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AMEC plc ANNUAL REPORT AND ACCOUNTS 2001

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AMEC is a leading international provider of specialised services and engineering solutions for clients in manufacturing, commercial, infrastructure and process industries. AMEC applies knowledge, innovation and technology to generate value for clients throughout the life of their capital assets

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Unless otherwise stated, amounts and percentage movements referred to throughout this document 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 operating margin of the Client Support Services, Capital Projects and Investments sectors are stated before e-commerce and corporate costs, goodwill amortisation and exceptional items.

Diluted earnings per share and percentage movements referred to throughout this document have been calculated on a pro forma basis on the assumption that preference shares were converted to ordinary shares on 1 January 2001.

Strategic growth of Client Support Services has established a more predictable base of earnings.

The level of risk in Capital Projects has been significantly reduced.

AMEC's expanded international base of operations has become a significant strength.

Generating value

At AMEC, generating value for shareholders begins with a focus on generating value for clients. In recent years, AMEC has successfully pursued a strategy which has seen the company transformed into a service driven enterprise, with a strong base of more predictable recurring revenues from long-term customers.

The strategy has been focused on three key areas: the development of Client Support Services, improved financial performance of Capital Projects and international growth.

Over the last two years, total turnover of Client Support Services has increased from £975.5 million in 1999 to £1,765.2 million in 2001 with underlying operating margin remaining stable at over four per cent. Through the development of long-term relationships in selected business sectors and negotiated contractual relationships, the level of risk in Capital Projects has been significantly reduced.

Strategic investments in SPIE and AGRA have transformed AMEC from being a largely UK orientated business to one with three major markets being the UK, continental Europe and North America. The proportion of total turnover in the UK has been reduced from 71 per cent in 1995 to 35 per cent in 2001 (with the pro forma inclusion of SPIE at 100 per cent).

The successful execution of this strategy has generated value for all stakeholders in the business. Over the last five years AMEC shares have undergone a rerating on the London Stock Exchange, with the ordinary share price having outperformed the FT All-Share Index by over 200 per cent.

AMEC's transformation has greatly strengthened the company's international service capability whilst improving financial performance, reducing risk and establishing a more predictable base of earnings with long-term clients. The company is well positioned to provide total life of asset services in response to the demands of an increasingly consolidated international client base. AMEC expects to see further growth in the proportion of its activities in the services area as synergies build across the group.

Together with its French associate SPIE, AMEC employs over 50,000 people in around 50 countries and generates total turnover of £5.5 billion. AMEC has increased group pre-tax profit in each of the last five years, from £47.5 million in 1997 to £116.7 million in 2001

CLIENT SUPPORT SERVICES

Consulting and Design
Engineering, process, environmental and architectural consulting and design; technology and process optimisation.

£396m
total turnover

Operations Support
Provision of operations, design, maintenance and renewal services arising from clients' outsourcing.

£1,369m
total turnover

CAPITAL PROJECTS

Construction Management
Management of projects on behalf of clients, contracted on a fee basis.

£625m
total turnover

Construction
Procurement and construction in selected sectors.

£2,033m
total turnover

INVESTMENTS

Property Development and Regeneration
Property development projects with managed risk and specialism in urban regeneration.

£17m
Investments total operating profit

Public Private Partnerships
Finance, design, build, own, operate and transfer projects for public infrastructure.

£130m
Investments net assets

The growth of Client Support Services in recent years has provided AMEC with a more visible and predictable stream of earnings. The business is focused on selected client sectors with high barriers to entry such as oil and gas, railway maintenance and process industries where AMEC is able to differentiate its services and improve the value and sustainability of its clients' capital assets.

New contracts in upstream oil and gas, transportation and environmental consulting worth in excess of £1 billion were secured during 2001. Strategically important, long-term international partnerships were also formed in the telecoms and food and beverage sectors. Details of contract awards and partnerships are available at www.amec.com/news/.

Over the last five years AMEC has developed a highly selective approach to capital projects with particular emphasis placed upon the value of long-term strategic relationships. In the UK, AMEC's turnover in traditional hard-bid building work is now negligible, with any building work done largely on a design and construct or design and manage basis.

During 2001 high levels of international activity continued for oil and gas clients whilst in the US, AMEC was heavily involved with projects at the World Trade Center and the Pentagon.

AMEC's Property Development and Regeneration business is involved with projects in retail, leisure, commercial and other selected areas, on a limited risk basis, and often working closely with the public sector as its partner. The company is also involved with eight Public Private Partnership (PPP) projects in roads, hospitals, water treatment and the public building sector. The investment commitment for these and regeneration partnerships is approximately £57 million, with £20 million having been invested to date.

AMEC's leading position in UK urban regeneration has been strengthened by securing partnerships including those with the English Cities Fund, Reading Borough Council and British Waterways for developments with a total capital value of up to £1.5 billion.

AMEC has delivered another good set of results, continues to strengthen its business and has further improved the quality of its earnings

Last year I said that AMEC was very well positioned to deliver improving performance in the years ahead. Consequently, I am very pleased to report that AMEC has continued to make solid progress, with an 11 per cent increase in diluted earnings per share and strong cash generation.

These good results confirm our continuing progress in the transformation of AMEC. The strategy we have developed and pursued over the last five years is providing competitive advantage and building ever stronger relationships with global clients. I am particularly pleased to see growing evidence of the benefits of synergy between our businesses and expect more going forward.

We have continued to take steps to strengthen the business. More than a dozen non-core interests were successfully disposed of or closed, whilst the conversion of the company's preference shares to ordinary shares simplified AMEC's capital structure and improved its financial flexibility. In January 2002, a major change of management structure was announced. This is expected to improve customer service through increased flexibility and the promotion of best practice. I believe that each of these important developments will result in a stronger and more dynamic AMEC.

I am pleased to report the publication of AMEC's first sustainability report, which sets out our principles, policies and measures of economic, environmental and social performance. Sustainability is an ongoing commitment at AMEC and we believe that the company's performance will continue to benefit from the high priority which we give to the management of safety, health and environmental issues.

AMEC had another good year in 2001 and, as always, I wish to pay tribute to all of our employees for their contribution to the continuing success of our company.

I believe that AMEC is increasingly well positioned to deliver improving performance and I look to the future with confidence.

Sydney Gillibrand CBE
Chairman
7 March 2002

FINANCIAL HIGHLIGHTS

> Pre-tax profit up 18 per cent to £116.7 million
> Net debt reduced by £167 million to £45 million
> Overall growth of 30 per cent in Client Support Services activities
> Diluted earnings per share up 10.5 per cent to 27.3 pence
> Recommended dividends up 11.8 per cent to 9.5 pence per share
> SPIE continued to make a strong contribution

	2001 £ million	2000 £ million	Change
Total turnover	**4,467.5**	3,980.0	+12.2%
Total operating profit	**130.5**	116.3	+12.2%
Pre-tax profit	**116.7**	98.9	+18.0%
Net debt	**(44.6)**	(211.8)	
Shareholders' funds	**306.5**	300.0	
Earnings per ordinary share:			
Basic	**28.5p**	28.7p	
Diluted	**27.3p**	24.7p	+10.5%
Dividends per ordinary share	**9.5p**	8.5p	+11.8%

AMEC continues to move forward in its transformation, with a focus on high value technical services, a selective approach to capital projects and an improved international position

During 2001, AMEC continued to make good progress in generating value for shareholders through its continued focus on high value technical services, its selective approach to capital projects and strategic international expansion. Once again, the company performed creditably, with pre-tax profit up 18 per cent to £116.7 million, diluted earnings per share up 10.5 per cent to 27.3 pence and a strong cash performance, which resulted in net debt falling by £167.2 million to £44.6 million at the year end.

Operational highlights

Client Support Services continued to deliver strong growth, with total turnover increasing by 30 per cent. Underlying operating margin remained stable, reflecting AMEC's focus on high value technical services to clients in areas key to their core operations. Through the development of long-term or repeat contracts with clients, service activities now provide AMEC with a more predictable, lower risk stream of earnings, which represented some 51 per cent of total operating profit (with the pro forma inclusion of SPIE at 100 per cent).

Capital Projects made further progress during the year by continuing to focus on project and client selectivity, reduction of risk, negotiation of contracts and improvement of financial performance. Operating margin in Construction remained at over 3 per cent, with Construction Management returning to profit in 2001 following recent losses.

Within Investments, property development and urban regeneration performed satisfactorily in an otherwise dull institutional market and extended its base for future activities.

AMEC's leading position in UK urban regeneration was strengthened during the year by being selected for a number of property development partnerships including those with English Cities Fund and British Waterways with a total capital value of up to £1.5 billion. Returns on these important regeneration projects are expected to equal or exceed those available from PPP schemes, with shorter payback times and greater control over project timings.

AMEC is providing engineering design, fabrication, integration and commissioning for a complex 17,000 tonnes topside facility for Shell's Bonga Floating Production, Storage and Offloading vessel to be located off Nigeria.

AMEC is fully committed to the renewable energy market and, with its partners, already operates five wind farms, including the UK's first offshore development.

AMEC remains focused on high value technical services to clients in areas key to their core operations. New service contracts worth in excess of £1 billion were secured during the year.

SPIE

SPIE continues to make positive progress as a result of its strategy of organic growth and service based acquisitions and made another strong contribution to AMEC's earnings in 2001. SPIE extended its strong position in the telecoms market and is now one of the leading telecom and network services integrators in Europe. Electrical services and rail activities also had a good year, whilst the regional construction business performed well. Over half of SPIE's total turnover was generated from service activities and, following the acquisition of Matra Nortel Communications Distribution, the proportion is now approaching 60 per cent.

Relationships built up over the last five years are excellent and the management teams of AMEC and SPIE remain enthusiastic about the future together. As the date for committing to acquire the balance of SPIE approaches, AMEC continues to discuss in greater detail with senior SPIE management joint plans for SPIE and its position in an enlarged AMEC.

Restructuring

AMEC has made significant progress in developing the international delivery of its services, with its major focus on the three key geographical markets of the UK, North America and continental Europe. Consistent with this, and envisaging that SPIE is likely to become part of AMEC, a new regional management structure was announced by AMEC in January 2002. This is expected to maintain the company's focus on growth of service activities whilst improving customer service through increased flexibility and the promotion of best practice delivered at a local level. The cost of restructuring initiatives in 2002 is estimated to be somewhat in excess of £5 million, with a payback of less than 12 months. Full benefits are not expected to be achieved before 2003.

AMEC has developed a leading position in the international oil and gas industry based on over 30 years' experience working with clients in the hostile environment of the North Sea. Operational services for Shell's Malampaya project in the Philippines are supported remotely by web based technology from bases in Aberdeen and Great Yarmouth, UK.

AMEC's leading position in UK urban regeneration was strengthened in the year by a number of property development partnerships with a total capital value of up to £1.5 billion.

AMEC has been appointed to an important public private property partnership to operate and develop British Waterways' surplus land and property portfolio over the next fifteen years.

Important contracts with North American pharmachem clients Apotex and BenVenue could not have been won without close working relationships between AMEC's global pharmachem and US Construction Management businesses.

Organic growth prospects

AMEC operates in a broad spectrum of markets ranging from energy to the environment. In general, these have good prospects. Energy, the largest market sector, is buoyant with AMEC being busy in all areas of activity from the traditional mainstay of the business in the North Sea to the fast emerging market in renewable energy. AMEC is well positioned to benefit from internationalisation of the energy market and continued growth opportunities are expected in the medium and long-term.

Transport related activities in railways and roads remain strong, though there has been some reduction in airports work post 11 September. AMEC has been unaffected by the situation at Railtrack and is bidding for two PPP light rail projects. In the airports sector, framework agreements with BAA provide a steady stream of work and activity levels on the Terminal 5 project are increasing.

Prospects in the infrastructure sector remain good. The telecoms market is viewed by AMEC with some optimism. Growth opportunities in outsourcing are expected to continue and, whilst delayed, the introduction of 3G high capacity mobile communications is expected to present further opportunities.

In the process and manufacturing sector, the pharmachem industry in Europe and the US continues to experience strong sales growth. In North America, mining, metals and the forest industries sectors remain weak, though AMEC continues to do well through relationships with key clients.

The environmental sector remains strong in North America. The TEA-21 programme yielded a number of transportation sector contracts to AMEC last year and further opportunities are expected in 2002. Following the events of 11 September, there has been an increase in demand for security related services.

Benefits of synergy
AMEC's strategy over the last five years has increased its international spread and strengthened its range of capabilities across many market sectors. Increasingly, this transformation differentiates AMEC from its competitors and is opening up new international opportunities across the former AGRA, SPIE and AMEC. Examples include important contracts from North American companies Apotex and BenVenue, which could not have been won without close working relationships between AMEC's global pharmachem and US Construction Management businesses. AMEC's global alliance with Nortel Networks provides evidence of the company's improved position in the telecoms market, whilst in railways AMEC and SPIE, together with their joint venture company AMEC SPIE Rail, are increasingly well placed to win new business in light and heavy rail capital projects and maintenance activities.

AMEC expects synergies within the company and with its French associate SPIE to produce increasing amounts of new business in the medium and long-term.

Outlook
AMEC has made a good start to 2002. The order book remains healthy at around £5 billion (with the pro forma inclusion of SPIE at 100 per cent) and is underpinned by a strong base of revenues from long-term or repeat clients and the prospect of major wins in Capital Projects. In Investments, AMEC has successfully secured a number of long-term opportunities.

Whilst the general economic outlook remains difficult to predict with certainty, signs of recovery are apparent in North America. Key sectors served by AMEC, including oil and gas, transportation and infrastructure, remain strong and prospects for organic growth are encouraging.

AMEC has an option to buy the outstanding 54 per cent interest in SPIE S.A., exercisable from 1 July 2002, with completion and payment from early January 2003. Exercise of the option would be subject to AMEC shareholder approval and would cost approximately £160 million. Plans for the anticipated exercise are progressing well.

The board expects AMEC to continue to make progress in 2002, with a further shift in the balance of business towards higher value technical services.

In summary, 2001 was another year of solid progress for AMEC. We are increasingly well positioned in our chosen markets, with a continued focus on high value technical services, a selective approach to capital projects and an improved international position. The outlook is positive, with a healthy base of long-term clients, a solid order book and excellent potential to build upon our strong partnership with SPIE.

Sir Peter Mason KBE
Chief Executive
7 March 2002

STRATEGIC GROWTH OF CLIENT SUPPORT SERVICES HAS ESTABLISHED A MORE PREDICTABLE BASE OF EARNINGS

£1,765m
total turnover

£74m
total operating profit

Developing Client Support Services

Client Support Services accounted for approximately half of the group's total operating profit in 2001. The business has delivered strong growth in recent years, with total turnover increasing from £975.5 million in 1999 to £1,765.2 million in 2001. Operating margin was robust, reflecting the company's focus on high value services. Through the development of long-term or repeat contracts with clients, service activities provide AMEC with a more predictable, lower risk stream of earnings.

AMEC focuses on generating value for its clients and places great importance on strategic relationship management techniques. Long-term relationships have been developed with clients, often involving AMEC operating in areas key to their core operations. The company's in-depth knowledge of its customers' businesses and its multi-disciplinary strength in environmental consulting, design and support services helps clients to achieve significant capital savings and greater long-term asset value.

AMEC also generates value through the application of AMEC based technologies and has developed industry-leading systems. These include specialised operations analysis and simulation tools, CAD and related design software, the Convero project management system and internet-based project web technology which enables the company to leverage utilisation of resources around the world.

Consulting and Design Services
The Consulting and Design business has grown significantly following the acquisition of AGRA in 2000 and generated total turnover of £396.0 million in 2001. The environmental consulting business operates from 90 offices across North America, often forming long-term relationships with clients.

Significant contracts awarded during 2001 included work associated with the TEA-21 programme and definition engineering for the Sakhalin II oil and gas development in the Russian Far East.

In the design services area, AMEC provides day-to-day engineering support to clients' plants and facilities, often on an 'evergreen' contract basis. In 2001, projects were performed for clients in the oil and gas, pulp and paper, mining, pharmachem, consumer products, transportation and public sectors.

Operations Support Services
With total turnover of £1,369.2 million in 2001, this area of activity has been developed in recent years in response to increasing demand for the outsourcing of planning, design and maintenance services which support the key core activities of clients.

Major definition engineering for the Sakhalin project combines AMEC's deep water North Sea expertise with the former AGRA's Canadian east coast experience of dealing with sub-zero temperatures and major ice flows.

The Earth and Environmental business offers consultancy services providing multi-disciplined solutions covering all aspects of environmental services, geotechnical engineering, materials testing and engineering and water resource services.

Primary clients operate within the utilities, rail, oil, gas and process industries, with services often being procured under cost-reimbursable framework agreements for three to five years, thereby providing a more predictable, lower risk source of earnings.

AMEC has been a substantial beneficiary of outsourcing initiatives in recent years in sectors such as gas and water utilities, whilst in Europe, SPIE has expanded its services in high value growth sectors, such as telecommunications and internet infrastructure provision. AMEC has recently begun to benefit from further opportunities in a wide range of industries from telecoms to chemicals. The company's shutdown and maintenance business, for example, has grown to a turnover of £70 million from less than £20 million three years ago.

Some 90 per cent of this work is on a cost reimbursable basis as clients recognise the value that AMEC can add through access to its skilled resources.

The global economic slowdown has reinforced outsourcing trends, with major companies, driven by the need to reduce costs and improve business efficiencies, seeking to rationalise service provision. Increasingly, these businesses are seeking to partner on a one-stop-shop, global basis. AMEC's international strength, another important feature of its strategy in recent years, is now proving to be an extremely important differentiator and is expected to offer significant business opportunities in the future.

Partnerships help AMEC to generate value for clients. The company thinks beyond traditional approaches in order to create greater long-term asset value for clients throughout the life of their capital assets.

£2,658m
total turnover

£63m
total operating profit

Capital Projects improves performance

In the mid 1990s, a high percentage of capital projects were secured on a hard-bid basis. Risk management was in its infancy and all projects were pursued with equal vigour, irrespective of the client or the nature of the project. Over the last five years AMEC has pursued a strategy of concentrating on the development of a highly selective approach to capital projects. This has involved focus on project and client selectivity, reduction of risk, negotiation of contracts and improvement of financial performance.

The refocusing of AMEC's activities has involved the disposal or closure of a number of businesses which were either loss making or non-core. In the UK, AMEC's turnover in traditional hard bid building work is now negligible, with any building work done largely on a design and construct or design and manage basis.

Transformation of the Capital Projects business has been accompanied by a change in the business behaviour of the UK contracting industry. There has been a pronounced shift towards partnering, alliancing and negotiated contracts which has delivered more predictable margins to AMEC, whilst also strengthening its relationships with clients.

In the Construction business, activities are today focused on long-term client relationships and negotiated contracts, with increased emphasis on cost protection/reimbursement and being highly selective on the work taken on.

Activity has been deliberately narrowed to a smaller number of clients in process industries, manufacturing and infrastructure,

Airports remain an important market for AMEC. Shown here is the new International Arrivals Terminal at JFK International Airport New York, the largest public/private aviation facility in the US.

Continued investment is expected in European light and heavy rail and, together with SPIE, AMEC is in a good position to benefit from new railway capital projects.

Immediately prior to 11 September 2001, AMEC had just completed a project to strengthen and renovate Wedge One of the Pentagon. The company is now reconstructing the damaged Wedge One and part of Wedge Two, with the goal of having people back in their offices in portions of the Wedges by 11 September 2002.

helping them to develop their capital assets for long-term efficiency. Operating margin in Construction has increased significantly in recent years to over 3 per cent.

In North America, the Construction Management business has, in recent years, reduced levels of risk, increased project selectivity and improved margin performance. The proportion of cost-reimbursable work is now approaching 50 per cent, having been as low as 33 per cent. Following a period of losses, the business was returned to profitability in 2001.

Significant synergies now exist between the Capital Projects and Client Support Services businesses. Front-end consulting or definition engineering work often translates into high value construction projects. Conversely, capital projects often create a legacy stream of operation and maintenance services contracts for the service businesses.

Capital Projects provides an important component in the total life of asset services AMEC is able to offer clients and will continue to provide the company with opportunities for growth.

AMEC's involvement in Property Development and Regeneration and Public Private Partnerships provides it with negotiated design and construction project opportunities. The company has a leading position in regeneration (shown here (top) is Havelock Mill, UK) UK highways (shown here is the A419/A417) and PPP projects (shown here are the new Newcastle and Washington offices of the Department of Social Security).

AMEC'S EXPANDED INTERNATIONAL BASE OF OPERATIONS HAS BECOME A SIGNIFICANT STRENGTH

close to
50
countries

57%
of total turnover generated outside UK

International strength

AMEC's expanded international base of operations has become significant over the last five years, differentiating the company from its peers and enabling it to build even stronger relationships with global clients in sectors including oil and gas, pharmaceuticals, telecommunications and food and beverages.

Strategic investments in SPIE and AGRA have developed a progressively more balanced international portfolio of services, capital projects and investment activities, backed by strong design, engineering, technical and management capabilities.

SPIE

In 1997, AMEC acquired a 41.6 per cent stake in SPIE S.A., the international electrical engineering, infrastructure and construction services company based in France for £25 million. The investment provided AMEC with access to France principally, but also to other continental European markets, through SPIE's strong and growing services businesses. SPIE also provides important synergies with AMEC, particularly in railways, international engineering projects and pipelines. In 2001 AMEC increased its holding in SPIE to 46 per cent through subscribing for a rights issue and increasing its investment at a total cost of £23.8 million and has an option, exercisable from 1 July 2002, to buy the outstanding 54 per cent. Together, AMEC and SPIE employ over 50,000 people in close to 50 countries and generate total turnover of £5.5 billion.

AGRA

In 2000, AMEC acquired AGRA Inc., the North American engineering and professional services group for £227 million. The acquisition provided AMEC with access to attractive markets in North America through AGRA's position in sectors including oil and gas, environmental consulting, mining, forestry, power and infrastructure.

In addition, AGRA brought with it a portfolio of professional support activities, including environmental and geotechnical services and operational support activities.

The combination of AMEC, SPIE and AGRA creates an international group with significant operations in the three home markets of the UK, continental Europe and North America. This strategic growth has resulted in the proportion of total turnover in the UK falling from 71 per cent in 1995 to 35 per cent in 2001 (with the pro forma inclusion of SPIE at 100 per cent). Through targeted international growth, AMEC is today better positioned to provide a wider range of services, on an increasingly international basis, in response to the demands of a consolidating international client base, whilst being better able to withstand weakness in any one market sector or economy.

AMEC provides ongoing engineering and design services in Alberta, Canada for Syncrude, the world's largest producer of crude oil from oil sands and the largest single source producer in Canada.

Geotechnical foundation assessments for the proposed 1,900 foot long bridge to span the Colorado River next to the Hoover Dam include visual inspections of the canyon walls using abseilling techniques.

SPIE is one of the leading telecom and network services integrators in Europe.

Building on its successful approach to the Malampaya project in the Philippines, AMEC offers centres of excellence in engineering design and asset management support services to the oil and gas industry in Indonesia and Malaysia.

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

SPIE HAS SUCCESSFULLY PURSUED A STRATEGY OF CHANGE IN RECENT YEARS

£1,908m
total turnover*

£42m
total operating profit*

SPIE doubles pre-tax profit in five years

SPIE is an international provider of electrical engineering and IT, infrastructure and construction services. It offers a broad range of total life of asset services ranging from design and construction to operation and maintenance. In 2001, SPIE employed a total of some 25,000 employees and generated total turnover* of £1.9 billion, the majority of which was from its strong and growing service businesses. The company has, in recent years, successfully pursued a strategy of change, which has involved improving financial performance, growing service activities in Europe and diversifying market coverage.

The success of this strategy over the last five years has produced strong international growth in services, with emphasis on New Technologies for Information and Communication (NTIC).

The acquisition of Laurent Bouillet has strengthened SPIE's position in Heating, Ventilation and Air Conditioning markets.

Spie Enertrans has a well-established position in power generation and transmission.

The company's diverse product portfolio has been further strengthened through development of Heating Ventilation and Air Conditioning (HVAC) activities and support services (commercial and industrial). Reduction of risk and the cessation of capital intensive and low margin activities associated with property development and hard bid international projects has produced a significant improvement in financial performance, with pre-tax profit* more than doubling over the last five years.

Spie Trindel

Spie Trindel is a European leader in electrical engineering, telecom and information networks (under the Spie Netcom brand) and HVAC engineering. The business has a network of over 200 branches in France and has grown strongly in recent years through organic development, partnerships and acquisitions in Belgium, Holland, Germany and Portugal.

In 2001 Spie Trindel acquired 60 per cent of Matra Nortel Communications Distribution (now renamed Spie Communications), which has significantly strengthened the company's position in the NTIC market. Having had no market presence five years ago, Spie Netcom is now one of the largest integrators of telecommunications and networks in Europe.

Spie Enertrans

Spie Enertrans consists of two divisions, Transport and Energy.

Spie Enertrans Transport builds high-speed railway lines, upgrades rail networks and develops urban transport systems. The business operates primarily in Europe, where it is expanding its organisation on a country-by-country basis with the support of local partners. The company has a network of European businesses, including AMEC SPIE Rail in the UK, that are acknowledged leaders in their respective markets.

*Results stated in accordance with UK GAAP and before goodwill amortisation and exceptional items

Spie Enertrans Energy has a well-established position in the nuclear power, oil and gas, and power generation markets. It is a leader in pipeline construction through Spie Capag which, together with AMEC's pipeline business in North America, represents one of the biggest large diameter pipeline businesses in the world, with experience in all terrains from the arctic to the tropics.

Spie Batignolles

Spie Batignolles is involved in the design and construction of complex infrastructure projects in Europe and around the world. The business is focused on generating value for clients through total life of asset services and, in common with AMEC, is increasingly performing construction activities in association with other services. Activities include concessions, design, maintenance and services, alliance contracts for infrastructure, building and property projects as well as partnerships with original equipment manufacturers in the energy and transport sectors. The company continues to pursue traditional construction and civil engineering activities in France.

Spie Trindel (main picture) is a European leader in electrical engineering, with a network of over 200 branches throughout France. Spie Capag is well-positioned in pipeline construction and, together with AMEC, represents one of the biggest large diameter pipeline businesses in the world. Spie Batignolles is involved in the design and construction of complex infrastructure projects in Europe and around the world.

*Results stated in accordance with UK GAAP and before goodwill amortisation and exceptional items

SUSTAINABILITY

AMEC is committed to building a sustainable business – one that seeks to achieve a balance of positive economic, environmental and social benefits – and to continuous improvement and regular public reporting on performance

In past annual report and accounts, AMEC has regularly reported on safety, health and environmental activities. This year, AMEC has expanded its reporting with the introduction of a parallel sustainability report which sets out in more detail its key principles, policies and measures of economic, environmental and social performance.

The 2001 sustainability report includes detailed reporting on the company's health and safety performance and provides additional detailed information concerning environmental performance, ethical business conduct, community involvement and respect for employee and human rights.

Why sustainability?
There is a fundamental link between any company's economic, environmental and social performance. While all three have long been areas of uncompromising focus within AMEC, the transformation over the past few years into a geographically diversified, service-oriented company has provided the impetus and the opportunity to re-examine the approach to the measurement and reporting of 'triple bottom line' results.

The objective of AMEC's sustainability programme is to improve its business in a manner which "meets the needs of the present without compromising the ability of future generations to meet their own needs" (Bruntland 1987). Fundamental to the concept of sustainability is the need to underpin solid environmental and social performance with strong profitable growth. Put simply, "if we do well, we can do good".

AMEC also subscribes to the view of the Association of British Insurers which has underlined that integrated sustainability reporting is simply good business.

Water Aid, one of AMEC's primary charities for 2001, helps poor communities in developing countries to improve the quality of life through improved water supply and sanitation.

Health and safety is a top priority in the workplace and correct equipment is essential. Here an AMEC employee works on paint removal as part of AMEC's repair, refurbishment and replacement work at Waterloo Station in London.

AMEC's Earth and Environmental business provides a full range of environmental planning and remediation services, geotechnical engineering, materials testing, engineering and water resource services.

The efforts required to measure, report and improve performance can be significant but, equally, they are a valid reflection of a company's ability to understand, manage and mitigate risk.

Developing a sustainability programme

The transformation of AMEC's business, as outlined earlier, has led naturally to the adoption of the sustainability programme. In 2000, AMEC's board appointed Peter Janson as its member responsible for sustainability. A task force of senior executives has worked to review policies and practices across AMEC and consult with businesses and external experts concerning appropriate performance measures and processes for continuous improvement.

In each main region of AMEC's operations, a senior executive now has operational responsibility for sustainability and, with the support of a core central team, they work with local managers to promote sustainability as a fundamental aspect of AMEC's business.

Sustainability reporting is an ongoing commitment. Looking forward, AMEC will refine and expand upon the indicators set out in its first report and establish targets for continuous improvement. AMEC will help its clients meet their sustainability goals and will engage with communities and other external groups to help develop its programme. It will employ external auditors to validate results.

To receive a copy of the sustainability report 2001 contact AMEC Corporate Communications at 65 Carter Lane, London EC4V 5HF, United Kingdom, or obtain a copy online at www.amec.com. Your comments and suggestions may be submitted to: sustainability@amec.com.

Highlights of the sustainability report 2001

> Launched AMEC's expanded sustainability measurement, reporting and continuous improvement programme

> Launched 'Safety by Action' internal health and safety initiative across AMEC to drive the next stage of performance improvement

> Achieved a record of zero environmental citations and prosecutions across AMEC

> Announced AMEC's plan to co-develop Europe's largest wind energy farm off the west coast of Scotland

> Implemented an industry-leading Code of Business Conduct and training programme in the Americas

> Sponsored a new distance-learning project management programme (UMIST and Penn State University) plus the 'Sustainability Enterprise Academy' (Schulich School of Business, Toronto)

A good year with strong organic growth in Services, a robust performance in Capital Projects and a secured position for future Investment activities

Acquisition and disposal activity

The group's acquisition activity in the year was largely confined to increasing its stake in SPIE S.A. from 41.6 per cent to 46 per cent through participation in a rights issue and increasing its investment at a total cost of £23.8 million. On 30 March 2001, the group received over £90 million of deferred consideration from the disposal of Fairclough Homes in 1999. There were over a dozen business closures or disposals and several property disposals in the year which will together generate gross proceeds in excess of £30 million.

Total turnover and gross margin

Total turnover increased by 12.2 per cent as a result of the full year impact of AGRA, the increase in the investment in SPIE and organic growth in Services of about 15 per cent. This was moderated however by the planned reduction in activity in Construction Management.

Gross margin was 10.4 per cent of group turnover (2000 – 9.2 per cent) and reflected the full year impact of AGRA.

Administration expenses

Administration expenses before goodwill amortisation were 7.6 per cent of group turnover (2000 – 6.4 per cent) and reflected the full year impact of AGRA which has a higher level of overheads more typical of a consulting, engineering and professional services business.

E-commerce costs increased during the year, but this cost caption is expected to decline in 2002 as some products are ready to be deployed within the businesses and the development of others has ceased.

Corporate costs again represented the full year impact of AGRA and the fact that one-off property credits were received in 2000.

Interest

A summary of the net interest payable was as follows:

	2001 £ million	2000 £ million
Group	**6.7**	8.5
Share of joint ventures:		
PPP/Property development	**6.8**	6.4
SPIE	**0.3**	2.5
	13.8	17.4

Group interest reflected good cashflow in the latter part of 2001, lower interest rates during the year together with a credit arising from the planned sale of a subordinated debt investment held in a joint venture.

SPIE's interest charge benefited from the rights issue in early 2001, good cashflow and reduced interest rates.

Taxation

The tax charge before exceptional items amounted to £35.2 million and represented an effective tax rate of 30.2 per cent. This is marginally above the underlying UK tax rate, as expected and reflected the exposure to higher tax rates outside of the UK.

Going forward, it is expected that the effective tax rate will remain above the UK rate.

The group will adopt FRS 19 in 2002. It is currently expected that any adjustment arising from its adoption will be relatively minor save for the effect of accounting for pensions, which is referred to later in this review.

There has been no recognition of any potential liability for deferred tax of up to £13 million in respect of losses surrendered by some of the Public Private Partnership companies in which AMEC has an interest. In addition, there are significant unrecognised deferred tax assets, principally in the UK (£7 million) and US (£12 million).

Goodwill amortisation and exceptional items

Goodwill amortisation of £11.1 million (2000 – £6.7 million) related largely to the AGRA acquisition with the resulting increase in 2001 mainly due to the full year impact. In addition, goodwill of £0.5 million (2000 – £3.6 million) previously written off to reserves has been charged to the profit and loss account as an exceptional charge and relates to a business closure.

Consistent with the strategy of focusing on selected business sectors, AMEC successfully disposed of or closed more than a dozen non-core and poorly performing businesses in Europe and North America. In addition, several properties were disposed of, realising a loss of £0.4 million. These together resulted in an exceptional charge (net of tax) of £20.2 million. Gross cash proceeds in excess of £30 million will be generated from the actions taken, releasing cash to fund future growth.

Dividends per ordinary share

The recommended final dividend is 6.4 pence which, together with the interim dividend of 3.1 pence, results in a total dividend of 9.5 pence, an increase of 11.8 per cent.

Dividend cover is 2.9 times earnings on a diluted basis and before goodwill amortisation and exceptional items (2000 – 2.9 times).

Earnings per share

Diluted earnings per share were as follows:

	2001 pence	2000 pence
Diluted	**27.3**	24.7

Diluted earnings per share have been 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.

On this basis, earnings increased by 10.5 per cent although the rate of growth was less than the increase in pre-tax profit due to the full year effect of the share placement undertaken in November 2000 and the higher effective tax rate for the group.

Net assets employed

A segmental analysis of the net assets employed was as follows:

Class of business	2001 £ million	2000 £ million
Client Support Services	**73.6**	71.5
Capital Projects	**(37.3)**	11.1
Investments	**130.0**	140.9
	166.3	223.5
Goodwill capitalised	**186.6**	175.7
Net debt	**(44.6)**	(211.8)
Unallocated net assets	**0.4**	114.8
Net assets	**308.7**	302.2

The level of net assets employed in Client Support Services reflects an improvement in cashflow, which was more than offset by the increased investment in, and the profit retained within AMEC's French associate, SPIE. The group's strong cash performance in 2001 had a favourable impact on the net assets of Capital Projects. The reduction in Investments was mainly the result of a further downward revaluation of the Grand Cayman Hotel following the finalisation of the fair value adjustments relating to AGRA. This has had a consequent effect on the goodwill capitalised in the year, which has increased.

The unallocated net assets have reduced following the receipt of the deferred consideration relating to Fairclough Homes as referred to earlier.

Investment in joint ventures

Joint ventures can be an attractive way of managing contract risk by sharing it with a partner.

AMEC's investment 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.

AMEC's share of SPIE's net cash, including the proceeds of £20 million (46 per cent) from debtor securitisation, is £73 million. No support is required or provided to SPIE.

In total, AMEC's share of net debt in PPP and property development joint ventures is about £273 million and mainly relates to its PPP business. In addition, AMEC has an 11 per cent interest in the Cross Israel Highway Concession (Cross Israel) where the share of its net debt at 31 December 2001 was £45 million.

The debt in joint ventures is generally without recourse to AMEC other than for normal performance obligations and these are usually given on a several basis with the exception of AMEC's interest in Cross Israel where they are given on a joint and several basis.

Support given by AMEC is as follows:

> Guarantees amounting to £46 million. The current debt service ratios for the facilities guaranteed are all within agreed levels;
> Investment commitments of £57 million over the next four to five years;
> Guarantees to invest further amounts of up to £10 million. This funding would be required if the projects do not perform satisfactorily. No future adverse events are currently envisaged; and
> Joint and several guarantees of up to £27 million. This funding would only be required if AMEC's joint venture partners failed to provide their committed investment, which is not currently envisaged.

Fair value accounting

Fair value adjustments associated with the acquisition of AGRA in 2000 were finalised in the second half of 2001. As anticipated, the Grand Cayman Hotel was written down and, in addition, some software development costs have been written off. There has been no net change in contract related provisions.

There was no net benefit to the profit and loss account in 2001 arising from the release of fair value provisions.

Shareholders' funds

Shareholders' funds increased by £6.5 million, being held back by the charge for exceptional items and the special dividend of £8.1 million arising from the preference share conversion.

The conversion of the company's preference shares to ordinary shares received shareholder approval in November 2001. The outstanding preference shares at 31 December 2001 were mandatorily converted in early January 2002. A special dividend of 6 pence per preference share was paid in January 2002 as a result of these conversions.

This process has simplified the capital structure of the company and provides financial flexibility in the future.

An amount of £127.9 million carried in the special reserve account in the company balance sheet was transferred to the profit and loss account reserve during the year. This has been done in accordance with the terms of the Court Order dated 7 July 1993 relating to the cancellation of the share premium account. This allowed for an amount equivalent to the value of new shares issued from the date the order became effective, which includes the ordinary shares issued in 2001 following the conversion of the preference shares, to be transferred between these reserve headings.

Cashflow

	£ million
Opening net debt	**(211.8)**
Cashflow from trading activities	**170.0**
Profit retained in joint ventures	**(19.9)**
Acquisitions and disposals	**67.9**
Share issues	**2.6**
Interest, tax and dividends	**(56.9)**
Currency and other adjustments	**3.5**
Closing net debt	**(44.6)**

After an absorption of £17 million in the first half of the year, the cash generated from trading activities in the second half was £187 million. There are several reasons for this improvement. Firstly, there was the normal pattern of inflow. Secondly, AMEC recovered the cash on the AGRA projects flagged at the half year. Thirdly, payments received on account increased and, finally, the level of collections in December was strong.

During the first half of 2002, AMEC expects to see an outflow in cash as a result of normal factors. The level of debt at the half year and full year remains dependent upon when payments are received from AMEC's largest clients, where a delay of a few days can significantly affect the level of debt. Net debt is generally lower at the year end than the underlying average during the year, which in 2001 was approximately £250 million.

During 2000, both debtors and creditors increased, principally as a consequence of the acquisition of AGRA. After rising to 3.6 months of turnover at 30 June 2001, trade debtors have fallen back to about three months of turnover, which is regarded as normal.

SPIE S.A.

SPIE continues to make positive progress as a result of its strategy of organic growth and service based acquisitions and made another strong contribution to AMEC's earnings in 2001.

Over half of SPIE's total turnover was generated from service activities and, following the acquisition of a 60 per cent controlling interest in Matra Nortel Communications Distribution, the proportion of total turnover is now approaching 60 per cent.

As indicated previously, the expected cost of exercising the option over the remaining shares in SPIE would be approximately £160 million and completion cannot, for contractual reasons, take place until after 2 January 2003. Relationships built up over the last five years are excellent and the management teams of AMEC and SPIE remain enthusiastic about the future together. As the date for committing to exercise the option approaches, AMEC continues to discuss in greater detail with senior SPIE management joint plans for SPIE and its position in an enlarged AMEC.

The pro forma impact on the 2001 results of the acquisition of the remaining 54 per cent of shares in SPIE can be summarised as follows:

	AMEC 2001 (as reported) £ million	Enlarged AMEC 2001 (pro forma) £ million
EBITDA	**163.8**	**210.8**
Pre-tax profit	**116.7**	**130.6**
Diluted earnings per share	**27.3p**	**30.2p**
Net debt	**(44.6)**	**(90.6)**

On the assumption that SPIE was 100 per cent owned throughout 2001, EBITDA would have increased by nearly 30 per cent and pre-tax profit would have increased by 12 per cent. Pro forma diluted earnings per share would have increased by 11 per cent to 30.2 pence and pro forma year-end net debt would have increased to £90.6 million.

The pro forma pre-tax profit includes an estimated interest charge of £8.5 million based on an assumed acquisition cost of £160 million.

The pro forma net debt has been calculated by adding the net cash in SPIE as at 31 December 2001 of £114 million (which excludes the proceeds from securitisation of debtors totalling £43 million) and deducting the assumed acquisition cost of £160 million.

Total order book

The total order book at 31 December (with the pro forma inclusion of SPIE at 100 per cent) was as follows:

	2001 £ million	2000 £ million
Client Support Services	**2,300**	1,800
Capital Projects	**2,700**	3,200
	5,000	5,000

The growth in Client Support Services has arisen through a substantial increase in the order books within the oil and gas and rail businesses. The order book for Capital Projects reflects a planned reduction in Construction Management and continued selectivity generally in the work the Construction business wishes to undertake.

AMEC has reviewed the basis of calculating its order book and has concluded that, subject to some minor changes to ensure consistency across the group, no changes were required to the basis of reporting. The reporting excludes periods where the client has rights to extend contracts. This is considered prudent.

Group treasury policies

The group's treasury department manages the group's 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 within levels acceptable to the board, in some cases eliminating them entirely, by the use of agreed procedures and instruments. The treasury department is a cost centre and its activity is to prevent increasing financial risk above the level inherent in the underlying business.

The significant financial risks and exposures to the group are in respect of liquidity, interest rates and foreign currency.

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 appropriate for managing the operations of the group.

During the year the group undertook a major refinancing of its bank debt, replacing approximately £150 million of committed facilities due to expire before the end of March 2003 with a £440 million bank syndicate. At 31 December 2001, the principal committed facilities are shown below. These facilities are all unsecured, and the principal covenants relate to interest cover and the ratio of net debt to EBITDA.

Available currencies	£ million	Final maturity date
Multicurrency	180	April 2005
Multicurrency	110	January 2005
Multicurrency	330	January 2007
	620	

The refinancing of the group extends the maturity profile to approximately 50 months [board target – minimum of 30 months], and provides the group with sufficient committed facilities to finance its foreseeable requirements. In addition, the group has a number of uncommitted facilities available, which are used to fund short-term funding requirements.

Interest rate risk
The group finances its operations through a mixture of equity, retained profit, cash and debt facilities. The objective of the group is to ensure a suitable match of its interest rate characteristics to the underlying assets, revenues and expenditures of the organisation, whilst ensuring adequate interest cover is maintained in line with board approved targets and banking covenants. Borrowings are predominantly on a floating rate basis. Recognising the need to link interest rate risk to the underlying business, the group has used interest rate swaps, during the year and subsequent to the year end, to convert a proportion of its floating rate debt to fixed rate. The group has entered into interest rate swaps in US dollars and Canadian dollars and sterling to fix the equivalent of £29 million of borrowings. The swaps have an average interest rate of 4.54 per cent and a weighted average term of 41 months remaining.

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 subsidiary company's local currency, 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 performed through a mix of foreign currency borrowings and foreign exchange swaps.

The principal exposure is to assets denominated in US dollars and Canadian dollars. At 31 December 2001, balance sheet hedges, which include the hedging of short-term working capital fluctuations, totalled £257 million. The book value of the assets, including unamortised goodwill, was £296 million as at 31 December 2001.

Accounting standards
AMEC will implement FRS 19 'Deferred Tax' in 2002. The impact of this standard has been reviewed and it is estimated that any adjustment, excluding the impact of FRS 17, arising from its adoption will be relatively minor.

AMEC expects to introduce the new accounting standard for retirement benefits, FRS 17, in 2003. This will be done after carefully considering the results of the normal triennial valuations of the schemes as at 31 December 2001 and 1 April 2002, which are due later in 2002. Improved mortality rates may lead to an increase in future pension costs.

The pro forma impact on the profit and loss account of applying FRS 17 would have been as follows:

	2001 £ million	2000 £ million
Net pre-tax result based upon FRS 17	**6.0**	(1.0)
Operating result under SSAP 24	**(6.4)**	(7.2)
Net benefit	**12.4**	6.2

If FRS 17 had been implemented in 2001, pre-tax profit for the year would have increased by £12 million and by an estimated £6 million in 2002. With a net pension asset of £213 million arising on a FRS 17 basis, its implementation would also have led to an increase in net assets of £162 million to £471 million after removing the SSAP 24 pension asset.

Whilst the new standard is expected to bring increased volatility to the profit and loss account and balance sheet, a positive impact is expected since AMEC's pension schemes are in a strong financial position.

Stuart Siddall
Finance Director
7 March 2002

SEGMENTAL REVIEW

Client Support Services

Consulting and Design

	2001 £ million	2000 £ million
Total turnover	**396.0**	233.1
Total operating profit	**19.7**	11.6
Margin	**5.0%**	5.0%

- **Organic growth of 13 per cent in the year**
- **Acquisitions successfully integrated**

Consulting and Design undertakes engineering, process, environmental and architectural services for clients, often on a long-term contract basis.

The growth in activities is the result of good organic growth and the full year effect of acquisitions made in 2000. The operating margin was unchanged.

The environmental business has developed a national client programme and expanded certain industry focus groups. One of the highlights of the year was being selected to provide services to the Air National Guard on selected projects throughout the US.

The engineering and consulting business realigned its activities along market facing lines, allowing it to focus on core strengths and further improve long-standing client relationships. All lines of business performed well in 2001, in particular Energy and Industrial and Pharmachem, the latter benefiting from AMEC's global initiative.

Operations Support

	2001 £ million	2000 £ million
Total turnover	**1,369.2**	1,123.6
Total operating profit	**54.7**	48.9
Margin	**4.0%**	4.4%

- **Organic growth of about 15 per cent and effect of increased investment in SPIE**
- **Underlying margins in line with 2000**

Operations Support undertakes outsourced design, maintenance, installation and renewal services in the oil and gas, utilities, telecoms, rail and industrial markets. It focuses on services where clients select partners on the basis of technical expertise rather than the lowest cost service, as is the case in the more commodity, price driven support services activities. The operating margin has been stable at the underlying level for the last three years, reflecting the focus on long-term or repeat contracts which provide a more predictable and lower risk stream of earnings.

Total turnover increased by 22 per cent, reflecting strong organic growth and the increased investment in SPIE. In 2001, prudent accounting at the early stages of major oil and gas engineering design activities led to sales being recorded in turnover but no gross margin taken. In addition, Spie Trindel incurred integration costs in respect of service company acquisitions. These contributed to a reduction of £4.5 million in the total operating profit in 2001. Without these costs, the reported margin would have been 4.3 per cent.

There were a number of important contract awards in the oil and gas business covering engineering design, project management support and performance improvement studies. These included the design of production facilities to be located in the Bonga field off the coast of Nigeria. The rail business successfully renewed the infrastructure maintenance contracts for a five year period and the client has an option to renew for a further five years thereafter. Spie Trindel's performance was robust but good performances in the more traditional electrical and mechanical markets were offset by a reduced level of opportunities in the telecoms market in the second half of the year.

*Before internal turnover

Capital Projects

Construction Management

	2001 £ million	2000 £ million
Total turnover	**625.1**	683.5
Total operating profit/(loss)	**1.1**	(2.9)
Margin	**0.2%**	(0.4)%

> **Return to profit in second half of 2001**
> **Proportion of reimbursable work approaching 50 per cent**

The activities of this business are undertaken principally in the US and relate to the management of projects on behalf of clients. They are characterised by high volume but low margins, even in more favourable market conditions.

Construction Management has, in recent years, pursued a strategy focused on reducing levels of risk and increasing project selectivity. This has, as expected, resulted in a reduction in total turnover of 9 per cent and a reduction in the order book. The proportion of cost-reimbursable work is now approaching 50 per cent of activities, having previously been as low as 33 per cent. As a result of these actions, the business returned to profitability in 2001.

Following the terrorist attacks on 11 September the business became and remains heavily involved in the recovery and clean-up efforts both at the World Trade Center and the Pentagon. In respect of the latter, contracts have been awarded to rebuild the damaged portion of Wedge One and the collapsed structure of Wedge Two.

Further progress on improving the risk-reward balance and achieving a more acceptable level of return is expected in 2002.

Construction

	2001 £ million	2000 £ million
Total turnover	**2,032.7**	1,791.8
Total operating profit	**62.1**	57.9
Margin	**3.1%**	3.2%

> **Organic growth of 5 per cent**
> **Continued strategy of being selective in work undertaken**

This business undertakes procurement and construction in selected sectors for clients in process industries, manufacturing and infrastructure, where AMEC is able to add value through developing clients' capital assets for long-term efficiency.

Construction activities in 2001 remained focused on long-term client relationships and negotiated contracts with a high emphasis on cost protection or reimbursement and a highly selective approach to at-risk work. This focus has been enhanced through the disposal and closure of a number of non-core activities.

Total turnover in Construction increased by 13 per cent, reflecting organic growth of some 5 per cent, the full year impact of AGRA and the increased investment in SPIE. The margin earned was in excess of 3 per cent and in part represents the planned exit from the traditional UK building market. It also reflects a concerted worldwide effort to avoid bidding for work at inadequate margins and where the contract risks are unacceptable.

The majority of the markets were favourable in 2001 and the outlook generally is positive for AMEC. Major highlights have been the award of a project management contract for a petrochemical facility in Shanghai, the fabrication of oil and gas production facilities to be located off the coast of Nigeria, a design and build contract for a new gas terminal in Ireland, contract awards relating to the US TEA-21 programme, and increased activity at Heathrow's Terminal 5 following planning approval.

*Before internal turnover

Property Development and Regeneration

	2001 £ million	2000 £ million
Total turnover	**101.4**	184.8
Total operating profit	**12.7**	14.1

- > **Satisfactory performance in dull institutional market**
- > **Grand Cayman Hotel trading adversely affected by 11 September**

Property Development and Regeneration is a developer of projects in retail, leisure, commercial and other selected areas on a managed risk basis, often working closely with the public sector as its partner.

The business had a satisfactory year in an otherwise dull institutional market, reflecting the benefits of a broad mix of business and a focus on pre let and pre-sold projects. The tragic events of 11 September had an adverse impact on the contribution from the Grand Cayman Hotel.

AMEC's leading position in UK urban regeneration was strengthened during the year by a number of property development partnerships with a potential capital value of up to £1.5 billion. These are expected to deliver good returns in the medium and long-term. In December 2001, AMEC was selected for an important partnership with British Waterways, under which ten sites initially have been committed for redevelopment and management. The £50 million investment for the first phase of development is shared equally between AMEC and Morley Fund Management and represents a substantial increase in the scale of AMEC's involvement in urban regeneration.

AMEC expects to generate value through such schemes with sustainable profits flowing from three main sources, these being the returns on the equity investment arising through development profits, property management and maintenance activity, and the opportunity to create negotiated design and construction work for Capital Projects.

Public Private Partnerships

	2001 £ million	2000 £ million
Total turnover	**29.7**	15.8
Total operating profit	**4.4**	6.8

- > **Year of progress despite no financial closes**
- > **Improved contributions from operational concessions**

The PPP business is focused on the finance, design, build, ownership, operation and transfer of major capital projects for the government, public bodies and private companies. It operates predominantly in the UK but also overseas.

The business had a good year despite no projects being brought to a financial close. The absence of recovery of bid costs in 2001 was offset in part by lower bidding costs on several projects that were delayed. The results include an increase in the contribution from concessions, which will not be repeated in 2002, in part due to a benefit from an earlier prudent accounting treatment.

As expected, the business reported an overall net loss after interest, but AMEC continues to see substantial benefit in the future cashflows from these concessions.

Today AMEC is one of two bidders on three projects, has invitations to bid on six others and is pursuing a number of other opportunities.

*Before internal turnover

THE BOARD

Jean Monville

Age 57, was appointed an executive director in February 1997. He is the chairman and chief executive of SPIE S.A.

Liz Airey

Age 43, 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.

Sydney Gillibrand CBE
Chairman

Age 67, 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 several other companies.

David Robson

Age 56, was appointed an executive director in August 1991 and became chief operating officer in January 1998.

Martha Hesse

Age 59, 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 is also a director of several other organisations.

James Dallas

Age 46, 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.

George Payne

Age 54, was appointed an executive director in November 1994. He is the commercial director.

John Early

Age 56, was appointed an executive director in March 1986. He is the director responsible for the Investments business.

Sir Peter Mason KBE
Chief Executive

Age 55, 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.

Jock Green-Armytage

Age 56, 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.

Stuart Siddall
Finance Director

Age 48, was appointed finance director in June 2000. He was previously finance director of Alpha Airports Group PLC and of MANWEB plc.

Peter Janson

Age 54, was appointed an executive director in April 2000. He is the director responsible for AMEC's operations in North America.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting the annual report and accounts for the year ended 31 December 2001.

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 27.

An analysis of the group's activities is given in note 2 on pages 43 and 44.

The profit on ordinary activities after taxation, which amounted to £49.7 million (2000 – £53.3 million), is shown in the consolidated profit and loss account on page 37.

The directors recommend that a final dividend of 6.4 pence (2000 – 5.7 pence) per ordinary share be paid which, together with the interim dividend of 3.1 pence (2000 – 2.8 pence), results in a total ordinary dividend for the year of 9.5 pence (2000 – 8.5 pence) per share. Ordinary dividends amounted to £25.9 million (2000 – £18.8 million) and preference dividends amounted to £15.8 million (2000 – £9.2 million). The final dividend will be payable on 1 July 2002 to ordinary shareholders on the register at the close of business on 17 May 2002.

The group's acquisition activity in the year was confined to increasing its stake in SPIE S.A. from 41.6 per cent to 46 per cent at a cost of £23.8 million through participation in a rights issue and increasing its investment. On 30 March 2001, the group received over £90 million of deferred consideration from the disposal of Fairclough Homes in 1999. There were over a dozen business closures or disposals, the largest being the disposal of the business and certain assets of Watson Steel, and several property disposals in the year which together will generate gross proceeds in excess of £30 million.

Share capital
The authorised and issued share capital of the company as at 31 December 2001 and movements during the year are set out in note 21 on page 54.

Authority was granted to the directors at the 2001 annual general meeting to allot up to £38,660,429 of ordinary share capital, of which up to £5,732,848 could be allotted for cash other than by way of a rights issue. This authority extended through until 9 May 2006. Following the approval of shareholders to a proposal to offer enhanced conversion terms to preference shareholders, 113,245,105 preference shares were converted into 55,240,962 ordinary shares on 30 November 2001. The remaining 21,621,388 preference shares were converted into 10,546,913 ordinary shares on the mandatory conversion date of 7 January 2002. This exercise substantially increased the issued ordinary share capital of the company such that it is now appropriate that the authority of the directors to allot shares in the company, the Section 80 authority, be put before shareholders once again but set at a level which recognises this increased level of issued share capital. It is also proposed that the authority granted to allot shares for cash, other than by way of a rights issue, the Section 95 authority, be similarly increased.

Resolutions 9 and 10 will, therefore, be proposed at the 2002 annual general meeting to renew the limited authority of the directors to allot the unissued share capital of the company and to issue shares for cash other than to existing shareholders. It is proposed that the Section 80 authority and the Section 95 authority be renewed for the period of five years ending on 8 May 2007 and, for such period, the relevant amounts should be £49,790,640 and £7,204,249 respectively.

The directors have no present intention of issuing any ordinary 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 2002 annual general meeting to grant authority to the directors to make market purchases of up to 29,874,384 of the company's ordinary shares within prescribed limits. No such purchases were made in 2001 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 ordinary 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.

Resolutions 12, 13, 14 and 15 respectively, relate to proposals for the establishment of further plans, based on the rules of the UK Savings Related Share Option Scheme, to provide for the participation of overseas employees and those of joint ventures, the introduction of an all-employee Share Incentive Plan, a new Executive Share Option Plan 2002 to replace the existing Executive Share Option Scheme and a new Performance Share Plan 2002 to replace the existing long-term incentive plan. Each of the latter three proposed plans will also provide for participation by overseas and joint venture employees. Full details are contained in the circular enclosed with the annual report and accounts 2001.

Substantial interests
Pursuant to Section 198 of the Companies Act 1985, notifications have been received by the company of the following shareholdings of three per cent or more of the issued ordinary share capital as at 7 March 2002:

	Number	%
CGNU plc/Morley Investment Management Ltd.	**17,265,156**	**5.99**
FMR Corporation/ Fidelity International Ltd	**15,256,148**	**5.12**
The Standard Life Assurance Company	**7,782,630**	**3.81**
Clerical Medical Investment Management Ltd	**8,019,768**	**3.49**
Legal & General Investment Management Ltd	**8,660,760**	**3.01**
Aegon Asset Management UK Plc	**6,898,136**	**3.00**

Directors
Details of the directors of the company at the date of this report are set out on pages 28 and 29. There have been no changes during the year.

Mr S Gillibrand, Sir Peter Mason and Mr J D Early retire in accordance with article 85 of the articles of association of the company and, being eligible, offer themselves for re-election at the 2002 annual general meeting. Mr Gillibrand currently has a contract with the company, as non-executive chairman, until 14 July 2002. Both Sir Peter and Mr Early currently have employment contracts with the company terminable by two years' notice by either party but, with effect from 1 January 2003, their employment contracts will be subject to one year's notice by either party.

The beneficial interests in the ordinary share capital of the company of the directors holding office at 31 December 2001 were as follows:

	As at 1 January 2001 Number	**As at 31 December 2001 Number**
S Gillibrand	33,516	**34,165**
Sir Peter Mason	91,427	**91,427**
J D Early	44,382	**49,382**
D Robson	41,107	**53,788**
G E Payne	62,157	**68,101**
J M Green-Armytage	10,000	**10,000**
J A Monville	–	**–**
E P Airey	14,023	**14,023**
J A Dallas	–	**–**
P S Janson	50,000	**108,793**
M O Hesse	3,855	**13,777**
S J Siddall	–	**3,243**

Except for interests under share option schemes and the long-term incentive plan, details of which are contained in the report on remuneration and related matters on pages 33 to 36, no director at 31 December 2001 had any other interests, beneficial or otherwise, in the share capital of the company or any of its subsidiaries.

On 2 January 2002, Mr Gillibrand acquired a beneficial interest in a further 266 ordinary shares, pursuant to the provisions of the dividend reinvestment plan, relating to the 2001 interim ordinary dividend.

On 7 March 2002, Ms Hesse acquired a beneficial interest in a further 1,262 ordinary shares. There were no other changes in the directors' interests in the share capital of the company between 31 December 2001 and 7 March 2002.

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

Employees

In 2001, AMEC employed on average 26,612 people worldwide. Details are given in note 6 on page 45.

The development of employees, to ensure that the group 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 subsidiaries 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 the group's policy to consider for employment suitably qualified disabled people and to assist them in overcoming handicaps at work. The group 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. The group 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. Offers of participation are made when the likely take-up will be within the available balance of shares which may be issued under such arrangements. As reported elsewhere, the company will be seeking shareholder approval at the annual general meeting for the introduction of further all-employee share participation schemes, to include the growing number of non-UK employees.

Corporate Governance

Background

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 the group'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.

The Combined Code on corporate governance, which is appended to The Listing Rules of the Financial Services Authority, requires the directors to review the effectiveness of the group's systems of internal controls. This review covers all controls, including financial and operational controls and those in respect of compliance and risk management.

Risk Management Processes

The processes adopted by the board to review the effectiveness of the systems of internal control include reviews of the group's strategy; major projects to be undertaken by the group; all significant investments and disposals; and the external and internal audit work plans and resulting reports. Elements of these reviews have been delegated to duly constituted sub-committees of the board, including a risk management forum, which was established during the year.

For a number of years, the group has had specific and comprehensive policy statements on risk, which have been communicated throughout all of its subsidiaries. These have been supplemented by an embedded risk management process, which identifies the key risks facing each business and reports on how those risks are being managed. This process requires the businesses to produce risk registers identifying significant risks and the actions being taken to manage the risks to an acceptable level. This process culminates in the production of a group risk register, identifying the key risks facing AMEC across all of its operations under a number of generic risk areas. These risks are reviewed on a regular basis, both by management and the risk management forum, as are reports which monitor progress made against action plans.

In 2001, these existing risk management processes were complemented by the introduction of a risk management self-assessment exercise. This was carried out across the group's business units and covers the areas of risk assessment; control environment and control activities; information and communication and monitoring. The results were reviewed by the board, through the audit committee, and will be reviewed as part of the ongoing internal audit process.

In 2001 the board initiated a programme of activities relating to corporate social responsibility (CSR) matters which includes the adoption of a set of sustainability principles and the publication by the group of an annual sustainability report, the first issue of which is enclosed with the annual report and accounts 2001. Under AMEC's sustainability programme, the board will take regular account of the significance of CSR matters to the businesses of the group and a board director has been appointed with responsibility for CSR and CSR related issues. A system for managing CSR matters which incorporates performance management and appropriate remuneration incentives is under development within the framework provided by the group's sustainability principles, with completion expected during 2002. Once fully developed, the board expects the sustainability programme to provide the group with adequate information with which to monitor performance and assess significant risks and opportunities arising from CSR matters. Further details of the sustainability programme will be notified from time to time on the group's website at www.amec.com.

Compliance with the Combined Code

The company complied throughout the year with the relevant provisions of Section 1 of the Combined Code, published in June 1998, except as noted below.

From the beginning of March 2001 (apart from North America, where a major acquisition was made in 2000), the group has complied with the recommendations of 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance). During 2001 the North American operations have also been brought into compliance. Consequently, as at the date of this report, the group (excluding SPIE and other joint ventures referred to below) is now fully compliant with the guidance.

AMEC owns 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 the company receives reports detailing the methods for the identification, assessment and the control of risks within the SPIE group of companies.

AMEC also has interests in a number of joint ventures. Controls within these companies are reviewed as part of the normal internal audit process.

Non-executive directors

All non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgements.

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 normally be for a period no greater than three years with no further renewal thereafter.

Board committees

The audit committee, which comprises all of the non-executive directors, any three of whom may form a quorum, is chaired by the senior non-executive director, Mr J M Green-Armytage. The committee ensures that appropriate accounting and financial policies and controls are adhered to and, on behalf of the board, reviews half year and full year reports from both the internal and external auditors.

The nominations committee, which comprises the chairman, the chief executive, the senior non-executive director and any one other non-executive director, any three of whom may form a quorum, is chaired by Mr S Gillibrand. The committee reviews any proposed appointments of directors and makes recommendations to the board in relation to such appointments.

The remuneration committee, which comprises all of the non-executive directors, any three of whom may form a quorum, is chaired by Mr J A Dallas. Further details of the remit of this committee are given in the report on remuneration and related matters on page 33.

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

Subsidiaries 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 28 days' purchases outstanding at 31 December 2001 based on the average daily amount invoiced by suppliers during the year.

Donations

Donations to United Kingdom charities amounted to £81,000.

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

P J Holland
Secretary
7 March 2002

REPORT ON REMUNERATION AND RELATED MATTERS

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

Remuneration committee
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. All the recommendations of the committee were accepted by the board without substantial amendment.

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

In considering these matters, the committee has been advised during the year by Watson Wyatt Partners and The Monks Partnership.

Remuneration policy
The present objective of the remuneration policy for executive directors and other senior executives is to offer remuneration packages which:

> allow AMEC to attract and retain senior executives of high calibre.
> 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 are broadly equal to the mid-market salary practices of a relevant group of engineering, construction and building material 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 group and individual performance targets and offer the opportunity to achieve upper quartile annual cash earnings if these targets are achieved.
> 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.

The company recognises the importance of extending the share participation principle to employees generally. A review of the current arrangements has been undertaken and proposed changes are being put to the 2002 annual general meeting for shareholders' approval.

Executive directors' base salaries and benefits
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.

In 2001, the executive directors, except for Mr Monville, participated in the AMEC executive directors' annual incentive scheme which generated bonus payments calculated by reference to growth in earnings per ordinary share, as defined under the rules of the scheme, and the achievement of specific business targets and individual performance objectives.

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

No elements of remuneration other than base salary are pensionable.

Executive directors' pension entitlements
The executive directors, except for Mr Monville and Mr Janson, 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. These 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 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.

Mr Monville is an employee of SPIE S.A., in which the company has a 46 per cent interest. His pension arrangements are provided by SPIE.

Mr Janson is an employee of AMEC Inc. and a member of that company's Senior Executive Pension Plan which provides for pension benefits at the normal retirement age of 65 or at any time after age 60. This plan is non-contributory. He is also a member of the non-contributory Supplementary Executive Retirement Plan of AMEC Inc. which provides for payment of a lump sum at retirement.

There are no funded or unfunded unapproved arrangements in force.

Executive directors' employment contracts
Each executive director, with the exception of Mr Monville and Mr Janson, has an employment contract with a notice period of two years by either the company or the director. All concerned have agreed that this will reduce to one year from 1 January 2003 and that in the event of early termination after that date, otherwise than for lawful summary dismissal, the company will pay liquidated damages of 12 months' remuneration and benefits.

Mr Monville is an employee of SPIE S.A., in which the company has a 46 per cent interest. His employment contract is agreed between him and SPIE.

Mr Janson's current employment contract with AMEC Inc. is terminable by him on three months' notice and by AMEC Inc. by payment of 24 months' salary in lieu of notice at 1.3 times his base annual salary. As agreed with Mr Janson at the time of the acquisition of AGRA, his employment contract was amended with effect from 20 April 2001, the first anniversary of the acquisition, to provide for 24 months' salary to be substituted for 36 months' salary.

The company's policy is that new directors will be employed with a notice period of one year. In the case of external appointments, an initial period of two years' employment may be guaranteed.

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 as a whole.

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 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 remuneration of the directors was as follows:

	2001				2000
	Salary/fee £000	Bonus £000	Benefits in kind (v) £000	Total £000	Total £000
Executive					
Sir Peter Mason (i)	521	185	38	744	669
J D Early	215	92	7	314	293
D Robson	275	120	16	411	377
G E Payne	215	86	16	317	302
J A Monville (ii)	28	–	–	28	28
P S Janson (from 20 April 2000) (iii)	245	208	16	469	224
S J Siddall (from 19 June 2000) (iv)	275	103	17	395	184
S G Batey (to 31 March 2000)	–	–	–	–	68
Non-executive					
S Gillibrand	135	–	19	154	150
J M Green-Armytage	34	–	–	34	34
E P Airey	47	–	–	47	32
J A Dallas	34	–	–	34	31
M O Hesse (from 1 June 2000)	30	–	–	30	21
J R Darley (to 11 May 2000)	–	–	–	–	16
Total board	2,054	794	129	2,977	2,429

Notes

(i) Sir Peter's salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £71,000 (2000 – £62,000).
(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 2000, Mr Janson was paid Cdn$100,000 (£45,000) pursuant to a retention agreement entered into prior to the AGRA acquisition. This agreement provided for this payment on completion of the acquisition with a further Cdn$300,000 (£129,000) if he remained an employee until 20 April 2001, the first anniversary of the acquisition, and this sum has now also been paid.
(iv) Mr Siddall's salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £30,000 (2000 – £12,000).
(v) The value of benefits in kind received during the year relates principally to the provision of a company car, life assurance and private medical expenses insurance, none of which is pensionable.
(vi) Details of share options exercised during the year are set out on page 35.

Long-term incentive arrangements

The AMEC Savings Related Share Option Scheme is open to all eligible employees, including the executive directors, and is linked to a monthly savings contract.

The AMEC Executive Share Option Scheme 1995 reflects the guidelines published by the bodies representing institutional investors and, in particular, before any options can be exercised, certain performance conditions have to be achieved. The current performance condition is that, over a three year period, the percentage growth in earnings per ordinary share of the company exceeds the percentage growth in the Retail Prices Index by at least six percentage points. The grant of options to executives by the remuneration committee is on a discretionary basis with emphasis on performance and job responsibilities.

The 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.

The number of options over AMEC plc ordinary shares held by the directors under the Executive and Savings Related Share Option Schemes and the AGRA Inc. Stock Option Plans were as follows:

	As at 1 January 2001	Exercised during the year	As at 31 December 2001	Option price pence	Market price on date of exercise pence	Exercise period
Sir Peter Mason	600,000		**600,000**	99.00		02/02/99 – 02/02/06
	451,388		**451,388**	144.00		02/04/00 – 02/04/07
	4,211*		**4,211***	230.00		02/01/04 – 02/07/04
J D Early (i)	50,000		**50,000**	144.00		02/04/00 – 02/04/07
	596*		**596***	181.00		01/07/04 – 31/12/04
	3,369*		**3,369***	230.00		02/01/04 – 02/07/04
D Robson (ii)	5,060*	5,060*	–	90.00	461	01/09/01 – 28/02/02
	342*		**342***	181.00		01/07/02 – 31/12/02
G E Payne (iii)	342*		**342***	181.00		01/07/02 – 31/12/02
	3,942*		**3,942***	230.00		02/01/04 – 02/07/04
P S Janson (iv)	200,000		**200,000**	169.00		25/04/03 – 25/04/10
	152,650	152,650	–	162.16	432	09/04/00 – 09/04/09
	122,120	122,120	–	171.30	370	13/12/00 – 13/12/09
S J Siddall	97,902		**97,902**	214.50		19/06/03 – 19/06/10

*Savings Related Share Option Scheme

Notes

(i) Gain on exercise £nil (2000 – £133,000).
(ii) Gain on exercise £19,000 (2000 – £3,000).
(iii) Gain on exercise £nil (2000 – £13,000).
(iv) Aggregate gains on exercises £655,000 (2000 – £nil). Mr Janson's exercised options were granted under the AGRA Inc. Stock Option Plans and rolled over into options over AMEC plc shares following the acquisition of AGRA Inc. in April 2000.

No options were granted or lapsed during the year.

The long-term incentive plan was introduced in 1998 and the design of the plan took account of the provisions of Schedule 'A' to the Combined Code. In 2001, further shares were purchased in the market at 462.5 pence each and awards were made to directors on 19 April 2001, 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 2001 Number	Vested 11 April 2001 Number	Value of vested shares £000	Awarded 19 April 2001 Number	As at 31 December 2001 Number
Sir Peter Mason	367,125	119,793	554	68,972	**316,304**
J D Early	186,104	64,628	299	32,729	**154,205**
D Robson	228,263	76,613	354	42,431	**194,081**
G E Payne	189,605	63,798	295	33,151	**158,958**
P S Janson	–	–	–	40,717	**40,717**
S J Siddall	–	–	–	31,891	**31,891**

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, at 462.5 pence per share, save in respect of Mr Early who retained 5,000 shares. The total value of the vested shares was £1.5 million (2000 – £nil).

Notes

(i) An award of restricted shares will only vest if pre-determined performance conditions are met. These performance conditions, which are measured over three years, require the total return to ordinary shareholders (share price growth plus re-invested dividends) to be ranked in the top quartile of a group comprising mainly engineering, construction and building material comparator companies for an award to vest in full. If the company's performance is at the median, 25 per cent of the award will vest. Between those two levels, the award will vest on a sliding scale. No awards will vest if the company's performance is below the median at the end of the measured period or if the company's earnings per share over the performance period have grown by less than the rate of inflation plus six percentage points.
(ii) The total value of awards cannot exceed 75 per cent of a participant's base annual salary in any year.
(iii) Participants in the long-term incentive plan do not currently receive further grants under the Executive Share Options Scheme. A review of long-term incentive and share participation arrangements has been undertaken which concluded, inter alia, that this may no longer be appropriate. This is the subject of a resolution to be put to the annual general meeting for shareholders' approval.

The closing price of the ordinary shares at 31 December 2001 was 395.0 pence (2000 – 345.5 pence).

The range of the closing prices for the ordinary shares during the year was 340.0 pence to 531.5 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 long-term incentive plan.

Directors' pension benefits

Pension benefits earned by the directors for the year ended 31 December 2001 were as follows:

	Accrued entitlement as at 31 December 2000 £000	Increase in accrued pension for the year ended 31 December 2001 (i) £000	Accrued entitlement as at 31 December 2001 (ii) £000	Transfer value of increase in benefits (iii) £000
Sir Peter Mason	15	4	19	64
J D Early	98	17	115	209
D Robson	153	20	173	179
G E Payne	82	15	97	275
P S Janson (iv)	8	5	13	68
S J Siddall	2	3	5	32

Notes

(i) The increase in accrued pension for the year ended 31 December 2001 excludes any increase for inflation.
(ii) The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
(iii) The transfer values for United Kingdom based directors have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and are shown net of member contributions paid during the year and, for Mr Janson, in accordance with The Canadian Institute of Actuaries' recommendations.
(iv) Mr Janson's benefits have been converted from Canadian dollars to sterling. £61,000 of the transfer value of the increase in benefits relates to the Supplementary Executive Retirement Plan of AMEC Inc.
(v) Members of the AMEC Staff Pension Scheme have the option to pay additional voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.

By order of the board

P J Holland
Secretary
7 March 2002

Note

Changes in directors' interests between 31 December 2001 and 7 March 2002 are detailed in the report of the directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

		2001			2000		
	Notes	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	4,467.5	–	4,467.5	3,980.0	–	3,980.0
Share of turnover in joint ventures		(1,005.0)	–	(1,005.0)	(784.1)	–	(784.1)
Group turnover		3,462.5	–	3,462.5	3,195.9	–	3,195.9
Cost of sales		(3,102.0)	–	(3,102.0)	(2,901.2)	–	(2,901.2)
Gross profit		360.5	–	360.5	294.7	–	294.7
Administrative expenses		(263.0)	(10.3)	(273.3)	(205.3)	(6.1)	(211.4)
Group operating profit/(loss)		97.5	(10.3)	87.2	89.4	(6.1)	83.3
Share of operating profit/(loss) in joint ventures		33.0	(0.8)	32.2	26.9	(0.6)	26.3
Total operating profit/(loss)	2 & 3	130.5	(11.1)	119.4	116.3	(6.7)	109.6
Loss on disposal or closure of operations:	4						
Loss on disposal or closure before goodwill		–	(24.0)	(24.0)	–	(6.8)	(6.8)
Goodwill previously written off to reserves		–	(0.5)	(0.5)	–	(3.6)	(3.6)
		–	(24.5)	(24.5)	–	(10.4)	(10.4)
Loss on disposal of fixed assets	4	–	(0.4)	(0.4)	–	–	–
Profit/(loss) on ordinary activities before interest		130.5	(36.0)	94.5	116.3	(17.1)	99.2
Net interest payable:	7						
Group		(6.7)	–	(6.7)	(8.5)	–	(8.5)
Joint ventures		(7.1)	–	(7.1)	(8.9)	–	(8.9)
		(13.8)	–	(13.8)	(17.4)		(17.4)
Profit/(loss) on ordinary activities before taxation		116.7	(36.0)	80.7	98.9	(17.1)	81.8
Taxation on profit/(loss) on ordinary activities	8	(35.2)	4.2	(31.0)	(28.5)	–	(28.5)
Profit/(loss) on ordinary activities after taxation		81.5	(31.8)	49.7	70.4	(17.1)	53.3
Equity minority interests				–			(0.1)
Profit for the year				49.7			53.2
Dividends on equity and non-equity shares	9			(41.7)			(28.0)
Retained profit for the year	22			8.0			25.2
Pro forma earnings per ordinary share:	10						
Diluted		27.3p		16.6p	24.7p		18.7p
Earnings per ordinary share:	10						
Basic		28.5p		14.7p	28.7p		20.7p
Diluted		27.7p		14.3p	24.7p		18.7p
Dividends per ordinary share	9			9.5p			8.5p

CONSOLIDATED BALANCE SHEET

As at 31 December 2001

	Notes	2001 £ million	2000 £ million
Fixed assets			
Intangible assets	11	**186.6**	175.7
Tangible assets	12	**169.3**	209.6
		355.9	385.3
Investments:	13		
Joint ventures:			
Share of gross assets		**1,110.8**	991.6
Share of gross liabilities		**(1,015.9)**	(932.1)
		94.9	59.5
Associates		**3.1**	3.1
Other		**5.8**	4.4
		103.8	67.0
		459.7	452.3
Current assets			
Stocks	14	**117.9**	75.2
Debtors: amounts falling due within one year	15	**942.1**	1,038.7
Debtors: amounts falling due after one year	15	**102.1**	132.1
Cash at bank and in hand		**290.5**	250.8
		1,452.6	1,496.8
Creditors: amounts falling due within one year	16	**(1,248.4)**	(1,246.3)
Net current assets		**204.2**	250.5
Total assets less current liabilities		**663.9**	702.8
Creditors: amounts falling due after one year	17	**(324.2)**	(366.1)
Provisions for liabilities and charges	20	**(31.0)**	(34.5)
Net assets	2	**308.7**	302.2
Capital and reserves			
Called up share capital	21	**154.9**	182.3
Share premium account	22	**76.2**	36.8
Revaluation reserve	22	**12.4**	18.6
Capital redemption reserve	22	**17.2**	17.2
Profit and loss account	22	**45.8**	45.1
Shareholders' funds		**306.5**	300.0
Equity minority interests		**2.2**	2.2
Capital employed		**308.7**	302.2
Shareholders' funds are attributable to:			
Equity shareholders' funds		**285.5**	168.8
Non-equity shareholders' funds		**21.0**	131.2
		306.5	300.0

The accounts on pages 37 to 60 were approved by the board of directors on 7 March 2002 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 2001

	Notes	2001 £ million	2000 £ million
Fixed assets			
Tangible assets	12	**8.9**	7.7
Investments:	13		
Subsidiaries		**796.5**	676.7
Joint ventures		**20.8**	22.1
Associates		**3.1**	3.1
Other		**4.3**	3.0
		824.7	704.9
		833.6	712.6
Current assets			
Debtors: amounts falling due within one year	15	**15.2**	47.1
Debtors: amounts falling due after one year	15	**50.7**	40.4
Cash at bank and in hand		**46.8**	37.0
		112.7	124.5
Creditors: amounts falling due within one year	16	**(183.3)**	(160.5)
Net current liabilities		**(70.6)**	(36.0)
Total assets less current liabilities		**763.0**	676.6
Creditors: amounts falling due after one year	17	**(270.4)**	(195.0)
Net assets		**492.6**	481.6
Capital and reserves			
Called up share capital	21	**154.9**	182.3
Share premium account	22	**76.2**	36.8
Revaluation reserve	22	**0.3**	–
Capital redemption reserve	22	**17.2**	17.2
Special reserve	22	–	127.9
Profit and loss account	22	**244.0**	117.4
Shareholders' funds		**492.6**	481.6
Shareholders' funds are attributable to:			
Equity shareholders' funds		**471.6**	350.4
Non-equity shareholders' funds		**21.0**	131.2
		492.6	481.6

The accounts on pages 37 to 60 were approved by the board of directors on 7 March 2002 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 2001

	Notes	2001 £ million	2000 £ million
Net cash flow from operating activities	23	**183.7**	73.1
Dividends from joint ventures and associates		**1.3**	0.9
Returns on investments and servicing of finance			
Interest received		**16.9**	22.6
Interest paid		**(22.4)**	(28.7)
Dividends paid to non-equity shareholders		**(8.8)**	(9.4)
		(14.3)	(15.5)
Taxation		**(23.8)**	(25.7)
Capital expenditure			
Purchase of tangible fixed assets		**(49.3)**	(38.1)
Disposal of tangible fixed assets		**14.4**	22.0
		(34.9)	(16.1)
Acquisitions and disposals	26		
Acquisition of subsidiaries		**-**	(308.8)
Acquisition of joint ventures and other investments		**(27.0)**	(13.2)
Disposal of subsidiaries		**93.1**	(2.4)
Disposal of joint ventures and other investments		**1.8**	6.9
		67.9	(317.5)
Minority interests		**-**	0.4
Dividends paid to equity shareholders		**(18.8)**	(15.8)
Net cash flow before use of liquid resources and financing		**161.1**	(316.2)
Management of liquid resources	25	**(45.4)**	(18.1)
Financing			
Ordinary shares issued		**2.6**	3.5
Share placement		**-**	28.7
Purchase and cancellation of preference shares		**-**	(14.2)
Net movement in debt		**(112.8)**	342.1
		(110.2)	360.1
Increase in cash	24	**5.5**	25.8

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2001

	2001 £ million	2000 £ million
Profit for the year	**49.7**	53.2
Deficit on property revaluation	**–**	(0.4)
Exchange and other movements	**(4.6)**	(5.2)
Total recognised gains and losses relating to the year	**45.1**	47.6

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2001

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 2001

	2001 £ million	2000 £ million
Profit for the year	**49.7**	53.2
Dividends on equity and non-equity shares	**(41.7)**	(28.0)
Retained profit for the year	**8.0**	25.2
Goodwill written back on closures and disposals	**0.5**	3.6
Ordinary shares issued	**12.0**	3.5
Share placement	**–**	28.7
Charge in respect of shares issued to the qualifying employee share trust	**(9.4)**	–
Purchase and cancellation of preference shares	**–**	(14.2)
Deficit on property revaluation	**–**	(0.4)
Exchange and other movements	**(4.6)**	(5.2)
Net addition to shareholders' funds	**6.5**	41.2
Shareholders' funds as at 1 January	**300.0**	258.8
Shareholders' funds as at 31 December	**306.5**	300.0

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.

FRS 17 'Retirement Benefits' will not be mandatory for AMEC plc until the year ending 31 December 2003. The additional disclosures required during the transitional period until full implementation have been included in note 30.

FRS 18 'Accounting Policies' was adopted during the year. Its implementation did not have a significant impact on the results or net assets of the group.

FRS 19 'Deferred Tax' will be effective for the year ending 31 December 2002.

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 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 sold 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 sold 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.

Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

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

2 Segmental analyses

	Total turnover 2001 £ million	Total turnover 2000 £ million	**Total operating profit/(loss) 2001 £ million**	Total operating profit/(loss) 2000 £ million	**Net assets/ (liabilities) 2001 £ million**	Net assets/ (liabilities) 2000 £ million
Class of business:						
Client Support Services:						
Consulting and Design Services	**396.0**	233.1	**19.7**	11.6		
Operations Support Services	**1,369.2**	1,123.6	**54.7**	48.9		
	1,765.2	1,356.7	**74.4**	60.5	**73.6**	71.5
Capital Projects:						
Construction Management	**625.1**	683.5	**1.1**	(2.9)		
Construction	**2,032.7**	1,791.8	**62.1**	57.9		
	2,657.8	2,475.3	**63.2**	55.0	**(37.3)**	11.1
Investments:						
Property Development and Regeneration	**101.4**	184.8	**12.7**	14.1		
Public Private Partnerships	**29.7**	15.8	**4.4**	6.8		
	131.1	200.6	**17.1**	20.9	**130.0**	140.9
	4,554.1	4,032.6	**154.7**	136.4	**166.3**	223.5
Internal turnover	**(86.6)**	(52.6)	**–**	–	**–**	–
E-commerce costs	**–**	–	**(4.9)**	(3.3)	**–**	–
Corporate costs	**–**	–	**(19.3)**	(16.8)	**–**	–
	4,467.5	3,980.0	**130.5**	116.3	**166.3**	223.5
Goodwill amortisation/capitalised	**–**	–	**(11.1)**	(6.7)	**186.6**	175.7
Net debt	**–**	–	**–**	–	**(44.6)**	(211.8)
Unallocated net assets	**–**	–	**–**	–	**0.4**	114.8
	4,467.5	3,980.0	**119.4**	109.6	**308.7**	302.2
Geographical origin:						
United Kingdom	**1,927.3**	1,873.5	**100.1**	99.2	**28.1**	104.0
Rest of Europe	**831.9**	676.0	**13.9**	11.0	**67.5**	41.3
Americas	**1,305.5**	1,174.8	**29.9**	22.0	**109.0**	98.8
Rest of the world	**402.8**	255.7	**10.8**	4.2	**(38.3)**	(20.6)
	4,467.5	3,980.0	**154.7**	136.4	**166.3**	223.5
E-commerce costs	**–**	–	**(4.9)**	(3.3)	**–**	–
Corporate costs	**–**	–	**(19.3)**	(16.8)	**–**	–
	4,467.5	3,980.0	**130.5**	116.3	**166.3**	223.5
Goodwill amortisation/capitalised	**–**	–	**(11.1)**	(6.7)	**186.6**	175.7
Net debt	**–**	–	**–**	–	**(44.6)**	(211.8)
Unallocated net assets	**–**	–	**–**	–	**0.4**	114.8
	4,467.5	3,980.0	**119.4**	109.6	**308.7**	302.2

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 principally 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 sectors.

The financing of the group's activities is undertaken at a head office level and consequently net interest payable cannot be analysed segmentally.

The unallocated net assets 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 sectors. The unallocated net assets in 2000 included deferred consideration from the disposal of Fairclough Homes which was received in 2001.

2 Segmental analyses continued

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

	SPIE S.A. 2001 £ million	SPIE S.A. 2000 £ million	Others 2001 £ million	Others 2000 £ million	Total 2001 £ million	Total 2000 £ million
Turnover:						
Client Support Services:						
Consulting and Design Services	–	–	–	19.3	–	19.3
Operations Support Services	**482.7**	364.2	**7.6**	4.1	**490.3**	368.3
Capital Projects:						
Construction	**394.9**	336.2	**79.2**	40.2	**474.1**	376.4
Investments:						
Property Development and Regeneration	–	–	**10.9**	4.3	**10.9**	4.3
Public Private Partnerships	–	–	**29.7**	15.8	**29.7**	15.8
	877.6	700.4	**127.4**	83.7	**1,005.0**	784.1
Operating profit:						
Client Support Services:						
Consulting and Design Services	–	–	–	0.9	–	0.9
Operations Support Services	**12.6**	14.2	**0.9**	–	**13.5**	14.2
Capital Projects:						
Construction	**6.0**	3.7	**2.4**	0.8	**8.4**	4.5
Investments:						
Property Development and Regeneration	–	–	**0.9**	0.8	**0.9**	0.8
Public Private Partnerships	–	–	**9.4**	5.9	**9.4**	5.9
Total operating profit	**18.6**	17.9	**13.6**	8.4	**32.2**	26.3
Profit on disposal of operations	**0.8**	1.7	–	–	**0.8**	1.7
Profit on ordinary activities before interest	**19.4**	19.6	**13.6**	8.4	**33.0**	28.0
Net interest payable	**(0.3)**	(2.5)	**(6.8)**	(6.4)	**(7.1)**	(8.9)
Profit on ordinary activities before taxation	**19.1**	17.1	**6.8**	2.0	**25.9**	19.1
Taxation on profit on ordinary activities	**(5.5)**	(3.8)	**0.8**	2.5	**(4.7)**	(1.3)
Profit for the year	**13.6**	13.3	**7.6**	4.5	**21.2**	17.8

The operating profit for operations support services is after charging goodwill amortisation of £0.8 million (2000 – £0.6 million) and related to SPIE S.A.

3 Total operating profit/(loss)

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

	2001 £ million	2000 £ million
Goodwill amortisation	**11.1**	6.7
Depreciation	**33.3**	29.2
Operating lease payments:		
Land and buildings	**18.6**	19.1
Plant and equipment	**73.1**	63.4
Fees paid to auditors and their associates:		
Audit fees:		
KPMG Audit Plc	**1.4**	1.2
Other auditors	**0.1**	0.1
Non-audit fees:		
KPMG Audit Plc taxation – £0.7 million (2000 – £1.1 million) and other services – £0.1 million (2000 – £0.3 million)	**0.8**	1.4
Other auditors	**0.1**	0.1

4 Non-operating exceptional items

	2001 £ million	2000 £ million
Loss on disposal or closure of operations:		
Client Support Services (2000 – includes attributable goodwill of £3.4 million)	**(3.6)**	(2.4)
Capital Projects (Includes attributable goodwill of £0.5 million (2000 – £0.2 million))	**(14.9)**	(3.3)
Investments	**(6.0)**	(4.7)
	(24.5)	(10.4)
Loss on disposal of fixed assets	**(0.4)**	–
	(24.9)	(10.4)

5 Directors' remuneration and related matters

	2001 £000	2000 £000
Directors' emoluments	**2,977**	2,429
Amounts receivable under long-term incentive plans	**1,502**	–
Gains on exercise of share options	**674**	149

The aggregate emoluments of the highest paid director were £744,000 (2000 – £669,000). He had no gains on the exercise of share options in 2001 or 2000. The value of vested shares received in 2001 under the long-term incentive plan was £554,000 (2000 – £nil).

More detailed information concerning directors' remuneration, including pension benefits, share options and long-term incentive arrangements, is set out in the report on remuneration and related matters on pages 33 to 36.

6 Staff costs and employee numbers

	2001 £ million	2000 £ million
Wages and salaries	**872.6**	706.4
Social security costs	**92.7**	56.3
Other pension costs	**20.2**	13.3
	985.5	776.0

The average number of people employed was as follows:

	2001 Number	2000 Number
Client Support Services	**13,374**	11,731
Capital Projects	**13,119**	15,068
Investments	**119**	110
	26,612	26,909

The average cost per employee was £37,000 (2000 – £35,200) calculated on a like for like basis, to take into account the impact of acquisitions in 2000 and changes in the business employment mix between the years.

7 Net interest payable

	2001 £ million	2000 £ million
Interest payable and similar charges:		
Group:		
Bank loans and overdrafts	**(20.1)**	(27.3)
Other charges	**(2.6)**	(0.2)
	(22.7)	(27.5)
Joint ventures	**(7.2)**	(9.0)
	(29.9)	(36.5)
Interest receivable and similar income:		
Group:		
Bank and short-term deposits	**3.9**	5.4
Other income	**12.1**	13.6
	16.0	19.0
Joint ventures	**0.1**	0.1
	16.1	19.1
	(13.8)	(17.4)

The group's share of interest capitalised by joint ventures on public private partnership projects amounted to £2.5 million (2000 – £1.6 million).

8 Taxation on profit/(loss) on ordinary activities

	2001 £ million	2000 £ million
Corporation tax at 30.0% (2000 – 30.0%)	**17.1**	21.5
Double taxation relief	**(0.7)**	(1.5)
Joint ventures' taxation	**4.7**	1.3
Overseas taxation	**9.9**	8.8
	31.0	30.1
Taxation overprovided in previous years	**–**	(1.6)
	31.0	28.5

Included within the corporation tax charge is a credit of £4.2 million (2000 – £nil) in respect of the non-operating exceptional items.

The group and company have no potential liability for deferred tax, further details are given in the operating and financial review on page 21.

9 Dividends on equity and non-equity shares

	2001 Pence	2000 Pence	2001 £ million	2000 £ million
Equity shares:				
Ordinary shares:				
Interim paid 2 January 2002	**3.1**	2.8	**7.1**	6.0
Final recommended payable 1 July 2002	**6.4**	5.7	**18.8**	12.8
	9.5	8.5	**25.9**	18.8
Non-equity shares:				
Convertible redeemable preference shares:				
Fixed preferential dividend	**6.5**	6.5	**7.3**	9.2
Special preferential dividend	**6.0**	–	**8.1**	–
FRS 4 finance cost	**–**	–	**0.4**	–
	12.5	6.5	**15.8**	9.2
			41.7	28.0

The amounts waived and to be waived by the Trustees of the long-term incentive plan in respect of the interim and final ordinary dividends is £0.3 million (2000 – £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 ordinary dividends is £0.1 million (2000 – £0.1 million).

9 Dividends on equity and non-equity shares continued

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.

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 assume that the enhanced and mandatory conversions of preference shares to ordinary shares took place on 1 January 2001.

	2001			2000		
	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	65.7	230.2	28.5	61.1	213.0	28.7
Goodwill amortisation	(11.1)	–	(4.8)	(6.7)	–	(3.1)
Exceptional items	(24.9)	–	(10.8)	(10.4)	–	(4.9)
Attributable tax on exceptional items	4.2	–	1.8	–	–	–
Basic earnings	33.9	230.2	14.7	44.0	213.0	20.7
Basic earnings before goodwill amortisation and exceptional items, net of attributable tax	65.7	230.2	28.5	61.1	213.0	28.7
Share options	–	2.6	(0.3)	–	2.3	(0.3)
Employee share and incentive schemes	–	4.4	(0.5)	–	3.9	(0.5)
Preference shares	–	–	–	9.2	65.9	(3.2)
Diluted earnings before goodwill amortisation and exceptional items, net of attributable tax	65.7	237.2	27.7	70.3	285.1	24.7
Goodwill amortisation	(11.1)	–	(4.7)	(6.7)	–	(2.3)
Exceptional items	(24.9)	–	(10.5)	(10.4)	–	(3.7)
Attributable tax on exceptional items	4.2	–	1.8	–	–	–
Diluted earnings	33.9	237.2	14.3	53.2	285.1	18.7
Diluted earnings before goodwill amortisation and exceptional items, net of attributable tax	65.7	237.2	27.7	70.3	285.1	24.7
Preference shares	15.8	61.5	(0.4)	–	–	–
Pro forma diluted earnings before goodwill amortisation and exceptional items, net of attributable tax	81.5	298.7	27.3	70.3	285.1	24.7
Goodwill amortisation	(11.1)	–	(3.7)	(6.7)	–	(2.3)
Exceptional items	(24.9)	–	(8.4)	(10.4)	–	(3.7)
Attributable tax on exceptional items	4.2	–	1.4	–	–	–
Pro forma diluted earnings	49.7	298.7	16.6	53.2	285.1	18.7

11 Intangible assets

	Goodwill £ million
Group:	
Cost:	
As at 1 January 2001	181.8
Exchange and other movements	(5.4)
Additions	25.6
As at 31 December 2001	202.0
Amortisation:	
As at 1 January 2001	6.1
Provided during the year	9.3
As at 31 December 2001	15.4
Net book value:	
As at 31 December 2001	**186.6**
As at 31 December 2000	175.7

12 Tangible assets

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Group:			
Cost or valuation:			
As at 1 January 2001	112.3	219.7	332.0
Exchange and other movements	(1.7)	(2.4)	(4.1)
Additions and transfers	8.1	41.6	49.7
Acquisitions	(14.4)	(11.2)	(25.6)
Disposal of subsidiaries	(2.5)	(0.6)	(3.1)
Disposals and transfers	(20.2)	(47.9)	(68.1)
As at 31 December 2001	81.6	199.2	280.8
Depreciation:			
As at 1 January 2001	5.3	117.1	122.4
Exchange and other movements	–	(0.3)	(0.3)
Provided during the year	4.1	29.2	33.3
Disposals and transfers	(3.7)	(40.2)	(43.9)
As at 31 December 2001	5.7	105.8	111.5
Net book value:			
As at 31 December 2001	**75.9**	**93.4**	**169.3**
As at 31 December 2000	107.0	102.6	209.6

12 Tangible assets continued

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Company:			
Cost or valuation:			
As at 1 January 2001	7.5	2.4	9.9
Additions and transfers	1.2	1.4	2.6
Disposals and transfers	(1.4)	–	(1.4)
As at 31 December 2001	7.3	3.8	11.1
Depreciation:			
As at 1 January 2001	0.6	1.6	2.2
Provided during the year	0.3	0.2	0.5
Disposals and transfers	(0.5)	–	(0.5)
As at 31 December 2001	0.4	1.8	2.2
Net book value:			
As at 31 December 2001	**6.9**	**2.0**	**8.9**
As at 31 December 2000	6.9	0.8	7.7

	Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
The net book value of land and buildings comprised:				
Freehold	**61.8**	102.0	**4.5**	5.4
Long leasehold	**9.0**	1.7	–	–
Short leasehold	**5.1**	3.3	**2.4**	1.5
	75.9	107.0	**6.9**	6.9
The cost or valuation of land and buildings comprised:				
Cost	**43.6**	53.9	**2.7**	2.1
External valuation in 1999	**38.0**	56.6	**4.6**	5.4
Internal valuation in 2000	–	1.8	–	–
	81.6	112.3	**7.3**	7.5

The bases of the external and internal valuations were 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.

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

	Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
Cost	**36.2**	46.3	**8.4**	7.2
Depreciation	**(11.3)**	(13.0)	**(1.4)**	(1.4)
Net book value	**24.9**	33.3	**7.0**	5.8

13 Investments (held as fixed assets)

	2001 £ million	2000 £ million
Company:		
Investments in subsidiaries:		
Shares at cost less amounts written off	**1,205.8**	838.5
Amounts owed by subsidiaries	**245.9**	205.0
Amounts owed to subsidiaries	**(655.2)**	(366.8)
	796.5	676.7

	Joint ventures £ million	Associates £ million	Other investments £ million	Total £ million
Group:				
Net book value:				
As at 1 January 2001	59.5	3.1	4.4	67.0
Exchange and other movements	(5.9)	–	–	(5.9)
Additions and transfers	23.1	–	3.9	27.0
Net movement in share of reserves	21.3	–	–	21.3
Disposals and amounts written off	(1.8)	–	(2.5)	(4.3)
Dividends received	(1.3)	–	–	(1.3)
As at 31 December 2001	94.9	3.1	5.8	103.8
Represented by:				
Shares at cost less amounts written off	58.7	3.1	5.8	67.6
Share of post acquisition results	55.4	–	–	55.4
Goodwill capitalised less amounts amortised	20.0	–	–	20.0
Goodwill written off to reserves	(40.5)	–	–	(40.5)
Net loans from group companies	1.3	–	–	1.3
	94.9	3.1	5.8	103.8
Company:				
Cost:				
As at 1 January 2001	22.1	3.1	3.0	28.2
Additions and transfers	2.4	–	3.9	6.3
Amounts written off	–	–	(2.6)	(2.6)
Disposals and transfers	(3.7)	–	–	(3.7)
As at 31 December 2001	20.8	3.1	4.3	28.2

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

	SPIE S.A. 2001 £ million	SPIE S.A. 2000 £ million	Others 2001 £ million	Others 2000 £ million	Total 2001 £ million	Total 2000 £ million
Fixed assets	**98.5**	81.7	**231.3**	217.0	**329.8**	298.7
Current assets	**591.4**	518.3	**200.1**	188.3	**791.5**	706.6
Share of gross assets	**689.9**	600.0	**431.4**	405.3	**1,121.3**	1,005.3
Loans to group companies	–	–	**(10.5)**	(13.7)	**(10.5)**	(13.7)
Group share of gross assets	**689.9**	600.0	**420.9**	391.6	**1,110.8**	991.6
Liabilities due within one year	**(599.7)**	(538.3)	**(109.4)**	(94.2)	**(709.1)**	(632.5)
Liabilities due after one year	**(33.0)**	(35.0)	**(285.6)**	(270.4)	**(318.6)**	(305.4)
Share of gross liabilities	**(632.7)**	(573.3)	**(395.0)**	(364.6)	**(1,027.7)**	(937.9)
Loans from group companies	–	–	**11.8**	5.8	**11.8**	5.8
Group share of gross liabilities	**(632.7)**	(573.3)	**(383.2)**	(358.8)	**(1,015.9)**	(932.1)
Share of net assets	**57.2**	26.7	**37.7**	32.8	**94.9**	59.5

Principal group companies are listed on page 63.

13 Investments (held as fixed assets) continued

Goodwill of £21.0 million arose through AMEC increasing its stake in SPIE S.A. from 41.6 per cent to 46 per cent and is being amortised over a 20 year period.

Included within other investments is £4.2 million (2000 – £3.0 million) in respect of 2,928,972 (2000 – 3,073,499) ordinary 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 at 31 December 2001 was £11.6 million (2000 – £10.6 million).

A qualifying employee share ownership trust (Quest) was established on 26 August 1999. The Quest holds ordinary shares issued by the company in connection with the savings related share option scheme. During the year the company allotted 2,747,105 (2000 – 378,499) ordinary shares to the Quest and the Quest transferred 2,310,062 (2000 – 1,452,874) of these shares to employees exercising options.

At 31 December 2001 the Quest held 1,859,989 (2000 – 1,422,946) ordinary shares and these are included within investments at £nil (2000 – £nil).

14 Stocks

	2001 £ million	2000 £ million
Group:		
Development land and work in progress	**89.5**	59.4
Raw materials and consumables	**13.5**	11.7
Other work in progress	**10.8**	0.9
Finished goods and goods for resale	**4.1**	3.2
	117.9	75.2

15 Debtors

	Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
Debtors: amounts falling due within one year				
Amounts recoverable on contracts	**299.0**	256.0	**–**	–
Trade debtors	**588.2**	584.1	**7.8**	0.7
Amounts owed by subsidiaries	**–**	–	**2.9**	4.6
Amounts owed by joint ventures and associates	**4.2**	40.1	**0.4**	38.8
Other debtors	**23.1**	136.5	**0.3**	2.2
Prepayments and accrued income	**27.6**	22.0	**3.8**	0.8
	942.1	1,038.7	**15.2**	47.1
Debtors: amounts falling due after one year				
Trade debtors	**47.0**	85.6	**–**	–
Amounts owed by joint ventures and associates	**1.9**	–	**–**	–
Other debtors	**1.4**	3.7	**–**	–
Prepayments and accrued income	**51.8**	42.8	**50.7**	40.4
	102.1	132.1	**50.7**	40.4
	1,044.2	1,170.8	**65.9**	87.5

16 Creditors: amounts falling due within one year

	Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
Bank and other loans and overdrafts	**42.8**	171.3	**107.9**	104.1
Payments on account	**199.6**	112.3	**–**	–
Trade creditors	**813.6**	765.0	**9.1**	3.1
Amounts owed to subsidiaries	**–**	–	**0.4**	–
Amounts owed to joint ventures and associates	**0.5**	2.0	**2.6**	–
Corporation tax	**11.0**	17.3	**8.1**	17.7
Other taxation and social security costs	**36.5**	39.6	**10.1**	5.0
Other creditors	**37.1**	38.3	**2.7**	6.2
Accruals and deferred income	**73.4**	80.3	**8.5**	4.2
Dividends	**33.9**	20.2	**33.9**	20.2
	1,248.4	1,246.3	**183.3**	160.5

17 Creditors: amounts falling due after one year

	Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
Bank loans	292.3	291.3	262.3	193.1
Trade creditors	29.2	63.7	–	–
Amounts owed to joint ventures and associates	0.8	0.9	8.1	1.9
Other creditors	–	8.0	–	–
Accruals and deferred income	1.9	2.2	–	–
	324.2	366.1	270.4	195.0

18 Analysis of borrowings and banking facilities

The maturity of borrowings was as follows:

	Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
Due:				
In one year or less, or on demand	42.8	171.3	107.9	104.1
Between one and two years	7.0	79.5	–	–
Between two and five years	285.3	211.8	262.3	193.1
	335.1	462.6	370.2	297.2

The available undrawn committed bank facilities were as follows:

	2001 £ million	2000 £ million
Group:		
Expiring in:		
One year or less	15.2	6.2
More than two years	188.5	46.9
	203.7	53.1

There is an additional committed facility of £170 million which is only available if the option to acquire SPIE is exercised.

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 20 to 27. 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:

	2001				2000			
Currency	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	83.5	43.0	–	126.5	90.3	41.4	–	131.7
US dollar	0.4	37.2	61.8	99.4	9.5	62.7	–	72.2
Canadian dollar	0.6	8.2	1.0	9.8	6.1	1.0	–	7.1
Euro	3.3	2.1	–	5.4	3.0	5.1	–	8.1
Hong Kong dollar	9.7	33.4	–	43.1	22.3	0.5	–	22.8
Other	8.6	2.9	1.5	13.0	15.3	0.3	–	15.6
	106.1	126.8	64.3	297.2	146.5	111.0	–	257.5

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

19 Financial instruments continued

Currency	2001 Non interest bearing £ million	2001 Floating rate £ million	2001 Fixed rate £ million	2001 Total £ million	2000 Non interest bearing £ million	2000 Floating rate £ million	2000 Fixed rate £ million	2000 Total £ million
Group:								
Financial liabilities:								
Sterling	21.2	68.5	21.0	110.7	63.2	93.0	131.2	287.4
US dollar	–	43.0	9.7	52.7	0.3	138.8	–	139.1
Canadian dollar	–	168.1	10.4	178.5	6.0	170.7	–	176.7
Euro	8.5	26.1	–	34.6	3.8	54.8	–	58.6
Hong Kong dollar	8.9	–	–	8.9	3.2	0.6	–	3.8
Other	1.2	4.2	–	5.4	2.3	4.8	–	7.1
	39.8	309.9	41.1	390.8	78.8	462.7	131.2	672.7

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 was 7.8 per cent.

The maturity of the financial liabilities was as follows:

	2001 £ million	2000 £ million
Group:		
Due:		
In one year or less, or on demand	63.8	240.4
Between one and two years	38.5	81.2
Between two and five years	288.5	218.3
Over five years	–	132.8
	390.8	672.7

There is no material difference between the book and fair value of financial assets and liabilities save for the preference shares which have a book value of £21.0 million and a market value of £42.6 million as at 31 December 2001 (£131.2 million and £228.8 million respectively as at 31 December 2000) and financial liabilities in the two to five years category which have a book value of £288.5 million and a fair value of £236.6 million as at 31 December 2001 (£218.3 million and £176.5 million respectively as at 31 December 2000).

As at 31 December 2001, there were two outstanding interest rate swaps. Firstly, for a principal of US$10 million under which the group pays interest of 3.85 per cent and receives six months' LIBOR and secondly for a principal of Cdn$10 million under which the group pays interest of 4.15 per cent and receives six months' LIBOR. Both instruments expire in October 2004.

The group had no material currency exposures as at 31 December 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

	Insurance £ million	Onerous property contracts £ million	Total £ million
Group:			
As at 1 January 2001	27.9	6.6	34.5
Utilised	(2.6)	(0.9)	(3.5)
As at 31 December 2001	25.3	5.7	31.0

21 Share capital

The authorised share capital of the company is £350.0 million (2000 – £350.0 million).

	2001 £ million	2000 £ million
Group and company:		
Allotted, called up and fully paid:		
Equity share capital:		
Ordinary shares of 50 pence each	**144.1**	114.7
Non-equity share capital:		
6.5 pence (net) cumulative convertible redeemable preference shares of 50 pence each	**10.8**	67.6
	154.9	182.3

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 2001	229,313,927	114.7	135,194,151	67.6
Conversion of preference shares to ordinary shares	55,400,793	27.7	(113,572,763)	(56.8)
Qualifying employee share ownership trust allotments	2,747,105	1.4	–	–
Exercise of executive share options	330,896	0.1	–	–
Exercise of AGRA Inc. stock options	377,244	0.2	–	–
As at 31 December 2001	**288,169,965**	**144.1**	**21,621,388**	**10.8**

Preference shares

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

The following is a summary of the rights under the company's articles of association relating to voting, income and capital, conversion and redemption which applied to the preference shares whilst they were in issue.

Voting

The preference shares entitled the holders thereof to attend and vote at any general meeting of the company. On a show of hands, a holder of preference shares who was present in person had one vote and, on a poll, each such person who was present in person or by proxy had one vote for each preference share of which he was the holder.

Income and capital

Income: the preference shares carried the right to a fixed annual cumulative preferential dividend of 6.5 pence (net) per share payable in arrears in equal instalments on 1 May and 1 November in each year.

Capital: the preference shares ranked ahead of the ordinary shares on a winding-up or other return of capital (other than by conversion, redemption or purchase of shares) in respect of 100 pence per share together with any arrears and accruals of dividend to the date of repayment.

Conversion

The preference shares were convertible at the option of the holder on the basis of 48.78 ordinary shares for every 100 preference shares (and so in proportion for any lesser or greater number) on 31 May (or if later, five weeks after the posting of the annual report and accounts for the most recently ended financial year) and 30 November in each year to 2008. In the event of conversion, redemption or purchase and cancellation of 75 per cent or more of the preference shares, the company had the right to convert the balance outstanding, which it has now exercised.

Redemption

Subject to the provisions of the Companies Act 1985, the company would have redeemed on 1 May 2009 any preference shares which remained in issue and were outstanding on that date. The preference shares so redeemed would have been redeemed at 100 pence per share together with any arrears and accruals of dividend to the date of redemption.

21 **Share capital** continued

The number of share options outstanding under the Savings Related and Executive Schemes as at 31 December 2001 was as follows:

	Option price per ordinary share pence	Number
Savings Related Share Option Scheme		
Normally exercisable in the period between:		
September 2001 and February 2002	**90.0**	**83,486**
July 2002 and December 2002	**181.0**	**324,290**
July 2004 and December 2004	**181.0**	**727,482**
January 2004 and June 2004	**230.0**	**3,942,570**
Executive Share Option Schemes		
Normally exercisable in the period between:		
May 1995 and May 2002	**160.0**	**35,000**
May 1997 and May 2004	**118.0**	**5,000**
February 1999 and February 2006	**99.0**	**600,000**
April 2000 and April 2007	**144.0**	**561,388**
March 2001 and March 2008	**153.5**	**19,543**
April 2003 and April 2010	**169.0**	**240,000**
June 2003 and June 2010	**214.5**	**97,902**

Employees holding options under the AGRA Inc. Stock Option Plans were permitted to roll-over their options over AGRA Inc. shares into options over AMEC plc ordinary 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 ordinary share pence	Number
AGRA Inc. Stock Option Plans		
Normally exercisable in the period between:		
December 1998 and December 2002	123.76	12,212
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	4,942
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 2001 there were 3,686 participants in the Savings Related Scheme, 14 participants in the Executive Schemes and 18 participants in the AGRA Plans.

During the year, under the provisions of the Savings Related Scheme, 2,310,062 shares were transferred to participants from the qualifying employee share ownership trust (Quest) for a total consideration of £2.2 million. The company received £2.1 million from employees and £9.4 million from subsidiaries in respect of 2,747,105 shares allotted to the Quest.

Under the provisions of the Executive Schemes, 330,896 shares were allotted to participants for a total consideration of £0.5 million and, under the provisions of the AGRA Plans, 377,244 shares were allotted to participants for a total consideration of £0.6 million.

The closing price of the ordinary shares at 31 December 2001 was 395.0 pence (2000 – 345.5 pence).

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	Special reserve £ million	Profit and loss account £ million	Total £ million
Group:						
As at 1 January 2001	36.8	18.6	17.2	–	45.1	117.7
Exchange and other movements	–	–	–	–	(4.6)	(4.6)
Ordinary shares issued	39.4	–	–	–	–	39.4
Transfers on disposals	–	(6.2)	–	–	6.2	–
Goodwill written back on disposals	–	–	–	–	0.5	0.5
Charge in respect of shares issued to the qualifying employee share trust	–	–	–	–	(9.4)	(9.4)
Retained profit for the year	–	–	–	–	8.0	8.0
As at 31 December 2001	76.2	12.4	17.2	–	45.8	151.6
Company:						
As at 1 January 2001	36.8	–	17.2	127.9	117.4	299.3
Exchange and other movements	–	–	–	–	2.7	2.7
Ordinary shares issued	39.4	–	–	–	–	39.4
Transfers	–	0.3	–	(127.9)	127.6	–
Retained loss for the year	–	–	–	–	(3.7)	(3.7)
As at 31 December 2001	76.2	0.3	17.2	–	244.0	337.7

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 (2000 – £200.7 million). Of these amounts, £40.5 million relates to joint ventures, associates and unincorporated businesses (2000 – £40.5 million).

The profit for the year of the company was £38.0 million.

23 Reconciliation of group operating profit to net cash flow from operating activities

	2001 £ million	2000 £ million
Group operating profit	87.2	83.3
Goodwill amortisation	10.3	6.1
Depreciation	33.3	29.2
(Increase)/decrease in stocks	(42.7)	12.8
Decrease /(increase) in debtors	31.1	(180.3)
Increase in creditors and provisions	59.2	123.3
Exchange and other movements	5.3	(1.3)
Net cash flow from operating activities	183.7	73.1

24 Reconciliation of net cash flow to movement in net funds

	2001 £ million	2000 £ million
Increase in cash	5.5	25.8
Cash flow from movement in debt	112.8	(342.1)
Cash flow from movement in liquid resources	45.4	18.1
Change in funds resulting from cash flows	163.7	(298.2)
Exchange and other non cash movements	3.5	(18.8)
Movement in net funds in the year	167.2	(317.0)
Net funds as at 1 January	(211.8)	105.2
Net funds as at 31 December	(44.6)	(211.8)

25 Analysis of net funds

	As at 1 January 2001 £ million	Cash flow £ million	Other non-cash movements £ million	Exchange and other movements £ million	As at 31 December 2001 £ million
Cash at bank and in hand	166.5	(7.8)	–	1.6	160.3
Overdrafts	(22.6)	13.3	–	0.6	(8.7)
Debt due within one year	(148.7)	116.0	(0.8)	(0.6)	(34.1)
Debt due after one year	(291.3)	(3.2)	–	2.2	(292.3)
Liquid resources	84.3	45.4	–	0.5	130.2
	(211.8)	163.7	(0.8)	4.3	(44.6)

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

26 Acquisitions and disposals

In the second half of 2001, the group reviewed the provisional fair values assigned to the book value of the identifiable assets and liabilities acquired following the purchase of AGRA Inc. in 2000.

Many of the adjustments made in 2000 were in respect of amounts recoverable on contracts and the reassessment of contract end life forecasts. The processes that were used to assess the fair values in these areas are a well established part of AMEC's business and as a consequence it has not been necessary to make any further adjustments.

One of AGRA's more substantial assets was the Grand Cayman Hotel which was revalued as part of the provisional fair value process. As AMEC further assessed both the future trading potential of the Hotel and opportunities for its disposal, it became apparent that the provisional value assigned needed to be further reduced to more accurately reflect its condition at the date of acquisition. In this assessment it should be noted that the effects of 11 September have been treated as temporary and have not been factored into the final fair value assigned.

Within the net assets acquired were some software development costs that had been capitalised. These costs had been incurred as part of an earlier commitment to develop an integrated system. An assessment of the value that would be recovered from the amount expended on the development was undertaken in 2001. This revealed a number of deficiencies in the development concept and an adjustment has been made to both write down certain costs capitalised and make a provision for the committed future costs as at the date of acquisition so as to reflect conditions that existed at this date.

As a result, goodwill arising on subsidiaries and businesses acquired in the year ended 31 December 2000, which predominantly related to the purchase of AGRA Inc., increased from £176.1 million to £201.7 million.

	Provisional fair value of net assets acquired £ million	Adjustments £ million	Final fair value of net assets acquired £ million
Tangible fixed assets	99.8	(18.8)	81.0
Investments	4.9	–	4.9
Stocks	21.9	–	21.9
Debtors	143.0	–	143.0
Deferred tax	15.3	–	15.3
Creditors	(150.0)	(6.8)	(156.8)
Net debt	(65.2)	–	(65.2)
Minority interests	(1.8)	–	(1.8)
Net assets	67.9	(25.6)	42.3
Goodwill capitalised	176.1	25.6	201.7
Consideration	244.0	–	244.0

The group increased its stake in SPIE S.A. from 41.6 per cent to 46.0 per cent at a cost of £23.8 million through participation in a rights issue and increasing its investment.

On 30 March 2001 the group received deferred consideration of over £90 million from the disposal of Fairclough Homes in 1999. During the year, a number of small subsidiaries and joint ventures with total net assets of £3.1 million were sold and these generated aggregate sales proceeds of £3.6 million.

27 Capital commitments

	Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
Contracted but not provided for in the accounts	**1.8**	5.0	**0.1**	0.6

There is a commitment to invest a total of £57.5 million (2000 – £36.7 million) in various public private and regeneration partnership projects of which £1.4 million (2000 – £1.1 million) will be equity investment and £56.1 million (2000 – £35.6 million) will be subordinated debt.

28 Lease commitments

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

	Land and buildings 2001 £ million	Land and buildings 2000 £ million	Plant and equipment 2001 £ million	Plant and equipment 2000 £ million
Group:				
Expiring:				
In one year or less	**7.7**	3.7	**10.3**	4.6
Between two and five years	**8.0**	9.4	**14.4**	9.9
Over five years	**11.2**	5.7	**–**	–
	26.9	18.8	**24.7**	14.5
Company:				
Expiring :				
In one year or less	**0.7**	–	**–**	–
Between two and five years	**–**	0.7	**–**	–
Over five years	**0.3**	0.4	**–**	–
	1.0	1.1	**–**	–

29 Contingent liabilities

Guarantees given by the company in respect of borrowings of subsidiaries amounted to £18.3 million as at 31 December 2001 (2000 – £131.0 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 £48.3 million at 31 December 2001. 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 joint ventures. The borrowings drawn against these facilities amounted to £46 million at 31 December 2001. The current debt service ratios for these joint ventures are all within the agreed levels.

AMEC has a commitment to invest £57.5 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.

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 £20.2 million (2000 – £13.3 million) and there is a prepayment of pension costs of £50.7 million (2000 – £41.7 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 1998 and 1 April 1999. These showed that the market value of the assets was £922 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 6.70 to 6.75 per cent, future pensionable salary increases of 3.6 to 4.5 per cent, future pension increases of 2.6 to 3.0 per cent and valuation rates of interest of 3.0 to 4.5 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 1998 and 1 April 1999, and updated by the schemes' actuaries for the requirement to assess the liabilities of the schemes as at 31 December 2001. The assets of the schemes are stated at their market value as at 31 December 2001.

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

	%
Rate of discount	6.0
Rate of inflation	2.4
Rate of increase in salaries	3.4
Rate of increase in pensions in payment	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:

	Long-term rate of return expected at 31 December 2001 %	Value as at 31 December 2001 £million
Equities	7.5	548.0
Bonds	5.5	366.0
Property	6.5	81.0
Cash	4.5	35.0
Total market value of assets		1,030.0
Present value of schemes' liabilities		(726.0)
Surplus in the schemes		304.0
Related deferred tax liability		(91.2)
Net pension asset		212.8

30 Pension arrangements continued

Net assets

	2001 Group £ million
Net assets per consolidated balance sheet	308.7
SSAP 24 prepayment	(50.7)
Net assets excluding SSAP 24 prepayment	258.0
Net pension asset arising under FRS 17	212.8
Net assets including net pension asset arising under FRS 17	470.8

Profit and loss account reserve

	2001 Group £ million
Profit and loss account reserve per consolidated balance sheet	45.8
SSAP 24 prepayment	(50.7)
Profit and loss account reserve excluding SSAP 24 prepayment	(4.9)
Net pension asset arising under FRS 17	212.8
Profit and loss account reserve including net pension asset arising under FRS 17	207.9

The net assets and profit and loss account reserve, including the net pension asset arising under FRS 17 disclosed above, have only been adjusted for the effects of FRS 19 'Deferred Tax' in respect of its impact on the pension asset. Any other adjustment required on implementation of FRS 19 is expected to be relatively minor.

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 summarised below:

	Value of transactions in the year		Outstanding balance as at 31 December	
	2001 £ million	2000 £ million	2001 £ million	2000 £ million
Services rendered	15.8	23.1	6.1	3.2
Sale of goods	–	0.6	–	–
Sale of fixed assets	20.4	52.1	–	–
Provision of finance	2.1	17.3	10.5	5.8

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AMEC plc

We have audited the accounts on pages 37 to 60.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the annual report. As described above, 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 are 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on pages 31 and 32 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 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. 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 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.

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 2001 and of the profit of the group for the year then ended and have bee properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc KPMG Audit Plc
Chartered accountants
Registered auditor
Manchester
7 March 2002

FIVE YEAR RECORD

	2001 £ million	2000 £ million	1999 £ million	1998 £ million	1997 £ million
Summarised consolidated results					
Continuing operations	**4,467.5**	3,980.0	3,062.5	3,191.9	3,186.5
Discontinued operations	**–**	–	38.3	200.9	184.4
Total turnover	**4,467.5**	3,980.0	3,100.8	3,392.8	3,370.9
Continuing operations	**116.7**	98.9	79.3	56.1	31.4
Discontinued operations	**–**	–	2.9	15.3	16.1
Profit on ordinary activities before goodwill amortisation, exceptional items and taxation	**116.7**	98.9	82.2	71.4	47.5
Goodwill amortisation	**(11.1)**	(6.7)	–	–	–
Exceptional items	**(24.9)**	(10.4)	(2.2)	(2.2)	20.9
Profit on ordinary activities before taxation	**80.7**	81.8	80.0	69.2	68.4
Taxation on profit on ordinary activities	**(31.0)**	(28.5)	(23.0)	(21.9)	(23.7)
Profit on ordinary activities after taxation	**49.7**	53.3	57.0	47.3	44.7
Equity minority interests	**–**	(0.1)	–	–	–
Profit for the year	**49.7**	53.2	57.0	47.3	44.7
Dividends on equity and non-equity shares	**(41.7)**	(28.0)	(26.3)	(23.5)	(21.3)
Retained profit for the year	**8.0**	25.2	30.7	23.8	23.4
Basic earnings per ordinary share	**14.7p**	20.7p	22.3p	17.8p	16.5p
Diluted earnings per ordinary share**	**27.3p***	24.7p	21.2p	17.3p	11.0p
Dividends per ordinary share	**9.50p**	8.50p	7.50p	6.25p	5.00p
Summarised consolidated balance sheets					
Fixed assets	**459.7**	452.3	144.5	130.5	115.7
Working capital	**(75.4)**	96.2	43.1	8.3	7.5
Net (debt)/cash	**(44.6)**	(211.8)	105.2	97.2	94.3
Provisions	**(31.0)**	(34.5)	(34.0)	(33.8)	(30.2)
Net assets	**308.7**	302.2	258.8	202.2	187.3
Shareholders' funds	**306.5**	300.0	258.8	202.2	187.3
Equity minority interests	**2.2**	2.2	–	–	–
	308.7	302.2	258.8	202.2	187.3

The figures are stated in accordance with the accounting policies set out on page 42.

*Assuming preference shares were converted to ordinary shares on 1 January 2001 (pro forma).

**Before goodwill amortisation and exceptional items.

PRINCIPAL GROUP COMPANIES

As at 31 December 2001

The subsidiaries, joint ventures and associates 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 Birwelco Limited
AMEC BKW 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 International Construction Limited (operating outside the United Kingdom)
*AMEC Investments Limited
AMEC Offshore Services Limited
AMEC Plant & Transport 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 and associates

*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)
KIG Immobilien Beteiligungsgesellschaft mbH (Germany) (50%) (note 9)
*Newcastle Estate Partnership Holdings Limited (50% – 'A' shares) (note 10)
*Northern Integrated Services Limited (50% – 'B' shares) (note 11)
*Ringway Developments plc (21% – '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.
7 The issued share capital of Health Management (Carlisle) Holdings Limited is 841,002 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 KIG Immobilien Beteiligungsgesellschaft mbH is a limited liability partnership.
10 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.
11 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.
12 The issued share capital of Ringway Developments plc is 4,226,971 'A' shares of £1 each and 4,399,673 'B' 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 111.59 each and 5,542,222 ordinary 'B' shares of 111.59 each.
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. They, and 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 IRG Plc.

Dividend reinvestment plan
A dividend reinvestment plan (DRIP) has been introduced by the company 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 IRG Plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom
Tel: +44 (0)20 8639 2000
E-mail: ssd@capita-irg.com or visit the website at www.capita-irg.com

Electronic communications
AMEC's web site has a facility whereby shareholders can link to the company's registrar Capita IRG Plc 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 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. You will, in the future, also be able to electronically register your proxy votes for general meetings of the company if you wish. 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 IRG Plc, 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 IRG Plc on +44 (0)870 162 3100.

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Registered in England No 1675285

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