annual report and accounts, AMEC set out its core sustainability principles and commitments for sustainability measurement and reporting.

In 2002, significant effort was made to gather, analyse and validate relevant information from across AMEC. In addition to measuring its progress against its published indicators, AMEC sought to identify opportunities for improvement. AMEC's board and senior management took time to listen to company stakeholders and to communicate the importance of its sustainability principles as fundamental elements of the AMEC way of doing business. Sustainability issues were more formally incorporated into AMEC's project tender review and risk management processes. The board also established an ethics and compliance committee and appointed a senior manager with responsibility for business ethics and compliance throughout AMEC.

AMEC believes that these and other steps taken in 2002, including its delivery of environmental and related engineering services for clients worldwide, are assisting AMEC to improve identification and management of risks and to help meet its stated objective of building a strong, profitable and sustainable business for the future. Details of AMEC's sustainability programme and performance will be published in the 2002 sustainability report and will also be available at www.amec.com.

OUTLOOK

In December 2002, the board stated that, whilst it expected AMEC to benefit significantly from the addition of SPIE in 2003, conditions in certain markets suggested a pause in organic growth. Industrial markets remain a concern and the UK property development market is expected to be challenging before levels of activity on major UK regeneration schemes increase in 2004.

Notwithstanding its cautious stance on prospects in these markets, AMEC is taking advantage of opportunities in the oil and gas, transport and infrastructure markets. With a strong financial position, AMEC has flexibility to develop its existing markets both organically and through small strategic acquisitions.

The board remains of the view that prospects for 2003 are in line with the position taken in December 2002.

In summary, the last 12 months have seen AMEC take further important steps in its development, with the company now being firmly established as a world class international engineering services business. The company is well positioned in its major markets, the majority of which remain strong, and is on the right side of significant barriers to entry. AMEC is financially sound, and subject to current geopolitical uncertainty, recently announced contracts give increased confidence in the future.

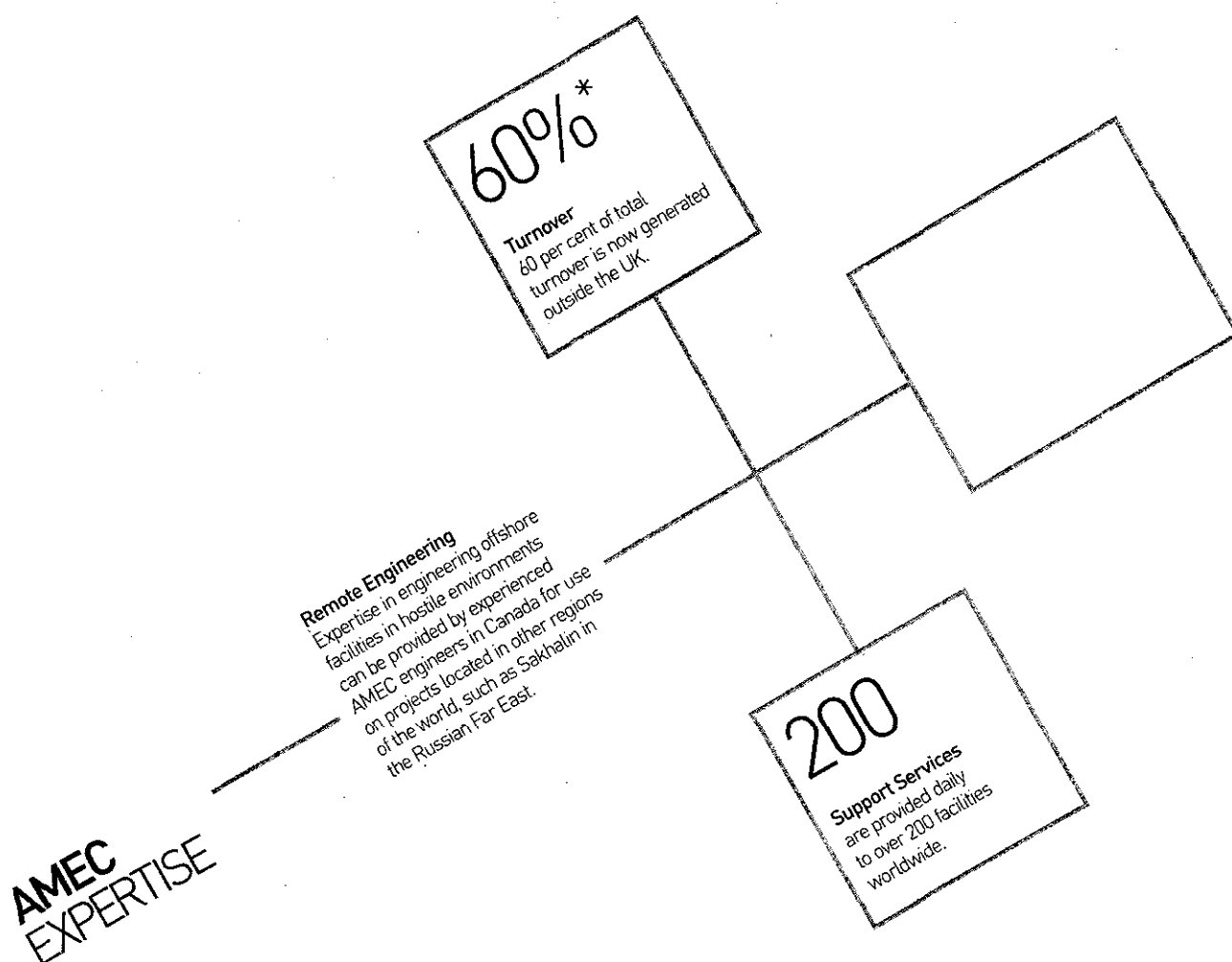
Sir Peter Mason KBE
Chief Executive
6 March 2003

OIL AND GAS

AMEC IS A LEADING INTERNATIONAL PROVIDER
OF TOTAL LIFE OF ASSET SERVICES TO CLIENTS
IN THE OIL AND GAS INDUSTRY.

OIL AND GAS

Percentage of total turnover 2002*



*Based on total turnover with the pro forma inclusion of SPIE at 100 per cent.

CLIENTS LOOK TO AMEC TO PROVIDE PROVEN HEALTH AND SAFETY SYSTEMS, COMMITMENT TO THE ENVIRONMENT, A HIGHLY SKILLED WORKFORCE, REGIONAL PRESENCE AND A STRONG RECORD OF DELIVERY.

RECENT EVENTS

February 2003

→ Fawley oil refinery, UK – five-year contract to provide engineering maintenance services for ExxonMobil.

→ Sakhalin II, Russian Far East – detailed engineering, project management and construction support contract for a Shell joint venture (£140 million).

→ Kizomba 'B' deepwater floating production and offloading facility, off Angola – joint venture contract to provide design, engineering and project management services for ExxonMobil.

January 2003

→ Holstein and Mad Dog floating oil production facilities, Gulf of Mexico – hook up and commissioning services contract for BP America Production Company.

December 2002

→ Firebag Oil Sands Project, Canada – pipeline construction contract for Suncor Energy Inc.

October 2002

→ Caspian Region – offshore engineering services and pipeline construction contracts (AMEC share £140 million).

September 2002

→ Bathgate, UK – £48 million contract to design and deliver a gas compression station for Transco.

Further details are available at www.amec.com

DID YOU KNOW?

AMEC has been developing technology to allow engineers, thousands of miles apart, to communicate via 'virtual reality' headsets.

AMEC has been responsible for the management and integration of over 400,000 tonnes of offshore platform facilities.

AMEC uses satellite technology to track icebergs and tow them clear of clients' offshore facilities, and can lay claim to having changed the course of probably the largest iceberg ever towed, estimated at four million tonnes.

SPIE has constructed pipelines in regions as varied as the tropical rain forests of Chad and Cameroon to heights of over 4,800 metres in the Andes.

FOCUS ON OIL AND GAS

With world leading expertise working in hostile deepwater environments, AMEC is a leading international provider of total life of asset services to clients in the oil and gas industry. In upstream, AMEC has market-leading positions in engineering, project management, integration of complex topsides and operations and maintenance services. In downstream, the company is recognised for its expertise in gas processing and operations and maintenance, whilst in pipelines the group is one of the world's leading large-diameter pipeline contractors.

Barriers to entry in the industry are extremely high. Clients look to AMEC to provide proven health and safety systems, commitment to the environment, a highly skilled workforce, regional presence and a strong record of delivery. Trends in recent years towards alliancing and partnering, longer-term cost-reimbursable contracts and consolidation have resulted in AMEC building even stronger relationships with clients including Shell, BP, ExxonMobil, Transco, and TotalFinaElf.

In recent years AMEC has successfully pursued a strategy of international growth, working closely with long-term clients who are developing new sources of supply around the world, often in hostile operating environments. New contracts expected to be worth in the region of £1 billion have been announced over the last 12 months in the UK, Australia, Caspian, Sakhalin and other regions around the world. Recent trends towards liberalisation of markets previously closed to the private sector have resulted in important new client relationships, including those in South Korea and Indonesia.

World demand for energy continues to rise and oil and gas is expected to remain the dominant source of supply, accounting for some 65 per cent of the total. Nearly £200 billion is projected to be spent worldwide in 2003 alone. Deepwater fields are the new frontier, where development is being driven by declining production from mature fields in shallower waters. AMEC is well positioned to provide support, with the three largest deepwater operators – BP, ExxonMobil and Shell – all being long-term AMEC clients.

CASE STUDY – AMEC IN THE CASPIAN

In October 2002, AMEC secured new work on a massive oil field development in the Caspian Sea and a strategic pipeline through Georgia, which will deliver Caspian oil to world markets. The awards further reinforce AMEC's growing presence in the energy-rich Caspian region, which is estimated to hold 15 per cent of the world's oil reserves, and where the company has been building relationships for the last five years.

For the vast Azeri, Chirag and Gunashli oil and gas fields, AMEC will develop plans under an initial £10 million contract, which has the potential for significant further AMEC work subject to project approvals. In addition, an AMEC consortium secured a contract (AMEC share £30 million) to project manage a 14,500 tonne topside facility. Both contracts were awarded by the Azerbaijan International Operating Company – a consortium of BP, ExxonMobil and other leading oil and gas producers.

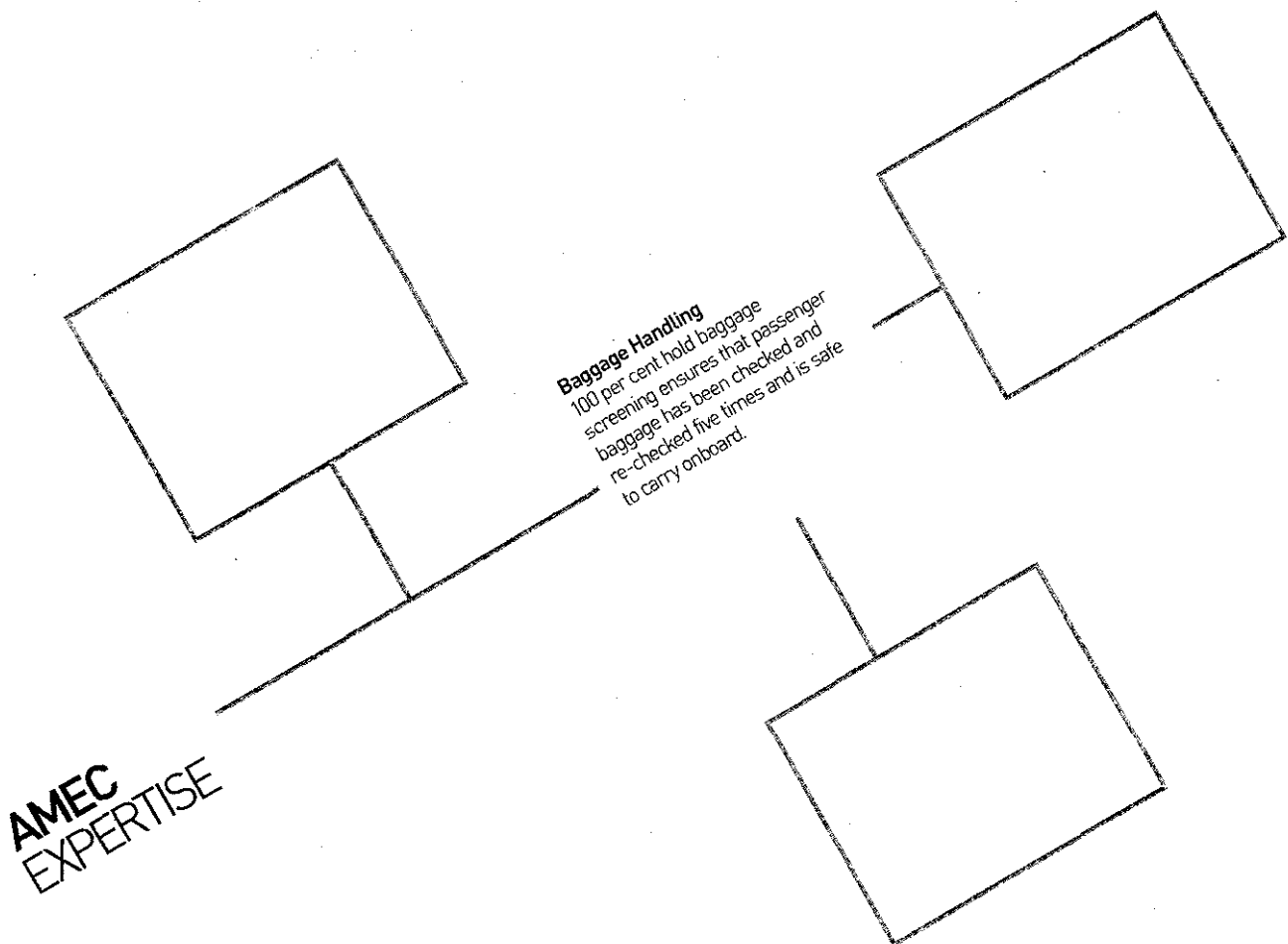
In related work, SPIE secured a joint venture contract (AMEC share £100 million) to design and build 248 kilometres of oil pipeline through Georgia with associated works in Azerbaijan. The contract, for the BP-led Baku-Tbilisi-Ceyhan Pipeline Company, was extended in early 2003 to deliver a gas pipeline along the same route (AMEC share £40 million).

TRANSPORT

DESIGN, DELIVERY AND MAINTENANCE OF
RAIL, HIGHWAYS AND AIRPORTS WORLDWIDE.

TRANSPORT

Percentage of total turnover 2002*



*Based on total turnover with the pro forma inclusion of SPIE at 100 per cent.

AMEC OFFERS CLIENTS A FULL RANGE OF SERVICES COVERING EVERY PHASE OF PLANNING, DESIGN, CONSTRUCTION, MAINTENANCE AND RENOVATION OF RAIL, HIGHWAYS AND AIRPORTS.

RECENT EVENTS

February 2003

- An AMEC joint venture signs contracts to extend the Docklands Light Railway to London City Airport (total value of concession over £300 million).
- An AMEC joint venture signs contracts with The Highways Agency to upgrade and operate a 33-mile section of the A1(M) in Yorkshire to motorway standard (total investment value c. £245 million; AMEC share 25 per cent).

January 2003

- BAA awards AMEC a ten-year non-exclusive framework agreement for work on new major infrastructure projects at its seven UK airports (potential value up to £800 million).
- Network Rail awards a contract worth around £20 million as part of a five-year programme that will ensure 16,000 kilometres of railway across the UK are equipped with the latest communications to enhance both safety and service.
- Network Rail selects an AMEC SPIE Rail joint venture as preferred bidder to undertake 'high output' track renewal work across the UK's rail network (AMEC share £100 million).

Further details are available at www.amec.com

DID YOU KNOW?

AMEC maintains some 1,500 miles of rail track in the UK and has recently checked nearly 1,700 miles of Scottish rail lines using revolutionary helicopter mounted technology.

AMEC built a 'newt highway' to allow safe passage of Great Crested Newts during construction of the Channel Tunnel Rail Link.

AMEC has been involved in major projects at some of the world's top airports including: London, Heathrow; Paris, Charles De Gaulle; New York, JFK; Hong Kong, Chek Lap Kok; and Japan, Kansai.

FOCUS ON TRANSPORT

AMEC provides clients in rail, highways and airports with total life of asset support covering consulting, design, maintenance, engineering and contracting services.

The merger of AMEC and SPIE's rail activities creates a leading international business serving major regional clients requiring a pooling of resources. The AMEC SPIE rail business is one of the two largest providers of rail services in Europe and also works on an international basis, with clients in the Americas, Africa and the Far East. The company offers specialist skills in track works, overhead catenary systems, power supply, control and communications and associated maintenance. The AMEC SPIE rail business has expertise covering all aspects of railway infrastructure, from high speed and heavy goods to metro, light and urban rail. AMEC's total turnover in the rail sector in 2002 exceeded £500 million.

In highways, AMEC provides clients with project finance, design, construction, operation and maintenance capabilities. The company has long been a leading player in the UK and continues to win a significant share of that growing market. In France, SPIE has developed specialist expertise in lighting, signalling, safety, toll and traffic flow systems. In the Americas, AMEC's consulting and design business specialising in highways and bridges is also well positioned in the high growth south west US states and in western Canada.

In airports, AMEC offers clients a range of infrastructure services, from design, project and construction management, to construction and maintenance. The company has specialist expertise in runway and taxiway renovation and maintenance, integrated solutions for IT systems, baggage handling systems and the design and installation of aircraft fuel systems. With its focus on long-term client relationships, AMEC recently signed a new ten-year framework agreement with BAA with increased scope of work to include seven airports in the UK.

CASE STUDY - CHANNEL TUNNEL RAIL LINK

The AMEC SPIE rail business has significant international experience of high-speed rail infrastructure and ongoing operation and maintenance services. This industry-leading expertise is now providing opportunities for AMEC on some of Europe's most challenging and important transport infrastructure work.

The Channel Tunnel Rail Link is a good example. The contract includes the design, procurement and installation of high-speed infrastructure (trackwork, catenary, electro-mechanical) for the initial section of over 75 kilometres - the first time design, supply, installation and testing of a complete section of high speed rail had been entrusted to a single company in the UK.

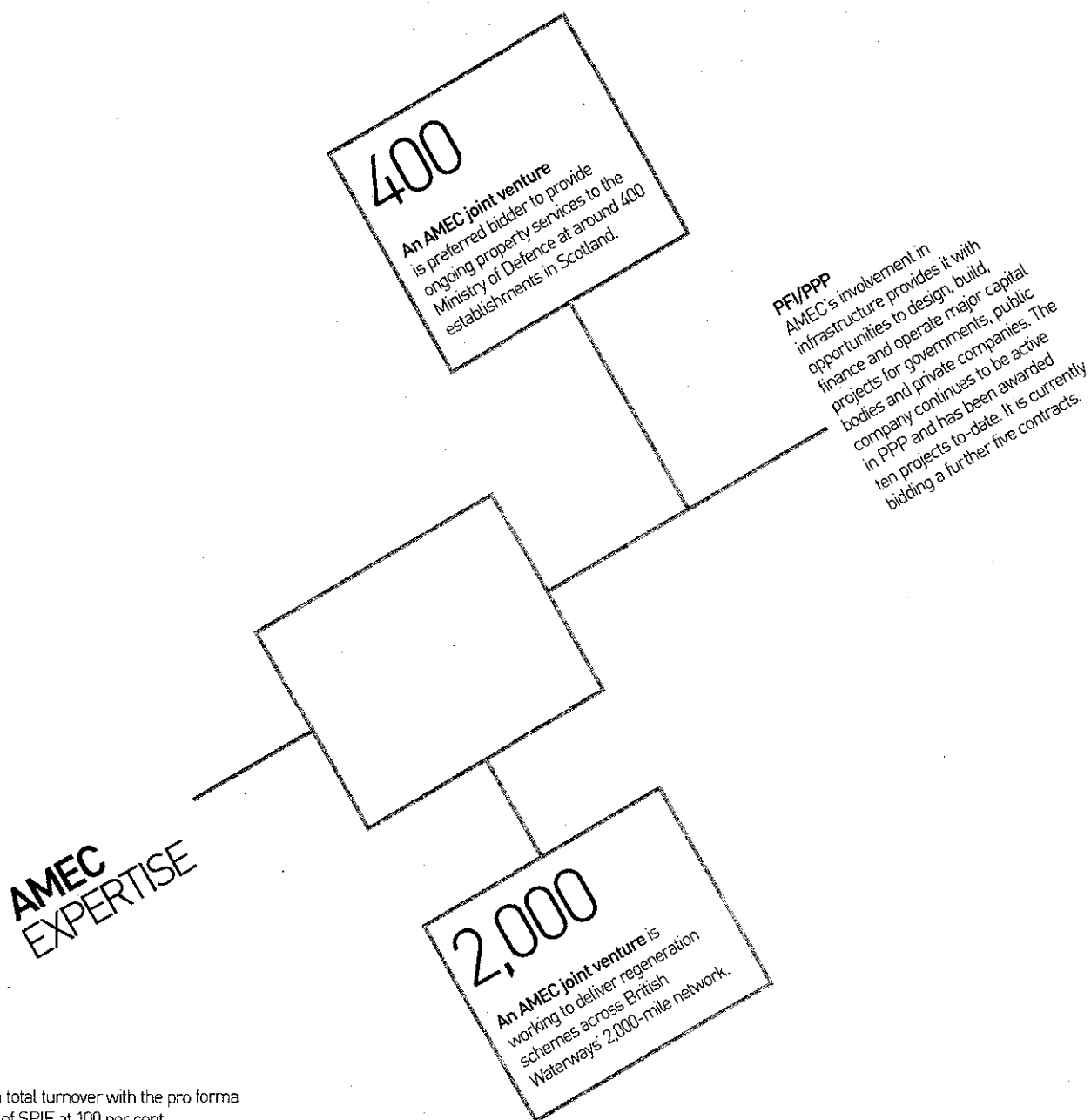
The AMEC SPIE rail business is continuing to secure demanding rail infrastructure work and in 2003 has already secured a joint venture contract for track renewal work in the UK worth around £100 million to the company. In France, the company recently completed the latest section of the French TGV network between Lyon and Marseille and is currently renewing 1,000 kilometres of high speed track under a contract due for completion in 2006.

INFRASTRUCTURE

AMEC HAS A LONG-STANDING REPUTATION FOR DELIVERING
HIGH QUALITY SERVICES, SYSTEMS AND PROJECTS IN BOTH
THE PUBLIC AND PRIVATE SECTORS.

INFRASTRUCTURE

Percentage of total turnover 2002*



*Based on total turnover with the pro forma inclusion of SPIE at 100 per cent.

AMEC HAS PROVEN STRENGTHS IN AREAS INCLUDING DEFENCE, URBAN REGENERATION, HOSPITALS AND EDUCATION.

RECENT EVENTS

January 2003

→ Arden Campus, Manchester, UK – £11 million contract to deliver a new college.

November 2002

→ Manchester, UK – £59 million design and build contract to deliver an innovative residential project known as Leftbank Apartments for Westbury Homes.

September 2002

→ An AMEC joint venture is selected as preferred bidder on a seven year contract, valued in excess of £460 million (AMEC share 50 per cent), to provide ongoing property services to the Ministry of Defence at around 400 establishments in Scotland.

July 2002

→ British Waterways announces a major property public/private partnership with AMEC and Morley's Igloo Regeneration Fund.

The new joint venture, named ISIS Waterside Regeneration, will combine private sector expertise and finance, with public sector assets to deliver regeneration schemes on previously developed urban land working in partnership with local authorities, public agencies and public and private landowners.

Further details are available at www.amec.com

DID YOU KNOW?

AMEC was praised by the US Government for its role in managing the recovery operations at both the World Trade Centre and the Pentagon after 11 September 2001. At the Pentagon, where the company had an existing contract, it worked day and night to meet successfully the Government's ambitious target of returning personnel to their desks in the re-built building within a year of the terrorist attack.

AMEC is a partner in the creation of the new global headquarters for Tag McLaren Mercedes – where the Formula One motor racing team will be designed, built and prepared.

FOCUS ON INFRASTRUCTURE

AMEC offers services to clients in the infrastructure sector ranging from architectural design to property and infrastructure development, construction and facilities management. Activities include work in urban re-development, non-transport Public Private Partnerships (PPP) projects and the defence sectors on both sides of the Atlantic.

The company has a proven track record in infrastructure development and offers clients flexible approaches including design/build/finance/operate contracts, prime contracting procurement arrangements and fully financed PPP projects. The PPP business is focused on the design, build, finance and operation of major capital projects for the Government and public bodies. In the PPP market, AMEC has secured two hospital projects at Carlisle (operational) and UCLH, London (under construction), Ayrshire water treatment plant, Scotland (operational) and one of the largest office complexes in Europe, for the DHSS at Longbenton (operational).

AMEC has a leading position in urban renewal and has developed strong relationships with local authorities to better understand and tackle regeneration issues inside and outside cities. It is the only private sector organisation to sit on the UK Government's City Challenge urban regeneration panel and is currently working on major schemes including British Waterways, English Cities Fund, Reading regeneration and Ican Northern Quarter, with a total partnership value in excess of £1 billion.

In the defence sector, the UK Ministry of Defence is a long-term client, whilst in France the Ministère de la Défense is a major SPIE client. In the US, AMEC is well established with key clients such as the Pentagon, various branches of the Armed Forces and other US government agencies. Also in the US, corrections, or prison facilities, together with other public sector buildings are a significant market.

CASE STUDY – URBAN RENEWAL

AMEC's leading position in UK urban renewal was strengthened in 2002 through a partnership with British Waterways to lead the way in unlocking the hidden potential of the UK's neglected canals and riverside locations.

A major new property PPP – ISIS Waterside Regeneration ('ISIS') – was established in July 2002 with AMEC, Morley's Igloo Regeneration Fund and British Waterways. The aim of the 15-year partnership is to combine private sector expertise and finance with public sector assets, to breathe new life into the country's underused waterside locations.

For AMEC this represents the continuation of an approach to regeneration which dates back to the early 1990s with the regeneration of run-down areas such as Hulme in Manchester and Newcastle Quayside – both of which now contain thriving mixed-use communities.

Initially, ISIS has options for the regeneration of ten British Waterways locations – with the first sites likely to be in Manchester, Brentford and Nottingham. Each scheme will have a balance of leisure, retail, commercial and residential elements, with a strong emphasis on sustainable regeneration and high quality architecture to enhance the waterway settings. The schemes will also deliver environmental and social benefits to the local communities and visitors to the waterways.

INDUSTRIAL

AMEC PROVIDES ENGINEERING EXPERTISE
AND SUPPORT SERVICES THAT MEET THE NEEDS
OF INDUSTRIAL CLIENTS ON A GLOBAL BASIS.

INDUSTRIAL

Percentage of total turnover 2002*

**AMEC
EXPERTISE**

80

AMEC is a world leader in the forest industry, with 80 years experience, working in more than 70 countries, providing clients with unrivalled expertise.

Condition Monitoring, Australia
Thermographic technology allows AMEC engineers to detect air leaks during gas turbine operations, identifying potential faults and assisting with maintenance planning.

20

Over the last 12 months AMEC has provided services to nearly all of the top 20 global pharmaceutical companies from dedicated offices in the UK, Germany, Switzerland and North America.

*Based on total turnover with the pro forma inclusion of SPIE at 100 per cent.

FROM PROJECT EVALUATION AND DEVELOPMENT TO MAINTENANCE AND FACILITIES MANAGEMENT, AMEC OFFERS A BROAD RANGE OF MULTI-DISCIPLINARY EXPERTISE TO INDUSTRIAL CLIENTS, HELPING THEM TO ACHIEVE THEIR OBJECTIVES.

RECENT EVENTS

February 2003

→ Telecom – £20 million contract from Crown Castle International, the UK's largest independent provider of structures for mobile communications equipment.

January 2003

→ Chemicals – AMEC extends its activities at BP Chemicals' Grangemouth petrochemical complex in Scotland with a contract for scheduled plant maintenance on three major chemical production units during 2003.

September 2002

→ Pharmaceuticals – Eli Lilly and Company Limited appoints AMEC to provide facilities management services at its new corporate head office in Basingstoke and R&D site in Surrey, UK.

July 2002

→ General Manufacturing – contract to provide maintenance and support services at DuPontSA's polyester manufacturing site in Pontypool, South Wales.

June 2002

→ Power Generation – contract for detailed design, engineering and procurement services from Jamaica Public Service Company for a 120 MW gas turbine combined cycle power plant in Bogue, Jamaica.

Further details are available at www.amec.com

DID YOU KNOW?

AMEC has been involved with over 33 diamond mine projects in the last ten years, including all those located in the north of Canada – where its engineers work in climates which can plunge to minus 65 degrees Celsius.

The company is also the world's leading engineer and builder of astronomy telescopes – and it has also designed and built some of the world's most exciting theme park roller coaster rides.

FOCUS ON INDUSTRIAL

AMEC provides engineering expertise and support services to industrial clients on a global basis. Activity in this market sector covers a wide range of private sector industries, with approximately half of total turnover being generated from 'walk-in' engineering services, where AMEC acts as in-house engineer, with the balance coming from capital project activity.

Total life of asset support is available, from consultancy to design, construction, commissioning, support services and decommissioning. Working closely with clients, operational improvements are identified for existing facilities such as cost reductions, systems integration and de-bottlenecking, with AMEC often working as an extension of the client's own project team.

AMEC has extensive expertise in industrial markets including the forest industry, mining and metals, pharmaceuticals and telecoms. In the forest industry, AMEC is a global market leader in pulp and paper facilities, with 80 years' experience, working in more than 70 countries. The company has designed and constructed some of the world's largest and most technologically advanced integrated mills. Services are provided on a global basis and long-term relationships have been built with leading industry clients in North America, Latin America and Asia Pacific.

In mining and metals, AMEC has internationally recognised capabilities built on more than 50 years' experience. AMEC offers clients a broad range of multi-disciplinary services and utilises sophisticated engineering tools, including steady state and dynamic simulation, project websites, 3D design, photogrammetry and laser scanning. AMEC's experience extends from copper, gold, silver, lead, zinc, nickel, cobalt and platinum through to potash and phosphate, diamonds, light metals and iron ore.

Over the last 12 months AMEC has provided services to nearly all of the top 20 global pharmaceutical companies from dedicated offices in the UK, Germany, Switzerland and North America. The company's culture of value delivery, partnering and technical excellence enables it to deliver research, production and distribution facilities that set new industry standards.

AMEC and SPIE have a comprehensive telecommunications capability, with SPIE occupying a leading market position in the design, integration and maintenance of communications networks in France.

CASE STUDY – INTERNATIONAL EXPANSION IN PHARMACHEM

AMEC's market-leading position in UK pharma chem has recently provided the building block for international expansion – particularly in North America, where in 2002 the company secured around US\$70 million of new orders in this highly specialised market.

As part of this expansion, AMEC is bringing together its specialist construction management and value engineering expertise to expand a facility for Ben Venue Laboratories in Bedford, Ohio, under a US\$37 million contract. Ben Venue Laboratories is a subsidiary of global business Boehringer-Ingelheim, a company with which AMEC already has an established relationship in Germany, Switzerland, the US and the UK.

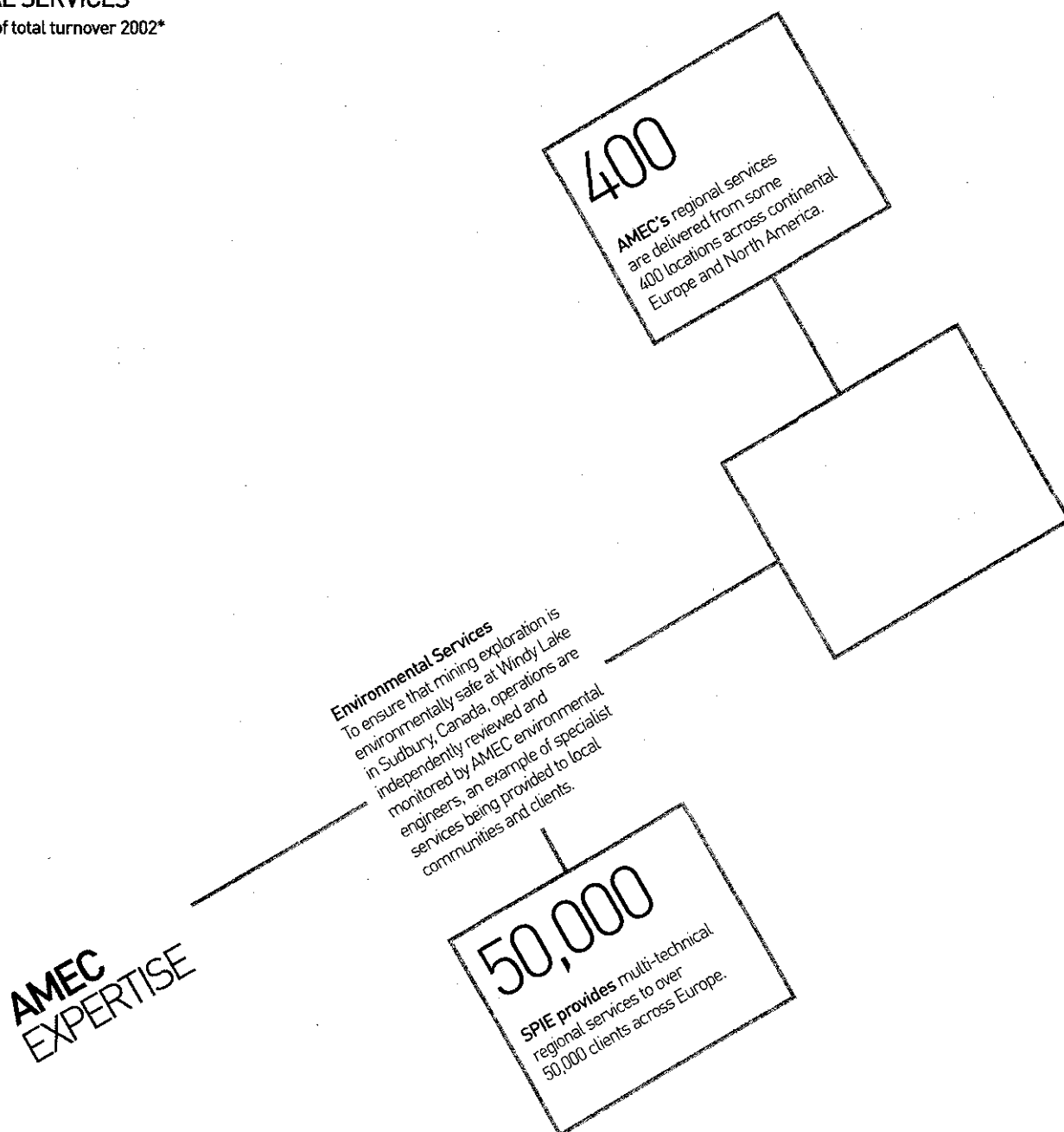
AMEC is currently working for a number of other pharma chem clients in North America, including Shire, Taro and Wyeth Pharmaceuticals, while in Europe it has major contracts underway for AstraZeneca, GlaxoSmithKline and Merck Sharpe and Dohme.

REGIONAL SERVICES

AMEC PROVIDES CLIENTS WITH MULTI-TECHNICAL
SERVICES ACROSS EUROPE AND ENVIRONMENTAL
AND GEOTECHNICAL CONSULTING IN NORTH AMERICA.

REGIONAL SERVICES

Percentage of total turnover 2002*



*Based on total turnover with the pro forma inclusion of SPIE at 100 per cent.

THE REGIONAL SERVICES BUSINESSES HAVE A TRACK RECORD OF STABILITY, CHARACTERISED BY A VERY LARGE VOLUME OF SMALL OR RENEWABLE CONTRACTS.

RECENT EVENTS

December 2002

→ AMEC is selected by the US Air Force Center for Environmental Excellence (AFCEE) as a supplier for negotiation of worldwide environmental services contracts.

November 2002

→ Amtrak selects AMEC to be one of the key suppliers of environmental services over the next three years to the National Railroad Passenger Corp. (Amtrak).

August 2002

→ AMEC is involved in an innovative lead clean-up project at a firing range at Fort Dix, NJ. The project is being conducted under RangeSafe, a US Army programme established to support the emergence of more effective, economical and environmentally friendly technologies to clean up and maintain the nation's firing range infrastructure.

May 2002

→ AMEC successfully completes an emergency environmental cleanup of gasoline spilled during a fuel tanker rollover on New Mexico Highway 41.

Further details are available at www.amec.com

DID YOU KNOW?

AMEC is a world-leading expert in environmental clean up services and has been working for over a decade to clean up pollution in Pearl Harbor – including oil still leaking from sunken World War II warships.

The company operates technology which can render toxic waste harmless by vitrifying it with high voltage electricity.

AMEC employs a team of geologists who are willing to scale the 850 foot Hoover Dam on ropes and wildlife biologists who are working to protect the only officially recognised endangered fly in the US.

FOCUS ON REGIONAL SERVICES

AMEC's regional services businesses serve clients across a wide variety of end markets. Principal activities are multi-technical services across Europe and environmental and geotechnical consulting across North America. Services are provided on a local basis from a network of over 300 locations across Europe and 90 in North America.

These multi-market businesses follow a distinct business model focused on repeat business for numerous clients at the local level. Historically, these businesses have been highly stable, characterised by a very large volume of small or renewable contracts. The growth driver for regional services is a combination of the overall economy, the ability to sell more services to existing customers and expansion of local relationships into larger regional or national relationships. The regional services network has been progressively increased through the addition of new locations in selected niches which provide growth on top of organic increases. Strategic acquisitions have also improved its market position, with recent examples being the environmental business' purchase of a branch network in 2001, which increased AMEC's presence in the US defence market, and SPIE's acquisition of Matra Nortel Communications in 2002, which improved its position in the French communications market.

The multi-technical services business in continental Europe provides electrical, communications, HVAC, mechanical and industrial services to a diversified portfolio of over 50,000 customers. The client base consists of a broad spectrum of national and regional firms and local communities, with the top 100 customers representing less than 50 per cent of sales. Services are provided through a network of over 300 locations in France, Benelux, Portugal and Germany.

The North American earth and environmental business provides services covering all aspects of environmental services, geotechnical engineering, materials testing and engineering and water resource services. AMEC expertise is delivered by over 2,000 scientists, geologists, engineers, biologists, environmental planners and other specialists. Services are provided to public and private sector clients locally or globally, and often in long-term relationships. With more than 90 locations across North America and around the world, AMEC truly offers local service, backed up by global reach.

CASE STUDY – MILITARY CLEAN UP

AMEC's North American earth and environmental business has for many years been working for the US Military to help it minimise the environmental effects of its activities.

Indeed, AMEC is one of a select number of companies appointed by the US Air Force Center for Environmental Excellence to negotiate worldwide environmental services contracts. As a result, AMEC anticipates significant growth in its international activities for the US Air Force over the next five years.

The initial Air Force spending ceiling for this extensive work programme is US\$1.1 billion – although provisions allow this to be raised to US\$2.75 billion over the next five years. Services to be covered include environmental restoration, conservation, planning, compliance and pollution prevention at international military installations.

AMEC is currently undertaking an innovative lead clean up project at the firing range at Fort Dix, NJ. The project is considered critical, environmentally and militarily, both at Fort Dix – where more than three million soldiers have trained over the past 85 years – and at potentially many of the other 3,000 small arms military firing ranges across the US.

AMEC has also been working at the Massachusetts Military Reservation for the last five years to help the Army National Guard run an innovative programme to clean up contamination. The 14,000-acre site, which has been used as a military reservation for over 60 years, has extensive unexploded munitions and other potential environmental issues.

ADOPTION OF NEW ACCOUNTING STANDARDS

The accounts reflect the adoption of two new accounting requirements in the year and these have resulted in the restatement of prior year profit and loss accounts and balance sheets.

Firstly, the group adopted UITF Abstract 34 'Pre-contract costs'. As a result of applying the new requirements, cumulative costs of £3.1 million (net of tax) that had been incurred in the pre-preferred bidder stage and subsequently reinstated over the five years ended 31 December 2001, have been written-off in the period in which they arose. The income received has and will be credited to the profit and loss account in line with the period of the relevant construction, development or concession contract to which it relates.

Secondly, the group adopted FRS 19 'Deferred tax', which has resulted in a requirement for a deferred tax provision of £17.7 million as at 31 December 2001. This principally relates to timing differences in the treatment of pension costs for taxation and accounting purposes and has increased the tax charge in both 2002 and 2001.

A year ago, AMEC indicated that it expected to fully implement the new accounting standard for retirement benefits, FRS 17, in its 2003 accounts. As a result of the Accounting Standards Board announcing a delay in the full implementation of the standard, so as to achieve an orderly transfer to the international accounting standard in 2005, AMEC, in line with a number of other companies, decided to continue accounting for pension costs in line with its existing policy, which conforms with the requirements of SSAP 24.

TRADING ANNOUNCEMENTS

On 5 December 2002, AMEC issued a trading update referring to the following significant matters:

- A reduction of £15 million in the board's expectations for pre-tax profit before goodwill amortisation and exceptional items, for the year ended 31 December 2002;
- A maximum adjustment of £30 million to the carrying value of goodwill relating to the disposal or closure of a number of non-core or under-performing businesses in North America; and
- A reduction in the board's overall expectations for the year ending 31 December 2003.

AMEC's circular to shareholders on 17 January 2003 outlined the proposal to acquire the outstanding 54 per cent interest in SPIE S.A. Within that document was a further trading update which reaffirmed the information given on 5 December 2002 and additionally, confirmed that net debt as at 31 December 2002 would be below £75 million and that the weekly average net debt had fallen from £210 million in 2001 to £195 million in 2002.

Comments in the following review are made with reference to these updates.

**PRE-TAX PROFIT AND DILUTED EARNINGS PER SHARE ARE
BOTH IN LINE WITH THE COMPANY'S DECEMBER STATEMENT.
AMEC IS IN SOUND FINANCIAL SHAPE.**

FINANCIAL SUMMARY

	2002 £ million	2001 £ million
Total turnover	4,331.6	4,467.5
Pre-tax profit	105.2	116.7
Included above:		
E-commerce costs	(1.9)	(4.9)
Corporate costs	(20.4)	(19.3)
	(22.3)	(24.2)

Pre-tax profit was in line with the company's December statement.

Pre-tax profit stated above is before goodwill amortisation of £13.1 million, exceptional reorganisation, disposal and closure costs of £24.9 million and an exceptional write-off of goodwill of £28.0 million.

NET INTEREST PAYABLE

	2002 £ million	2001 £ million
Group	12.8	6.7
Share of joint ventures:		
PPP	6.0	6.0
Property development	1.6	0.8
SPIE	0.6	0.3
	21.0	13.8

Improvements in the level of weekly average net debt and a high level of interest cover demonstrate financial strength and flexibility.

TOTAL TURNOVER AND GROSS MARGIN

Total turnover was broadly in line with that reported in 2001. Growth in Client Support Services was more than offset by the largely anticipated decline in Capital Projects' activities, where certain industrial clients either reduced, delayed or cancelled their capital expenditure programmes. In addition, the reduction also reflected the further strategic repositioning of the US Construction Management business.

The gross profit margin before goodwill amortisation and exceptional items, was 10.1 per cent (2001 – 10.4 per cent). This reflected, in part, the under recovery of direct overheads arising from reductions in industrial activities and also costs of approximately £6.0 million associated with AMEC's ongoing dispute with the General Services Administration in the US.

ADMINISTRATIVE EXPENSES

Administrative expenses before goodwill amortisation and exceptional items, were 7.4 per cent of group turnover (2001 – 7.6 per cent). The level of costs reflects some of the benefits of the UK and North American restructuring undertaken in 2002 and also businesses with proportionately higher overheads which have been disposed of or closed in the last two years.

E-commerce costs declined in 2002 as some products were deployed within the businesses and the development of others ceased. No further costs will be reported in this category in future years.

Corporate costs, which represent the costs of operating the head office of AMEC and certain regional overheads, were in line with those incurred in 2001. Following the acquisition of the outstanding 54 per cent interest in SPIE, and it becoming a wholly owned subsidiary, this cost caption will be expanded in 2003 to include certain regional overheads incurred in continental Europe which are not directly related to the business segments. It is estimated that these costs will amount to approximately £6.0 million in 2003. Previously, when gross equity accounting for the SPIE investment, AMEC's share of these costs has been contained within the total operating profit included within the Services and Capital Projects segments.

INTEREST

Net interest payable was close to the 2001 charge after taking into account the credit to interest in 2001 that arose from the disposal of a PPP subordinated debt investment. Whilst the level of weekly average net debt was reduced year on year, the interest saving was offset by increased levels of fixed rate borrowing in 2002, following the decision to increase the percentage of net debt swapped into fixed interest rates.

The increase in the share of interest from property development joint ventures reflects AMEC's more extensive participation in urban regeneration activities.

Despite SPIE having net cash throughout 2002, AMEC's share of SPIE's interest charge reflects the cost of leasing its Paris head office, its debtors' securitisation programme and the Eurobond notes, due for repayment in January 2004.

Interest was covered almost eight times by total operating profit on what AMEC regards as the most meaningful basis. This is before goodwill amortisation and exceptional items, but excluding the contribution from PPP concessions, as compared with net interest payable, excluding the share of interest from PPP concessions.

TAXATION

The tax charge before goodwill amortisation and exceptional items amounted to £32.6 million (2001 – £37.5 million). An attributable tax credit of £4.0 million arose on the exceptional items.

The effective rate, which was 31.0 per cent in 2002 (2001 – 32.1 per cent), is expected to remain above 30.0 per cent due to the underlying corporation tax rates in continental Europe being higher than the UK standard rate.

OPERATING AND FINANCIAL REVIEW

continued

EXCEPTIONAL ITEMS

	£ million
Reorganisation	8.3
Downsizing SPIE's international contracting	4.6
	12.9
Business disposals/closures	12.0
	24.9
Associated goodwill	28.0

All costs were in line with the company's December statement. Reorganisation plans are complete and the businesses are more focused on their core activities.

GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS

Goodwill amortisation increased in the year to £13.1 million (2001 – £11.1 million). The increased charge reflects the aggregate adjustments of £25.6 million made in 2001 when determining the final fair value of the net assets acquired through the purchase of AGRA.

AMEC's share of SPIE's goodwill amortisation increased as a result of the full year impact of acquisitions made in 2001, notably the Matra Nortel Communications and the Foraid oil and gas businesses.

Exceptional items amounted to £24.9 million and were in line with the board's expectations. Reorganisation costs of £8.3 million were incurred in restructuring the UK and North American regional businesses. In SPIE, the international contracting activities were substantially downsized and AMEC's share of the exceptional cost arising from the actions taken amounted to £4.6 million. Further business disposals and closures in 2002 resulted in a net exceptional cost of £12.0 million. These businesses were predominantly in the Construction and e-commerce segments and represented either non-core or under performing activities. Goodwill of £28.0 million was carried in the balance sheet in respect of the North American businesses that were disposed of or closed and this has been written-off to the profit and loss account.

In view of the disposal or closure of several of the North American businesses and the resulting loss that arose from the write-off of the attributable goodwill, AMEC, in line with FRS 11 'Impairment of fixed assets and goodwill', undertook an impairment review of the net assets relating to the remaining businesses acquired through the purchase of AGRA Inc. This was done by comparing the carrying value of the assets with their recoverable amounts represented by their value in use to the group. The value in use of the income generating units was determined by reference to the group's annual budget prepared in October 2002 as subsequently approved by the board. The calculation was undertaken using a pre-tax discount rate of 12.5 per cent and assumed no growth in the projections beyond 2004. The review confirmed that the carrying value of the remaining net assets was reasonably stated.

DIVIDENDS PER ORDINARY SHARE

The recommended final dividend is 6.6 pence which, together with the interim dividend of 3.4 pence, results in a total dividend of 10.0 pence per ordinary share, an increase of 5.3 per cent.

DIVIDEND COVER

The 2002 total dividend was covered 2.4 times (2001 – 2.8 times) by earnings on a diluted basis and before goodwill amortisation and exceptional items. The healthy level of dividend cover has provided the board with the flexibility to increase the recommended dividend in 2002.

EARNINGS PER SHARE

Diluted earnings per share for 2001 have been restated following the adoption of FRS 19, but continue to be presented on the basis that the enhanced and mandatory conversion of preference shares to ordinary shares took place on 1 January 2001. Without the pro forma calculation it is difficult to compare earnings in any meaningful way.

Diluted earnings per share were 24.3 pence in 2002 (2001 – 26.5 pence) and the reduction year on year principally reflects the change in the reported post-tax profit performance of the group.

Whilst reported cover reduced in 2002, the level was 2.9 times with the pro forma inclusion of SPIE at 100 per cent.

PPP PORTFOLIO

	Operational concessions	Non-operational concessions
Transport:		
A1(M) - Peterborough	■	
A417/419	■	
A13		■
Cross Israel		■
Docklands Light Rail		■
A1(M) - Darrington		■
Infrastructure:		
Carlisle	■	
UCLH		■
Longbenton	■	
Ayrshire	■	

The portfolio was increased to ten projects after achieving financial close on Docklands Light Rail and A1(M) Darrington in February 2003. AMEC is bidding for a further five projects principally in the transport sector, some of which are outside of the UK.

INVESTMENTS IN JOINT VENTURES

AMEC's investments in SPIE, most PPP and several property development projects are accounted for using the gross equity method. These joint ventures are all stand-alone businesses, where AMEC is in partnership with others, and are independently funded with only limited support from the shareholders.

SPIE's net cash as at 31 December 2002 as adjusted for UK GAAP requirements, was £107.4 million (2001 - £114.0 million). Two adjustments have been made to SPIE's reported net cash. Firstly, the debtors' securitisation programme, where cash advances would be treated as a loan under UK GAAP. Secondly, funds held in joint venture contracts where SPIE consolidates all of the cash when it is the project manager and none of the cash when it is not, but where proportionate consolidation is required under UK GAAP.

In total, AMEC's share of net debt in PPP joint ventures is around £281 million. Of this amount, approximately £200 million relates to the operational concession companies. In 2002, AMEC's share of the operating profit of these concessions was £8.1 million and after taking into account the share of interest, resulted in a net contribution.

In addition, AMEC has an 11 per cent interest in the Cross Israel Highway Concession where the share of its net debt at 31 December 2002 was £58.9 million.

The debt in PPP joint ventures is without recourse to AMEC. As at 31 December 2002, financial support is limited to equity commitments of £24.2 million, contingent equity of £10 million and in the unlikely event that AMEC's partners fail, their share of equity of £27 million. As a result of reaching financial close on Docklands Light Rail and A1(M) Darrington in February 2003, equity commitments have increased by £12.0 million. AMEC believes that its PPP projects are financially sound.

CASH FLOW AND CURRENT LIQUIDITY

After reporting an outflow of £126.2 million from trading activities in the first half of 2002, AMEC generated an inflow of £216.9 million in the second half of the year. This represented an inflow for the year of £90.7 million. In both 2002 and 2001 the second half inflow was greatly assisted by good cash collections in December and the high level of payments received in advance.

The level of payments in advance is volatile, as can be seen by the amounts disclosed at the last three external reporting dates: £199.6 million at 31 December 2001; £135.6 million at 30 June 2002; and £165.8 million at 31 December 2002. The level of payments in advance is more usually approximately £120 million.

CASH FLOW

	2002 £ million	2001 £ million
Opening net debt	(44.6)	(211.8)
Cashflow from trading activities	90.7	170.0
Profit retained in joint ventures	(14.6)	(19.9)
Acquisitions and disposals	0.8	67.9
Share issues	0.9	2.6
Interest, tax and dividends	(62.9)	(56.9)
Currency and other adjustments	(7.6)	3.5
Closing net debt	(37.3)	(44.6)
Weekly average net debt	(195.0)	(210.0)

Weekly average net debt fell in 2002 reflecting improvements in AMEC's management of and focus on cash flow.

The profit retained in joint ventures largely relates to SPIE. This element will be eliminated following SPIE becoming wholly owned on 5 March 2003.

Interest, tax and dividends increased in 2002 reflecting the special preference dividend paid earlier in the year.

In line with prior years, a significant cash outflow is expected in the first half of 2003 followed by an inflow in the second half of the year.

A core element of the group's committed facilities is always drawn. In addition, drawings are made to match the underlying business requirements, usually for periods of between one and six months. Uncommitted and overdraft facilities are used to manage day to day liquidity requirements. Drawings are usually made in sterling, and swapped into other currencies as required. At the end of the year, about £250 million was drawn on committed lines.

Over the past seven years, AMEC's cumulative cash flow excluding acquisitions, disposals and share transactions is in line with retained profit before taking into account goodwill expensed in the profit and loss account.

OPERATING AND FINANCIAL REVIEW

continued

SPIE FINANCIAL SUMMARY

	2002 £ million	2001 £ million
Total turnover	2,124.4	1,907.9
Total operating profit	55.9	42.2
Net interest payable	(1.3)	(0.7)
Pre-tax profit	54.6	41.5

In 2002, 54 per cent of SPIE's total turnover and 65 per cent of total operating profit was generated from Operations Support Services activities.

ENLARGED GROUP

	2002 pro forma
Total turnover	£5,478.8 million
EBITDA	£210.2 million
Pre-tax profit	£125.7 million
Interest cover (excluding PPP concessions)	6.1x
Weekly average net debt	£325 million
Weekly average net debt to EBITDA	1.6x
Diluted earnings per share	29.0 pence
Dividend cover	2.9x

The above numbers include SPIE's results for a full 12 months whereas AMEC will in 2003 only consolidate SPIE as a wholly owned subsidiary for ten months.

SPIE

SPIE made a very strong contribution to AMEC's results in 2002. The growth in total turnover of 11 per cent mainly arose from the full year impact of the acquisitions referred to above and was tempered by a softening in the industrial market in eastern France. Total operating profit before exceptional items and goodwill amortisation, increased by 32 per cent, as a result of the following: a strong performance in the Trindel Operations Support Services business; a significantly increased contribution from a number of pipeline contracts, where good progress was made in the year; and an increased contribution from the Enertrans power business, which benefited from some reorganisation undertaken in 2001.

SPIE's reported results under French GAAP for 2002 were €55.6 million at a net attributable profit level and were in line with the forecast provided in the January circular to shareholders. Subject to some minor accounting policy differences (approximately £1 million on an after tax basis) the share of profit included in AMEC's accounts was close to the estimate provided in the circular.

SPIE, along with other major French corporates, has for some time sought to adopt accounting policies that are more in line with those used internationally. As French GAAP increasingly moves towards more international norms, differences, which have existed between SPIE's reported numbers and those reported by AMEC, are expected to be relatively insignificant.

On 5 March 2003, AMEC acquired the outstanding 54 per cent interest in SPIE. The purchase consideration in respect of the remaining shares was paid at completion, with payment for most of the outstanding share options being expected to be made later in March. The aggregate cost, net of the option proceeds, is expected to be €270 million.

AMEC will conduct a preliminary review of the fair value of the net assets acquired in the next few months in order to calculate the goodwill arising on the acquisition.

As planned, a strategic review of the regional contracting business, Spie Batignolles, is underway to assess whether it fits with the enlarged group's focus on predictable recurring revenues from long-term customers. The business is low margin and reported turnover of £500 million in 2002 but it does have a high level of net cash as a result of payments received on account. If a decision is taken to dispose of the business, the net effect would be to reduce SPIE's net cash, by approximately £50 million. This would be more than offset by the proceeds of approximately £60 million that were recently received, arising from SPIE's decision to enter into a sale and leaseback arrangement for its Paris headquarters. SPIE will continue to occupy much of the Paris site under a 12 year lease on terms that are slightly more favourable than the existing arrangements.

GROUP TREASURY POLICIES

The group's treasury department manages the liquidity, funding and exposure to foreign exchange risk in a manner which ensures the most effective financing of the group's operations. It aims to reduce financial risks arising from these operations to levels acceptable to the board and manage the residual risk, by the use of agreed procedures and instruments. The treasury department is a cost centre, and its activity is aimed at preventing an increase in financial risk above the levels inherent in the underlying businesses.

The significant financial risks and exposures to the group are in respect of liquidity, interest rates and foreign currency. These are managed by the treasury department within a framework of policies and guidelines authorised by the board.

COMMITTED BANK FACILITIES

Final maturity date	£ million
January 2005	116.0
April 2005	180.0
January 2007	330.0
	626.0

The group has put in place a further £60 million of multicurrency facilities (expiring in January 2005) subsequent to the year end, bringing the total of committed facilities to £686 million.

LIQUIDITY RISK

Other than derivatives, the group's financial instruments comprise borrowings, cash and liquid resources.

The group's funding policy aims to ensure the availability of an appropriate amount of reasonably priced funding to meet current requirements as well as future growth anticipated within the group's budget and strategic plan. Accordingly, the group aims to keep committed facilities to a minimum of 125 per cent of peak gross debt. The board has approved targets for minimum interest cover of four times and a net debt to EBITDA not exceeding two times as being appropriate for managing the operations of the group.

The average maturity of the facilities in place at 31 December 2002 was about 38 months, which compares with the board's target of a minimum of 30 months. All these facilities are unsecured, and the principal covenants relate to interest cover and the ratio of net debt to EBITDA.

In addition, the group has a number of uncommitted facilities available which are used to fund short-term requirements.

INTEREST RATE RISK

The group finances its operations through a mixture of equity, retained profit, cash and debt facilities. The objective of the interest rate policy for the group is to ensure a suitable match of its interest rate characteristics to its underlying assets, revenues and expenditures whilst ensuring adequate interest cover is maintained in line with board approved targets and banking covenants.

Most borrowings are on a floating rate basis, however, recognising the need to link interest rate risk to the underlying businesses. The group has used interest rate swaps, both during the year and subsequent to the year end, to convert a proportion of its floating rate debt to fixed rate. The group now has approximately £75 million Sterling equivalent of interest rate swaps, in a mixture of Sterling, US dollars, Canadian dollars and Euros, with an effective rate of 4.36 per cent, and with an average of 45 months to maturity. Using average net debt of £195 million, a one per cent change in interest rates would have an impact of around £2 million on reported profit, reduced to about £1 million based on the interest rate swaps.

FOREIGN EXCHANGE RISK

The group is exposed to both transaction and translation of foreign exchange risk.

TRANSACTION EXPOSURES

A significant proportion of trading activity is denominated in the relevant local currency of the businesses matching the currency of its cost base. Where contracts are awarded, or involve costs in non local currency, the group looks to mitigate the foreign exchange risk arising through the use of forward currency arrangements, which may include the purchase of currency options.

TRANSLATION EXPOSURES

The group has various assets denominated in foreign currency. The policy is to hedge a proportion of the assets and unamortised goodwill. Such hedging activity is predominantly performed through foreign exchange swaps, complemented by some foreign currency borrowings.

At 31 December 2002, the principal exposure was to assets denominated in US dollars and Canadian dollars. At that date, balance sheet hedges totalled approximately £180 million (including the hedging of short-term working capital fluctuations). The book value of the assets, including unamortised goodwill was approximately £270 million as at 31 December 2002.

Stuart Siddall
Finance Director
6 March 2003

SEGMENTAL REVIEW

CLIENT SUPPORT SERVICES

CONSULTING AND DESIGN

	2002 £ million	2001 £ million
Total turnover	317.8	396.0
Total operating profit	14.7	19.7
Margin	4.6%	5.0%

- Decline in industrial capital spending.
- Cautious outlook for 2003.

Consulting and Design undertakes engineering, process, environmental and architectural services for clients, often on a long-term or repeat contract basis. Its activities are confined to businesses operating in North America which work for clients in the industrial sector and include those in the forestry, mining, energy and pharmaceutical engineering services business and also the regional services activities of the earth and environmental business.

Activity levels started to reduce in the first half of the year as industrial clients reduced capital expenditure but the trend accelerated in the final quarter of 2002, which, as referred to in the December trading update, impacted on the second half performance. The outlook for 2003 is currently based on the conditions experienced in the latter part of 2002.

The performance of the earth and environmental business was relatively robust.

The operating profit margin declined in the year, reflecting the slowdown in activity levels and the under recovery of overhead costs. Overhead costs were addressed in 2002 through reorganisation and a reduction in the number of processing centres.

OPERATIONS SUPPORT

	2002 £ million	2001 £ million
Total turnover	1,463.3	1,369.2
Total operating profit	60.9	54.7
Margin	4.2%	4.0%

- Growth in turnover mainly reflected full effects of 2001 acquisitions.
- Operating margin stable.

Activities include outsourced design, maintenance, installation and renewal services in the oil and gas, transport, infrastructure and industrial markets. Activities are typically long-term or repeat contracts with clients where there is a well-established relationship. The largely blue-collar activities are undertaken in the UK and through Spie Trindel in continental Europe. Opportunities in the oil and gas business have traditionally been in the North Sea. As AMEC follows its clients, who are moving to new areas of exploration including West Africa and the Caspian, the Operations Support Services activities will have a greater international presence.

Turnover increased by seven per cent in 2002; however, overall organic growth was minimal. Growth in the first half of the year was followed by a small decline in activities in the second half of 2002 where softer conditions were experienced in the UK industrial maintenance market and in the latter part of the year, in the industrial market of eastern France. In addition, UK facilities management turnover reduced as AMEC rationalised its portfolio of contracts.

These factors were offset by strong performances in the oil and gas, rail maintenance, and regional services businesses.

*Before internal turnover.

CAPITAL PROJECTS

CONSTRUCTION MANAGEMENT

	2002 £ million	2001 £ million
Total turnover	513.0	625.1
Total operating (loss)/profit	(2.3)	1.1
Margin	(0.4)%	0.2%

- Planned reduction in at-risk activities.
- Successful completion of the Pentagon project.

These activities are undertaken by AMEC Construction Management Inc, a company based in the US, and relate to the management of projects on behalf of clients. Activities are conducted on a non-risk basis through construction management contracts or on an at-risk basis through guaranteed maximum price contracts.

The planned reduction in low margin at-risk activity in this business continued in 2002, although turnover in the first half of the year was higher due to the Pentagon rebuilding project.

Activities in the second half of the year were more consistent with the underlying trend to reduce at-risk activities where the reported turnover of about £230 million was about a third lower than the equivalent period in 2001.

The performance of the business was very mixed in 2002 with a good performance on the Pentagon project being overshadowed by the costs of the ongoing dispute with the US General Services Administration. Further details of this dispute are provided in note 29 to the accounts.

CONSTRUCTION

	2002 £ million	2001 £ million
Total turnover	1,897.7	2,032.7
Total operating profit	56.1	62.1
Margin	3.0%	3.1%

- Margin stable in a difficult industrial market.
- Highly selective approach to work undertaken.

These activities include the procurement and construction of projects in selected sectors and cover work principally undertaken in the three home markets. In the UK, these include civil, mechanical and electrical engineering and design, engineering and build businesses whilst in North America, they include the construction component of the engineering services business and the foundations and pipelines businesses. Construction activities also include SPIE's regional contracting, transport and energy businesses which, subject to the international pipeline operations, are predominantly undertaken in continental Europe.

Despite difficulties in some of the markets, most notably the industrial side, AMEC maintained its strategy of being highly selective in its approach to work undertaken in all its businesses but in particular those based in Asia Pacific. The reduction in turnover was attributable to lower activities in the UK, where opportunities in the industrial market were lower, Asia Pacific and in North America where activities suffered as a result of the delays and cancellations to a number of projects.

A number of non-core or under performing businesses have been disposed of or closed in the last 18 months and this has also impacted on the level of turnover.

As in previous years, the majority of the activities reported through the rest of the world geographic segment were construction. In 2002, favourable contract settlements were reached in Asia Pacific whereas in the prior year these had been in respect of contracts undertaken in the UK.

*Before internal turnover.

SEGMENTAL REVIEW continued

INVESTMENTS

PROPERTY DEVELOPMENT AND REGENERATION

	2002 £ million	2001 £ million
Total turnover	156.7	101.4
Total operating profit	12.9	12.7

- Good performance in 2002, but weaker outlook.
- Public partnerships progressing well.

The activities of Property Development and Regeneration are predominantly UK based and undertaken in the retail, leisure, commercial and other selected markets. Development is conducted on a managed-risk basis and often in partnership with the public sector. The Cayman Hotel is reported in these activities.

The Property Development business performed well in 2002, where the investment market remained good for well-let properties; however, tenant demand was lower and some weakness can be expected in 2003. Important mixed-use inner city projects were undertaken in the year and the business was awarded a further development contract to provide additional facilities for the Inland Revenue accommodation project at Longbenton.

Partnership arrangements with British Waterways and English Cities Fund are moving forward and these will absorb almost £10 million of cash in 2003. Returns from these long-term relationships are not expected until 2004.

Delays were encountered on some of the wind energy development activities where obtaining the necessary planning permissions is proving complex and prolonged. There are many available opportunities for this business, which need to be carefully evaluated.

The Cayman Hotel, which has a carrying value of approximately US\$40 million, reported a small operating profit in 2002 and AMEC intends to dispose of this and other resort assets when the market improves.

PUBLIC PRIVATE PARTNERSHIPS

	2002 £ million	2001 £ million
Total turnover	32.6	29.7
Total operating profit	6.2	4.4

- Project portfolio financially sound.
- Committed to PPP process.

PPP activities are confined to the share of results from concession companies and the external and internal costs of bidding for the concession contracts. Whilst these companies can provide multiple income streams for AMEC through the letting of construction and development contracts, the bidding for and performance of these contracts are reported in other segments.

AMEC has participation through joint venture in ten PPP schemes. Of these five are operational, three are in the course of construction and two reached financial close in February 2003, being the Docklands Light Railway extension and A1(M) – Darrington.

The reported results include a total operating profit of £8 million from the operational concessions less the net external costs of bidding for projects and those of the internal specialist team.

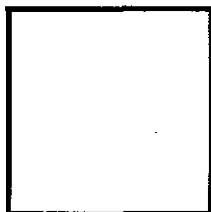
Lower bidding costs, bid cost recoveries including the London Underground costs, and the capitalisation of costs upon becoming preferred bidder in line with UITF 34, have enabled the business to improve on its 2001 results as expected.

As at 31 December 2002, there were approximately £1 million of bid costs carried on the balance sheet in accordance with UITF 34. These have been subsequently secured by reaching financial close on the projects referred to above.

AMEC remains committed to PPP and is currently bidding for a further five projects in sectors geared to the group's core capabilities of accommodation, energy and environmental, light and heavy rail and roads. The experience and expertise gained in the UK is allowing activities to be expanded internationally.

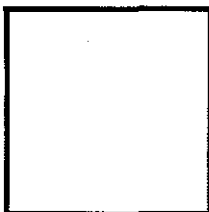
*Before internal turnover.

THE BOARD



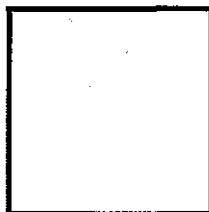
Sydney Gillibrand CBE
Chairman
1,2,3

Age 68, was appointed a non-executive director in August 1995 and became non-executive chairman in July 1997. He is the chairman of the nominations committee. He was previously vice-chairman of British Aerospace plc. He is also a non-executive director of two other companies.



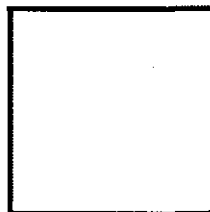
Sir Peter Mason KBE
Chief Executive
3

Age 56, was appointed chief executive in March 1996. He was previously an executive director of BICC plc and chairman and chief executive of Balfour Beatty Limited. Sir Peter was knighted in the 2002 New Year honours for services to international trade. He was appointed a non-executive director of BAE Systems plc on 22 January 2003. Sir Peter is the director responsible for the North American operations.



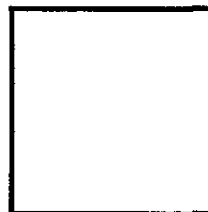
Stuart Siddall
Finance Director

Age 49, was appointed finance director in June 2000. He was previously finance director of Alpha Airports Group PLC and of MANWEB plc.



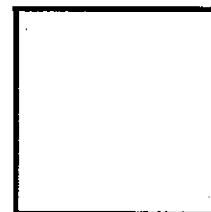
James Dallas
1,2,3,4

Age 47, was appointed a non-executive director in October 1999. He is the chairman of the remuneration committee and is the chairman of law firm Denton Wilde Sapte.



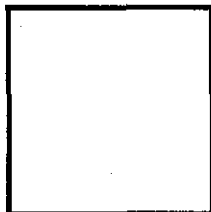
Jean Monville

Age 58, was appointed an executive director in February 1997. Mr Monville was honoured in December 2001 with the highest award, the Légion d'Honneur, given by France for outstanding service to the country in his capacity as chairman and chief executive of SPIE S.A. He is the director responsible for the continental European operations.



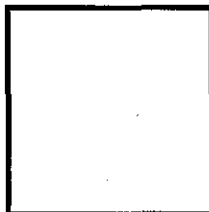
John Early

Age 57, was appointed an executive director in March 1986. He is the director responsible for the Investments operations.



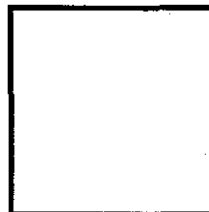
David Robson

Age 57, was appointed an executive director in August 1991 and became chief operating officer in January 1998. He is the director responsible for the UK and Asia Pacific operations.



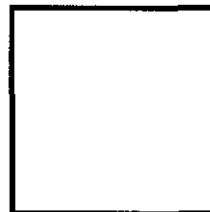
Liz Airey
1,2,3,4

Age 44, was appointed a non-executive director in May 1999. She chairs the boards of the AMEC Staff and AMEC Executive Pension Scheme companies. She was previously the finance director of Monument Oil and Gas plc. She is currently a director of Harrison Lovegrove & Co Limited and is also a non-executive director of several other companies.



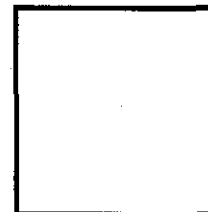
Jean-Paul Jacamon
1,2,3,4

Age 55, was appointed a non-executive director on 27 November 2002. He was previously vice-chairman and chief operating officer of Schneider Electric and is now an independent consultant. He is also a non-executive director of several other companies.



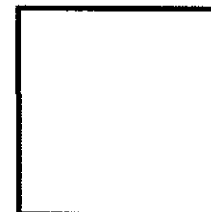
George Payne

Age 55, was appointed an executive director in November 1994. He is the commercial director. Mr Payne has announced his intention to take early retirement from the company, with effect from 31 March 2003.



Martha Hesse
1,2,3,4

Age 60, was appointed a non-executive director in June 2000. She is president of Hesse Gas Company and was formerly chairman of the US Federal Energy Regulatory Commission and assistant secretary for management and administration of the US Department of Energy. She chairs the US Advisory board and the compliance and ethics committee and is also a director of several other organisations.



Jock Green-Armytage
1,2,3,4

Age 57, was appointed a non-executive director in June 1996. He is the chairman of the audit committee and the senior non-executive director. He is chairman of both JZ International Limited and Star Capital Partners Limited and is also a director of several other companies.

Principal committee membership

Key

- 1 Audit
- 2 Remuneration
- 3 Nominations
- 4 Compliance and ethics

REPORT OF THE DIRECTORS

The directors have pleasure in presenting the annual report and accounts for the year ended 31 December 2002.

BUSINESS REVIEW

Information on the businesses of the group, their development during the year and on the future outlook is contained on pages 1 to 38.

An analysis of the group's activities is given in note 2 on pages 57 and 58.

The profit on ordinary activities after taxation, which amounted to £10.6 million (2001 – £47.4 million), is shown in the consolidated profit and loss account on page 51.

The directors recommend that a final dividend of 6.6 pence (2001 – 6.4 pence) per ordinary share be paid which, together with the interim dividend of 3.4 pence (2001 – 3.1 pence), results in a total ordinary dividend for the year of 10.0 pence (2001 – 9.5 pence) per share. Ordinary dividends amounted to £29.5 million (2001 – £25.9 million) and preference dividends amounted to £nil (2001 – £15.8 million). The final dividend will be payable on 1 July 2003 to ordinary shareholders on the register at the close of business on 16 May 2003.

On 5 December 2002, AMEC announced that it had exercised its options to acquire the outstanding 54 per cent interest in SPIE S.A., AMEC's French associate. On 21 January 2003, AMEC received unconditional competition clearance from the European Commission to proceed with the acquisition. At an extraordinary general meeting held on 5 February 2003, the shareholders of AMEC approved the proposed acquisition and completion took place on 5 March 2003, following which SPIE S.A. became a wholly owned subsidiary of AMEC plc.

SHARE CAPITAL

The authorised and issued share capital of the company as at 31 December 2002 and movements during the year are set out in note 21 on page 69.

Subsequent to the issue of a mandatory conversion notice, all the outstanding 21,621,388 convertible preference shares were converted into ordinary shares on 7 January 2002.

Authority was granted to the directors at the 2002 annual general meeting to allot up to £49,790,640 of ordinary share capital, of which up to £7,204,249 could be allotted for cash other than by way of a rights issue. This authority extends through until 8 May 2007.

The directors have no present intention of issuing any shares other than in respect of the exercise of share options. No issue will be made which will effectively alter the control of the company without the prior approval of shareholders in general meeting.

Resolution 11 will be proposed at the 2003 annual general meeting to grant authority to the directors to make market purchases of up to 29,896,990 of the company's shares within prescribed limits. No such purchases were made in 2002 or up to the date of this report pursuant to the authority granted at last year's annual general meeting.

The directors will only exercise such authority to purchase shares if circumstances arise in which they consider purchases would be of benefit to the company. No purchase would be made unless the directors are of the view that it would result in an increase in earnings per share. The directors will also take into account the company's cash resources, the effect on gearing and other possible investment opportunities before exercising this authority.

SUBSTANTIAL INTERESTS

Pursuant to Section 198 of the Companies Act 1985, notifications have been received by the company of shareholdings of three per cent or more of the issued share capital as at 6 March 2003 and these are as follows:

	Number	Per cent
FMR Corporation/ Fidelity International Ltd	20,738,639	6.94
Legal & General Investment Management Ltd	11,160,201	3.73
The Standard Life Assurance Company	9,150,515	3.06

DIRECTORS

Details of the directors of the company at the date of this report are set out on page 39. Mr P S Janson resigned from the board on 22 May 2002 but continued as non-executive chairman of AMEC Inc., a subsidiary company of AMEC plc, until 21 August 2002. Mr J-P Jacamon was appointed to the board as a non-executive director on 27 November 2002. In accordance with article 91 of the articles of association of the company, Mr Jacamon will retire from office at the forthcoming annual general meeting and, being eligible, offers himself for re-election. He does not have an employment contract with the company. Mr G E Payne has announced his intention to take early retirement from the company with effect from 31 March 2003.

Mr J M Green-Armytage, Mr J A Monville, Ms E P Airey and Mr J A Dallas retire in accordance with article 85 of the articles of association of the company and, being eligible, offer themselves for re-election. None of the aforementioned directors has an employment contract with the company.

The beneficial interests in the share capital of the company of the directors holding office at 31 December 2002 were as follows:

	As at 31 December 2002 Number	As at 1 January 2002 Number
S Gillibrand	59,951	34,165
Sir Peter Mason	86,458	91,427
J D Early	49,382	49,382
D Robson	54,130	53,788
G E Payne	68,443	68,101
J M Green-Armytage	10,000	10,000
J A Monville	-	-
E P Airey	18,120	14,023
J A Dallas	2,000	-
M O Hesse	16,414	13,777
S J Siddall	10,413	3,243
J-P Jacarmon	-	-

Except for interests under share option schemes and the Long-Term Incentive Plan, details of which are contained in the directors' remuneration report on pages 44 to 50, no director as at 31 December 2002 had any other interests, beneficial or otherwise, in the share capital of the company or any of its subsidiaries.

On 2 January 2003, Mr Gillibrand acquired a beneficial interest in a further 804 shares, pursuant to the provisions of the dividend reinvestment plan, relating to the 2002 interim dividend.

There were no other changes in the directors' interests in the share capital of the company between 31 December 2002 and 6 March 2003.

No director was materially interested in any contract of significance to AMEC's businesses.

EMPLOYEES

In 2002, AMEC employed on average 22,964 people worldwide. Details are given in note 6 on page 59.

The development of employees, to ensure that AMEC has the necessary skills and behaviours to deliver its strategic business objectives and to provide for management succession, is given high priority. In addition, recognising the importance for the future of bringing young people into the business, all businesses have well established programmes for recruiting and developing graduates and other trainees.

Respect for cultural diversity and equal opportunities are included among AMEC's guiding principles which are incorporated into management policies and processes worldwide. The policy is to recruit from the widest labour market, determining the careers of all employees solely on merit and making judgements about employees, free from the effects of bias and prejudice.

It is AMEC's policy to consider for employment suitably qualified disabled people and to assist them in overcoming handicaps at work. AMEC recognises that special arrangements are necessary, in view of the nature of its main activities, to ensure that disabled employees are properly trained for the tasks they perform. AMEC endeavours to retrain any employee who develops a disability during employment, wherever practicable.

Internal communication is a priority for AMEC, as employees carry forward the group's knowledge, brand and reputation. AMEC provides numerous direct or electronic opportunities for employees to raise issues and discuss matters of concern with management.

Employees share knowledge and are kept informed of group developments through various means, including AMECnet (the group's intranet), internal publications, best practice groups, news bulletins and announcements. A global conference of senior managers is held each year to discuss developing issues.

The company operates an Inland Revenue approved savings related share option scheme open to all eligible UK employees from time to time. Subsequent to shareholders' approval at the 2002 annual general meeting, the scheme will also be made available to overseas employees.

CORPORATE GOVERNANCE

The board is responsible to the shareholders for the management of the company and for the protection of its assets. As such, it is ultimately responsible for putting in place AMEC's systems of internal control and for reviewing their effectiveness. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and consequently can provide reasonable, but not absolute, assurance against material misstatement or loss.

Two reports, dealing with corporate governance issues ('Review of the Role and Effectiveness of Non-Executive Directors' – Derek Higgs, and 'Audit Committees – Combined Code Guidance' – Sir Robert Smith) were issued in January 2003. AMEC is currently considering the impact of these reports on the way its board and committees carry out their responsibilities. Changes will be made, where applicable, to bring the company into line with best practice.

Combined Code

The company complied throughout the year ended 31 December 2002 and up to the date of approval of the accounts with the relevant provisions of Section 1 of the Combined Code, published in June 1998, and with the recommendations of 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance) except as noted below:

→ For the whole of 2002, AMEC owned 46 per cent of SPIE S.A., a company incorporated in France. The board has not specifically reviewed the effectiveness of SPIE's systems of internal control but receives reports detailing the methods for the identification, assessment and control of risks within the SPIE group of companies. Prior to the acquisition of the outstanding 54 per cent interest in SPIE S.A., a due diligence exercise was undertaken and the results were reviewed by the board prior to it recommending the acquisition to AMEC's shareholders. In addition, the board conducted a review of the opportunities and risks arising from the exercise of the option to acquire SPIE and an alternative decision not to acquire the balance of SPIE. The board will carry out a more detailed review of SPIE's systems of internal control during 2003.

→ AMEC also has interests in a number of joint ventures. Controls within these joint ventures may not be reviewed as part of AMEC's formal corporate governance process because of the joint management responsibilities but are reviewed as part of the normal internal audit process.

REPORT OF THE DIRECTORS continued

Management and Policy Framework

Following the restructuring of AMEC in January 2002 and, in anticipation of the acquisition of SPIE, the board revised the management structure within AMEC.

AMEC's businesses are managed on a decentralised basis. While the board has retained reserve powers, the day to day management of the principal operations has been passed to the business leaders, within defined authority limits. The management philosophy is to empower the business leaders to take the actions necessary to deliver the company's operational business objectives within the AMEC management and policy framework, which establishes the standards members of the group are expected to meet.

THE BOARD

During 2002, the board comprised the non-executive chairman, seven executive directors (including Mr P S Janson, until his resignation on 22 May 2002) and four other non-executive directors (see page 39 for biographical details). A sixth non-executive director, Mr J-P Jacamon, was appointed to the board on 27 November 2002.

This board structure creates a balance of power such that no individual or small group of individuals can dominate the board's decisions. The company does not combine the role of chairman and chief executive. The chairman is responsible for the running of the board, with the chief executive being responsible for running the group and implementing board strategy and policy. This ensures a clear division of responsibilities at the head of the company, so that no individual has unfettered powers of decision.

The non-executive directors are all considered to be independent by the NAPF and ABI. Mr J M Green-Armytage is the board's senior non-executive director.

The company secretary is responsible for ensuring that board procedures are followed and all directors have access to his advice and services. The board met 12 times during the year. It has a schedule of matters reserved for its approval and is supplied in a timely manner with information which enables it to discharge its duties.

A formal process exists for the directors to take independent professional advice and receive appropriate training in the course of their duties, at the company's expense, via the company secretary and the corporate head of human resources.

Board committees

Under AMEC's management and policy framework, the board has formally delegated specific responsibilities to various committees, all of which have written terms of reference.

The remit of each committee is set out below. A quorum is generally three directors.

The committees chaired by non-executive directors are as follows:

Audit committee – Reviews and recommends approval by the board of annual and interim results and related Stock Exchange announcements, including any formal profit forecast or working capital statements and ensures that appropriate accounting and financial policies and controls are adhered to.

It also reviews the scope and planning of external audits, reviews the half year and full year reports from the external auditors, considers recommendations concerning the appointment and remuneration of external auditors, approves the annual internal audit plan and reviews the head of internal audit's quarterly reports.

The committee has unrestricted access to company documents and meets with the internal and external auditors, and any other member of staff, without the executive directors being present, as required. The head of internal audit formally reports to the committee chairman.

During 2002, the fees paid to KPMG Audit Plc and its associates for non-audit work were £1.3 million (2001 – £0.8 million), which comprised £0.6 million primarily relating to taxation and £0.7 million for other work (2001 – £0.7 million and £0.1 million). All non-statutory audit or non-compliance tax services provided by the auditor are reported to the audit committee.

Charities committee – Makes commitments and donations in support of charitable, educational and cultural causes.

Compliance and ethics committee – Considers and approves the codes of business conduct and related compliance arrangements and takes responsibility for management of investigations for violations, as required.

Nominations committee – Reviews proposals for the appointment of executive and non-executive directors or the termination or extension of existing appointments and recommends approval by the board.

Remuneration committee – Reviews salaries, performance related remuneration, pension arrangements and share incentive arrangements in respect of the chairman and executive directors (see page 44 for further details).

Share transaction committee – Provides clearance or denies permission to relevant employees to deal in AMEC plc shares.

The committees chaired by executive directors are as follows:

Banking committee – Reviews and approves borrowing, guarantees, bonds, indemnities, employee bridging facilities and interest rate and foreign exchange hedging strategies within authority limits set by the board.

Corporate transactions committee – Responsible for considering acquisitions and disposals of businesses and providing guidelines in respect of such transactions within authority limits set by the board.

Pensions and retirement benefits committee – Reviews proposals relating to new arrangements, amendments, discontinuance, funding or any other matters relating to pension and retirement benefits.

Risk review committee – Approves the risk registers of AMEC plc and the various businesses, the AMEC plc risk transfer policy and proposals to enter into contractual commitments that fall outside the delegated authority limits of the executive directors.

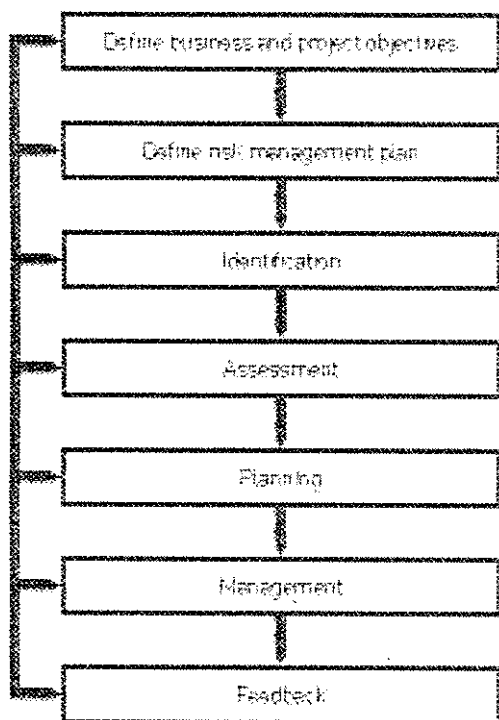
Risk management processes

Through the committees described above, and at the regular board meetings, the board has an ongoing process for identifying, evaluating and managing significant risks faced by the company including the group's strategy, major projects to be undertaken by the group and significant acquisitions and disposals. Where appropriate, business decisions are reached following a structured and documented review of potential opportunities and threats, taking steps designed to manage or mitigate the risk exposure resulting from the decision.

As part of this, the board and the principal businesses have also implemented a seven-step risk management process (total risk management - 'TRM'). This process is a generic approach, which is flexible enough to be adopted by the diverse companies within AMEC.

This process, with risk workshops carried out at many levels of the organisation, aims to identify 'gross' risks to the businesses before controls are put in place. The resultant risk registers have been collated and compared and the risks identified have been considered within the four basic areas of strategy, finance, compliance and operations.

The seven steps of TRM are as follows:



Risks are prioritised in terms of overall impact on achieving business objectives and allocated an owner. The risk owners consider the effectiveness of the existing controls and develop action plans to manage the risks appropriately.

The process is regularly reviewed by the risk management forum, which consists of business risk managers from each of the businesses and certain heads of corporate functions. The forum also works to identify any significant or new risks facing the businesses, it disseminates best practice in risk management and it considers and circulates lessons learnt. It reports to the risk review committee of the board at least annually.

The risk management process is complemented by an annual self-assessment review of controls within the principal businesses. This exercise covers the areas of safety, health and the environment, commercial, financial, information systems, human resources and the control environment. The results are reviewed by the board, through the audit committee, and as part of the ongoing internal audit process.

AMEC's sustainability programme also provides the board with information with which to monitor performance and assess significant risks and opportunities arising from corporate social responsibility matters.

GOING CONCERN

The directors, having made enquiries, consider that the company and the group have adequate resources to continue in operational existence for the foreseeable future and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the accounts.

CREDITOR PAYMENT POLICY

Businesses are responsible for agreeing terms and conditions under which transactions with their suppliers are conducted. It is group policy that payments to suppliers are made in accordance with these terms and conditions, provided that the supplier complies with all of its obligations in this regard.

The company had 23 days' purchases outstanding at 31 December 2002 based on the average daily amount invoiced by suppliers during the year.

DONATIONS

Donations to United Kingdom charities amounted to £142,000.

AUDITORS

A resolution will be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

By order of the board

P J Holland
Secretary
6 March 2003

Note

On 10 March 2003, Toscafund Limited notified an interest in the share capital of the company of 9,588,962 shares, being 3.21 per cent of the issued share capital.

DIRECTORS' REMUNERATION REPORT

This report covers the remuneration of executive and non-executive directors and related matters, including grants of share options and long-term incentive awards.

REMUNERATION COMMITTEE REMIT

The committee recommends to the board the policy framework for the annual remuneration, performance related payments and other aspects of the terms and conditions of employment of the executive directors.

Within the agreed framework, the remuneration committee determines the specific remuneration and, where relevant, termination payments for each individual executive director.

In addition, the committee recommends all awards, determines performance conditions and exercises all discretions under the company's share based long-term incentive plans (Executive Share Option Schemes 1995 and 2002, Long-Term Incentive Plan and Performance Share Plan 2002).

REMUNERATION COMMITTEE MEMBERSHIP AND ADVISERS

During the year, the members of the remuneration committee, any three of whom may form a quorum, comprised Mr J A Dallas (chairman), Mr S Gillibrand, Mr J M Green-Armytage, Ms E P Airey and Ms M O Hesse. Mr J-P Jacamon joined the committee following his appointment to the board of directors on 27 November 2002.

In considering the matters within their remit, the committee takes account of recommendations from the chief executive and is advised by the corporate head of human resources. During 2002, the committee appointed Watson Wyatt Partners to provide independent advice in relation to annual remuneration and long-term incentives and The Monks Partnership and Towers Perrin in relation to annual remuneration. All three organisations also provided other remuneration and benefit services to the company during the year. In addition, Bacon and Woodrow provided technical advice related to the application of the performance conditions under the Long-Term Incentive Plan and Cameron McKenzie provided advice in relation to executive directors' service contracts.

REMUNERATION POLICY

The objective of the remuneration policy in respect of the executive directors and other senior executives is to offer remuneration packages which:

- allow AMEC to attract and retain senior executives of high calibre; and
- incentivise senior executives to achieve superior short-term performance and increase the medium and long-term value of AMEC for its shareholders.

This policy seeks to provide total remuneration packages that are competitive in the markets in which executives are based, assist in attracting and retaining high calibre executives and encourage executives to build and retain a significant shareholding in AMEC.

Remuneration packages comprise:

- base salaries which broadly equate to the mid-market salary practices of a relevant group of engineering, construction and support services comparator companies and other companies regarded as comparable by virtue of, amongst other factors, their turnover, staff numbers, capitalisation or geographic coverage;
- annual bonuses which incentivise the achievement of stretching business and individual performance targets and offer the opportunity to achieve upper quartile annual cash earnings if these targets are achieved; and
- medium and long-term incentives which align the interests of shareholders and senior executives by offering the opportunity to accumulate significant capital over a period if stretching shareholder value targets are met.

EXECUTIVE DIRECTORS' BASE SALARIES AND ANNUAL BONUSES

The base salaries of executive directors are reviewed annually, having regard to personal performance, company performance and competitive market practice, as determined by external research.

During 2002, Mr J A Monville was employed by SPIE S.A., since 5 March 2003 a wholly owned subsidiary of AMEC, and his remuneration and other terms and conditions were determined by SPIE. He received a fee from AMEC for his board membership.

In 2002, the executive directors, except for Mr Monville, participated in the AMEC executive annual bonus plan which generated bonus payments calculated by reference to each of the following:

- growth in earnings;
- the achievement of specific business targets; and
- individual performance objectives.

A separate amount of bonus attaches to each of these components. The proportions vary between individuals depending on their specific executive roles but in every case the earnings component represents at least half of the potential total. Mr Monville participated in a similar scheme for SPIE senior executives.

Since the 2002 threshold profit target for bonus purposes under the AMEC scheme was not achieved, no bonus was paid under this component of the plan.

For 2002 the maximum potential annual bonus was 50 per cent of base salary for UK based executive directors and 60 per cent for those based in North America. In the light of the independent advice received on market practice, the maximum potential annual bonus for 2003 will be 60 per cent for all executive directors.

No elements of remuneration other than base salary are pensionable other than for Mr Monville whose base salary and annual bonus are pensionable under the SPIE top-up scheme for senior executives.

EXECUTIVE DIRECTORS' SHARE OPTIONS AND LONG-TERM INCENTIVES

New medium and long-term incentive arrangements were approved by shareholders in May 2002. These allow for annual awards under the Performance Share Plan 2002 of restricted shares of up to one times annual base salary and annual grants of options under the Executive Share Option Scheme with a face value up to two times annual base salary, with the proviso that the present economic value of the combined awards in any year cannot exceed one times annual base salary.

Awards were made in April 2002 under the Long-Term Incentive Plan (which is now discontinued and replaced by the Performance Share Plan 2002) to Sir Peter Mason, Mr J D Early, Mr P S Janson (the award subsequently lapsed upon cessation of employment) and Mr S J Siddall. The awards were in respect of restricted shares, with a value at the time of award of 50 per cent of base salary plus a further award of five restricted shares (up to a maximum of 25 per cent of base salary) for every three acquired by the director and held on his behalf as investment shares.

Restricted shares will only vest if pre-determined performance conditions are met. For full vesting, the requirement is for AMEC to be ranked in the top quartile of total shareholder return, measured over a three year period, of a comparator group of some 60 companies drawn from the FTSE Construction and Building Materials, Engineering and Machinery and Support Services sectors, whose market capitalisations span that of AMEC. If AMEC's performance is at the median, 25 per cent of the award will vest. Between the median and the upper quartile, the award will vest on a straight line basis. No awards will vest if AMEC's performance is below median or if the company's earnings per share have grown by less than the rate of inflation plus six percentage points. These performance conditions are intended to focus executives' attention on the relative return which the company is delivering to its shareholders over the medium-term relative to comparable alternative companies in which shareholders could have invested.

For the awards made in 1999, AMEC met the earnings per share growth requirement and achieved a total shareholder return over the three year period of 141.5 per cent. This placed AMEC fifth out of forty-six companies in the comparator group (after excluding those taken over or those who have had their listing suspended). The award therefore vested in full.

The comparator companies for the awards which vested during the year and those awards currently subsisting are as follows:

Company	Year of Award			
	1999	2000	2001	2002
AEA Technology plc			■	■
AGA Foodservice Group plc	■	■	■	■
Aggregate Industries plc			■	■
Aggreko plc			■	■
Allen plc	■	■		
Amey plc	■	■	■	■
Ashtead Group plc	■	■	■	■
Atkins (W S) plc			■	■

Company	Year of Award			
	1999	2000	2001	2002
Babcock International Group plc	■	■	■	■
Balfour Beatty plc			■	■
Barratt Developments plc	■	■	■	■
Bellway plc	■	■		
Berkeley Group (The) plc	■	■	■	■
Bodycote International plc	■	■	■	■
BPB plc			■	■
BTG plc			■	■
Bullough plc	■	■		
Bunzl plc			■	■
Carclo plc	■	■		
Carillion plc			■	■
Charter plc	■	■	■	■
Cobham plc	■	■		
Cookson Group plc			■	■
Corporate Service Group (The) plc			■	■
Crest Nicholson plc	■	■		
Davis Service Group (The) plc			■	■
De La Rue plc			■	■
Emblaze Systems Ltd			■	■
Enodis plc	■	■	■	■
Fenner plc	■	■		
Firth Rixson plc	■	■		
FKI plc			■	■
Grafton Group plc			■	■
Halma plc	■	■	■	■
Hanson plc			■	■
Hunting plc			■	
IMI plc			■	■
Infast Group plc	■	■		
Interserve plc	■	■	■	■
Jarvis plc	■	■	■	■
Keller Group plc	■	■		
Kidde plc			■	■
Kingspan Group plc			■	■
Laing (John) plc	■	■	■	■
RAC plc			■	■
Marshall's plc			■	■

DIRECTORS' REMUNERATION REPORT continued

Comparator companies continued

Company	1999	2000	2001	2002
McAlpine (Alfred) plc	■	■		
McCarthy & Stone plc	■	■		
Meggitt plc	■	■		
Mentmore Abbey plc			■	■
Metalrax Group plc	■	■		
MITIE Group plc			■	■
Molins plc	■	■		
Morgan Crucible Company (The) plc			■	■
Mowlem (John) & Co plc	■	■	■	■
Novar plc			■	■
Persimmon plc	■	■	■	■
Peterhouse Group plc			■	■
Pilkington plc			■	■
Redrow plc	■	■		
Regus plc			■	■
Renold plc	■	■		
Ricardo plc			■	■
RMC Group plc			■	■
Robotic Technology Systems plc			■	■
Rotork plc	■	■	■	■
RPS Group plc			■	■
Securicor plc			■	■
Senior plc	■	■	■	■
Serco Group plc			■	■
SIG plc			■	■
Spirax- Sarco Engineering plc	■	■	■	■
Taylor Woodrow plc	■	■	■	■
Tomkins plc			■	■
Travis Perkins plc			■	■
TT Electronics plc			■	
Ultraframe plc			■	■
Vitec Group plc	■	■	■	■
Vosper Thornycroft Holdings plc	■	■		
Wagon plc	■	■		
Weir Group plc	■	■	■	■
Westbury plc	■	■	■	■
Whatman plc	■	■		
Wiggins Group plc			■	■
Wilson Bowden plc	■	■	■	■
Wilson Connolly Holdings plc	■	■		
Wimpey (George) plc	■	■		
Wolseley plc			■	■

Grants were made in October 2002 under the Executive Share Option Scheme 2002 to Sir Peter Mason, Mr J D Early and Mr S J Siddall of options over a number of shares which, when multiplied by the option price, equated to approximately 95 per cent of base salary. The option price was based on the market value at the time of grant.

Options will be exercisable in full if AMEC's diluted earnings per share growth, before exceptional items, exceeds the rate of inflation by at least an average of nine percentage points per annum. This is measured initially over a three year period and can be remeasured after four or five years but, in such cases, over the full four or five year period. No part of the option will be exercisable if the earnings per share growth does not exceed the Retail Prices Index by an average of at least four percentage points per annum.

The proportion of the option exercisable will increase on a straight line basis between 25 per cent and 100 per cent if average annual earnings per share growth in excess of the Retail Prices Index is between four and nine percentage points. Once exercisable, options may be exercised up to the tenth anniversary of grant. This performance condition allows executives the opportunity to accumulate significant capital over the long-term, provided real and sustained earnings growth is delivered.

In addition, executive directors may participate in relevant all-employee share plans up to the limits of those schemes. Up to and including 2002, the only such scheme has been the AMEC Savings Related Share Option Scheme for UK based employees which provides options, without performance conditions, related to a savings contract with a limit of £250 maximum savings per month.

EXECUTIVE DIRECTORS' PENSION ENTITLEMENTS AND BENEFITS

The executive directors, except for Mr J A Monville, are members of the AMEC Staff Pension Scheme and have top-up benefits provided through the AMEC Executive Pension Scheme. The schemes are both approved defined benefit schemes and also provide for life assurance cover and dependents' pensions. The executive directors have a normal retirement age of 60 and accrue pension rights which are linked to the length of pensionable service and to final pensionable salary.

The benefits of Sir Peter Mason and Mr S J Siddall are restricted to take account of the earnings cap and they receive a taxable supplement to their salaries in relation to earnings above the cap. There are no funded or unfunded unapproved arrangements in force for UK based executive directors.

Mr Monville is a member of the SPIE top-up scheme for senior executives, which provides additional pension payments on top of the French State pension scheme to provide an aggregate pension of up to 50 per cent of pensionable salary at retirement.

Mr P S Janson was a member of the AMEC Inc. Senior Executive Pension Plan, which provides for pension benefits at the normal retirement age of 65 or at any time after 60, and also a member of the AMEC Inc. Supplementary Executive Retirement Plan which provides for payment of a lump sum at retirement.

Employment related benefits, principally the provision of a company car or car allowance, life assurance and private medical expenses insurance, are also provided to executive directors, except for Mr Monville.

EXECUTIVE DIRECTORS' EMPLOYMENT CONTRACTS

The company's policy is that directors will normally be employed with a notice period of one year.

Sir Peter Mason, Mr J D Early, Mr D Robson, Mr G E Payne and Mr S J Siddall had, during 2002, employment contracts with notice periods of two years. Pursuant to agreements reached in February 2002, with effect from 1 January 2003, the contractual notice period was reduced to one year with provision that if the company terminates employment (other than for gross misconduct), rather than receiving notice, the individual will be entitled to one year's remuneration (less tax) as liquidated damages in full and final settlement. For this purpose and, as a reasonable estimate of loss, remuneration is defined as 1.75 times basic annual salary to take account of salary, bonus potential, company pension contributions, the value of benefits and compensation for loss of office.

Mr P S Janson left AMEC's employment on 21 August 2002. He had an employment contract with AMEC Inc. which provided for payment by the company of 24 months' pay in lieu of notice at 1.3 times his base salary. It was agreed that he would work three months of this period and he received a severance payment of Cdn\$1,342,000 (£528,000) in respect of the balance. The remuneration committee exercised its discretion to allow Mr Janson to retain options over 25,000 shares under the AMEC Executive Share Option Scheme, with all other options and restricted shares lapsing on termination. There were no enhancements to Mr Janson's pension entitlements.

In accordance with the articles of association of the company, all directors are required to seek re-election by shareholders every three years.

EXTERNAL DIRECTORSHIPS

Executive directors are not permitted to accept external directorships without the prior approval of the board.

NON-EXECUTIVE DIRECTORS

The non-executive directors receive fees for their services and do not participate in any of the incentive or benefit schemes of the group, except for Mr S Gillibrand, who has the provision of a company car and life assurance cover.

The remuneration of non-executive directors is determined by the board as a whole.

The board's current policy with regard to non-executive directors is that appointments should be for a period of three years with provision for a review upon expiry. Any extended term, mutually acceptable to both the company and the director, will be for a period no greater than three years, however, further renewal can be made in exceptional circumstances.

PERFORMANCE GRAPH

The following graph (rebased to 100 as at 1 January 1998) charts the total cumulative shareholder return of the company since 1 January 1998:

This graph is included to meet the new requirement to show the growth in the value of a hypothetical £100 holding in AMEC plc ordinary shares over five years relative to a broad equity market index. As the company's activities span a variety of sectors, the remuneration committee has determined that AMEC's relative performance is best judged against a general market index and, therefore, the relative performance against both the FTSE All Share and FTSE Mid 250 indices is shown. As additional information, the performance against the FTSE Construction and Building Materials sector, where AMEC is presently listed, is also shown.

DIRECTORS' REMUNERATION REPORT continued

The auditors are required to report on the information contained on pages 48 to 50 of this report. Individual aspects of remuneration were as follows:

	2002				2001	
	Salary/fee £000	Bonus £000	Benefits in kind ^(vi) £000	Compensation for loss of office £000	Total £000	Total £000
Executive:						
Sir Peter Mason ⁽ⁱ⁾	581	100	38	-	719	744
J D Early	235	54	16	-	305	314
D Robson	300	75	16	-	391	411
G E Payne	235	47	20	-	302	317
J A Monville ⁽ⁱⁱⁱ⁾	30	-	-	-	30	28
P S Janson (to 21 August 2002) ⁽ⁱⁱⁱ⁾	144	-	14	538	696	469
S J Siddall ^(iv)	311	55	21	-	387	395
Non-executive:						
S Gillibrand	145	-	20	-	165	154
J M Green-Armytage	35	-	-	-	35	34
E P Airey	50	-	-	-	50	47
J A Dallas	43	-	-	-	43	34
M O Hesse	81	-	-	-	81	30
J-P Jacamon (from 27 November 2002)	3	-	-	-	3	-
Total board	2,193	331	145	538	3,207	2,977

Notes

- (i) Sir Peter Mason's salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £81,000 (2001 - £71,000).
- (ii) Mr Monville, chairman and chief executive of SPIE S.A., receives a fee for serving on the board of AMEC and does not participate in any of the AMEC incentive or benefit schemes.
- (iii) In accordance with the terms of his employment contract, compensation for loss of office of Cdn\$1,342,000 (£528,000) was paid to Mr Janson in respect of the unexpired term of his contract and a payment of Cdn\$27,000 (£10,000) was made in respect of outplacement expenses. In 2001, Mr Janson was paid Cdn\$300,000 (£129,000) pursuant to the terms of a retention agreement entered into prior to the AGRA acquisition.
- (iv) Mr Siddall's salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £36,000 (2001 - £30,000).
- (v) The value of benefits in kind received during the year relates principally to the provision of a company car or car allowance, travelling expenses, life assurance and private medical expenses insurance, none of which is pensionable.

The number of options over AMEC plc shares held by the directors under the Executive and Savings Related Share Option Schemes* (together the 'Option Schemes') were as follows:

	As at 1 January 2002 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	As at 31 December 2002 Number	Option price Pence	Market price on date of exercise Pence	Exercise period
Sir Peter Mason	600,000				600,000	99.00		Feb 1999-Feb 2006
	451,388				451,388	144.00		Apr 2000-Apr 2007
	4,211*				4,211*	230.00		Jan 2004-Jun 2004
	-	215,500			215,500	219.75		Oct 2005-Oct 2012
J D Early	50,000				50,000	144.00		Apr 2000-Apr 2007
	596*				596*	181.00		Jul 2004-Dec 2004
	3,369*				3,369*	230.00		Jan 2004-Jun 2004
	-	101,000			101,000	219.75		Oct 2005-Oct 2012
D Robson ⁽ⁱ⁾	342*		342*		-	181.00	396.00	Jul 2002-Dec 2002
G E Payne ⁽ⁱⁱ⁾	342*		342*		-	181.00	396.00	Jul 2002-Dec 2002
	3,942*				3,942*	230.00		Jan 2004-Jun 2004
P S Janson ⁽ⁱⁱⁱ⁾	200,000			175,000	25,000	169.00		Aug 2002-Aug 2003
S J Siddall	97,902				97,902	214.50		Jun 2003-Jun 2010
	-	118,500			118,500	219.75		Oct 2005-Oct 2012

Notes

- (i) Gain on exercise £735 (2001 - £19,000).
- (ii) Gain on exercise £735 (2001 - Enil).
- (iii) Gain on exercise Enil (2001 - £655,000). Options over 175,000 shares lapsed on 21 August 2002 upon cessation of Mr Janson's employment with AMEC Inc.
- (iv) The terms and conditions of the Option Schemes have not been varied during the year and all awards in 2002 were at nil cost.

The Long-Term Incentive Plan (the 'Plan') was introduced in 1998 and the design of the Plan took account of the provisions of Schedule 'A' to the Combined Code. In 2002, further shares were purchased in the market at 430.5 pence each and awards were made to directors on 11 April 2002, as determined by the remuneration committee.

The number of restricted shares held by the executive directors to whom awards have been made under the Plan were as follows:

	As at 1 January 2002 Number	Date awarded	Market price at date of award Pence	Vested 11 April 2002 Number ⁽ⁱ⁾	Awarded during the year Number	Lapsed awards Number	End of qualifying period	As at 31 December 2002 Number
Sir Peter Mason	94,765	Apr 1999	269.0	94,765			Mar 2002	-
	152,567	Apr 2000	185.0				Mar 2003	152,567
	68,972	Apr 2001	462.5				Mar 2004	68,972
	-	Apr 2002	430.5		79,500		Mar 2005	79,500
J D Early	49,274	Apr 1999	269.0	49,274			Mar 2002	-
	72,202	Apr 2000	185.0				Mar 2003	72,202
	32,729	Apr 2001	462.5				Mar 2004	32,729
	-	Apr 2002	430.5		38,030		Mar 2005	38,030
D Robson	61,561	Apr 1999	269.0	61,561			Mar 2002	-
	90,089	Apr 2000	185.0				Mar 2003	90,089
	42,431	Apr 2001	462.5				Mar 2004	42,431
G E Payne	49,605	Apr 1999	269.0	49,605			Mar 2002	-
	76,202	Apr 2000	185.0				Mar 2003	76,202
	33,151	Apr 2001	462.5				Mar 2004	33,151
P S Janson	40,717	Apr 2001	462.5			40,717	-	-
	-	Apr 2002	430.5		30,187	30,187	-	-
S J Siddall	31,891	Apr 2001	462.5				Mar 2004	31,891
	-	Apr 2002	430.5		43,890		Mar 2005	43,890

All of the shares which vested during the year were sold in the market by the Trustees of the Plan for the benefit of the directors concerned. The total value of the vested shares was £1.1 million (2001 - £1.5 million). Mr Janson's awards lapsed on 21 August 2002 upon cessation of his employment with AMEC Inc.

The closing price of the shares at 31 December 2002 was 143.25 pence (2001 - 395.00 pence).

The range of the closing prices for the shares during the year was 137.25 pence to 487.00 pence.

The register of directors' interests, which is open to inspection at the company's registered office, contains full details of directors' shareholdings, share options and awards under the Plan.

Notes

(i) The market price on 11 April 2002 was 430.5 pence.

(ii) The terms and conditions of the Plan have not been varied during the year.

(iii) At the 2002 annual general meeting, shareholders approved the establishment of the AMEC Performance Share Plan 2002 (the 'PSP 2002') which will replace the existing Plan. No awards have been made under the PSP 2002.

DIRECTORS' REMUNERATION REPORT continued

DIRECTORS' PENSION BENEFITS

The following directors were members of defined benefit schemes provided by the company during the year. Pension entitlements and corresponding increases in transfer values during the year were as follows:

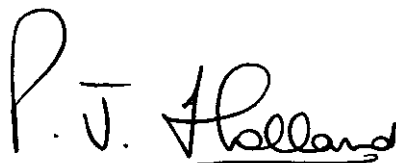
	Gross increase in accrued pension ⁽¹⁾ £000	Increase in accrued pension net of inflation ⁽²⁾ £000	Total accrued pension at 31 December 2002 ⁽³⁾ £000	Value of net increase in accrual over period ⁽⁴⁾ £000	Total change in value during period ⁽⁵⁾ £000	Value of accrued pension at 31 December 2002 (or date of retirement if earlier) ⁽⁶⁾ £000	Value of accrued pension at 31 December 2001 ⁽⁷⁾ £000
Sir Peter Mason	4	3	22	44	58	447	384
J D Early	19	17	134	201	289	2,623	2,324
D Robson	21	18	194	158	288	3,730	3,429
G E Payne	17	15	114	293	365	2,318	1,941
P S Janson	3	3	15	65	72	243	171
S J Siddall	3	3	8	52	82	142	54

Notes

- (i) The values of accrued pension are the amounts which would be paid annually on retirement based on service to the end of the year, save in respect of Mr P S Janson who resigned as a director of AMEC Inc. on 21 August 2002, and whose entitlement is shown as at that date. Mr Janson's benefits have been converted from Canadian dollars to Sterling.
- (ii) Transfer values have been calculated in accordance with version 1.5 of guidance note GN11 issued by the actuarial profession.
- (iii) The value of net increase (4) represents the incremental value to the director of his service during the year, calculated on the assumption service terminated at the year-end. It is based on the accrued pension increase (2) after deducting the director's contribution.
- (iv) The change in the transfer value (5) includes the effect of fluctuations in the transfer value due to factors beyond the control of the company and directors, such as stockmarket movements. It is calculated after deducting the director's contribution.
- (v) Voluntary contributions paid by directors and resulting benefits are not shown in the above table.

By order of the board

P J Holland
Secretary
6 March 2003



Note

Mr J A Monville's shareholding of 40,118 shares and Mr J-P Jacamon's holding of 1,817 shares in Financière SPIE S.C.A. were acquired by AMEC on 5 March 2003, upon completion of the acquisition of SPIE S.A., at a price of €73.69 per share. The total consideration received was €2,956,000 and €134,000 respectively.

Mr Monville also held stock options over 100,655 shares in SPIE S.A., exercisable at €11.59 per share. The exercise took place on 19 March 2003 at €37.28 per share, realising a gain of €2,586,000.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	Notes	2002			2001 (as restated)		
		Before goodwill amortisation and exceptional items £ million	Goodwill amortisation and exceptional items £ million	Total £ million	Before goodwill amortisation and exceptional items £ million	Goodwill amortisation and exceptional items £ million	Total £ million
Turnover: Group and share of joint ventures	2	4,331.6	-	4,331.6	4,467.5	-	4,467.5
Share of turnover in joint ventures		(1,119.0)	-	(1,119.0)	(1,005.0)	-	(1,005.0)
Group turnover		3,212.6	-	3,212.6	3,462.5	-	3,462.5
Cost of sales		(2,888.2)	-	(2,888.2)	(3,102.0)	-	(3,102.0)
Gross profit		324.4	-	324.4	360.5	-	360.5
Administrative expenses		(238.5)	(20.0)	(258.5)	(263.0)	(10.3)	(273.3)
Group operating profit/(loss)		85.9	(20.0)	65.9	97.5	(10.3)	87.2
Share of operating profit/(loss) in joint ventures		40.3	(6.0)	34.3	33.0	(0.8)	32.2
Total operating profit/(loss)	2 & 3	126.2	(26.0)	100.2	130.5	(11.1)	119.4
Loss on disposal or closure of operations:	4	-	(40.0)	(40.0)	-	(24.0)	(24.0)
Loss on disposal or closure		-	-	-	-	(0.5)	(0.5)
Goodwill previously written off to reserves		-	(40.0)	(40.0)	-	(24.5)	(24.5)
Loss on disposal of fixed assets	4	-	-	-	-	(0.4)	(0.4)
Profit/(loss) on ordinary activities before interest		126.2	(66.0)	60.2	130.5	(36.0)	94.5
Net interest payable:	7	(12.8)	-	(12.8)	(6.7)	-	(6.7)
Group		(8.2)	-	(8.2)	(7.1)	-	(7.1)
Joint ventures		(21.0)	-	(21.0)	(13.8)	-	(13.8)
Profit/(loss) on ordinary activities before taxation		105.2	(66.0)	39.2	116.7	(36.0)	80.7
Taxation on profit/(loss) on ordinary activities	8	(32.6)	4.0	(28.6)	(37.5)	4.2	(33.3)
Profit/(loss) on ordinary activities after taxation		72.6	(62.0)	10.6	79.2	(31.8)	47.4
Equity minority interests				0.2			-
Profit for the year				10.8			47.4
Dividends on equity and non-equity shares	9			(29.5)			(41.7)
Retained (loss)/profit for the year	22			(18.7)			5.7
Earnings per ordinary share:	10						
Basic		24.8p		3.7p	27.5p		13.7p
Diluted		24.3p		3.6p	26.7p		13.3p
Pro forma earnings per ordinary share:	10						
Diluted					26.5p		15.9p
Dividends per ordinary share	9			10.0p			9.5p

CONSOLIDATED BALANCE SHEET

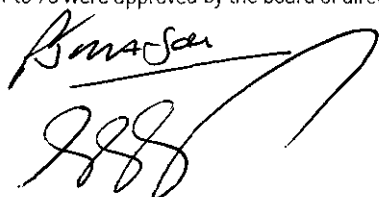
As at 31 December 2002

	Notes	2002 £ million	2001 (as restated) £ million
Fixed assets			
Intangible assets	11	133.3	188.5
Tangible assets	12	150.5	169.3
		283.8	357.8
Investments:	13		
Joint ventures:			
Share of gross assets		1,189.9	1,110.8
Share of gross liabilities		(1,083.4)	(1,015.9)
		106.5	94.9
Associates		–	3.1
Other		5.4	5.8
		111.9	103.8
		395.7	461.6
Current assets			
Stocks	14	86.5	117.9
Debtors: amounts falling due within one year	15	777.1	937.8
Debtors: amounts falling due after one year	15	127.1	102.1
Cash at bank and in hand		242.7	290.5
		1,233.4	1,448.3
Creditors: amounts falling due within one year	16	(1,024.6)	(1,248.4)
Net current assets		208.8	199.9
Total assets less current liabilities		604.5	661.5
Creditors: amounts falling due after one year	17	(303.8)	(329.4)
Provisions for liabilities and charges	20	(47.1)	(44.2)
Net assets	2	253.6	287.9
Capital and reserves			
Called up share capital	21	149.5	154.9
Share premium account	22	82.5	76.2
Revaluation reserve	22	11.2	12.4
Capital redemption reserve	22	17.2	17.2
Profit and loss account	22	(8.6)	25.0
		251.8	285.7
Shareholders' funds		251.8	285.7
Equity minority interests		1.8	2.2
		253.6	287.9
Capital employed		253.6	287.9
Shareholders' funds are attributable to:			
Equity shareholders' funds		251.8	264.7
Non-equity shareholders' funds		–	21.0
		251.8	285.7

The accounts on pages 51 to 75 were approved by the board of directors on 6 March 2003 and were signed on its behalf by:

Sir Peter Mason KBE
Chief Executive

S J Siddall
Finance Director




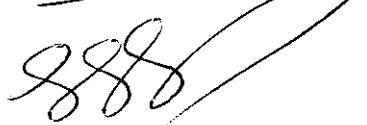
COMPANY BALANCE SHEET

As at 31 December 2002

	Notes	2002 £ million	2001 (as restated) £ million
Fixed assets			
Tangible assets	12	8.0	8.9
Investments:	13		
Subsidiaries		819.4	796.5
Joint ventures		14.7	20.8
Associates		-	3.1
Other		4.3	4.3
		838.4	824.7
		846.4	833.6
Current assets			
Debtors: amounts falling due within one year	15	14.5	15.2
Debtors: amounts falling due after one year	15	59.0	50.7
Cash at bank and in hand		-	46.8
		73.5	112.7
Creditors: amounts falling due within one year	16	(209.8)	(183.3)
Net current liabilities		(136.3)	(70.6)
Total assets less current liabilities		710.1	763.0
Creditors: amounts falling due after one year	17	(249.6)	(270.4)
Provisions for liabilities and charges	20	(17.9)	(15.5)
Net assets		442.6	477.1
Capital and reserves			
Called up share capital	21	149.5	154.9
Share premium account	22	82.5	76.2
Revaluation reserve	22	0.3	0.3
Capital redemption reserve	22	17.2	17.2
Profit and loss account	22	193.1	228.5
Shareholders' funds		442.6	477.1
Shareholders' funds are attributable to:			
Equity shareholders' funds		442.6	456.1
Non-equity shareholders' funds		-	21.0
		442.6	477.1

The accounts on pages 51 to 75 were approved by the board of directors on 6 March 2003 and were signed on its behalf by:

Sir Peter Mason KBE
Chief Executive

S J Siddall
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	Notes	2002 £ million	2001 £ million
Net cash flow from operating activities	23	73.3	183.7
Dividends from joint ventures and associates		4.5	1.3
Returns on investments and servicing of finance			
Interest received		4.1	16.9
Interest paid		(12.9)	(22.4)
Dividends paid to non-equity shareholders		(8.0)	(8.8)
		(16.8)	(14.3)
Taxation		(20.1)	(23.8)
Capital expenditure			
Purchase of tangible fixed assets		(21.8)	(49.3)
Disposal of tangible fixed assets		20.1	14.4
		(1.7)	(34.9)
Acquisitions and disposals	26		
Acquisition of joint ventures and other investments		(8.6)	(27.0)
Disposal of subsidiaries		-	93.1
Disposal of associates, joint ventures and other investments		9.4	1.8
		0.8	67.9
Dividends paid to equity shareholders		(26.0)	(18.8)
Net cash flow before management of liquid resources and financing		14.0	161.1
Management of liquid resources	25	25.2	(45.4)
Financing			
Ordinary shares issued		0.9	2.6
Net movement in debt		(54.9)	(112.8)
		(54.0)	(110.2)
(Decrease)/increase in cash	24	(14.8)	5.5

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2002

	2002 £ million	2001 (as restated) £ million
Profit for the year	10.8	47.4
Exchange and other movements	(16.1)	(4.6)
Total gains and losses relating to the year	(5.3)	42.8
Prior year adjustments (note 1)	(20.8)	–
Total gains and losses recognised since the last annual report	(26.1)	42.8

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2002

There is no material difference between the reported results and the results calculated on an unmodified historical cost basis.

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

For the year ended 31 December 2002

	2002 £ million	2001 (as restated) £ million
Profit for the year	10.8	47.4
Dividends on equity and non-equity shares	(29.5)	(41.7)
Retained (loss)/profit for the year	(18.7)	5.7
Goodwill written back on closures and disposals	–	0.5
Ordinary shares issued	0.9	12.0
Charge in respect of shares issued to the qualifying employee share trust	–	(9.4)
Exchange and other movements	(16.1)	(4.6)
Net (reduction)/addition to shareholders' funds	(33.9)	4.2
Shareholders' funds as at 1 January*	285.7	281.5
Shareholders' funds as at 31 December	251.8	285.7

*Shareholders' funds as at 31 December 2001 were £306.5 million and have been amended to incorporate a prior year adjustment of £20.8 million, which is referred to in note 1.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards and the Companies Act 1985.

Full implementation of FRS 17 'Retirement benefits' will be mandatory for AMEC plc in its accounts for the year ending 31 December 2005. The additional disclosures required during the transitional period have been included in note 30 to the accounts.

UITF Abstract 34 'Pre-contract costs' and FRS 19 'Deferred tax' were adopted during the year.

In order to conform with the requirements of UITF Abstract 34, the net assets (including goodwill) as at 31 December 2001 have been adjusted by £3.1 million (net of tax). AMEC has, in the past, written off the costs of bidding on projects as incurred. Upon financial close, to the extent AMEC was able to recover bidding costs associated with PFI/PPP projects from concession companies, these were reinstated on the balance sheet. Cash received in respect of pre-preferred bidder costs is now treated as deferred income and recognised over the period of the contract. This change has no material impact on the profit and loss account for either 2002 or 2001.

In order to conform with the requirements of FRS 19, the net assets as at 31 December 2001 have been adjusted by £17.7 million. The effect of adopting FRS 19 has been to increase the tax charge for the year ended 31 December 2001 by £2.3 million. The effect on the year ended 31 December 2002 is to increase the tax charge by £6.1 million.

The net prior year impact of the above adjustments as at 31 December 2001 was £20.8 million.

BASIS OF CONSOLIDATION

The group accounts include the accounts of AMEC plc and all of its subsidiaries made up to 31 December each year and the group's share of the results and net assets of joint ventures and associates, based on the gross equity and equity methods of accounting, respectively. Joint arrangements, where each party has its own separate interest in particular risks and rewards, are accounted for by including the attributable share of the assets, liabilities and cash flows measured according to the terms of the arrangement.

The company has not presented its own profit and loss account, as permitted by section 230(4) of the Companies Act 1985.

DEPRECIATION

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its estimated useful life, as follows:

Freehold buildings	50 years
Leasehold land and buildings	the shorter of the lease term or 50 years
Plant and equipment	mainly three to five years

EMPLOYEE SHARE SCHEMES

No charge is made to the profit and loss account in respect of SAYE schemes that are offered on similar terms to all, or substantially all, UK employees.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Trading results are translated at average rates for the year. Exchange differences arising on the retranslation of foreign currency net investments and foreign currency borrowings, or forward exchange contracts used to hedge those investments, are taken directly to reserves. Other exchange differences are taken to the profit and loss account in the year.

GOODWILL

Goodwill represents the excess of the fair value of purchase consideration over the fair value of net assets acquired. Goodwill arising on acquisitions made post 1 January 1998 is capitalised and amortised, on a straight line basis, over its estimated useful life, which is not expected to exceed 20 years. Where a business is disposed of or closed, the profit or loss on disposal or closure includes any unamortised amount included within intangible assets.

As permitted by FRS 10 'Goodwill and intangible assets', goodwill arising on acquisitions made prior to 1 January 1998 has been written off to reserves. Where a business is disposed of or closed, the profit or loss on disposal or closure includes the attributable amount of goodwill previously charged to reserves.

INTEREST

Interest is written off to the profit and loss account as incurred by all subsidiaries in the group. The group has, however, investments in joint ventures which are involved in public private partnership projects to finance, design and build assets and operate them on behalf of the client. In view of the nature of these projects, interest directly incurred in funding the construction programme is capitalised until the relevant assets are brought into operational use.

LEASES

Operating lease costs are charged to the profit and loss account on a straight line basis over the period of the lease.

LONG-TERM CONTRACTS

Amounts recoverable on long-term contracts are stated at cost plus attributable profits, less provision for any known or anticipated losses and payments on account, and are included in debtors. Payments on account in excess of amounts recoverable on long-term contracts are included in creditors.

PENSIONS

Contributions to defined benefit schemes are allocated to the profit and loss account on a systematic basis over the normal expected service lives of employees. Contributions to money purchase schemes are charged to the profit and loss account in the year in which they are incurred.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

TAXATION

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

TURNOVER

Turnover represents sales and value of work done excluding all internal transactions within the group.

2 SEGMENTAL ANALYSES

	Total turnover 2002 £ million	Total turnover 2001 £ million	Total operating profit/(loss) 2002 £ million	Total operating profit/(loss) 2001 £ million	Net assets/ (liabilities) 2002 £ million	Net assets/ (liabilities) 2001 £ million
Class of business:						
Client Support Services:						
Consulting and Design Services	317.8	396.0	14.7	19.7		
Operations Support Services	1,463.3	1,369.2	60.9	54.7		
	1,781.1	1,765.2	75.6	74.4	59.2	73.6
Capital Projects:						
Construction Management	513.0	625.1	(2.3)	1.1		
Construction	1,897.7	2,032.7	56.1	62.1		
	2,410.7	2,657.8	53.8	63.2	20.4	(37.3)
Investments:						
Property Development and Regeneration	156.7	101.4	12.9	12.7		
Public Private Partnerships	32.6	29.7	6.2	4.4		
	189.3	131.1	19.1	17.1	78.8	123.7
	4,381.1	4,554.1	148.5	154.7	158.4	160.0
Internal turnover	(49.5)	(86.6)	-	-	-	-
E-commerce costs	-	-	(1.9)	(4.9)	-	-
Corporate costs	-	-	(20.4)	(19.3)	-	-
	4,331.6	4,467.5	126.2	130.5	158.4	160.0
Goodwill amortisation/capitalised	-	-	(13.1)	(11.1)	133.3	188.5
Exceptional items	-	-	(12.9)	-	-	-
Net debt	-	-	-	-	(37.3)	(44.6)
Unallocated net liabilities	-	-	-	-	(0.8)	(16.0)
	4,331.6	4,467.5	100.2	119.4	253.6	287.9
Geographical origin:						
United Kingdom	2,107.5	1,927.3	90.8	100.1	34.7	21.8
Rest of Europe	845.7	831.9	19.2	13.9	75.8	67.5
Americas	1,069.0	1,305.5	19.6	29.9	75.8	109.0
Rest of the world	309.4	402.8	18.9	10.8	(27.9)	(38.3)
	4,331.6	4,467.5	148.5	154.7	158.4	160.0
E-commerce costs	-	-	(1.9)	(4.9)	-	-
Corporate costs	-	-	(20.4)	(19.3)	-	-
	4,331.6	4,467.5	126.2	130.5	158.4	160.0
Goodwill amortisation/capitalised	-	-	(13.1)	(11.1)	133.3	188.5
Exceptional items	-	-	(12.9)	-	-	-
Net debt	-	-	-	-	(37.3)	(44.6)
Unallocated net liabilities	-	-	-	-	(0.8)	(16.0)
	4,331.6	4,467.5	100.2	119.4	253.6	287.9

The analysis of total turnover by geographical market is not materially different from that by geographical origin.

E-commerce costs reflect a number of technology initiatives undertaken by the group.

Corporate costs comprise the costs of operating the head office of AMEC plc and also certain regional overheads. These are not directly related to the activities of the segments.

The financing of the group's activities is undertaken at a head office level and consequently net interest payable cannot be analysed segmentally. Due to the nature of the businesses acquired, goodwill amortisation/capitalised cannot be analysed segmentally.

The unallocated net liabilities principally comprise assets relating to the pension schemes prepayment and liabilities relating to dividends and taxation and are not directly related to the activities of the segments.

NOTES TO THE ACCOUNTS continued

2 SEGMENTAL ANALYSES continued

The group's share of the results of joint ventures was as follows:

	SPIE S.A. 2002 £ million	SPIE S.A. 2001 £ million	Others 2002 £ million	Others 2001 £ million	Total 2002 £ million	Total 2001 £ million
Turnover:						
Client Support Services:						
Operations Support Services	527.7	482.7	6.2	7.6	533.9	490.3
Capital Projects:						
Construction	449.5	394.9	93.7	79.2	543.2	474.1
Investments:						
Property Development and Regeneration	-	-	9.3	10.9	9.3	10.9
Public Private Partnerships	-	-	32.6	29.7	32.6	29.7
	977.2	877.6	141.8	127.4	1,119.0	1,005.0
Total operating profit:						
Client Support Services:						
Operations Support Services	15.4	12.6	0.4	0.9	15.8	13.5
Capital Projects:						
Construction						
Before restructuring costs	8.9	6.0	2.8	2.4	11.7	8.4
Restructuring costs	(4.6)	-	-	-	(4.6)	-
	4.3	6.0	2.8	2.4	7.1	8.4
Investments:						
Property Development and Regeneration	-	-	3.3	0.9	3.3	0.9
Public Private Partnerships	-	-	8.1	9.4	8.1	9.4
Total operating profit	19.7	18.6	14.6	13.6	34.3	32.2
Profit on disposal of operations	-	0.8	-	-	-	0.8
Profit on ordinary activities before interest	19.7	19.4	14.6	13.6	34.3	33.0
Net interest payable	(0.6)	(0.3)	(7.6)	(6.8)	(8.2)	(7.1)
Profit on ordinary activities before taxation	19.1	19.1	7.0	6.8	26.1	25.9
Taxation on profit on ordinary activities	(6.6)	(5.5)	(0.4)	0.8	(7.0)	(4.7)
Profit for the year	12.5	13.6	6.6	7.6	19.1	21.2

SPIE's total operating profit for Operations Support Services is after charging goodwill amortisation of £1.4 million (2001 - £0.8 million) and that for Construction is after charging restructuring costs of £4.6 million (2001 - £nil).

3 TOTAL OPERATING PROFIT/(LOSS)

Total operating profit/(loss) is stated after charging the following:

	2002 £ million	2001 £ million
Goodwill amortisation	13.1	11.1
Depreciation	26.3	33.3
Restructuring costs	12.9	-
Operating lease payments (which include short-term hire):		
Land and buildings	20.1	18.6
Plant and equipment	69.9	73.1
Fees paid to auditors and their associates:		
Audit fees:		
KPMG Audit Plc	1.6	1.4
Other auditors	0.1	0.1
Non-audit fees:		
KPMG Audit Plc or its associates: taxation - £0.6 million (2001 - £0.7 million) and other services - £0.7 million (2001 - £0.1 million)	1.3	0.8
Other auditors	0.1	0.1

4 NON-OPERATING EXCEPTIONAL ITEMS

	2002 £ million	2001 £ million
Loss on disposal or closure of operations:		
Client Support Services	(2.4)	(3.6)
Capital Projects	(7.0)	(14.4)
Investments	(0.6)	(6.0)
E-commerce	(2.0)	-
Goodwill written off on disposal or closure	(28.0)	(0.5)
	(40.0)	(24.5)
Loss on disposal of fixed assets	-	(0.4)
	(40.0)	(24.9)

5 DIRECTORS' REMUNERATION AND RELATED MATTERS

	2002 £000	2001 £000
Directors' emoluments	3,207	2,977
Amounts receivable under Long-Term Incentive Plans	1,099	1,502
Gains on exercise of share options	1	674

The aggregate emoluments of the highest paid director were £719,000 (2001 - £744,000). The value of vested shares received in 2002 under the Long-Term Incentive Plan was £408,000 (2001 - £554,000). He had no gains on the exercise of share options in 2002 or 2001.

More detailed information concerning directors' remuneration, including pension benefits, share options and long-term incentive arrangements, is set out in the directors' remuneration report on pages 44 to 50.

6 STAFF COSTS AND EMPLOYEE NUMBERS

	2002 £ million	2001 £ million
Wages and salaries	733.6	872.6
Social security costs	72.5	92.7
Other pension costs	16.9	20.2
	823.0	985.5

The average number of people employed was as follows:

	2002 Number	2001 Number
Client Support Services	11,998	13,374
Capital Projects	10,844	13,119
Investments	122	119
	22,964	26,612

NOTES TO THE ACCOUNTS continued

7 NET INTEREST PAYABLE

	2002 £ million	2001 £ million
Interest payable and similar charges:		
Group:		
Bank loans and overdrafts	(20.3)	(20.1)
Other charges	(4.5)	(2.6)
	(24.8)	(22.7)
Joint ventures	(8.2)	(7.2)
	(33.0)	(29.9)
Interest receivable and similar income:		
Group:		
Bank and short-term deposits	6.3	3.9
Other income	5.7	12.1
	12.0	16.0
Joint ventures	–	0.1
	12.0	16.1
	(21.0)	(13.8)

The group's share of interest capitalised by joint ventures involved in public private partnership projects amounted to £4.7 million (2001 – £2.5 million).

8 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2002 £ million	2001 £ million
Current tax:		
UK corporation tax at 30.0% (2001 – 30.0%)	13.5	17.1
Double taxation relief	(0.4)	(0.7)
Overseas taxation	2.4	9.9
Joint ventures' taxation	7.0	4.7
	22.5	31.0
Deferred tax:		
Deferred tax at 30.0% (2001 – 30.0%) – origination and reversal of timing differences	6.1	2.3
	28.6	33.3

Included within the corporation tax charge is a credit of £4.0 million (2001 – £4.2 million) in respect of exceptional items.

The current tax charge for the year is higher than the standard rate of corporation tax in the UK and is explained as follows:

	2002 £ million	2001 £ million
Profit on ordinary activities before taxation	39.2	80.7
Tax charge at 30.0%	11.8	24.2
Goodwill amortisation/written off	12.3	2.8
Non-deductible expenses, non taxable income and other differences	(5.6)	0.2
Overseas income and expenses taxed at rates other than 30.0%	4.0	4.8
Amounts in respect of prior years	–	(1.0)
Current tax charge for the year	22.5	31.0

9 DIVIDENDS ON EQUITY AND NON-EQUITY SHARES

	2002 Pence	2001 Pence	2002 £ million	2001 £ million
Equity shares:				
Ordinary shares:				
Interim paid 2 January 2003	3.4	3.1	10.1	7.1
Final recommended payable 1 July 2003	6.6	6.4	19.4	18.8
	10.0	9.5	29.5	25.9
Non-equity shares:				
Convertible redeemable preference shares:				
Fixed preferential dividend	-	6.5	-	7.3
Special preferential dividend	-	6.0	-	8.1
FRS 4 finance cost	-	-	-	0.4
	-	12.5	-	15.8
			29.5	41.7

The amounts waived and to be waived by the Trustees of the Long-Term Incentive Plan in respect of the interim and final dividends is £0.3 million (2001 – £0.3 million).

The amounts waived and to be waived by the Trustees of the qualifying employee share ownership trust in respect of the interim and final dividends is £0.2 million (2001 – £0.1 million).

A special dividend of 6.0 pence per preference share was paid on 2 January 2002 to shareholders who accepted the terms of the enhanced conversion offer dated 1 November 2001. Subsequently, a further payment of 6.0 pence per preference share was made on 14 January 2002 to those shareholders whose holdings were mandatorily converted on 7 January 2002.

NOTES TO THE ACCOUNTS continued

10 EARNINGS PER ORDINARY SHARE

In order to appreciate the effect of goodwill amortisation and exceptional items (net of attributable tax) on the reported underlying performance, additional calculations of earnings per ordinary share have been presented. The pro forma diluted earnings per share calculations for the year ended 31 December 2001 assume that the enhanced and mandatory conversions of preference shares to ordinary shares took place on 1 January 2001.

	2002			2001		
	Earnings £ million	Weighted average ordinary shares Number million	Earnings per share Pence	Earnings £ million	Weighted average ordinary shares Number million	Earnings per share Pence
Basic earnings before goodwill amortisation and exceptional items, net of attributable tax	72.8	293.6	24.8	63.4	230.2	27.5
Goodwill amortisation	(13.1)	-	(4.4)	(11.1)	-	(4.8)
Exceptional items	(52.9)	-	(18.0)	(24.9)	-	(10.8)
Attributable tax on exceptional items	4.0	-	1.3	4.2	-	1.8
Basic earnings	10.8	293.6	3.7	31.6	230.2	13.7
Basic earnings before goodwill amortisation and exceptional items, net of attributable tax	72.8	293.6	24.8	63.4	230.2	27.5
Share options	-	1.7	(0.1)	-	2.6	(0.3)
Employee share and incentive schemes	-	4.5	(0.4)	-	4.4	(0.5)
Diluted earnings before goodwill amortisation and exceptional items, net of attributable tax	72.8	299.8	24.3	63.4	237.2	26.7
Goodwill amortisation	(13.1)	-	(4.4)	(11.1)	-	(4.7)
Exceptional items	(52.9)	-	(17.6)	(24.9)	-	(10.5)
Attributable tax on exceptional items	4.0	-	1.3	4.2	-	1.8
Diluted earnings	10.8	299.8	3.6	31.6	237.2	13.3
Diluted earnings before goodwill amortisation and exceptional items, net of attributable tax				63.4	237.2	26.7
Preference shares				15.8	61.5	(0.2)
Pro forma diluted earnings before goodwill amortisation and exceptional items, net of attributable tax				79.2	298.7	26.5
Goodwill amortisation				(11.1)	-	(3.7)
Exceptional items				(24.9)	-	(8.3)
Attributable tax on exceptional items				4.2	-	1.4
Pro forma diluted earnings				47.4	298.7	15.9

11 INTANGIBLE ASSETS

	Goodwill £ million
Group:	
Cost:	
As at 1 January 2002 (as restated)	203.9
Exchange and other movements	(17.4)
Disposals	(32.0)
As at 31 December 2002	154.5
Amortisation:	
As at 1 January 2002	15.4
Exchange and other movements	(0.9)
Provided during the year	10.7
Disposals	(4.0)
As at 31 December 2002	21.2
Net book value:	
As at 31 December 2002	133.3
As at 31 December 2001	188.5

12 TANGIBLE ASSETS

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Group:			
Cost or valuation:			
As at 1 January 2002	81.6	199.2	280.8
Exchange and other movements	(3.2)	(7.2)	(10.4)
Additions	5.2	16.7	21.9
Disposals	(1.4)	(18.2)	(19.6)
As at 31 December 2002	82.2	190.5	272.7
Depreciation:			
As at 1 January 2002	5.7	105.8	111.5
Exchange and other movements	(0.4)	(2.6)	(3.0)
Provided during the year	2.9	23.4	26.3
Disposals	(1.0)	(11.6)	(12.6)
As at 31 December 2002	7.2	115.0	122.2
Net book value:			
As at 31 December 2002	75.0	75.5	150.5
As at 31 December 2001	75.9	93.4	169.3

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Company:			
Cost or valuation:			
As at 1 January 2002	7.3	3.8	11.1
Additions and transfers	0.1	0.2	0.3
Disposals and transfers	-	(1.6)	(1.6)
As at 31 December 2002	7.4	2.4	9.8
Depreciation:			
As at 1 January 2002	0.4	1.8	2.2
Provided during the year	0.1	0.4	0.5
Disposals and transfers	-	(0.9)	(0.9)
As at 31 December 2002	0.5	1.3	1.8
Net book value:			
As at 31 December 2002	6.9	1.1	8.0
As at 31 December 2001	6.9	2.0	8.9

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
The net book value of land and buildings comprised:				
Freehold	63.6	61.8	4.4	4.5
Long leasehold	6.1	9.0	-	-
Short leasehold	5.3	5.1	2.5	2.4
	75.0	75.9	6.9	6.9
The cost or valuation of land and buildings comprised:				
Cost	39.7	43.6	2.8	2.7
External valuation in 1999	42.5	38.0	4.6	4.6
	82.2	81.6	7.4	7.3

The basis of the external valuation is existing use for properties occupied by group companies and open market value for those properties without group occupancy.

No provision has been made for the tax liability which may arise in the event that certain properties are disposed of at their revalued amounts.

NOTES TO THE ACCOUNTS continued

12 TANGIBLE ASSETS continued

The amount of land and buildings included at valuation, determined according to the historical cost convention, was as follows:

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
Cost	38.6	36.2	8.7	8.4
Depreciation	(12.7)	(11.3)	(1.6)	(1.4)
Net book value	25.9	24.9	7.1	7.0

13 INVESTMENTS (HELD AS FIXED ASSETS)

	2002 £ million	2001 £ million
Company:		
Investments in subsidiaries:		
Shares at cost less amounts written off	1,178.0	1,205.8
Amounts owed by subsidiaries	199.1	245.9
Amounts owed to subsidiaries	(557.7)	(655.2)
	819.4	796.5

	Joint ventures £ million	Associates £ million	Other investments £ million	Total £ million
Group:				
Net book value:				
As at 1 January 2002	94.9	3.1	5.8	103.8
Exchange and other movements	3.2	-	(0.1)	3.1
Additions and transfers	3.0	-	2.8	5.8
Net movement in share of reserves	19.5	-	-	19.5
Disposals and amounts written off	(9.6)	(3.1)	(3.1)	(15.8)
Dividends received	(4.5)	-	-	(4.5)
As at 31 December 2002	106.5	-	5.4	111.9

Represented by:				
Shares at cost less amounts written off	54.3	-	5.4	59.7
Share of post acquisition results	88.7	-	-	88.7
Goodwill capitalised less amounts amortised	19.0	-	-	19.0
Goodwill written off to reserves	(40.5)	-	-	(40.5)
Net loans from group companies	(15.0)	-	-	(15.0)
	106.5	-	5.4	111.9

Company:				
Cost:				
As at 1 January 2002	20.8	3.1	4.3	28.2
Additions and transfers	0.1	-	2.8	2.9
Amounts written off	-	-	(2.8)	(2.8)
Disposals and transfers	(6.2)	(3.1)	-	(9.3)
As at 31 December 2002	14.7	-	4.3	19.0

13 INVESTMENTS (HELD AS FIXED ASSETS) continued

An analysis of the group's share of net assets of joint ventures was as follows:

	SPIE S.A. 2002 £ million	SPIE S.A. 2001 £ million	Others 2002 £ million	Others 2001 £ million	Total 2002 £ million	Total 2001 £ million
Fixed assets	110.8	98.5	284.8	231.3	395.6	329.8
Current assets	613.2	591.4	196.8	200.1	810.0	791.5
Share of gross assets	724.0	689.9	481.6	431.4	1,205.6	1,121.3
Loans to group companies	-	-	(15.7)	(10.5)	(15.7)	(10.5)
Group share of gross assets	724.0	689.9	465.9	420.9	1,189.9	1,110.8
Liabilities due within one year	(618.9)	(599.7)	(59.6)	(109.4)	(678.5)	(709.1)
Liabilities due after one year	(36.1)	(33.0)	(369.5)	(285.6)	(405.6)	(318.6)
Share of gross liabilities	(655.0)	(632.7)	(429.1)	(395.0)	(1,084.1)	(1,027.7)
Loans from group companies	-	-	0.7	11.8	0.7	11.8
Group share of gross liabilities	(655.0)	(632.7)	(428.4)	(383.2)	(1,083.4)	(1,015.9)
Share of net assets	69.0	57.2	37.5	37.7	106.5	94.9

Principal group companies are listed on page 79.

Included within other investments is £4.2 million (2001 – £4.2 million) in respect of 2,847,751 (2001 – 2,928,972) shares of 50 pence each in the company, held by the trustees of the Long-Term Incentive Plan. The cost of these shares is being written off to the profit and loss account over the period between the dates of the awards and the vesting of the shares. The market value of these shares as at 31 December 2002 was £4.1 million (2001 – £11.6 million).

A qualifying employee share ownership trust (Quest) was established on 26 August 1999. The Quest holds shares issued by the company in connection with the savings related share option scheme. During the year the company allotted 244,514 (2001 – 2,747,105) shares to the Quest and the Quest transferred 483,686 (2001 – 2,310,062) of these shares to employees exercising options.

As at 31 December 2002 the Quest held 1,620,817 (2001 – 1,859,989) shares and these are included within investments at Enil (2001 – Enil).

14 STOCKS

	2002 £ million	2001 £ million
Group:		
Development land and work in progress	54.6	89.5
Raw materials and consumables	9.5	13.5
Other work in progress	13.9	10.8
Finished goods and goods for resale	8.5	4.1
	86.5	117.9

NOTES TO THE ACCOUNTS continued

15 DEBTORS

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
Debtors: amounts falling due within one year				
Amounts recoverable on contracts	288.5	299.0	-	-
Trade debtors	436.2	588.2	3.3	7.8
Amounts owed by subsidiaries	-	-	7.7	2.9
Amounts owed by joint ventures	2.6	4.2	-	0.4
Other debtors	28.6	18.8	0.5	0.3
Prepayments and accrued income	21.2	27.6	3.0	3.8
	777.1	937.8	14.5	15.2
Debtors: amounts falling due after one year				
Trade debtors	66.0	47.0	-	-
Amounts owed by joint ventures	1.5	1.9	-	-
Other debtors	0.2	1.4	-	-
Prepayments and accrued income	59.4	51.8	59.0	50.7
	127.1	102.1	59.0	50.7
	904.2	1,039.9	73.5	65.9

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
Bank and other loans and overdrafts	33.7	42.8	140.1	107.9
Payments on account	165.8	199.6	-	-
Trade creditors	639.5	813.6	3.9	9.1
Amounts owed to subsidiaries	-	-	-	0.4
Amounts owed to joint ventures	5.5	0.5	5.3	2.6
Corporation tax	13.9	11.0	15.9	8.1
Other taxation and social security costs	31.1	36.5	3.9	10.1
Other creditors	37.6	37.1	2.8	2.7
Accruals and deferred income	68.1	73.4	8.5	8.5
Dividends	29.4	33.9	29.4	33.9
	1,024.6	1,248.4	209.8	183.3

17 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
Bank loans	246.3	292.3	245.6	262.3
Trade creditors	47.5	29.2	-	-
Amounts owed to joint ventures	0.5	0.8	4.0	8.1
Other creditors	2.3	5.2	-	-
Accruals and deferred income	7.2	1.9	-	-
	303.8	329.4	249.6	270.4

18 ANALYSIS OF BORROWINGS AND BANKING FACILITIES

The maturity of borrowings was as follows:

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
Due:				
In one year or less, or on demand	33.7	42.8	140.1	107.9
Between one and two years	0.7	7.0	–	–
Between two and five years	245.6	285.3	245.6	262.3
	280.0	335.1	385.7	370.2

The available undrawn committed bank facilities were as follows:

	2002 £ million	2001 £ million
Group:		
Expiring in:		
One year or less	7.9	15.2
More than two years	220.4	188.5
	228.3	203.7

As at 31 December 2002, there was an additional committed facility of £161 million available subject to certain conditions relating to the acquisition of SPIE S.A. All of these conditions were satisfied in 2003 and the facility was drawn on 5 March 2003 upon completion of the acquisition of the outstanding 54 per cent interest in SPIE.

New committed bank facilities totalling £60 million were negotiated and became available subsequent to 31 December 2002.

19 FINANCIAL INSTRUMENTS

Details of the group's policies on the use of financial instruments are provided in the Operating and Financial Review on pages 30 to 35. As permitted by FRS 13 'Derivatives and other financial instruments: disclosures', short-term debtors and creditors have been excluded from the following analyses.

The interest rate risk currency profile of financial assets and liabilities was as follows:

	2002				2001			
	Non interest bearing £ million	Floating rate £ million	Fixed rate £ million	Total £ million	Non interest bearing £ million	Floating rate £ million	Fixed rate £ million	Total £ million
Group:								
Financial assets:								
Sterling	57.8	71.3	16.1	145.2	83.5	43.0	–	126.5
US dollar	4.8	69.1	–	73.9	2.9	94.9	1.6	99.4
Canadian dollar	0.7	8.0	–	8.7	0.6	8.2	1.0	9.8
Euro	1.7	9.8	5.2	16.7	3.3	2.1	–	5.4
Hong Kong dollar	3.8	19.9	–	23.7	9.7	33.4	–	43.1
Other	10.2	6.9	–	17.1	8.6	2.9	1.5	13.0
	79.0	185.0	21.3	285.3	108.6	184.5	4.1	297.2

Floating rate financial assets comprise cash at bank and in hand and bear interest at prevailing market rates.

NOTES TO THE ACCOUNTS continued

19 FINANCIAL INSTRUMENTS continued

	2002				2001			
	Non interest bearing £ million	Floating rate £ million	Fixed rate £ million	Total £ million	Non interest bearing £ million	Floating rate £ million	Fixed rate £ million	Total £ million
Group:								
Financial liabilities:								
Sterling	70.8	229.8	2.5	303.1	21.2	68.5	21.0	110.7
US dollar	1.9	2.7	0.6	5.2	-	43.0	9.7	52.7
Canadian dollar	1.2	-	2.4	3.6	-	168.1	10.4	178.5
Euro	3.2	19.8	-	23.0	8.5	26.1	-	34.6
Hong Kong dollar	4.0	-	-	4.0	8.9	-	-	8.9
Other	0.3	1.0	-	1.3	1.2	4.2	-	5.4
	81.4	253.3	5.5	340.2	39.8	309.9	41.1	390.8

Floating rate financial liabilities comprise borrowings and primarily bear interest at a margin over the relevant inter-bank rate.

The fixed rate financial liabilities relate to certain bank and other loans, and the preference shares in issue until 7 January 2002, which had a right to a fixed annual dividend of 6.5 pence (net) per share until conversion or redemption. The weighted average interest rate of the fixed rate loans as at 31 December 2002 was 8.0 per cent (2001 - 7.8 per cent).

The maturity of the financial liabilities was as follows:

	2002 £ million	2001 £ million
Group:		
Due:		
In one year or less, or on demand	40.9	63.8
Between one and two years	45.0	38.5
Between two and five years	252.2	288.5
Over five years	2.1	-
	340.2	390.8

There is no material difference between the book and fair value of financial assets and liabilities save for financial liabilities in the two to five years category which have a book value of £252.2 million and a fair value of £227.2 million as at 31 December 2002 (£288.5 million and £236.6 million respectively as at 31 December 2001) and the preference shares which had a book value of £21.0 million and a market value of £42.6 million at 31 December 2001. All of the outstanding preference shares were converted to ordinary shares on 7 January 2002.

As at 31 December 2002, there were seven outstanding interest rate swaps under which the group pays a fixed rate of interest and receives a floating rate based on six months' LIBOR. The instruments cover US dollars, Canadian dollars, euro and sterling, and have a sterling equivalent of £60 million. The expiry dates range from October 2004 to May 2007, with a weighted average period to maturity of 45 months as at 31 December 2002.

The group had no material currency exposures as at 31 December 2002 or 2001 after taking into account the effects of forward foreign currency exchange contracts.

Unless there is a change in the circumstances that require hedging, changes in the fair value of forward contracts are not recognised in the accounts until the contract matures.

There were no material unrecognised gains or losses at the beginning or end of the year.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £ million	Insurance £ million	Onerous property contracts £ million	Total £ million
Group:				
As at 1 January 2002 (as restated)*	13.2	25.3	5.7	44.2
Exchange and other movements	0.3	-	-	0.3
Utilised	(2.7)	(0.8)	-	(3.5)
Profit and loss account charge	6.2	-	(0.1)	6.1
As at 31 December 2002	17.0	24.5	5.6	47.1

*Deferred taxation as at 1 January 2002, includes a prior year adjustment of £17.7 million.

	Deferred taxation £ million
Company:	
As at 1 January 2002 (as restated)	15.5
Profit and loss account charge	2.4
As at 31 December 2002	17.9

The provision for deferred tax is analysed as follows:

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
Difference between accumulated depreciation and capital allowances	3.1	3.6	0.4	0.3
Other timing differences	23.6	17.0	17.5	15.2
Tax losses	(9.7)	(7.4)	-	-
	17.0	13.2	17.9	15.5

21 SHARE CAPITAL

The authorised share capital of the company is £350.0 million (2001 – £350.0 million).

	2002 £ million	2001 £ million
Group and company:		
Allotted, called up and fully paid:		
Equity share capital:		
Ordinary shares of 50 pence each	149.5	144.1
Non-equity share capital:		
6.5 pence (net) cumulative convertible redeemable preference shares of 50 pence each	-	10.8
	149.5	154.9

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

	Ordinary shares Number	Ordinary shares £ million	Preference shares Number	Preference shares £ million
Group and company:				
As at 1 January 2002	288,169,965	144.1	21,621,388	10.8
Conversion of preference shares to ordinary shares	10,546,913	5.3	(21,621,388)	(10.8)
Qualifying employee share ownership trust allotments	244,514	0.1	-	-
Exercise of executive share options	5,000	-	-	-
Exercise of AGRA Inc. stock options	915	-	-	-
As at 31 December 2002	298,967,307	149.5	-	-

Subsequent to the issue of a mandatory conversion notice, all the outstanding preference shares as at 31 December 2001 were converted into ordinary shares on 7 January 2002.

NOTES TO THE ACCOUNTS continued

21 SHARE CAPITAL continued

The number of share options outstanding under the Savings Related and Executive Schemes as at 31 December 2002 was as follows:

	Option price per share Pence	Number
Savings Related Share Option Scheme		
Normally exercisable in the period between:		
July 2004 and December 2004	181.00	607,988
January 2004 and June 2004	230.00	3,286,719
Executive Share Option Schemes		
Normally exercisable in the period between:		
May 1997 and May 2004	118.00	5,000
February 1999 and February 2006	99.00	600,000
April 2000 and April 2007	144.00	561,388
March 2001 and March 2008	153.50	19,543
April 2003 and April 2010	169.00	65,000
June 2003 and June 2010	214.50	97,902
October 2005 and October 2012	219.75	2,340,000

AGRA Inc. Stock Option Plans were available to senior AGRA employees. Grants of share options were approved and the conditions for the exercise of grants were established by the AGRA Inc. board of directors. The Plans were approved under the rules of the Montreal and Toronto Stock Exchanges. No performance criteria are required to be met prior to exercise of options pursuant to the Plans.

Employees holding options under the Plans were permitted to roll-over their options over AGRA Inc. shares into options over AMEC plc shares. There are two Plans; one provides for a five year option, the other for a 10 year option. The resultant AMEC options are as follows:

	Option price per share Pence	Number
AGRA Inc. Stock Option Plans		
Normally exercisable in the period between:		
January 1999 and January 2003	146.26	3,052
December 1999 and December 2003	137.12	12,212
February 2000 and February 2009	132.20	4,027
September 2000 and September 2009	142.75	6,030
December 2000 and December 2009	148.37	30,530
December 2000 and December 2009	171.30	85,484

As at 31 December 2002, 3,894,707 options were outstanding under the Savings Related Scheme (2001 – 5,077,828), 3,688,833 under the Executive Schemes (2001 – 1,558,833) and 141,335 under the AGRA Plans (2001 – 154,462). There were 2,931 participants in the Savings Related Scheme, 127 participants in the Executive Schemes and 13 participants in the AGRA Plans.

During the year, under the provisions of the Savings Related Scheme, 483,686 shares were transferred to participants from the qualifying employee share ownership trust (Quest) for a total consideration of £0.9 million. The company received £0.9 million from employees in respect of 244,514 shares allotted to the Quest.

Under the provisions of the Executive Scheme, 5,000 shares were allotted to a participant for a total consideration of £8,000 and, under the provisions of the AGRA Plan, 915 shares were allotted to a participant for a total consideration of £1,210.

The closing price of the shares at 31 December 2002 was 143.25 pence (2001 – 395.0 pence).

Options over 2,340,000 shares were granted pursuant to the terms of the Executive Share Option Scheme 2002.

No options were granted during the year under the provisions of either the AMEC Savings Related Share Option Scheme or the AMEC Executive Share Option Scheme 1995.

22 RESERVES

	Share premium account £ million	Revaluation reserve £ million	Capital redemption reserve £ million	Profit and loss account £ million	Total £ million
Group:					
As at 1 January 2002 (as originally stated)	76.2	12.4	17.2	45.8	151.6
Prior year adjustment (note 1)	-	-	-	(20.8)	(20.8)
As at 1 January 2002 (as restated)	76.2	12.4	17.2	25.0	130.8
Exchange and other movements	-	-	-	(16.1)	(16.1)
Ordinary shares issued	6.3	-	-	-	6.3
Transfers on disposals	-	(1.2)	-	1.2	-
Retained loss for the year	-	-	-	(18.7)	(18.7)
As at 31 December 2002	82.5	11.2	17.2	(8.6)	102.3
Company:					
As at 1 January 2002 (as originally stated)	76.2	0.3	17.2	244.0	337.7
Prior year adjustment (note 1)	-	-	-	(15.5)	(15.5)
As at 1 January 2002 (as restated)	76.2	0.3	17.2	228.5	322.2
Exchange and other movements	-	-	-	12.3	12.3
Ordinary shares issued	6.3	-	-	-	6.3
Retained loss for the year	-	-	-	(47.7)	(47.7)
As at 31 December 2002	82.5	0.3	17.2	193.1	293.1

The cumulative goodwill (at historic exchange rates) written off against reserves in respect of acquisitions prior to 1 January 1998, when FRS 10 'Goodwill and intangible assets' was adopted, amounts to £200.2 million (2001 - £200.2 million). Of these amounts, £40.5 million relates to joint ventures (2001 - £40.5 million).

The loss for the year of the company was £18.2 million.

23 RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2002 £ million	2001 £ million
Group operating profit	65.9	87.2
Profit on disposal of fixed assets	(1.5)	-
Goodwill amortisation	10.7	10.3
Depreciation	26.3	33.3
Decrease/(increase) in stocks	33.5	(42.7)
Decrease in debtors	122.1	31.1
(Decrease)/increase in creditors and provisions	(198.7)	59.2
Exchange and other movements	15.0	5.3
Net cash flow from operating activities	73.3	183.7

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £ million	2001 £ million
(Decrease)/increase in cash	(14.8)	5.5
Cash flow from movement in debt	54.9	112.8
Cash flow from movement in liquid resources	(25.2)	45.4
Change in funds resulting from cash flows	14.9	163.7
Exchange and other non cash movements	(7.6)	3.5
Movement in net funds in the year	7.3	167.2
Net funds as at 1 January	(44.6)	(211.8)
Net funds as at 31 December	(37.3)	(44.6)

NOTES TO THE ACCOUNTS continued

25 ANALYSIS OF NET FUNDS

	As at 1 January 2002 £ million	Cash flow £ million	Exchange and other movements £ million	As at 31 December 2002 £ million
Cash at bank and in hand	160.3	(15.3)	(6.7)	138.3
Overdrafts	(8.7)	0.5	0.2	(8.0)
		(14.8)		
Debt due within one year	(34.1)	8.9	(0.5)	(25.7)
Debt due after one year	(292.3)	46.0	-	(246.3)
		54.9		
Liquid resources	130.2	(25.2)	(0.6)	104.4
	(44.6)	14.9	(7.6)	(37.3)

Liquid resources comprise short-term bank deposits, investments in government and corporate bonds and floating rate notes.

26 ACQUISITIONS AND DISPOSALS

The acquisition cost of joint ventures and other investments amounted to £8.6 million in 2002 and principally related to investments in public private partnership projects and shares in the company acquired for the purposes of the Long-Term Incentive Plan.

Joint ventures, associates and other investments with a carrying value of £10.0 million were disposed of in the year, realising proceeds of £9.4 million.

27 CAPITAL COMMITMENTS

	Group 2002 £ million	Group 2001 £ million	Company 2002 £ million	Company 2001 £ million
Contracted but not provided for in the accounts	1.6	1.8	0.1	0.1

As at 31 December 2002, there was a commitment to invest a total of £52.5 million (2001 – £57.5 million) in various public private and regeneration partnership projects of which £1.2 million (2001 – £1.4 million) will be equity investment and £51.3 million (2001 – £56.1 million) will be subordinated debt.

28 LEASE COMMITMENTS

The current annual commitments payable under non-cancellable operating leases were as follows:

	Land and buildings 2002 £ million	Land and buildings 2001 £ million	Plant and equipment 2002 £ million	Plant and equipment 2001 £ million
Group:				
Expiring:				
In one year or less	3.0	7.7	3.0	5.7
Between two and five years	13.9	8.0	8.8	7.5
Over five years	5.0	11.2	-	-
	21.9	26.9	11.8	13.2
Company:				
Expiring:				
In one year or less	-	0.7	-	-
Between two and five years	-	-	-	-
Over five years	0.4	0.3	-	-
	0.4	1.0	-	-

29 CONTINGENT LIABILITIES

Guarantees given by the company in respect of borrowings of subsidiaries amounted to £2.6 million as at 31 December 2002 (2001 – £18.3 million).

The company and certain subsidiaries have given counter indemnities in respect of performance bonds issued, on behalf of group companies, in the normal course of business.

AMEC has an 11 per cent interest in the Cross Israel Highway concession and has provided support on a joint and several basis for letters of credit that the project has procured from external banks. These principally relate to performance guarantees and amounted to £41.8 million as at 31 December 2002. AMEC's future obligations may therefore exceed its proportionate share of this sum in the event any of the other partners fail, a situation which is not currently envisaged.

The borrowings of joint ventures, consolidated on a gross equity basis, are generally without recourse to AMEC other than for normal performance obligations which are usually given on a several basis. AMEC has provided guarantees in respect of committed bank facilities granted to certain property joint ventures. The borrowings drawn against these facilities amounted to £34.0 million at 31 December 2002, and the current debt service ratios for these joint ventures are all within the agreed levels.

AMEC has a commitment to invest £52.5 million in joint venture projects and further details are provided in note 27. It has also provided guarantees on certain projects to invest further amounts of up to £10 million if the projects do not perform satisfactorily. No future adverse events, however, are currently envisaged. In addition, AMEC has provided joint and several guarantees on certain projects for its partners' investment commitments of up to £27 million. The failure of its joint venture partners, however, is not currently envisaged.

AMEC takes internal and external legal advice in considering known legal claims and actions made by or against the company. Consequently it carefully assesses the likelihood of the success of a claim or action. AMEC makes an appropriate provision for those legal actions or claims for and against the company on the basis of the likely outcome, but makes no provision for those which are unlikely to succeed.

During 1994 and 1995, AMEC Construction Management Inc. ('ACMI') (a subsidiary of AMEC) entered into various contracts with the United States General Services Administration ('GSA') for the construction of courthouses in Missouri and California and for the refurbishment and seismic upgrade of a U.S. Customs House in California. The total value of these contracts at point of signing was in the order of US\$290 million. Due inter alia, to unforeseen site conditions, client delays and numerous design and scope changes, ACMI suffered significant cost overruns and submitted substantial recovery claims.

In June 1999, GSA terminated the right of ACMI to complete one contract, which at that stage was 85 per cent complete. ACMI contested the termination and sued the GSA for recovery of all claims.

The United States Department of Justice then filed a counterclaim alleging false claims on the GSA contracts and sought to argue that, as a result, ACMI had forfeited its rights to recovery of all claims.

ACMI, upon legal advice, pleaded guilty in December 2000 and November 2001 to two GSA non-compliance offences and paid a total of US\$1.2 million in settlement. AMEC also agreed to introduce additional ethical processes and procedures, both for the North American workforce and for those staff employed by AMEC, whose responsibilities caused them to have regular business contact with AMEC North America and thus, the US Government.

On 20 August 2002, ACMI and AMEC, a party to the North American bonding arrangements, were notified, as a consequence of the ACMI non-compliance offences, that they had been debarred from seeking contracts with the US Government with retrospective effect for a 12 month period from 20 February 2002. The debarment did not include AMEC Earth and Environmental Inc., a wholly owned subsidiary of AMEC, which continues to carry out significant levels of activity with US Government agencies and it also did not impact existing projects. AMEC ceased to be debarred on 20 February 2003 and is now able to bid for all US government contracts.

AMEC hopes that an amicable settlement of all the outstanding issues with the GSA can be secured but there is, at this time, no certainty that such an outcome will be achieved.

NOTES TO THE ACCOUNTS continued

30 PENSION ARRANGEMENTS

The group operates a number of pension schemes for United Kingdom and overseas employees. All United Kingdom members are in defined benefit schemes, and the majority of overseas employees are in defined contribution schemes.

(a) SSAP 24 'Accounting for Pension Costs'

Contributions by employees and employers are paid in accordance with the advice of qualified actuaries and held separately from the assets of the group, in trustee administered funds.

The total pension cost for the group was £16.9 million (2001 – £20.2 million) and there is a prepayment of pension costs as at 31 December 2002 of £59.0 million (2001 – £50.7 million) included within debtors : amounts falling due after one year.

The projected unit valuation method has been used to assess liabilities and future funding rates for the three major schemes which cover approximately 90 per cent of United Kingdom members. The latest actuarial valuations of these schemes were undertaken as at 31 December 2001 and 1 April 2002. These showed that the market value of the assets was £1,058.6 million, with the actuarial value of assets being sufficient to cover 114 per cent of the accrued benefits. The principal assumptions were based upon future investment returns of 5.50 to 6.30 per cent, future pensionable salary increases of 3.70 to 4.75 per cent, future pension increases of 2.50 to 2.70 per cent and valuation rates of interest of 5.50 to 5.60 per cent.

(b) FRS 17 'Retirement benefits'

The valuations used for FRS 17 disclosures have been based on the most recent valuations of the three major schemes as at 31 December 2001 and 1 April 2002, and updated by the schemes' actuaries for the requirement to assess the liabilities of the schemes as at 31 December 2002. The assets of the schemes are stated at their market value as at 31 December 2001 and 31 December 2002.

The financial assumptions used to calculate the schemes' liabilities under FRS 17, on a projected unit valuation method, are as follows:

	2002 Per cent	2001 Per cent
Rate of discount	5.5	6.0
Rate of inflation	2.3	2.4
Rate of increase in salaries	3.3	3.4
Rate of increase in pensions in payment	2.3	2.4

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 market value of the schemes' assets, (which are not intended to be realised in the short-term, and may be subject to significant change before they are realised), and the present value of the schemes' liabilities (which are derived from cash flow projections over long periods and thus inherently uncertain) were as follows:

	Long-term rate of return expected as at 31 December 2002 Per cent	Value as at 31 December 2002 £ million	Long-term rate of return expected as at 31 December 2001 Per cent	Value as at 31 December 2001 £ million
Equities	7.5	459.9	7.5	548.0
Bonds	5.5	380.1	5.5	366.0
Property	6.5	75.9	6.5	81.0
Cash	4.5	25.2	4.5	35.0
Total market value of assets		941.1		1,030.0
Present value of schemes' liabilities		(825.7)		(726.0)
Surplus in the schemes		115.4		304.0
Related deferred tax liability		(34.6)		(91.2)
Net pension asset arising under FRS 17		80.8		212.8

The movement in the surplus during the year is as follows:

	2002 Group £ million
Surplus in the schemes as at 1 January 2002	304.0
Current service cost	(23.2)
Contributions paid	15.5
Net return on assets	23.1
Actuarial losses	(204.0)
Surplus in the schemes as at 31 December 2002	115.4

30 PENSION ARRANGEMENTS continued

If FRS 17 had been fully adopted in these accounts the pension costs charged would have been as follows:

	2002 Group £ million
(i) Analysis of other pension costs charged in arriving at group operating profit:	
Current service cost	23.2
(ii) Analysis of amounts included in net interest payable:	
Expected return on pension scheme assets	63.7
Interest on pension scheme liabilities	(40.6)
	23.1
(iii) Analysis of amounts included in the statement of total recognised gains and losses:	
Actual return less expected return on assets	(150.7)
Experience gains and losses on liabilities	(4.6)
Changes in assumptions	(48.7)
	(204.0)

If FRS 17 had been fully adopted in these accounts the net assets and profit and loss account reserve would have been as follows:

	2002 Group £ million
(i) Net assets	
Net assets per consolidated balance sheet	253.6
SSAP 24 prepayment (net of deferred tax)	(41.3)
Net assets excluding SSAP 24 prepayment	212.3
Net pension asset arising under FRS 17	80.8
Net assets including net pension asset arising under FRS 17	293.1
(ii) Profit and loss account reserve:	
Profit and loss account reserve per consolidated balance sheet	(8.6)
SSAP 24 prepayment (net of deferred tax)	(41.3)
Profit and loss account reserve excluding SSAP 24 prepayment	(49.9)
Net pension asset arising under FRS 17	80.8
Profit and loss account reserve including net pension asset arising under FRS 17	30.9

31 RELATED PARTY TRANSACTIONS

During the year there were a number of transactions with joint ventures, associates and joint arrangements, all of which arose in the normal course of business. These transactions and the related balances outstanding as at 31 December are as follows:

	Value of transactions in the year		Outstanding balance as at 31 December	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
Services rendered	27.3	15.8	11.4	6.1
Services received	18.9	-	2.6	-
Sale of fixed assets	34.9	20.4	-	-
Purchase of fixed assets	1.1	-	-	-
Provision of finance	7.4	2.1	14.5	10.5

32 POST BALANCE SHEET EVENTS

On 5 March 2003, AMEC plc completed the acquisition of the outstanding 54 per cent interest in SPIE S.A.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following should be read in conjunction with the report of the auditors which is set out on the adjacent page.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMEC plc

We have audited the accounts on pages 51 to 75. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual report and the directors' remuneration report. As described on page 76, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on page 41 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the directors' remuneration report to be audited.

OPINION

In our opinion:

- the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended; and
- the accounts and the part of the directors' remuneration report, on pages 48 to 50, to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Manchester
6 March 2003

KPMG Audit Plc

FIVE YEAR RECORD

	2002 £ million	2001 £ million	2000 £ million	1999 £ million	1998 £ million
Summarised consolidated results					
Total turnover:					
Continuing operations	4,331.6	4,467.5	3,980.0	3,062.5	3,191.9
Discontinued operations	-	-	-	38.3	200.9
	4,331.6	4,467.5	3,980.0	3,100.8	3,392.8
Profit on ordinary activities before goodwill amortisation, exceptional items and taxation:					
Continuing operations	105.2	116.7	96.9	79.3	56.1
Discontinued operations	-	-	-	2.9	15.3
	105.2	116.7	96.9	82.2	71.4
Goodwill amortisation	(13.1)	(11.1)	(6.7)	-	-
Exceptional items	(52.9)	(24.9)	(10.4)	(2.2)	(2.2)
Profit on ordinary activities before taxation	39.2	80.7	79.8	80.0	69.2
Taxation on profit on ordinary activities	(28.6)	(33.3)	(29.9)	(29.6)	(22.9)
Profit on ordinary activities after taxation	10.6	47.4	49.9	50.4	46.3
Equity minority interests	0.2	-	(0.1)	-	-
Profit for the year	10.8	47.4	49.8	50.4	46.3
Dividends on equity shares	(29.5)	(25.9)	(18.8)	(15.9)	(13.0)
Dividends on non-equity shares	-	(15.8)	(9.2)	(10.4)	(10.5)
Retained (loss)/profit for the year	(18.7)	5.7	21.8	24.1	22.8
Basic earnings per ordinary share	3.7p	13.7p	19.1p	19.1p	17.3p
Diluted earnings per ordinary share**	24.3p	26.5p*	23.5p	19.0p	16.9p
Dividends per ordinary share	10.0p	9.50p	8.50p	7.50p	6.25p
Dividend cover	2.4	2.8	2.8	2.5	2.7
Summarised consolidated balance sheets					
Fixed assets	395.7	461.6	452.3	144.5	130.5
Working capital	(57.7)	(84.9)	91.8	40.7	5.9
Net (debt)/cash	(37.3)	(44.6)	(211.8)	105.2	97.2
Provisions	(47.1)	(44.2)	(48.6)	(46.7)	(39.9)
Net assets	253.6	287.9	283.7	243.7	193.7
Shareholders' funds	251.8	285.7	281.5	243.7	193.7
Equity minority interests	1.8	2.2	2.2	-	-
	253.6	287.9	283.7	243.7	193.7

The figures are stated in accordance with the accounting policies set out on page 56 and have been restated in order to conform with the requirements of UITF Abstract 34 'Pre-contract costs' and FRS 19 'Deferred tax'.

*Pro forma basis, assuming the preference shares were converted to ordinary shares on 1 January 2001.

**Before goodwill amortisation and exceptional items.

PRINCIPAL GROUP COMPANIES

As at 31 December 2002

The subsidiaries and joint ventures which, in the opinion of the directors, principally affect group trading results and net assets are listed below. Except where indicated, all subsidiaries listed below are wholly owned, incorporated in Great Britain and carry on their activities principally in their countries of incorporation. Shares are held by subsidiary companies except where marked with an asterisk where they are held directly by the company. All holdings are of ordinary shares, except where otherwise indicated. A full list of subsidiaries will be filed with the Registrar of Companies with the next annual return.

SUBSIDIARIES

AMEC Australia Pty Limited (Australia) (note 1)
 AMEC BWK Limited
 *AMEC Capital Projects Limited
 AMEC Civil Engineering Limited
 AMEC Civil LLC (USA) (80%) (note 2)
 AMEC Construction Limited
 AMEC Construction Management Inc. (USA)
 AMEC Developments Limited
 AMEC Earth and Environmental Limited (Canada)
 AMEC Earth and Environmental Inc. (USA)
 AMEC E&C Services Limited (Canada)
 AMEC E&C Services Inc. (USA)
 AMEC Electrical and Mechanical Engineers Limited
 (Hong Kong) (note 3)
 AMEC Facilities Limited
 *AMEC Finance Limited
 AMEC Foundations Limited (Canada)
 AMEC Foundations Inc. (USA)
 AMEC Group Limited
 AMEC Group Singapore Pte Limited (Singapore)
 AMEC Holdings Inc. (USA)
 AMEC Inc. (Canada)
 AMEC Ingenieurbau GmbH (Germany)
 AMEC Internal Asset Management Limited
 AMEC International Construction Limited
 (operating outside the United Kingdom)
 *AMEC Investments Limited
 AMEC Offshore Services Limited
 AMEC Power Limited
 AMEC Project Investments Limited
 *AMEC Property and Overseas Investments Limited
 AMEC Rail Limited
 AMEC S.A. (France)
 *AMEC Services Limited
 AMEC Technologies Limited (Canada)
 AMEC Technologies Inc. (USA)
 AMEC Utilities Limited
 Atlantic Services Limited (Bermuda)
 Cayman Hotel & Golf Club Partnership
 (Cayman Islands) (note 4)
 CV Buchan Limited
 Midwest Pipeline Contractors Inc. (USA)
 US Pipelines Inc. (USA) (87%) (note 5)

JOINT VENTURES

*AMEC SPIE Rail Systems Limited (50%) (note 6)
 Health Management (Carlisle) Holdings Limited (50%) (note 7)
 Health Management (UCLH) Holdings Limited (33.3%) (note 8)
 ICIAN Developments (50%) (note 9)
 KIG Immobilien Beteiligungsgesellschaft mbH
 (Germany) (50%) (note 10)
 *Newcastle Estate Partnership Holdings Limited (50% – 'A' shares)
 (note 11)
 *Northern Integrated Services Limited (50% – 'B' shares) (note 12)
 *Road Management Group Limited (25%) (note 13)
 SPIE S.A. (France) (46%) (note 14)
 Wastewater Management Holdings Limited (25% – 'B' shares)
 (note 15)

Notes

- 1 The issued share capital of AMEC Australia Pty Limited is 62,930,001 ordinary shares of A\$1 each, 12,500,000 class 'A' redeemable preference shares of A\$1 each and 2,500 non-cumulative redeemable preference shares of A\$1 each.
- 2 The issued share capital of AMEC Civil LLC is 1,000 common shares of US\$1 each.
- 3 The issued share capital of AMEC Electrical and Mechanical Engineers Limited is 41,000,000 ordinary shares of HK\$1 each, 1,035,000 cumulative redeemable preference shares of US\$1 each and 150,000 'B' preference shares of HK\$10 each.
- 4 Cayman Hotel & Golf Club Partnership is a limited liability partnership.
- 5 The issued share capital of US Pipelines Inc. is 18,400 common shares of US\$100 each.
- 6 The issued share capital of AMEC SPIE Rail Systems Limited is 2,000,000 ordinary shares of £1 each. Following the acquisition of the remaining share capital in SPIE S.A., on 5 March 2003, AMEC SPIE Rail Systems Limited became a wholly owned subsidiary of AMEC plc.
- 7 The issued share capital of Health Management (Carlisle) Holdings Limited is 1,367,196 ordinary shares of £1 each.
- 8 The issued share capital of Health Management (UCLH) Holdings Limited is 755,184 ordinary shares of £1 each.
- 9 The issued share capital of ICIAN Developments Limited is 20,000 ordinary shares of £1 each.
- 10 KIG Immobilien Beteiligungsgesellschaft mbH is a limited liability partnership.
- 11 The issued share capital of Newcastle Estate Partnership Holdings Limited is 500,000 'A' ordinary shares of £1 each and 500,000 'B' ordinary shares of £1 each.
- 12 The issued share capital of Northern Integrated Services Limited is 12,500 'A' ordinary shares of £1 each and 12,500 'B' ordinary shares of £1 each.
- 13 The issued share capital of Road Management Group Limited is 25,335,004 ordinary shares of £1 each.
- 14 The issued share capital of SPIE S.A. is 6,515,079 ordinary 'A' shares of €11.59 each and 5,542,222 ordinary 'B' shares of €11.59 each. SPIE S.A. became a wholly owned subsidiary of AMEC plc on 5 March 2003.
- 15 The issued share capital of Wastewater Management Holdings Limited is 150,000 'A' ordinary shares of £1 each, 75,000 'B' ordinary shares of £1 each and 75,000 'C' ordinary shares of £1 each.
- 16 The company has representation on the board of each principal group company.

SHAREHOLDER INFORMATION

SHARE DEALING SERVICE

A share dealing service is provided exclusively for the investment in and sale of shares in the company. It is an execution only service and no financial or taxation advice is provided.

Stockbroking commission will be payable at the rate of 1.0 per cent on the first £3,000 consideration and 0.5 per cent thereafter. There is a minimum commission of £9.99.

Further information may be obtained from:

NatWest Stockbrokers Limited
Corporate and Employee Services
AMEC information
55 Mansell Street, FREEPOST, London E1 8BR, United Kingdom
Tel: +44 (0)870 600 2050

This note has been approved for the purposes of Section 57 of the Financial Services Act 1986 by NatWest Stockbrokers Limited, a member of the London Stock Exchange, regulated by the Securities and Futures Authority.

Please remember that the value of shares and the income from them may go down as well as up and that you may not recover the amount originally invested.

FINANCIAL CALENDAR

March Preliminary announcement for the year ended 31 December.

April Annual report and accounts for the year ended 31 December.

May Annual general meeting.

September Interim report for the half year ended 30 June.

Interim and preliminary announcements notified to the London Stock Exchange are available on the internet at www.amec.com. Copies of annual reports and accounts are also available upon written request from: WILink, Hook Rise South, Surbiton, Surrey KT6 7LD, United Kingdom.

PAYMENT OF DIVIDENDS

Interim ordinary dividend announced in August and paid in January.

Final ordinary dividend announced in March and paid in July.

Shareholders who do not have dividend payments made directly into their bank or building society accounts through the Bankers Automated Clearing System (BACS) may do so by contacting the company's registrar, Capita Registrars.

DIVIDEND REINVESTMENT PLAN

A dividend reinvestment plan (DRIP) is available for the convenience of shareholders who would prefer the company to utilise their dividends for the purchase, on their behalf, of additional shares of the company instead of receiving cash dividends.

The DRIP provides for shares to be purchased in the market on, or as soon as reasonably practicable thereafter, any dividend payment date at the price then prevailing in the market. Further details of the DRIP may be obtained from:

Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
United Kingdom
Tel: +44 (0)20 8639 2000
E-mail: ssd@capitaregistrars.com or visit the website at www.capitaregistrars.com

ELECTRONIC COMMUNICATIONS

AMEC's web site has a facility whereby shareholders can link to the company's registrar Capita Registrars via its web site in order to gain access to general shareholder information as well as personal shareholding details. You will need an internet-enabled computer with Internet Explorer 4 or Netscape 4 or above to access these shareholder services. If you wish to access details of your personal shareholding you will need your investor code, which is printed in the bottom right-hand corner of your AMEC share certificates and dividend tax vouchers.

To access these services:

- 1 Select the 'Investors' home page of amec.com
- 2 Click on the 'Need to contact the registrar?' link
- 3 Select the service required

AMEC now offers shareholders the opportunity to receive communications such as notices of shareholder meetings and the annual report and accounts electronically. AMEC encourages the use of electronic communication as, not only does it save the company printing and mailing costs, it is also a more convenient and prompt method of communication.

If you decide to receive communications electronically, you will be sent an e-mail message each time a new shareholder report or notice of meeting is published. The e-mail will contain links to the appropriate website where documents can be viewed. It is possible to change your instruction at any time by amending your details on the register.

If you would like to receive electronic communications, you will need to register your e-mail address as follows:

- 1 Select the 'Investors' home page of amec.com
- 2 Click on the 'Need to contact the registrar?' link
- 3 Click on the 'Electronic shareholder communications' link
- 4 Subject to having accepted the conditions of use of the Electronic Communications Service provided by Capita Registrars, enter your family name, investor code and postcode and then click on 'go'

If you decide not to register an e-mail address with the registrar, you will continue to receive all communications in hard copy form.

If you have any queries regarding electronic communications, please contact the company's registrar, Capita Registrars, on +44 (0)870 162 3100.

REGISTERED OFFICE

AMEC plc
Sandiway House, Hartford, Northwich, Cheshire CW8 2YA
United Kingdom
Registered in England No 1675285

This report is printed on Mega Matt. The paper is made from 50 per cent chlorine-free pulp from plantation forests and from 50 per cent recycled and de-inked fibres. Any wastage in the finishing process has been addressed and minimised. The printers of the report are also ISO 14001 accredited and actively work to minimise the effects of the business on the environment.

Designed and produced by Fitch:London. Printed by wace.

AMEC plc
65 CARTER LANE
LONDON EC4V 5HF
UNITED KINGDOM

TEL: +44 (0)20 7634 0000

FAX: +44 (0)20 7634 0001

www.amec.com