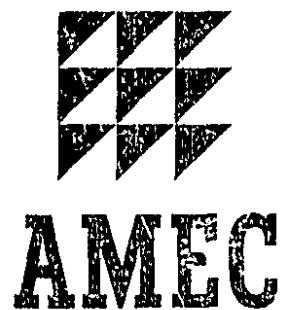
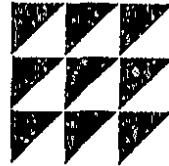


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ANNUAL REPORT AND ACCOUNTS 1989



AMEC

The business of AMEC is in construction, engineering and development and everything the group does is related to those disciplines.

The main driving force in today's construction, engineering and development markets is the demand by clients for a service responsive to all their needs, from the provision of individual skills to management, with full responsibility, of the most complex major projects.

Increasingly, these clients are global concerns and they expect the same scope and standard of service wherever they operate throughout the world. AMEC's aim is not only to meet but to anticipate these demands by constantly enhancing the range and strength of our capability in the UK and worldwide.

AMEC will continue to emphasise the highest quality of management, financial strength and stringent controls throughout its operations.

These are the basis for our growth and the sound foundation of our strategy:

- to offer any engineering, construction and development service the customer needs
- to ensure that every service offered is the best in its market
- to offer our services wherever our customers need them throughout the world

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CHAIRMAN'S STATEMENT



AMEC's chairman, Alan Cockshaw

AMEC is one of the largest construction, engineering and development groups in Europe. Everything we do relates directly or indirectly to the construction industry with common skills, common applications and, perhaps most important of all, a common culture.

1989 saw the first full year's benefit from the integration of Matthew Hall into the AMEC group. Profit before taxation for the year, at £91.3 million, an overall increase of 48%, has amply demonstrated the quality and flexibility of our integrated capability. Earnings per share growth on a fully diluted basis of 9% in difficult market conditions, also bears testimony to a successful year.

The board is recommending an increased final dividend of 11.75p giving a total of 19p per ordinary share, compared with 17p last year.

The strength of our order book, up 31% compared with the same time last year demonstrates the attractiveness to our customers of our broad ranging and complementary services.

We have been particularly pleased with the quality of our progress in international markets where we increasingly find ourselves being asked to service international clients on a global basis. The establishment, just after the year end, of our partnership with Morse Diesel in the United States has enhanced our ability to anticipate the worldwide needs of such customers.

In today's markets quality counts more than ever and discerning customers recognise the importance of measuring time, cost and quality together. AMEC's declared objective is to ensure that every service we provide is of the highest quality and our achievements in 1989 clearly reflected that commitment. No fewer than 12 subsidiary companies were

independently assessed as complying with BS5750 Part 2 and, in addition, subsidiary companies across all our sectors won awards for quality during the year.

The cyclical nature of individual markets in our industry was very evident in 1989. Housing has suffered a dramatic fall and the commercial property market is now weakening. However, as these two areas have declined, others are rising and AMEC is well positioned to benefit from the considerable upturn in offshore and civil engineering, where we continue to be market leaders.

In 1990 the total volume of construction output will be significantly less than 1989 and 1991 is unlikely, in our view, to see any improvement. In these conditions AMEC's wide range of activities will be a great source of strength. We can minimize the impact of downturns in individual sectors and at the same time take advantage of those markets where growth and investment prospects are good.

We have now achieved a strong position within the United Kingdom and will continue to place emphasis on opportunities in international markets. We are well equipped for the 1990s.

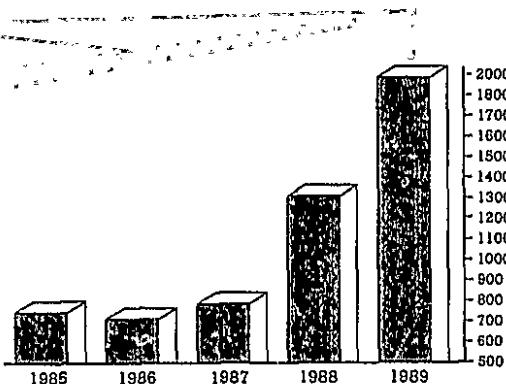
The commitment of all our people at every level has been remarkable and it is because of them that we can have such confidence in our future. My thanks go to everyone in the group for a first class effort in 1989. It has been a quality performance in every respect.



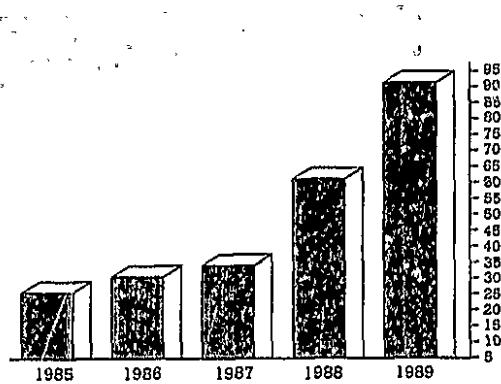
Alan Cockshaw, FEng
Chairman

RESULTS AT A GLANCE

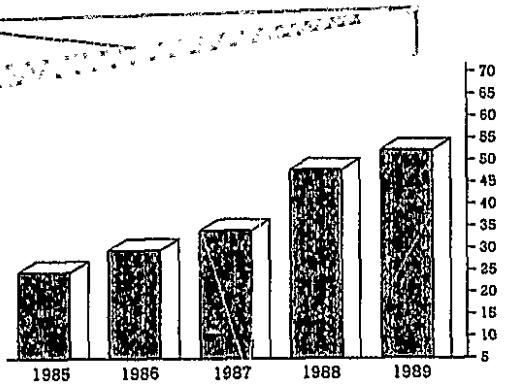
TURNOVER (£m)



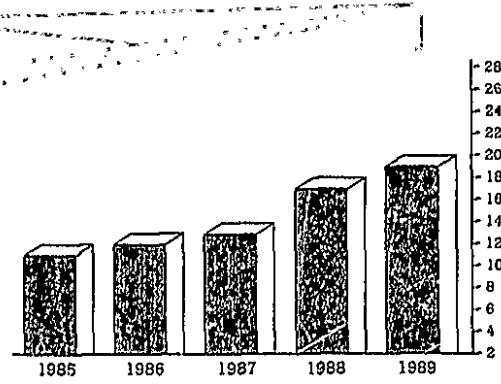
PROFIT BEFORE TAX (£m)



**EARNINGS PER ORDINARY SHARE
diluted (p)**



**DIVIDENDS
PER ORDINARY SHARE (p)**



	1989 £ million	1988 £ million
Turnover	1,992.6	1,309.9
Profit on ordinary activities before taxation	91.3	61.6
Profit on ordinary activities after taxation	61.2	40.1
Shareholders' funds	288.3	238.0
<i>Earnings per ordinary share - undiluted</i>	<i>71.4p</i>	<i>54.2p</i>
<i>Earnings per ordinary share - diluted</i>	<i>52.2p</i>	<i>47.8p</i>
<i>Dividends per ordinary share</i>	<i>19.0p</i>	<i>17.0p</i>

THE WAY FORWARD

Chairman Alan Cockshaw explains AMEC's business philosophy, management style and future strategy.

Q: What are AMEC's main objectives for the future?

A: We aim to create a broad-based business with the flexibility to anticipate and satisfy the full range of customer needs. At the same time, we recognise that all the elements of the construction, engineering and development industry are very cyclical. While one sector is weak another will be booming.

There are also geographical variations. AMEC's broad range enables us to smooth out the more violent fluctuations and move resources to the areas where they will be most effective. That's what gives investors confidence in us.

Q: What is the greatest change you've seen in the industry recently?

A: The greatest change is in the way that customers are procuring services. Very few major private sector projects in the UK are now carried out by the traditional competitive tender route. Customers now realise that the most important figure is the final cost of a project, not the initial tender. They want to use companies which really can deliver on time, within cost and to the highest standards of quality.

Q: So what can AMEC offer to these customers?

A: AMEC is customer-driven. Whichever way the customer wants to procure his work we will do it. We will take on pure building projects if that is what the customer wants. If he wants us to take on the design we will do that. If he wants us to bring several different subsidiaries together to provide a more integrated, comprehensive service, we'll do that. If he wants a totally hands-off, professional approach and for us to project manage without physically doing any of the jobs, then we'll do that. If he wants a guaranteed overall maximum price approach we'll provide it. We can tailor



our services to suit anything any customer wants.

Q: So how close to this ideal are you?

A: In the UK we have most of these parts of the jigsaw in place. There are special areas where we are taking steps to strengthen our position - environmental technology for instance.

Q: And outside the UK?

A: Our large customers are now global companies, investing on a global basis. We want not just to respond but to anticipate the needs of these major companies. Our service to them must be of equal scope and quality wherever in the world they need it.

Q: What about developments in Europe?

A: We are already seeing a rationalisation of manufacturing in western Europe and this trend will continue for the rest of the decade. AMEC is in a good position to take advantage of that situation and already has businesses in Holland, France and Portugal. The evolution of eastern Europe clearly offers exciting potential prospects for our overall capability.

Q: Which international areas are currently your priorities?

A: Certainly the USA. The deal with Morse Diesel is a significant example of

THE WAY FORWARD

the way we want to go. Their main expertise is in the construction of major buildings, including high-rise schemes. We intend to use their skills and track record to reinforce our expansion strategy in Europe. At the same time the industrial skills and customer base of AMEC Projects and IDC will reinforce Morse Diesel in the USA. That way they become a much more broadly-based business with customers in the industrial as well as the commercial markets. We add value to them and they add value to us.

AMEC also has some good companies in Australia and, although that is not a large economy in itself, it provides a platform from which we can look at the Pacific rim. We have already done work in the Far East and we are seriously considering going further into markets like Japan.

Q: Many of your subsidiaries are well-known, even household names in some cases. Is AMEC sufficiently well-known?

A: In the past we have had a low profile but clearly today AMEC deserves to be promoted more effectively. In the last few years we have presented ourselves to the City and to our customers, focusing always on the comprehensive spread of our activities. Equally we have placed very strong emphasis on significantly improving communications within the group throughout the world.

Q: Does AMEC have a particular management style?

A: All the senior management in the group have grown up through the industry. Our management style is very open and very free, very hands-on. We communicate at all levels. At the same time we are highly disciplined, especially in the area of financial controls. We don't believe in too much central administration. Responsibility is devolved to the subsidiaries and every managing director is accountable for the performance of his own business. Our job is to help them, not to run their businesses for them.

Q: Is there a limit to how big you want to get?

A: We don't want to be the biggest, we want to be the best. 'Best' is measured by the quality of the products and services you provide and the profits you make. You cannot separate these two things. Without the quality you will soon have no customers, without the profits you will soon have no business.



Q: So where would you like AMEC to be in five years?

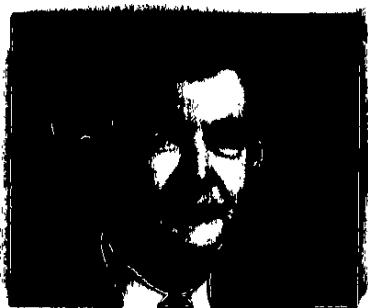
A: By then the source of our earnings should be significantly better balanced, perhaps with more than 50 per cent coming from outside the UK. The more we can improve our balance the better shape we will be in. In addition to our established businesses in Australia, I would like to have around 25 per cent coming from the USA with a similar amount from mainland Europe and other areas.

Operationally, we shall continue to expand our range and enhance our overall ability to meet our customers' needs. On a worldwide basis we believe the industry in 10 years' time will be significantly different to the one we have today. There will be a limited number of significant global players and AMEC is determined to be in that league.

BOARD OF DIRECTORS



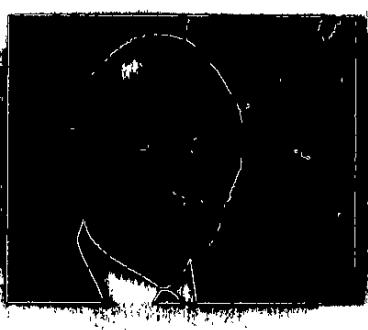
Alan Coatesbury, aged 53, was appointed a director of AMEC on 3 December 1983 and became chairman on 19 May 1988



John Barneson, aged 48, was appointed a director of AMEC on 28 November 1983, and became chief executive on 19 May 1988



Sir Oswald Davies, aged 69, was previously chairman of Fairclough Construction Group plc and chairman of AMEC from its formation through to 31 July 1984



Ian Bateman, aged 55, was appointed a director of AMEC on 2 February 1983



Bill Morgan, aged 62, was appointed a director of AMEC on 3 October 1983 and was chairman from 1 August 1984 to 18 May 1988. He was previously a director of The General Electric Company plc.



Ron Peet, aged 64, was appointed a director of AMEC on 1 January 1984. He was previously chief executive of Legal and General Group plc



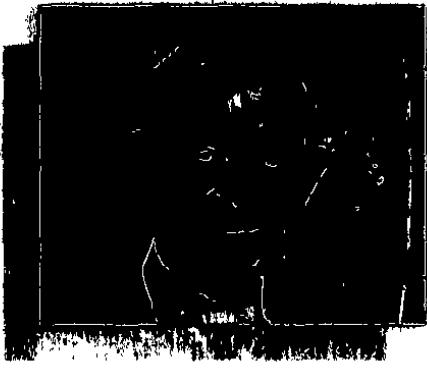
BOARD OF DIRECTORS



Ray Mott, aged 59, was appointed a director of AMEC on 1 August 1984



Rudi Kisjes, aged 47, was appointed a director of AMEC on 2 January 1986



John Early, aged 41, was appointed a director of AMEC on 31 March 1986



Eric Swainson, aged 63, was appointed a director of AMEC on 20 July 1987. He was previously managing director of IMI plc



Sir George Jefferson, aged 69, was appointed a director of AMEC on 8 February 1989. He was previously chairman of Matthew Hall PLC.



Malcolm Hawe, aged 51, was appointed a director of AMEC on 8 February 1989.

PROCESS AND ENERGY

A significant outcome of the AMEC/Matthew Hall merger has been the creation of an integrated capability which can take full advantage of new growth and investment in every sector of the process and energy industries.

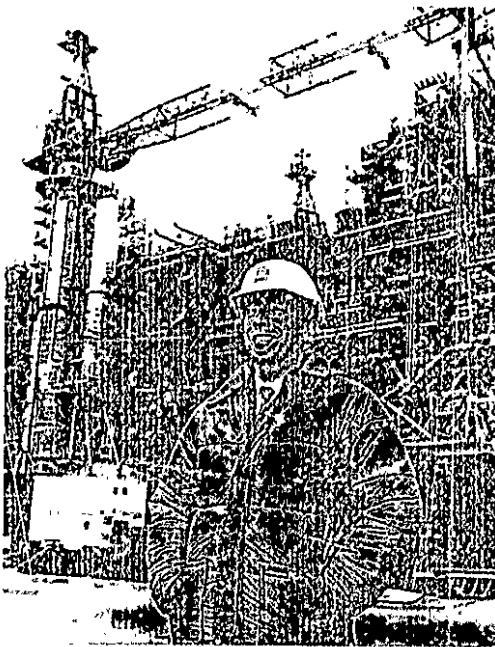
This sector co-ordinates the design and engineering activities of Matthew Hall Engineering, the fabrication and offshore services of Press Offshore and includes Matthew Hall, Keynes Engineering and Inpark, both based in Holland.

AMEC can now offer a high quality service to the process industries in every aspect, from detailed design and procurement to construction or fabrication and installation.

In the oil and gas industries the scale of all projects has been growing dramatically. A typical offshore module has increased its size in recent years to well over 5,000 tonnes and integrated decks now weigh some 9,000 tonnes or more.

Client demand for EPIC (engineering, procurement, installation and commissioning) schemes is increasing and AMEC's integrated approach enables projects to be managed effectively from the drawing board to the hook-up, maintaining quality, cost and time targets.

Press Offshore's fabrication facilities on the Tyne are amongst the largest in Europe and, increasingly, the company is able to take its expertise overseas as far afield as Western Australia. The North Sea is the most demanding of testing grounds for suppliers to the offshore industry and companies like AMEC, who have proved



Dennis Clark, chairman of the process and energy sector.

themselves there, are in demand all over the world.

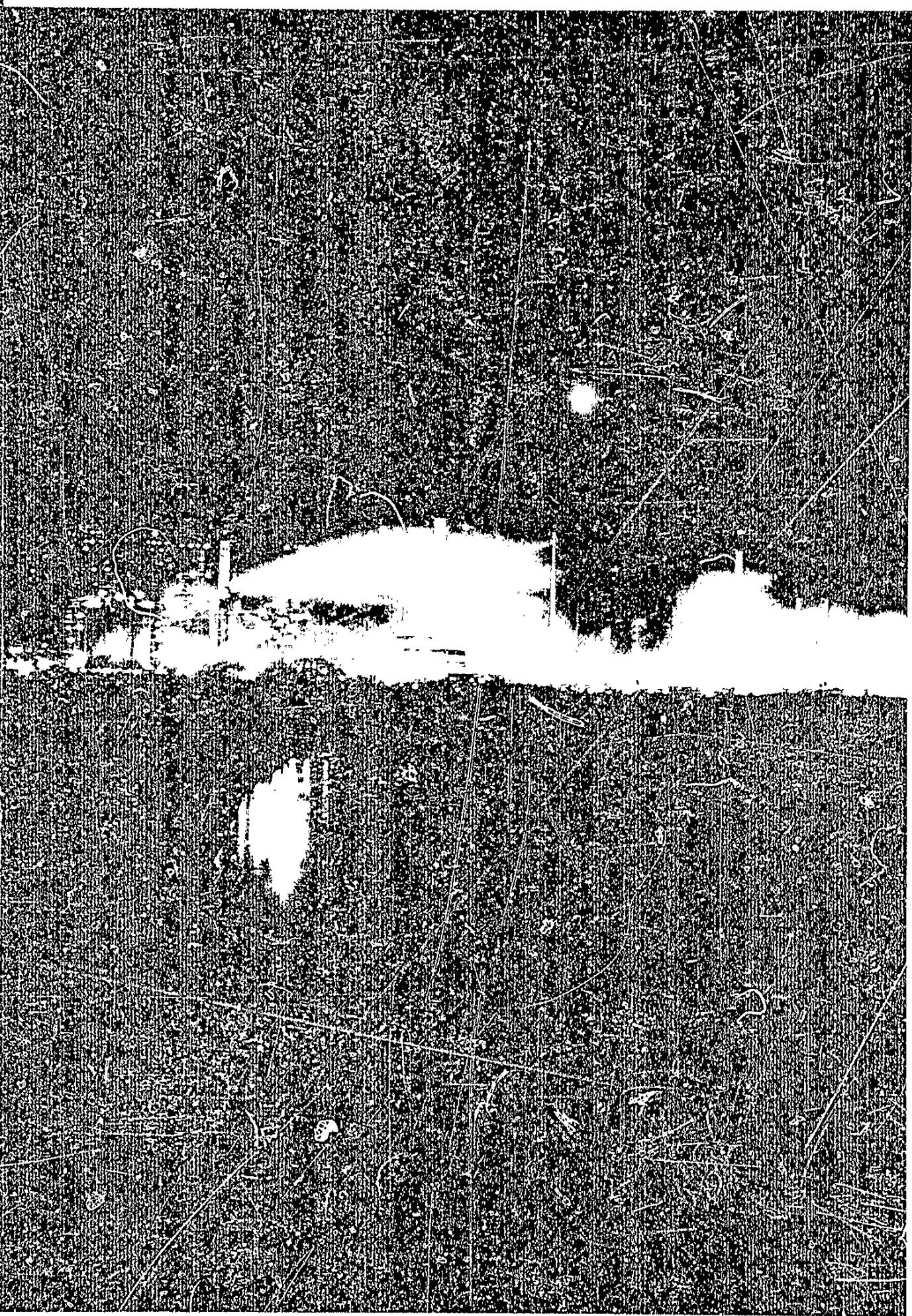
Press Offshore is unquestionably the market leader in topside fabrication for the oil and gas industry, with about a 40 per cent share of the market, and it continued to grow in 1989. During the year the company won a £60 million contract for the fabrication of a power generator and two process modules for the Miller oilfield development in the central North Sea.

It was also awarded part of a £175 million contract from Occidental Petroleum, for a 2,900 tonne gas compression module and a utilities and production deck of 9,900 tonnes, which forms part of Occidental's redevelopment of the Piper field.

The design capacity of Matthew Hall Engineering covers all general industrial processes, enabling a service to be offered to the food, pharmaceutical or chemical industries or wherever growth and investment prospects are strong.

Major projects for the company have included the engineering, design and procurement of facilities for a unique oil production, storage and transport system aboard the BP vessel *MV Seillean* as well as contracts for a new pharmaceutical production unit and laboratory from the Wellcome Foundation and for expansion work at Conoco's Humber refinery.

Other contract awards for this company included a chemical dimerisation plant for BP Chemicals at Grangemouth and an isomerisation plant for Amoco at Milford Haven. Extensive management contract work is also underway for London



PROCESS AND ENERGY

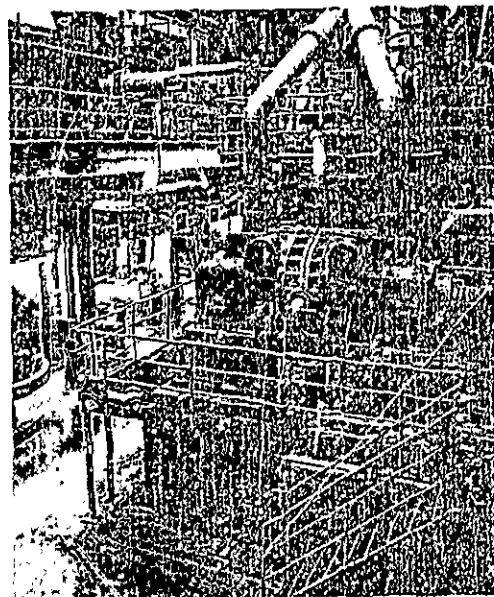
Underground - a repeat client for the AMEC group - for their escalator and lift replacement programme. Major engineering, procurement and construction work is being undertaken for Thames Water's London ring main project, in which other group companies have been involved.

During 1989 the company also won a major international award, sponsored by CADCAM International, for computer-aided design in process plant engineering.

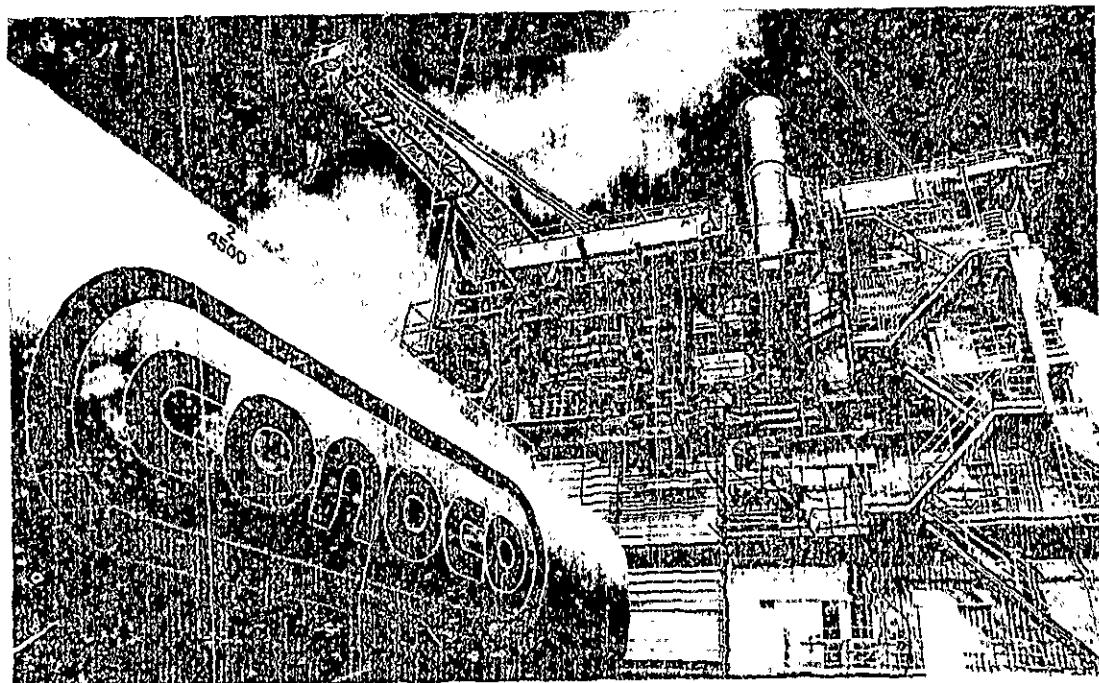
Massive growth potential currently exists in health areas such as blood fractionation, a process which creates products from whole blood which can be guaranteed to be HIV-free. AMEC is already involved in a joint venture initiative to build blood fractionation plants in overseas areas where the need for pure products is urgent and will continue to grow.

Many of the companies and organisations with which this sector of the group is involved operate throughout the world and, once again, AMEC's track record is

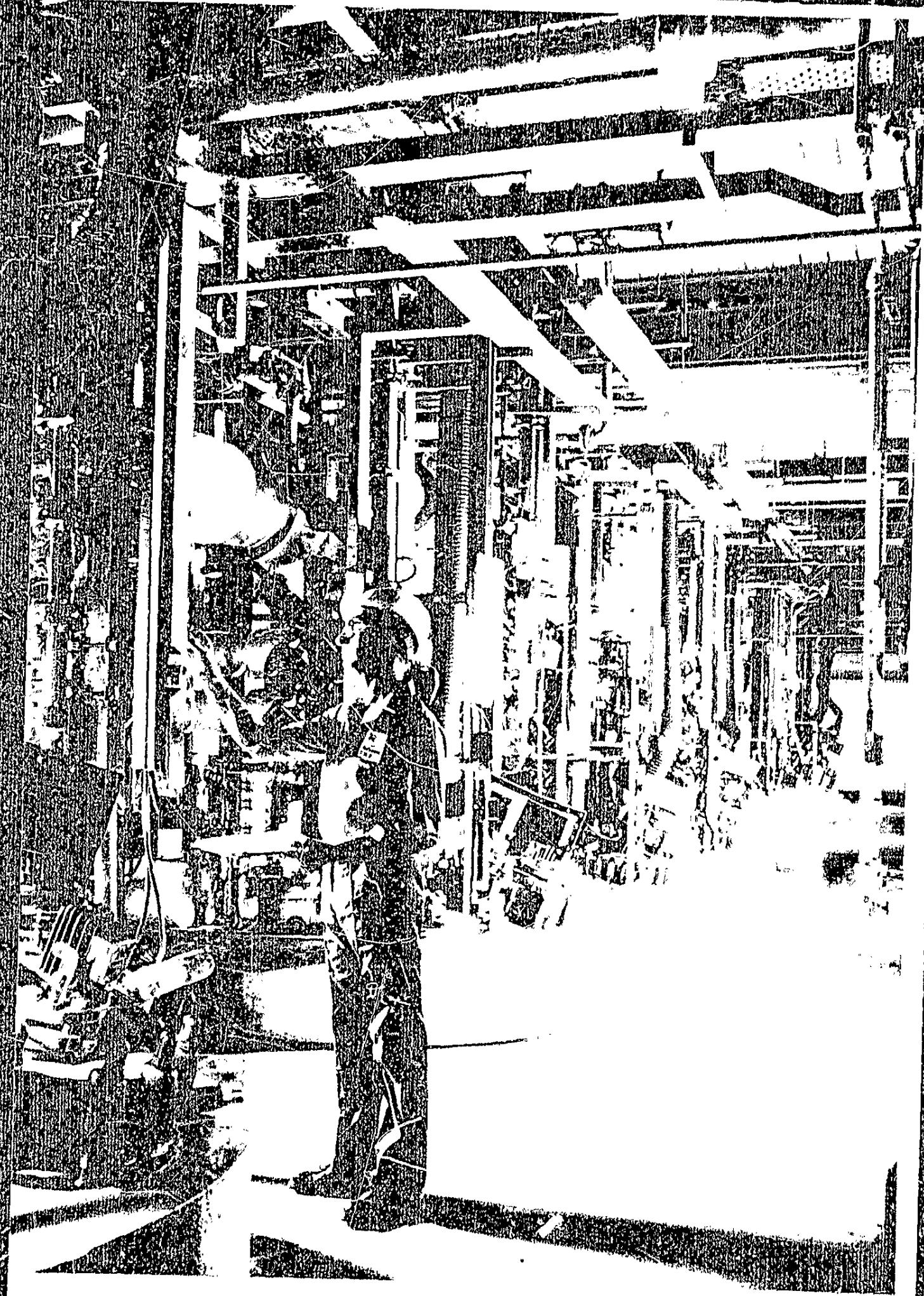
leading to invitations to work in other countries. This puts the group in a strong position to take advantage of the emerging markets of the future in areas such as eastern Europe and the Pacific rim.



Parenco-Renkum's paper machine and pulp production line - a Matthew Keynes project.



The 5,500 tonne compression deck for the Conoco-operated V fields development, under construction at Howdon yard.



MECHANICAL AND ELECTRICAL

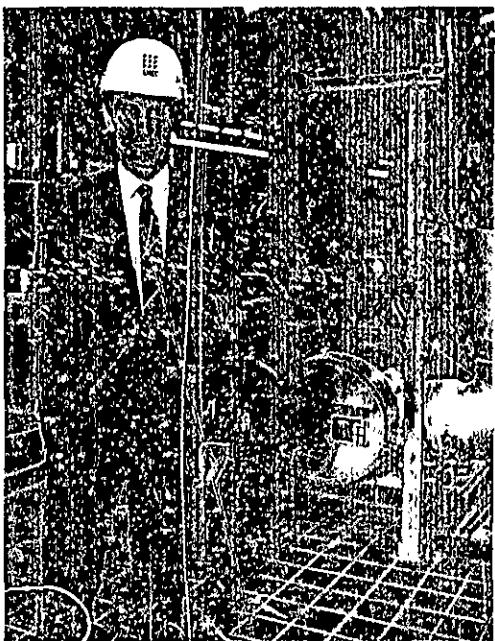
AMEC's mechanical and electrical sector consists of Matthew Hall Mechanical and Electrical Engineers, James Scott, Press Construction and Metal and Pipeline Endurance Limited (MAPEL).

The companies represent a broad geographical and work type spread and the sector enjoyed strong expansion in 1989.

The increasing complexity of commercial buildings and industrial facilities continues to drive a growing demand for the services of Matthew Hall Mechanical and Electrical Engineers and James Scott. These include electrical cabling and instrumentation, heating and air conditioning, communications and information technology as well as security and fire prevention systems. AMEC's group companies in this sector are able not only to design and install such systems but also to meet the growing demand for high quality maintenance.

The water industry became an especially active area of opportunity and AMEC is meeting the growing needs of water companies with a strong package of services. These cover the complete water cycle from distribution pipes to modern sewage treatment plants and are now being marketed to water companies as an integrated package.

Companies in this sector provided the water industry with a full range of management services in 1989, including feasibility studies, field surveys, network analysis, leakage control, project management and commissioning.



Mike Kersey, chairman of the mechanical and electrical sector.

development in such sectors as petrochemicals, brewing, pharmaceuticals and biotechnology.

An outstanding contract awarded during 1989 was the design and construct contract from ICI for up-grading a large adipic acid production plant.

The contract involved designing the improvements, procuring equipment and materials and installing new pipework, processing plant, steelwork, electrics and instrumentation. On completion Press Construction will assist in commissioning the new systems, providing a total turnkey project.

The company also introduced a specialist service, providing contract preventative maintenance of both mechanical and electrical systems in manufacturing and continuous process plants.

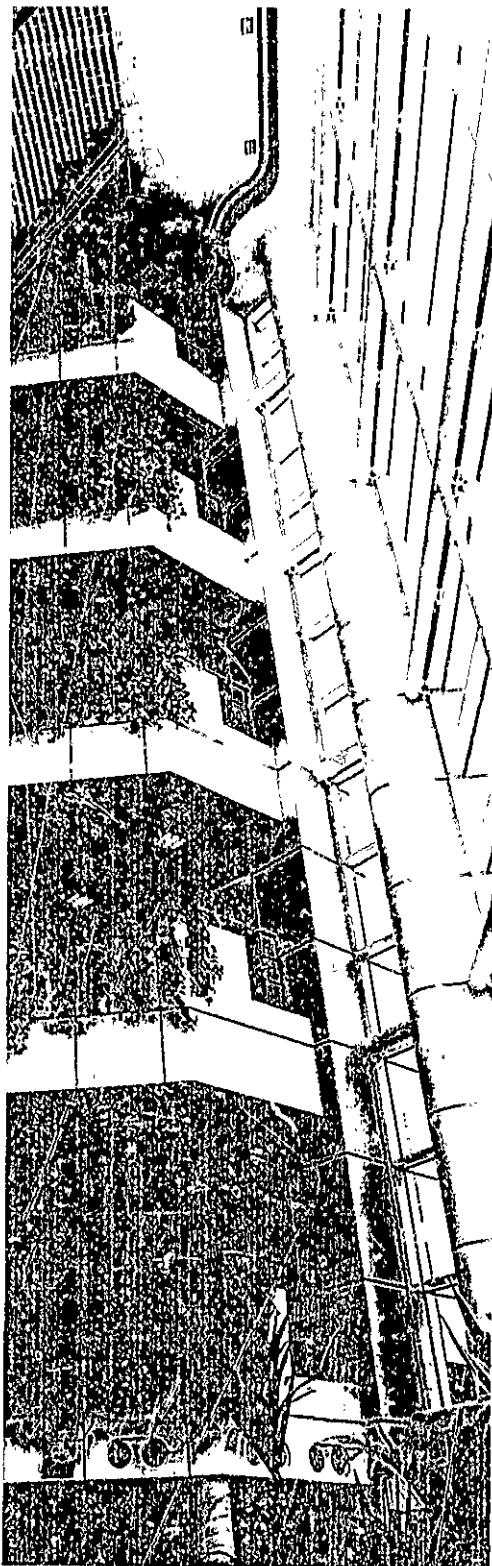
Press Construction also continued to be heavily involved with pipework for BNFL at Sellafield in 1989 and won further work from clients such as BP Chemicals, Texaco and Esso.

Press Construction operates in two distinct areas, industrial engineering, which creates complex and sophisticated pipework for industrial installations, and utilities which carries out work for the electricity, gas and water industries.

The company carried out some 45 different contracts for clients during 1989 and this growth led to the setting up of a new management centre at Swindon to control industrial engineering projects in the southern half of the UK. Press Construction now anticipates further



MECHANICAL AND ELECTRICAL



1 Bridgewall Street, Bristol - a Matthew Hall Mechanical and Electrical Engineers' project

The company's utilities management services are particularly in demand from the water authorities advising on how to improve the efficiency of their systems.

In 1989 it performed a survey of 17,000 properties in the north Midlands on behalf of Severn Trent Water and was appointed as managing agent to carry out rehabilitation projects to improve the water services to 25,000 homes in the Kidderminster area and 2,000 homes in Harrogate.

The company, which has had similar experience with other water authorities, will be managing these projects from inception to completion.

During 1989, James Scott continued to work for the offshore oil industry, winning a major contract for offshore electrical, instrumentation hook-up and commissioning of the Shell Kittiwake platform.

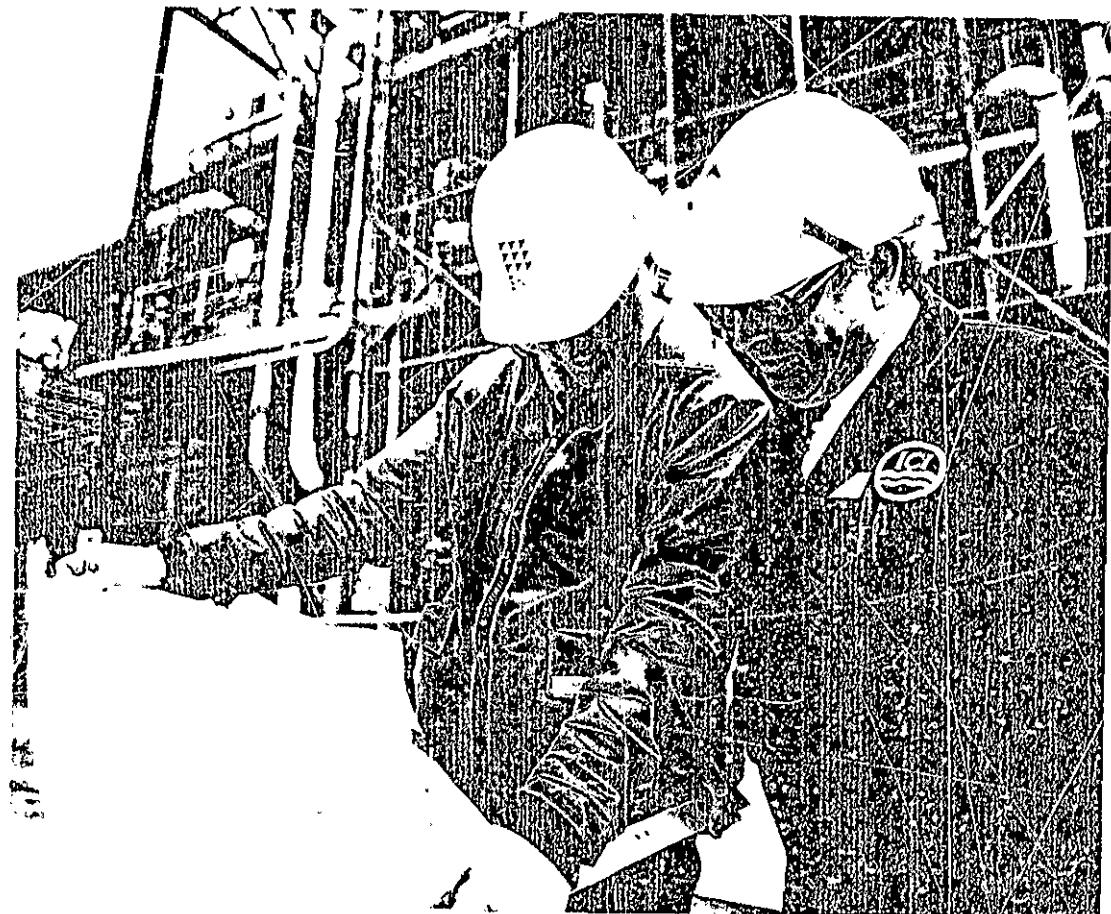
The company supplied management support, supervision and labour, consumables, plant and equipment for the onshore pre-planning and the offshore hook-up and commissioning of production, accommodation and drilling facilities.

In addition, James Scott was awarded the major share of the electrical and instrumentation installation contracts on BNF's THORP project at Sellafield, following work on the THORP management centre.

Work also commenced on the electrical installation at the new Glasgow concert hall, scheduled for completion during Glasgow's year as European city of culture.

Matthew Hall Mechanical and Electrical Engineers had a successful year. It won a £15 million services contract to install mechanical, electrical and fire-engineering services in two linked buildings in the City of London. The company was also awarded a major management contract package for another office building, on the site of the

MECHANICAL AND ELECTRICAL



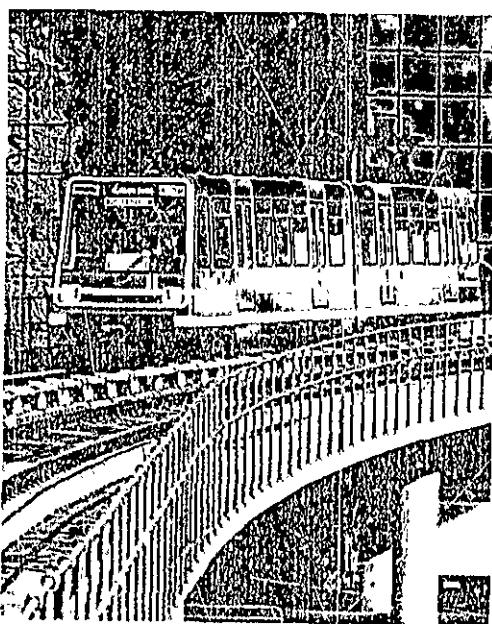
B.T. Ltd's maintenance plant at Westgate-on-Sea

old Boys and Girls School in London, and a contract to provide services at Nationwide Anglia's new technology centre in Swindon.

MAPEL won a contract from Highland Fabricators to provide non-destructive testing services at the Nigg Bay offshore fabrication yard.

It is supplying a resident team of up to 50 people at peak times to check the integrity of newly welded structures, using techniques such as magnetic particle inspection and ultrasonic examination.

MAPEL also won a major contract for non-destructive testing and heat-treatment services on modules for the offshore structure replacing the ill-fated Piper Alpha platform.



MAPEL providing non-destructive testing services to the Piper Alpha platform

MANUFACTURING AND SERVICES

The AMEC group includes a number of manufacturing and servicing companies. These include Robert Watson, which designs, fabricates and installs steelwork, Denco and Denco SA, which produce air conditioning and lubrication systems, CV Buchan, which manufactures concrete products such as tunnel linings and bridge beams, Franklin Hodge Industries, a water storage specialist, Intek, which creates raised modular flooring and AMEC Construction Services, the group's construction plant and transport specialist.

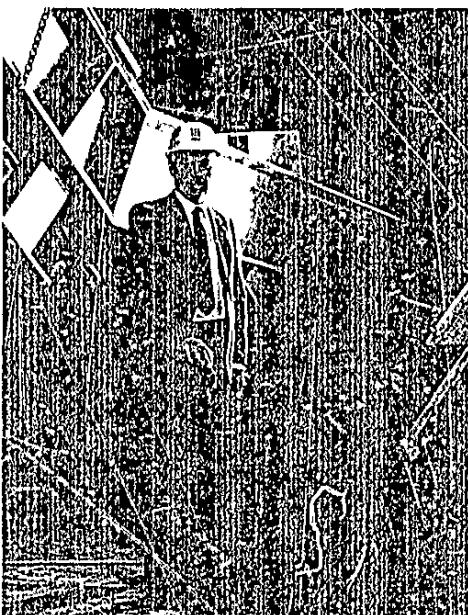
This sector has already established significant European coverage through Denco SA in France and through the business of Denco and other sector companies in France, Germany and Italy.

During 1989 the manufacturing and services sector of the group continued to perform well and to grow both in the UK and abroad.

Robert Watson in Bristol extended its fabrication plant making it one of the largest in the country and giving it the ability to take on larger and more varied structural steelwork contracts.

During the year Robert Watson in Bolton won a merit award given by the British Constructional Steelwork Association in its annual structural steel design award scheme. The award was for a new three-storey extension to the Imperial War Museum.

Other new contracts included an order to supply and install the structural steelwork for the new £90 million Winter



David Robson, chairman of the manufacturing and services sector.

Gardens development in Southport, 350 tonnes of fabricated steelwork for ICI's new regional computer centre at Blackley, Manchester and a 3,500 tonne steel frame for the Norwich Union's Galleries shopping complex in Bristol.

During the winter Robert Watson worked simultaneously on new stands at both Lord's cricket ground and Twickenham rugby stadium. At Lord's it was erecting 120 tonnes of support steelwork for two suspended terraces for 4,500 spectators, and at Twickenham the contract involved

the supply and erection of structural steelwork for three separate spectator tiers covered by a cantilevered roof.

As offices, factories, hotels, shops, airports and other buildings become more complex and demanding in their specifications, companies like Denco and Intek have seen an upturn in the requirement for their services.

Air conditioning has become a standard feature in high specification modern buildings in Europe and Denco continued in 1989 to move into more sophisticated areas of operation, supplying cleanrooms for computers, and moisture free atmospheres for factories.

During the year the company launched a new, low cost range of close control air conditioning systems aimed mainly at large 'electronic' offices and smaller computer rooms. A major contract for the company was awarded by the Alliance and Leicester Building Society for services in a large new paper store and



Liverpool Street station Robert Watson provided 1,700 tonnes of structural steelwork as part of this redevelopment project

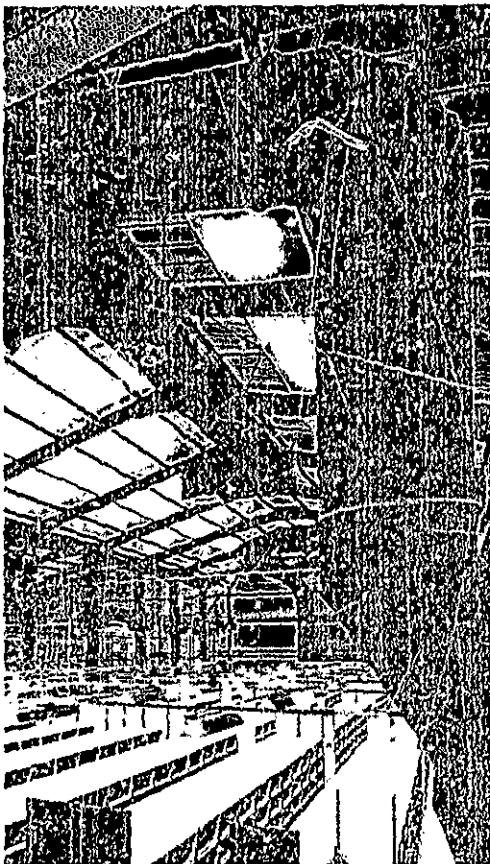
MANUFACTURING AND SERVICES

printing centre in Leicester. In 1989, Denco also introduced a contract cleaning and maintenance service specifically for computer centres, cleanrooms and electronic offices.

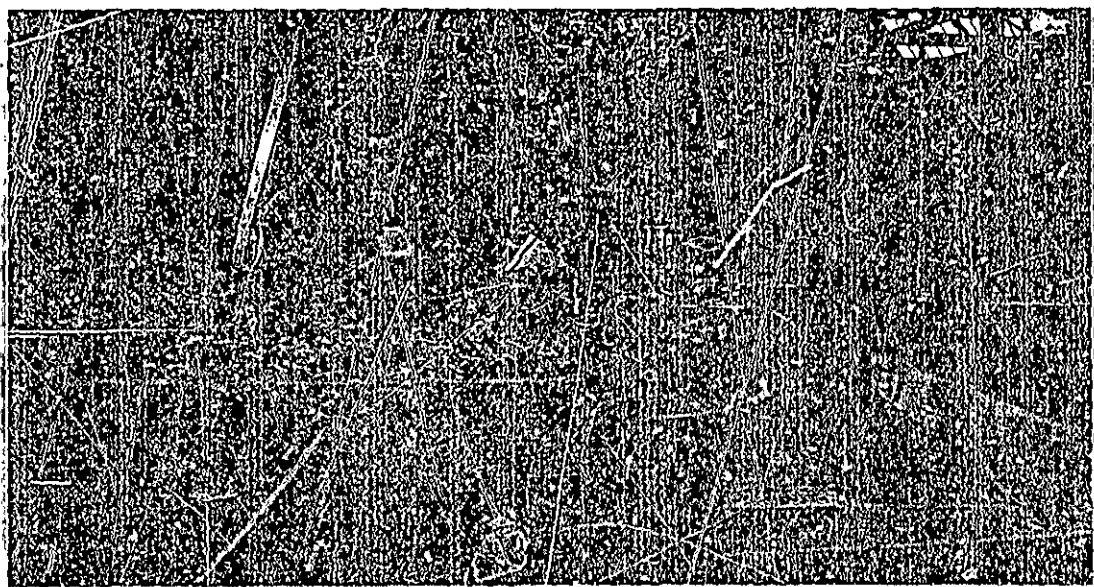
The services offered include the checking and adjusting of raised floors, which AMEC also manufactures through Denco SA in France and Intek Floors. This company secured both British and international recognition for its quality standards in 1989.

Franklin Hodge Industries launched an alternative to costly stainless steel for storing high quality process water for long periods, without any risk of contamination. With the increasing emphasis on hygiene, applications are also envisaged in the food processing industry where the protection of expensive, treated water is important.

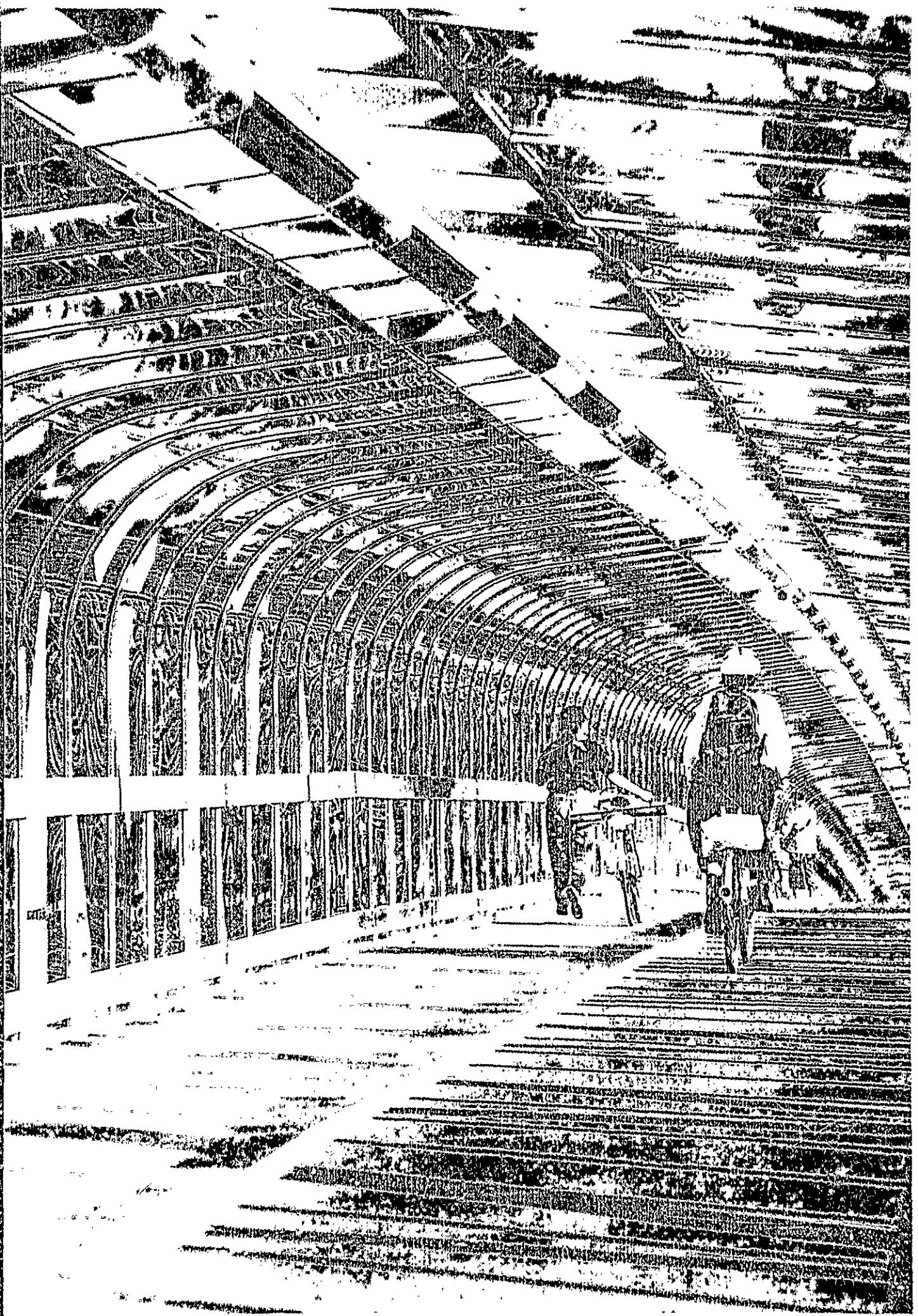
The manufacturing and services sector within AMEC is a vital part of the overall strategy for the group. Only by owning the best companies in each sector of the construction, engineering and development industries can AMEC build a reputation for being able to supply a complete, integrated and consistent service to customers.



The Alliance and Leicester paper store and printing centre.



AMEC's water storage specialist, Franklin Hodge Industries, launched several new services during 1989.



HOUSING AND PROPERTY

During 1989 the boom in commercial and residential property finally peaked and started to decline. AMEC's housing and property sector, by diversifying and concentrating on quality, was well positioned to resist the worst effects of this downturn while waiting for the market to pick up again in the 1990's.

In both Fairclough Homes and AMEC Properties the formula for success is based on geographical spread and mix of products. Above all, however, it is their reputations for quality which have paid the highest dividends.

Fairclough Homes has continued to concentrate on providing high standards of design and construction and to produce attractive, non-standard, character homes to high specifications. Sales and after sales service are equally high priorities.

During 1989 the company received three awards, two from *What House* magazine and an NHBC Top 100, arguably the premier award of the house building industry.

In the *What House* awards Fairclough Homes won the gold award in the best house category for Marlborough House at its Westover Hill development in Hampstead and, in the best luxury development category, it won a silver award for the same development.

Overall, AMEC Properties' commercial development portfolio in the UK has a completed value of about £400 million and 1989 also saw the group expanding into the USA market with some high



Malcolm Hawe, chairman of the housing and property sector.

profile, limited downside, deals.

In the UK AMEC Properties completed two self contained office buildings as part of the Orbis Globe Park development at Marlow.

Known as Solar House and Lunar House, the buildings provide some 46,500 square feet of distinctive office accommodation in this popular Thames Valley area.

The natural progression for this sector has been to move into regeneration with the setting up of AMEC Regeneration, a development

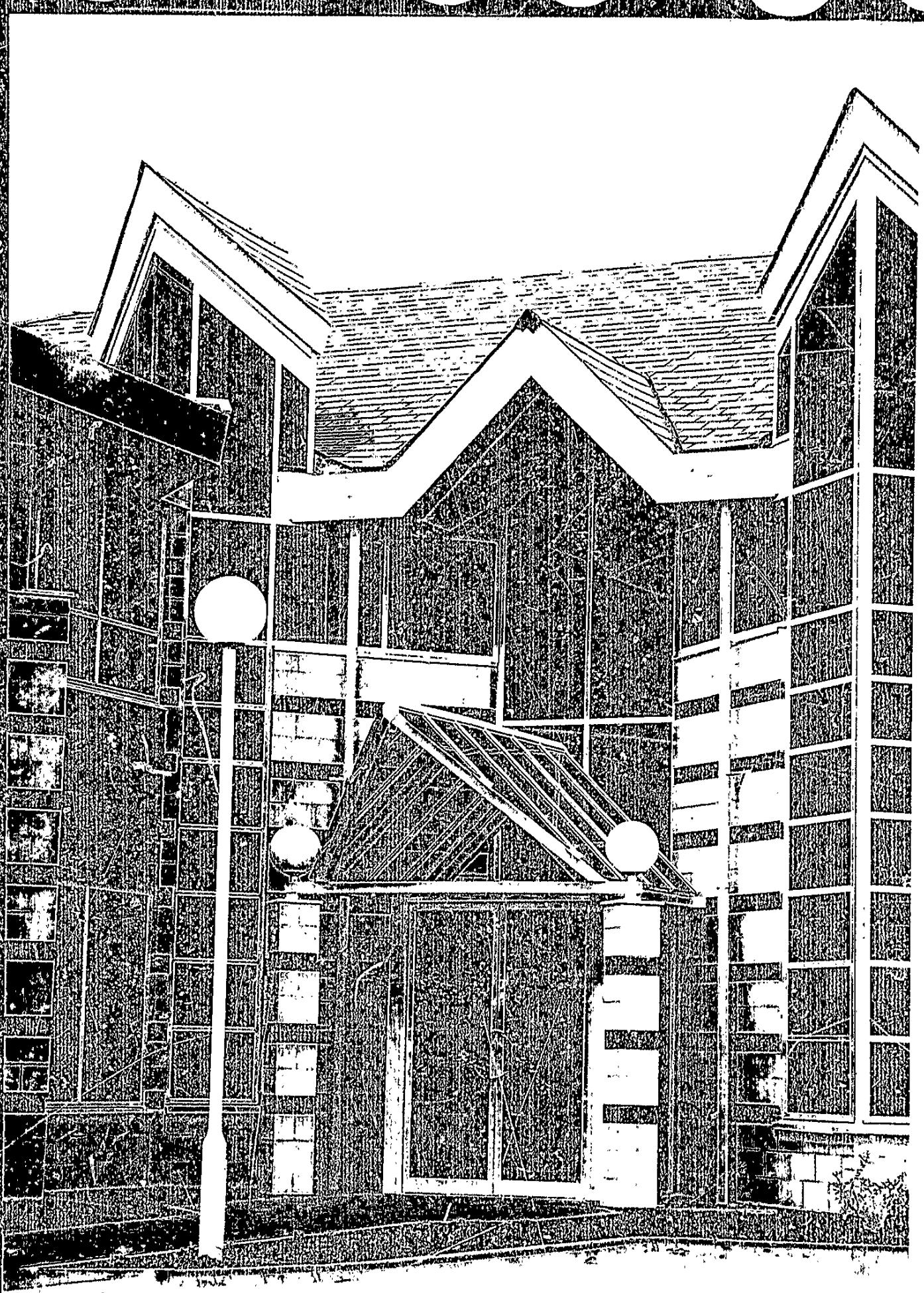
company specialising in urban and industrial regeneration.

In 1989 the company became involved with two major initiatives, one in Wakefield and one in St Helens.

In Wakefield, AMEC Regeneration has joined forces with the Metropolitan District Council to form a partnership that will span at least five years and will concentrate on four areas - industrial regeneration to create long-term jobs, cross subsidisation to switch money to less popular sites, inward investment from the private sector and training.

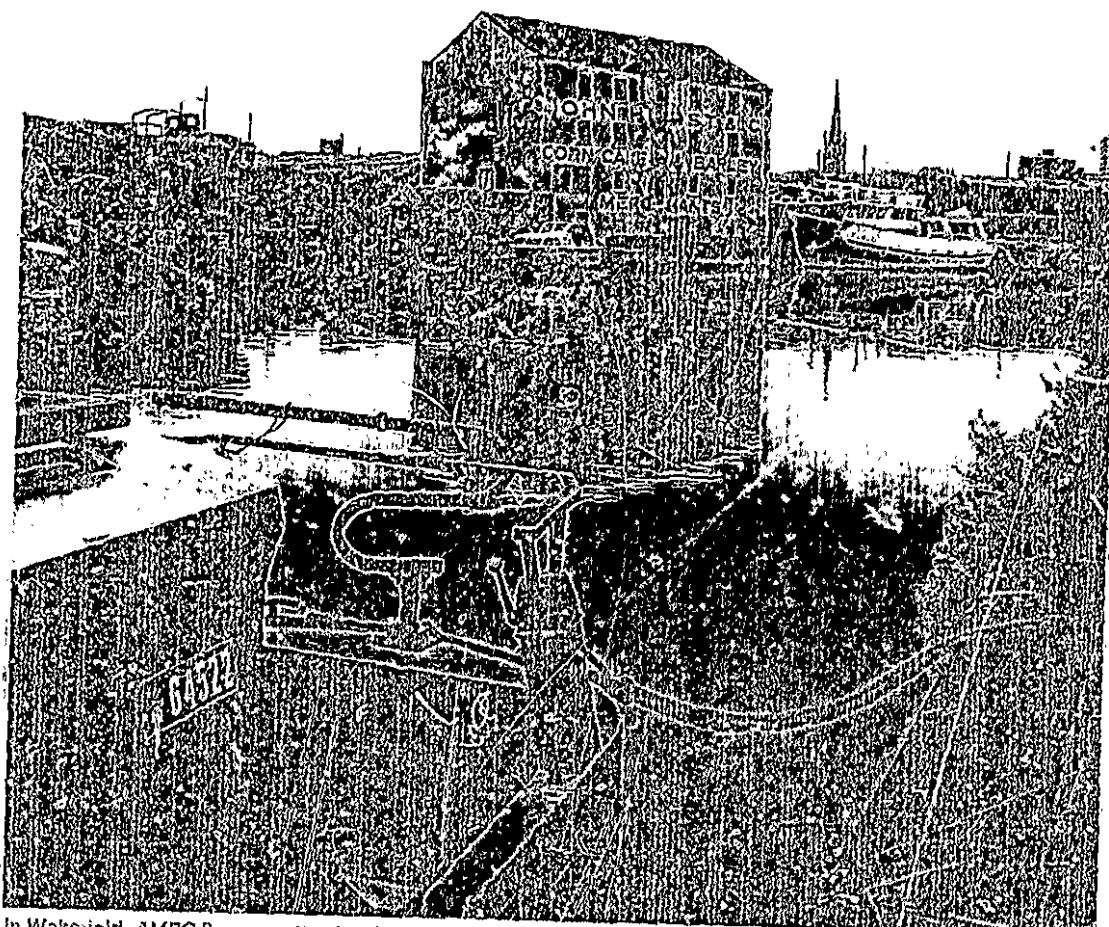
In St Helens, the Department of the Environment has made the largest ever city grant of £6.33 million for a major reclamation project by AMEC.

The scheme involves the treatment of 50 acres of derelict land and the removal and safe disposal of highly toxic waste. The area will then be made available for a housing and parkland development. AMEC is involved at a number of levels.



Marlow House at Marlow's Orbis Globe Park - part of an AMIC Properties development.

HOUSING AND PROPERTY

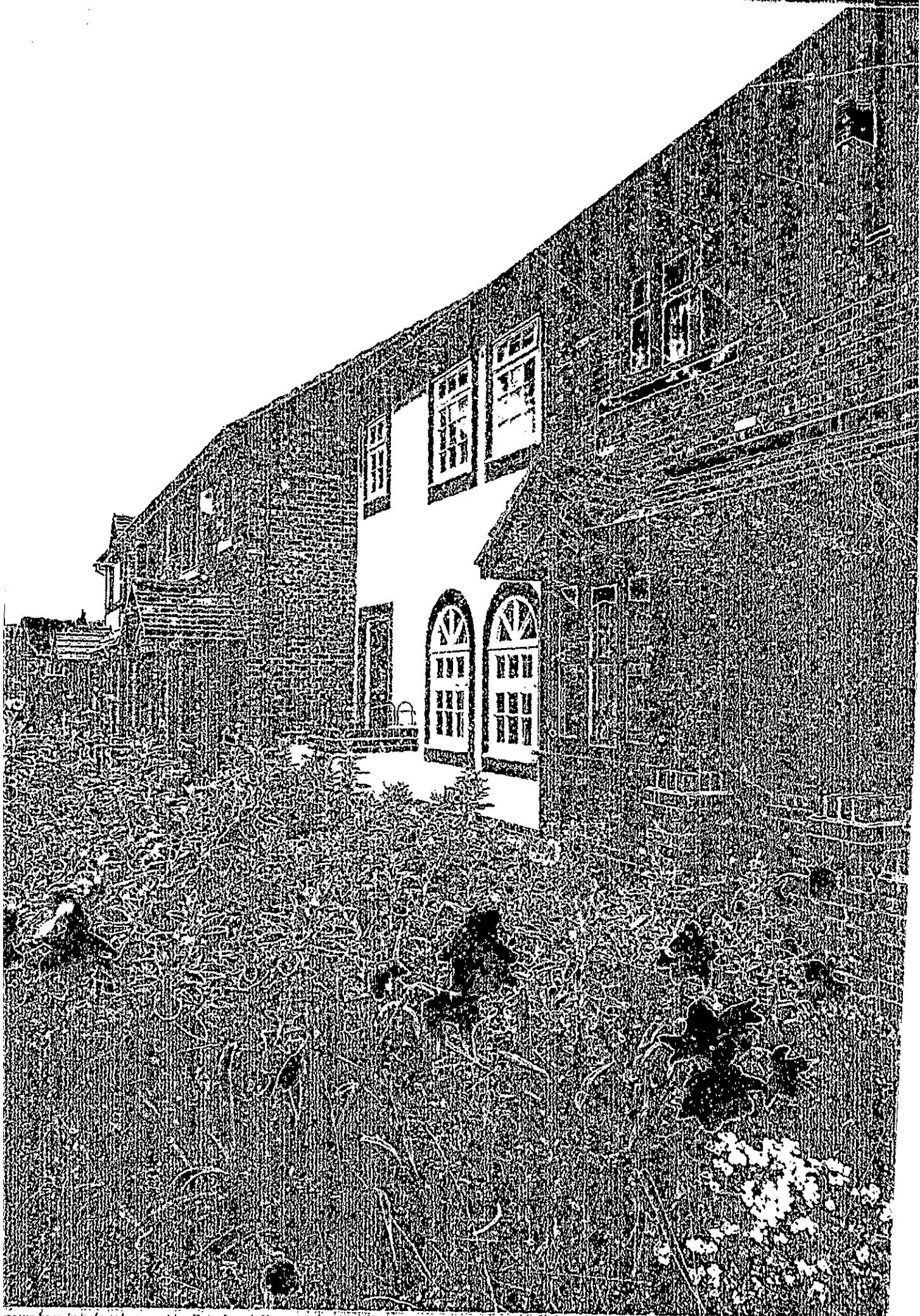


In Wakefield, AMEC Regeneration has formed a partnership with the local council to rejuvenate the area.

First there is a joint venture between AMEC Regeneration and Fairclough Civil Engineering to reclaim the site. Fairclough Homes then has an option to develop the housing.

The St Helens project illustrates how one group of companies, working together, can transform derelict wasteland to an attractive, useful and financially rewarding finished product and can help local authorities to achieve effective solutions to the problems of urban decay.

The need for regeneration of some sort is evident in almost every major city and, by providing an integrated, skilled and cost effective service to meet that need, AMFC will be in a position to participate in many similar schemes in the future.



new housing development by Fairclough Homes in Lynton, Cheshire.

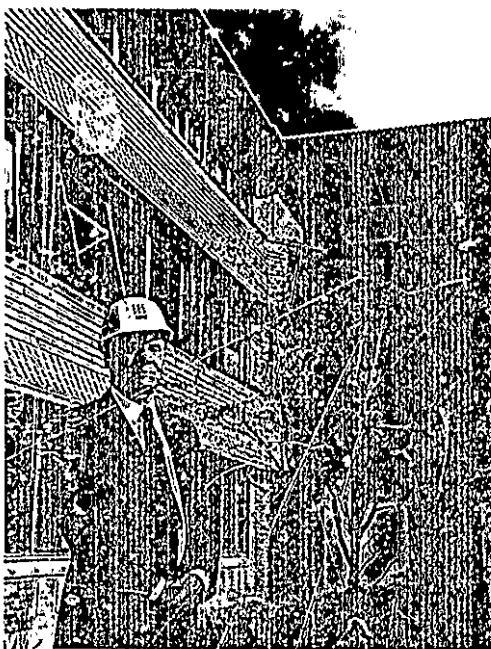
BUILDING AND CIVIL ENGINEERING

Building and civil engineering is the largest sector of AMEC's activities, incorporating Fairclough Building, Fairclough Civil Engineering, Fairclough Scotland, AMEC Projects and Fairclough-Parkinson Mining. The business of IDC is in closely related areas but it is separately managed.

Strong profitability during the year has been reinforced by the broad national spread of this sector's activities. AMEC Projects, for instance, has been appointed management contractor for Barclays Bank's new head office in Coventry, consultant contractor and construction superintendent for the £47 million stage one redevelopment of Glasgow airport and completed work on One Aldgate - a £50 million office development in London.

During 1989, Fairclough Building continued to win contracts to build retail centres, airports, hotels, factories, hospitals and office buildings. Major projects included the £24 million contract for the Anchorage office and retail development at Salford Quays, the £35 million Trafalgar Place office complex contract in Brighton, the new Alhambra shopping centre at Barnsley and a £24 million joint venture contract for phase two of Bournemouth general hospital, as well as repeat business for such clients as AMI and Holiday Inns International.

To reinforce its position in the expanding Midlands construction market the company formed a new division providing a full range of contracting and design and build services to both public and private sector clients.



Ray Mott, chairman of the building and civil engineering sector.

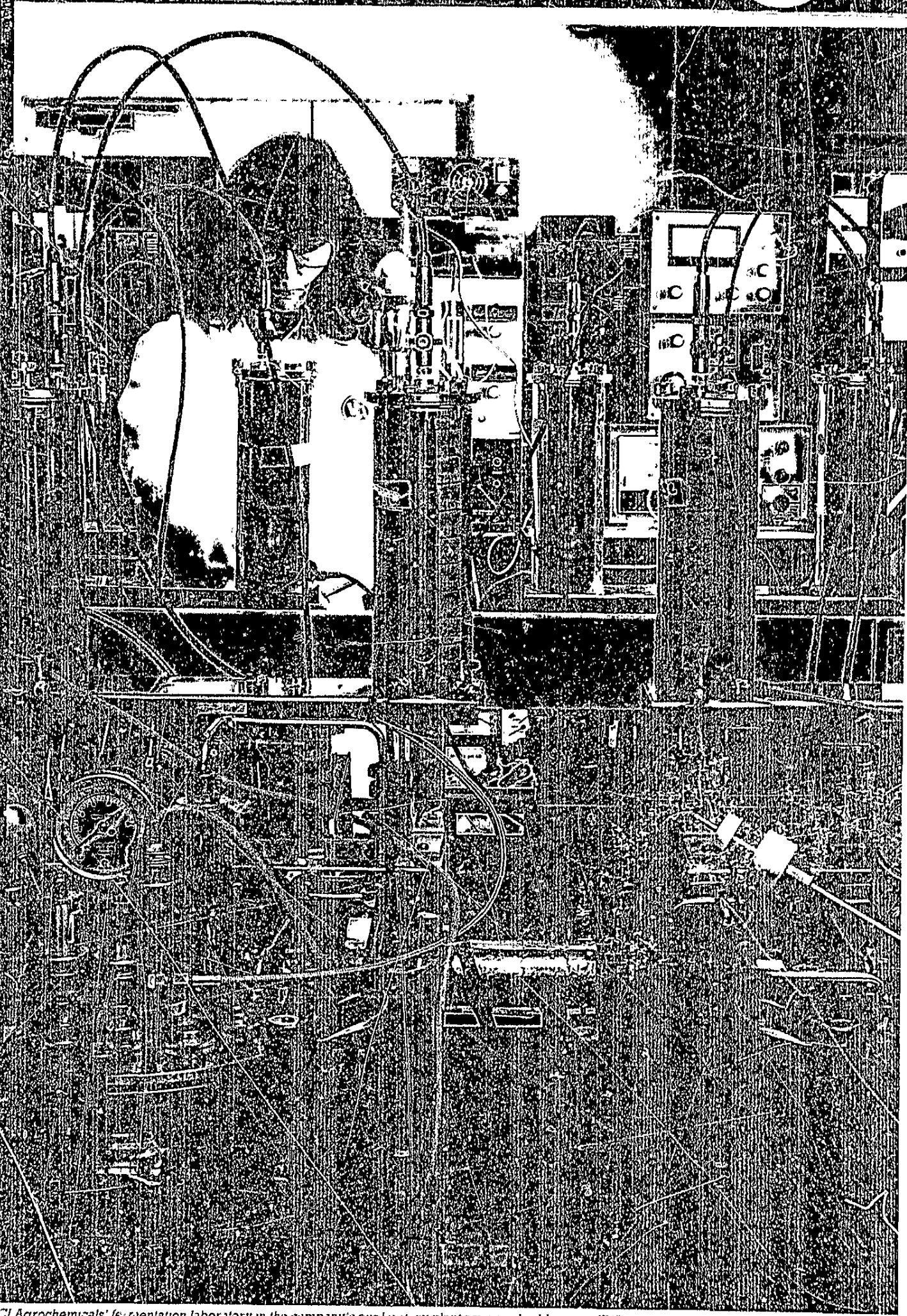
In 1989 AMEC demonstrated the balance and flexibility of its activities with the growth of its civil engineering work. Fairclough Civil Engineering's capability includes all aspects of modern transport infrastructure and the company can therefore adapt and respond flexibly to changing market demands.

The company confidently expects to benefit over the next decade not only from the doubling of the UK road programme but from the expansion of rail infrastructure associated with the Channel Tunnel, from the introduction of light rapid transit systems currently planned by many of the country's major cities and from the continued growth of London and regional airports.

Projects of special interest during 1989 included the tunnelling and road building contract won in joint venture by Fairclough Civil Engineering to build the Limehouse Link in London's Docklands. This is mile for mile the most expensive road contract ever let in the UK at £171 million.

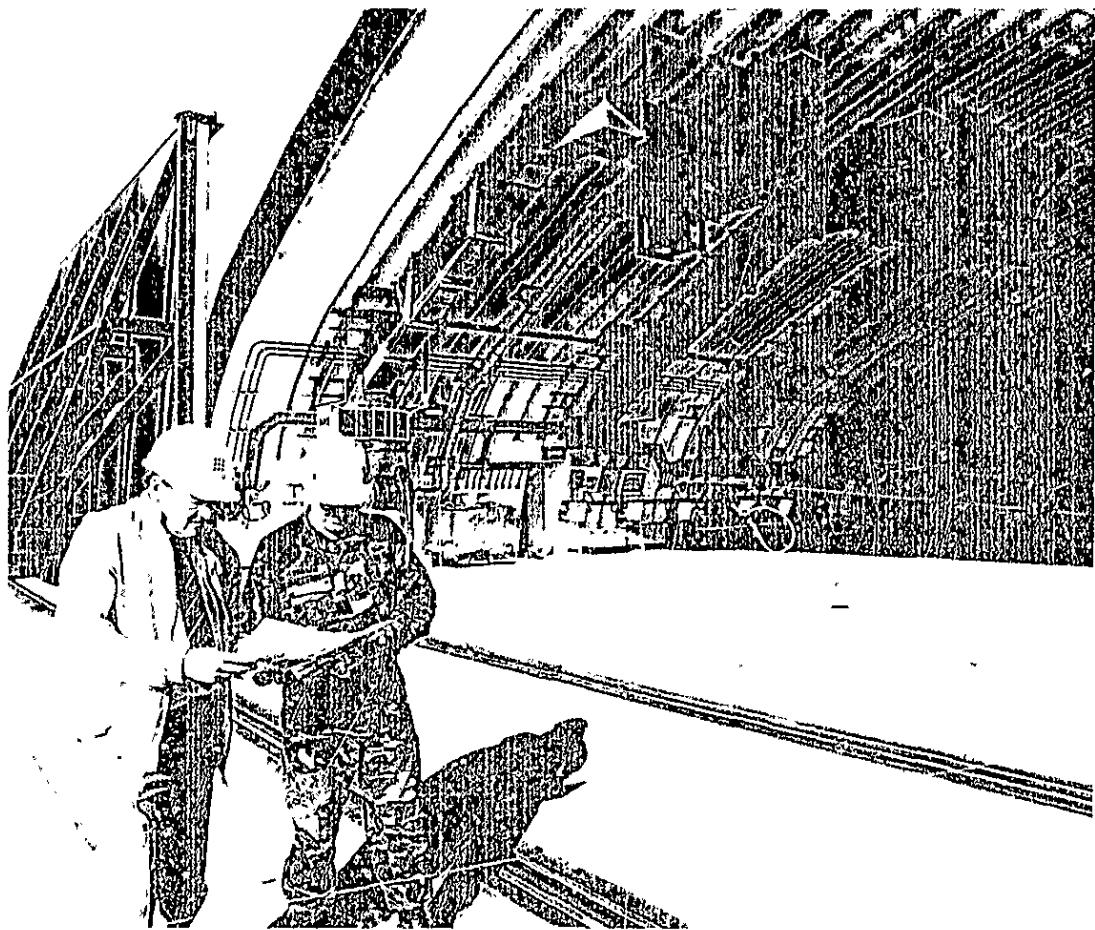
As part of the GMA consortium, AMEC and Fairclough Civil Engineering also successfully gained the contract to build, own and operate a £90 million Metrolink scheme in Manchester. This project will involve a number of different phases over the next decade and is expected to lead to work in other cities where similar systems are planned.

Fairclough Scotland combines both building and civil engineering skills. During 1989, the company completed a



CI Agrochemicals' fermentation laboratory in the company's exploratory plant sciences building - an IDC project

BUILDING AND CIVIL ENGINEERING

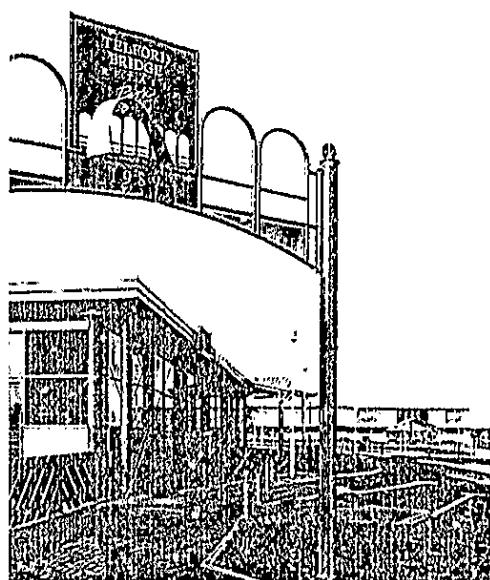


RAF Alconbury where Fairclough's 'one stop' design and build service has been used to build a new office block for the Ministry of Defence.

major enabling works contract for a 480,000 square foot office development at Port Hamilton, in Edinburgh as well as work on the A9 Mound Sutherland diversion for the Scottish Development Department, which received the Saltire Society construction commendation. Fairclough Scotland is currently undertaking a 12-month contract to bridge the River Ness, on behalf of Scotrail, replacing the structure destroyed by floods.

The growing trend for clients to require design and build methods of procurement from contractors has confirmed the wisdom of AMEC's move towards providing a one stop shopping approach to major contracts.

IDC works completely on the design and build concept, ridding the system of inefficiencies by co-ordinating



The Polson Ribble re-build site



BUILDING AND CIVIL ENGINEERING

operations. Much of its business comes from repeat clients such as Rhône Poulenc, Sony and Chloride.

Rhône Poulenc, for instance, awarded the company a further contract in 1989 for the design and construction of a new process plant in Norwich. This is the third project IDC has undertaken for the company on the Norwich site. IDC also carried out work for UB Brands - designing, engineering and constructing a £17 million chocolate refinery in Manchester - and for ICI Agrochemicals at their exploratory plant sciences building in Berkshire.

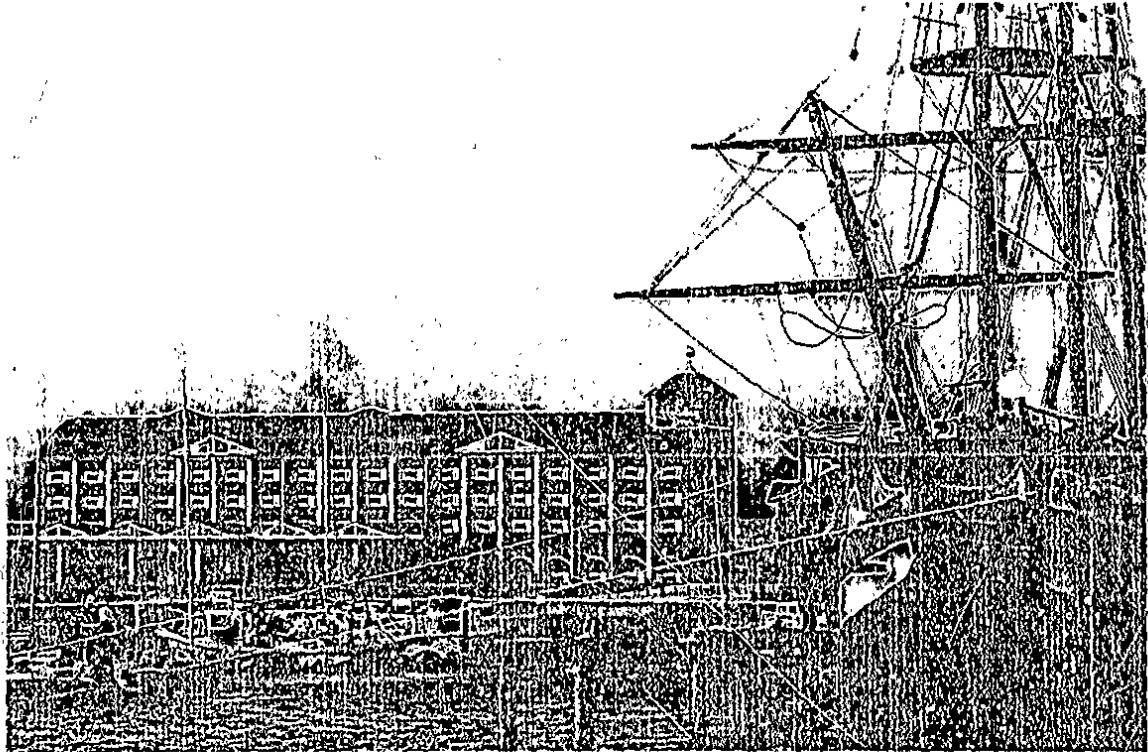
Although the bulk of AMEC's work in the building and civil engineering sector is still within the UK, there are many opportunities in other parts of the world. As AMEC becomes known and trusted by an increasing number of clients in global industries as varied as food processing, pharmaceuticals and chemicals, these companies want to appoint the same teams to manage projects for them in other countries. The move towards a wider international spread of business is fuelled by customer needs and demands - the most positive of market forces.

In Portugal, for example, a joint venture has been formed between AMEC and ENGIL, a major Portuguese building and civil engineering contractor.

This venture provides the opportunity for the two groups to take advantage of their integrated capabilities in the country's increasingly active construction and development markets.



The Digital semi-conductor plant at South Queensferry.



The Holiday Inn hotel at Swansea - a Fairclough Building project.

AUSTRALIA

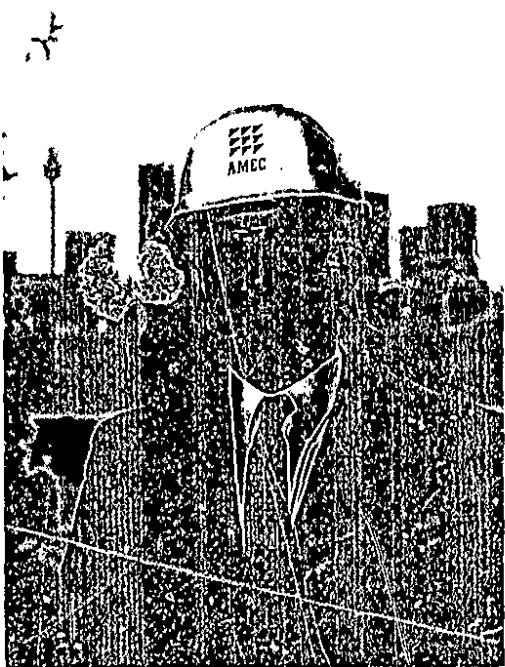
AUST-AMEC, the Australian arm of the group, continued to expand and build on the firm base created for it by the companies involved - Matthew Hall Mechanical and Electrical Engineers, which is the market leader in its sector, F R Mayfield, Australian Minder Systems and AMEC Technical Services.

Despite economic problems, Australia still provided a business climate in 1989 in which contracts were plentiful and expansion possible.

A major project for the Australian sector during the year was the Happy Valley water filtration plant.

The public opening of the engineering and water supply department's plant at Happy Valley, South Australia, heralded a new era of clean water for some 400,000 Adelaide residents.

The plant incorporates the latest technology with six process stages and



Bill Dale, sector chairman and chief executive of AUST-AMEC.

F R Mayfield played a major part in the construction, participating in design, supply, installation and testing of various plant.

In Sydney, Matthew Hall worked on a variety of multi-service contracts providing air conditioning, electrical, fire protection and plumbing facilities in such buildings as the Chevron Hotel, the Bond Building and the City Centre. Design and construct work was carried out at the Intercontinental Hotel.

This sector of the group is able not only to expand within Australia, but also provides another avenue of access to potential global clients based in the Pacific basin.

Japanese corporations, in particular, are taking a great deal of interest in Australia and their concern with efficiency and cost-savings, wherever they build and manufacture, fit perfectly with the AMEC philosophy.



The Melbourne Centre project - a major retail and office development in Australia.

USA

The AMEC group is moving into the USA market on a number of fronts. First, it is being drawn there by the needs of clients such as ICI, Pittsburgh Plate Glass and Exxon. These global companies, which have worked with AMEC in other areas, are providing opportunities for the group to work with them again in the USA.

At the same time the group has become involved with special opportunities in the property market through its association with Power Corporation.

USA partners are also involved and in one scheme - the Ambassador Hotel project in Los Angeles - one of the partners is the Trump Corporation.

Early in 1989, AMEC formed a partnership with Patson Development Co., whose real estate activities encompass the whole of California. The two companies have a similar attitude towards development and management style.

Patson's creative approach is to provide high quality, functional properties in niche markets and, in partnership with AMEC, it is handling office, retail and industrial schemes tailored to specialist needs. Two development projects in the San Francisco Bay area were signed up during 1989.

AMEC also aims to enhance and extend its construction, engineering and development abilities in the USA market and continues to look for genuine opportunities to extend its operations.

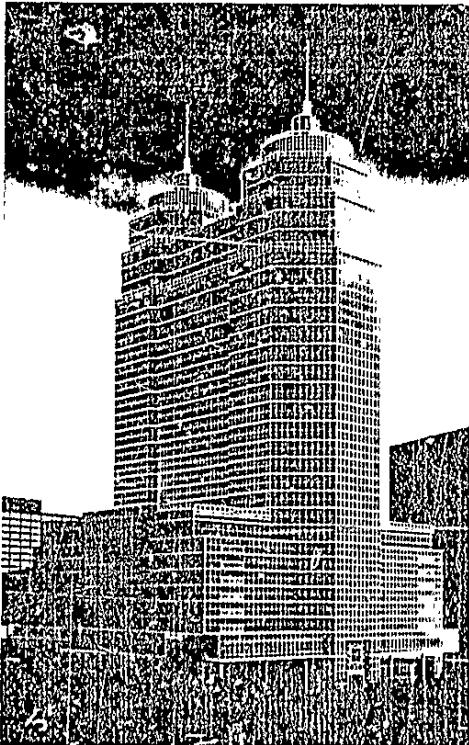
The group's existing USA companies - Fisk Electric, Fire Protection Industries, Worsham Sprinkler and Barnard and



David Beardsmore, sector chairman and chief executive of AMEC Holdings.

Burk continued to develop their activities in 1989. The bulk of Barnard and Burk's work came from the chemical and petrochemical industries, predominantly in the Gulf coast area of the USA, currently experiencing a strong recovery.

The joint venture agreement with construction management specialists Morse Diesel, announced just after the year end, has significantly enhanced AMEC's capabilities in the United States and strengthened the group's ability to work across world markets.



St Luke's medical tower, Houston.

1989 HIGHLIGHTS

CAD AWARD

Matthew Hall Engineering won a major international award for computer-aided design in process plant engineering. Sponsored by 'CADCAM International', this award acknowledges the best use of Cadcam technology in the last 12 months.

The company has used two- and three-dimensional systems on 22 projects, generating the experience to develop the state-of-the-art systems now in use for both onshore and offshore contracts.



Barrie Logan, Keith Measures and Jim Jones of Matthew Hall Engineering with the CADCAM award.

FAIRCLOUGH BUILDING – AWARDS FOR CRAFTSMANSHIP AND QUALITY

Fairclough Building's south east and Anglian division claimed a prize in the Suffolk Association of Architects 1989 Craftsmanship Awards for the Bury St Edmunds branch office of the Norwich and Peterborough Building Society. The award was won for the 'renovation and restoration of an existing building exhibiting a high standard of craftsmanship throughout, maintaining the original character of the building.'

The western division of Fairclough Building also achieved success when it became the first major northern contractor to win BS5750 quality assurance registration. This means that the division complies with approved

quality assurance standards in general contracting, design and build contracting, administration, planning, management and associated activities.

UNIVERSITY SPONSORSHIP SCHEME

AMEC embarked on a scheme to sponsor students at selected universities throughout their academic careers before taking up permanent positions with group companies.

A number of companies arranged for representatives from these universities to visit their sites and gain a better understanding of the work areas in which AMEC is involved.

WATSON WINS MAJOR AWARD

The British Construction Steelwork Association awarded Robert Watson (Constructional Engineers) the merit prize in the 1989 Design Awards for its contract at the Imperial War Museum.

The impressive steelwork installed by Watson at the London museum was nominated the most outstanding use of structural steelwork completed in the UK during 1989.

UMIST CHAIR

AMEC is funding the UK's first chair in engineering project management at UMIST, Manchester's technology university. Professor Thompson, who has been on UMIST's academic staff for many years has been appointed to the chair. The chair establishes a centre of excellence in training and focus for development in engineering project management and combines the academic and research elements of the project management skill with its practical application in the engineering and construction industries.



1989 HIGHLIGHTS

SHARING THE BENEFITS OF SUCCESS

Press Offshore has raised £32,000 for charities following an award by Shell Expro in recognition of 800,000 manhours worked without a safety incident, on Shell's 8,000-tonne integrated deck for the Kittiwake field.

The workforce of Press Offshore chose four charities to benefit from this donation.



Whitley Bay district school and Ashleigh school for the mentally handicapped, the Freeman hospital in Newcastle and Preston hospital, North Shields.



Under a similar scheme run jointly by ICI and Press Construction, £500 was awarded for the achievement of 5,000 accident-free hours



during a three week shut down at the number two adipic acid plant, part of the nylon production area at ICI's Wilton site.

Press Construction chose to give the money to the children's burns unit at Middlesbrough Hospital (pictured above).

Another charity to benefit in 1989 was the new cancer care centre at Wythenshawe hospital. Adopted by several AMEC group companies as their major charity of the year, employees have pledged to raise £50,000 for a new suite of rooms in the centre offering holistic care for cancer sufferers.

Among the fund-raising events held in 1989 were a successful celebrity lorry

pull, a highland games tournament, a teddy bear's picnic and a fun run (pictured top and middle left).

JOB OPPORTUNITIES FOR DISABLED

The employment service's 'Fit for Work' award was presented to the Balfour Beatty/Fairclough joint venture for providing job opportunities for disabled persons on the THORP contract for BNF at Sellafield. This prestigious national award is given to only 100 companies in the UK each year and the Balfour Beatty Fairclough JV was one of the first to be nominated in the construction industry.

TWO BCI AWARDS

Fairclough Civil Engineering scooped two British Construction Industry awards in the scheme which aims "to recognise excellence in the engineering design and construction of buildings and civil engineering works." Part of the Studley Tunnel contract came first in the small projects section and a certificate of high commendation in the civil engineering category was awarded for the aircraft shelters constructed at RAF Alconbury. The shelters span 40 metres and are the first of this size to be built in the UK, probably in the world.

SAFETY AWARDS

In a year when 147 people lost their lives in the construction industry as a whole, AMEC remained free from fatal accidents and yet again reduced its accident incidence rate. Every company within the group qualified for British Safety Council national safety awards for achieving incidence rates below the average, the third year running that this has happened and is a tribute to the construction staff and the team of 51 safety officers employed within the group.

DIRECTORS, OFFICERS AND COMPANY INFORMATION

DIRECTORS

A Cockshaw FEng *Chairman*
 JS Bateson *Chief Executive*
 Sir Oswald Davies CBE DCM
 CI Bateman
 JWH Morgan FEng
 RH Peet CBE
 RW Mott
 R Kisjes
 JD Early
 E Swainson CBE
 Sir George Jefferson CBE FEng
 MA Hawe
 D Clark OBE
 Sir Oswald Davies, Mr JWH Morgan,
 Mr RH Peet, Mr E Swainson and Sir
 George Jefferson are non-executive
 directors.

SECRETARY

MJ Bardsley

AUDITORS

KPMG Peat Marwick McLintock

REGISTRARS

Barclays Bank PLC
 Octagon House,
 Gadbrook Park,
 Northwich,
 Cheshire CW9 7RD

PRINCIPAL BANKERS

Barclays Bank PLC
 National Westminster Bank PLC
 The Royal Bank of Scotland plc

REGISTERED OFFICE

Sandiway House,
 Hartford,
 Northwich,
 Cheshire,
 CW8 2YA

Registered in England
 No 1676285

REPORT OF THE DIRECTORS

The directors have pleasure in presenting the eighth annual report and accounts being for the year ended 31 December 1989.

BUSINESS REVIEW

The business of the group is building and civil engineering, mechanical and electrical engineering, property development and housing. The group's activities are reviewed in the chairman's statement on page 2 and in the operational review on pages 8 to 29.

The profit for the year available to shareholders amounting to £60.3 million is shown in the consolidated profit and loss account on page 37. The directors recommend that a final dividend of 11.75p per ordinary share be paid which, together with the interim dividend of 7.25p, makes a total ordinary dividend for the year of 19p. After ordinary dividends of £12.8 million and preference dividends of £11.3 million, £36.2 million has been transferred to reserves.

The final dividend will be payable on 2 July 1990 to ordinary shareholders on the register at the close of business on 11 May 1990.

An analysis of the group's activities is given in note 2 on page 42.

SHARE CAPITAL

The present authorised and issued share capital of the company and movements during the year are set out in note 20 on pages 51 and 52. Resolutions will be proposed at the 1990 annual general meeting to renew the directors' limited powers to allot the unissued share capital of the company and to issue shares for cash other than to existing shareholders.

The directors are proposing a capitalisation issue of new ordinary shares on the basis of one new ordinary share of 50p, fully paid, for each existing ordinary share held on 5 July 1990. The capitalisation issue will be effected by capitalising part of the amount standing to the credit of the company's share premium account and will bring the issued share capital more closely into line with the capital actually employed in the business of the group and increase the marketability of the ordinary shares.

The new ordinary shares will rank pari passu and form one class with the existing ordinary shares except that they will not rank for the final dividend to be declared in respect of the year ended 31 December 1989 but will rank in full for any subsequent dividends. Definitive share certificates are expected to be despatched on 16 July 1990 and dealings in new ordinary shares are expected to commence on 17 July 1990.

A resolution will be proposed at the 1990 annual general meeting to authorise the capitalisation issue.

A resolution will also be proposed at the 1990 annual general meeting to increase the authorised share capital of the company from £160 million to £220 million by the creation of 120 million new ordinary shares of 50p each. The new ordinary shares are

required to enable the capitalisation issue to take place, to maintain sufficient ordinary shares for the conversion of preference shares, for the allotment of shares following the exercise of options under the group's share option schemes and in order to maintain flexibility for the future by ensuring a reasonable margin of unissued ordinary shares.

The directors have no present intention of issuing any ordinary shares other than in respect of the capitalisation issue, any deferred consideration in respect of the acquisition of the outstanding interest in Fairclough Homes Limited, the conversion of preference shares, the exercise of share options and in lieu of cash dividends. No issue will be made which will effectively alter the control of the company without the prior approval of shareholders in general meeting.

SCRIP DIVIDENDS

At the 1989 annual general meeting resolutions were passed authorising the directors to offer to ordinary shareholders the right to elect to receive additional ordinary shares, credited as fully paid, in lieu of any cash dividend declared or proposed at that annual general meeting or thereafter through to the end of the 1990 annual general meeting.

The right to elect to receive additional ordinary shares was offered to ordinary shareholders in respect of the final dividend for 1988 and the interim dividend for 1989 and the directors have resolved, subject to the approval of the recommended final dividend of 11.75p per share for 1989, to offer ordinary shareholders the opportunity to elect once again to receive new ordinary shares in lieu of cash for this dividend.

The number of ordinary shares to be allotted in respect of the final ordinary dividend for 1989 will be calculated by reference to the average quotation of the company's ordinary shares over the five days commencing on 30 April 1990 (the date on which they will be first quoted "ex" the relevant dividend).

Holders of any convertible preference shares converted pursuant to conversion notices served on the company prior to 4 June 1990 will not be entitled to the final ordinary dividend to be declared in respect of the financial year ended 31 December 1989 but will upon becoming registered as the holders of ordinary shares thereafter be entitled to make elections to receive fully paid ordinary shares instead of cash for any future dividends where a scrip alternative is available.

Further information on the scrip dividend arrangements will be given in a letter to be sent to shareholders on 16 May 1990. On this occasion, in addition to the form of election, a mandate will be provided for those shareholders who wish to receive scrip dividends on an ongoing basis.

The directors believe that the opportunity to receive new ordinary shares instead of a cash dividend is attractive to many shareholders as it enables them to increase their holdings in the company in a simple manner without paying any dealing costs or stamp duty. In addition, to the extent that shareholders elect

REPORT OF THE DIRECTORS

to receive new shares instead of cash dividends the company will benefit from a reduction in advance corporation tax which would otherwise have been payable and the retention of the cash which would have been paid out as dividends.

A resolution will also be proposed at the 1990 annual general meeting to extend the authority of the directors to offer to ordinary shareholders the right to elect to receive additional ordinary shares in lieu of a cash dividend in respect of any dividends declared or proposed from the date of the resolution through to the end of the 1991 annual general meeting.

DIRECTORS

The following were directors at 31 December 1989:

A Cockshaw	RW Mott
JS Bateson	R Kisjes
Sir Oswald Davies	JD Early
CI Bateman	E Swainson
JWH Morgan	Sir George Jefferson
RH Peet	MA Hawe

The beneficial interests in the share capital of the company of the directors holding office at 31 December 1989 were as follows:

<u>1 January 1989</u>	Ordinary Shares	Preference Shares	Executive options*	SAYE options*
A Cockshaw	700	1,840	113,874	—
JS Bateson	600	1,600	99,061	—
Sir Oswald Davies	33,836	—	—	—
CI Bateman	12,000	—	77,622	1,899
JWH Morgan	7,500	9,000	—	—
RH Peet	14,000	16,799	—	—
RW Mott	7,000	—	88,341	3,333
R Kisjes	500	600	65,355	—
JD Early	1,500	2,200	78,116	—
E Swainson	2,000	2,400	—	—
**Sir George Jefferson	—	—	—	—
***MA Hawe	—	—	—	—
<u>31 December 1989</u>	Ordinary Shares	Preference Shares	Executive options*	SAYE options*
A Cockshaw	730	1,840	113,874	—
JS Bateson	500	1,600	99,061	—
Sir Oswald Davies	33,836	—	—	—
CI Bateman	12,000	—	77,622	1,899
JWH Morgan	7,676	9,000	—	—
RH Peet	14,000	16,799	—	—
RW Mott	7,000	—	88,341	3,333
R Kisjes	521	600	65,355	—
JD Early	1,565	2,200	78,116	—
E Swainson	2,000	2,400	—	—
**Sir George Jefferson	—	25,000	—	—
***MA Hawe	3,425,000	—	—	—

*The Executive options and the SAYE options were granted under the terms of the AMEC Executive Share Option Scheme and the AMEC Savings Related Share Option Scheme respectively which were approved at the extraordinary general meeting held on 16 May 1986, the terms of which are set out in note 20 on pages 51 and 52.

**Sir George Jefferson had at the date of his appointment, 8 February 1989, a beneficial interest in 25,000 preference shares and at that date and also at 31 December 1989 a beneficial interest in £4,375 of unsecured floating rate loan notes 1994.

REPORT OF THE DIRECTORS

**Mr MA Hawe had at the date of his appointment, 8 February 1990, a beneficial interest in 3,460,000 ordinary shares and at that date and at 31 December 1989 a non-beneficial interest in 801,479 ordinary shares. Under the terms of the agreement for the purchase of the outstanding 50% interest in Fairclough Homes Limited, Mr Hawe will be entitled to receive a maximum additional 2,012,800 ordinary shares, dependent on the profit performance of that company.

No director had any other interests, beneficial or otherwise, in the share capital, 15% unsecured loan stock or the unsecured floating rate loan notes of the company.

On 3 January 1990, Mr JS Bateson exercised an executive option over 25,538 ordinary shares in the company and on the same date sold 21,038 ordinary shares. Also on 3 January 1990, Mr MA Hawe sold 100,000 ordinary shares in the company.

On 7 February 1990, Mr JWH Morgan sold 3,400 ordinary shares in the company and bought the same number of shares on 8 February 1990. Also on 7 February 1990, Mr JD Early sold 1,565 ordinary shares in the company and bought the same number of shares on 8 February 1990.

As at his date of appointment, 10 April 1990, Mr D Clark had executive options over 45,837 ordinary shares.

There were no other changes in the directors' interests in the share and loan capital of the company between 31 December 1989 and 11 April 1990.

During the year there were no contracts or arrangements of significance, other than directors' service contracts, between any director and the company or any subsidiary in which a director's interest was material.

The Companies Act 1989 clarified the ability of companies to take out policies of insurance in respect of directors' and the other officers' liability. Resolution 12 alters the memorandum of association to express the requisite power of the company to purchase and maintain such insurance. The power will extend to insurance policies to protect officers of subsidiaries and other companies with which the company is connected and trustees of pension funds in which employees of the company and such other companies are interested. Resolution 13 alters the articles of association to enable the directors to exercise such power on the company's behalf and also to enable each director to form part of the quorum and to vote (notwithstanding any interest he may have in such insurance) at any board meeting where such insurance is under consideration. The provisions of any insurance policy will be carefully

considered at the time of purchase and will not cover wilful default or wilful negligence.

FIXED ASSETS

Movements in fixed assets during the year are set out in notes 13 and 14 on pages 46 to 48. United Kingdom properties were valued at 31 December 1989 by Hillier Parker in the sum of £66.9 million compared to a net book value of £47.9 million. The valuation has been incorporated into the accounts and the surplus over net book value credited to reserves. In the opinion of the directors, the market value of the group's remaining land and buildings at 31 December 1989 was in excess of book value but, in relation to the group's affairs as a whole, this difference is not significant.

SUBSTANTIAL INTERESTS

The directors have been notified of the under-mentioned interests comprising 5% or more of the ordinary share capital of the company as at 11 April 1990.

MA Hawe:	4,126,479 shares	5.84%
BAT Industries plc:	4,050,000 shares	5.73%

The directors have not been notified of any interest comprising 5% or more of the preference share capital of the company as at 11 April 1990.

EMPLOYEES

In 1989, AMEC employed on average 30,121 people worldwide.

The group is in a period of rapid change and faces increasing competition for scarce resources. It will continue to be one of management's main priorities to invest positively in training and development. During 1989 the group worked closely with external agencies, as well as using its own resources, to train and develop all levels of employees. The addition of Matthew Hall to the group has increased significantly the range of opportunities available for staff development. The corporate aim is to enable all employees to develop their potential to its fullest extent for the benefit of themselves and the group.

Communication with employees is critical to ensure that they all feel part of the team. During 1989, specific attention was paid to strengthening communications at local level, according to their particular needs, and at group level. The 1989 management conference focused on employee and customer care and brought together the top management in the group. The messages that came out are being further communicated.

MORI were commissioned to survey employees' attitudes and the results were featured in a special

REPORT OF THE DIRECTORS

issue of our employee newspaper, AMEC Times. Specific actions are in hand to respond to the concerns raised. AMEC Times is circulated to all employees and it is supplemented by additional newsletters produced within subsidiary companies. Other employee consultation arrangements continue. The pensions consultative committee of the AMEC Staff Pension Scheme meets regularly and its meetings are reported in Pension News which also carries information about the scheme in informative background articles. Pension scheme members also receive personal benefit statements.

Further share options were granted in 1989 under the rules of the savings related share option scheme in accordance with the group's declared objective of increasing employee awareness and participation in the business of the group.

The group's management policies require that all employees' careers are determined solely on merit. No employee will suffer because of his or her sex, race, ethnic origin or religious belief. These principles guide operations worldwide.

It is the group's policy to consider for and enable suitably qualified disabled persons to seek and maintain employment and to assist them in overcoming their handicaps at work. The group recognises that special conditions are necessary in view of the nature of its main activities to ensure that disabled persons employed are properly trained for the tasks they perform.

The health and safety at work of all employees continues to be a priority and all subsidiary companies and divisions have again won British Safety Council awards during the year. The group's safety policies and procedures remain under constant review in order to achieve further improvement.

DONATIONS

Charitable donations for the year amounted to £210,000 including £50,000 to the AMEC Charitable

Trust. Charitable donations amounting to £51,500 in the year were made by the AMEC Charitable Trust.

STATUS FOR TAXATION

As far as the directors are aware the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

AUDITORS

On 1 January 1990 the auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly they have signed their report in their new name. A resolution will be proposed at the annual general meeting to re-appoint KPMG Peat Marwick McLintock as auditors and to authorise the directors to fix their remuneration.

POST BALANCE SHEET EVENT

With effect from 1 January 1990 AMEC Projects, Inc ("Projects"), a subsidiary of the company, formed a partnership named Morse Diesel International with Morse Diesel, Inc ("Morse"), a north American construction management services company.

The partnership is owned equally by Projects and Morse with Projects having contributed US \$5 million in cash as capital and Morse having contributed assets of the same value.

Under the terms of the partnership agreement Projects has an option to acquire the 50% interest in the partnership owned by Morse and Morse has an option to sell its interest in the partnership to Projects for a consideration equal to a multiple of eight times 50% of the average after tax profits of the partnership in the four years preceding the exercise of such options. The earliest date on which such options may be exercised is 31 December 1994.

By order of the board
MJ Bardsley
Secretary, 11 April 1990

CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 1989

	Note	1989 £million	1988 £million
TURNOVER			
Cost of sales	2	1,992.6	1,309.9
		1,780.4	1,183.3
Gross profit			
Administrative expenses		212.2	126.6
		115.4	71.7
OPERATING PROFIT			
Income from related companies	3	96.8	54.9
Net interest	6	-	6.2
	7	(5.5)	0.5
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Taxation on profit on ordinary activities	8	91.3	61.6
		30.1	21.5
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Extraordinary items	9	61.2	40.1
		(0.9)	5.3
PROFIT FOR THE FINANCIAL YEAR			
Dividends	10	60.3	45.4
		24.1	15.7
RETAINED PROFIT	21	36.2	29.7
EARNINGS PER ORDINARY SHARE	12		
Undiluted		71.4p	54.2p
Diluted		52.2p	47.8p
DIVIDENDS PER ORDINARY SHARE	10	19.0p	17.0p

The notes on pages 41 to 54 form part of these accounts.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 1989

	Note	1989 £million	1989 £million	1988 £million	1988 £million
FIXED ASSETS					
Tangible assets	13		157.2		144.0
Investments	14		20.7		11.8
			<hr/>		<hr/>
			177.9		155.8
CURRENT ASSETS					
Stocks	15	253.0		181.1	
Debtors	16	475.0		393.3	
Cash at bank and in hand		64.2		57.2	
		<hr/>	792.2		631.6
CREDITORS: due within one year	17	632.0		507.1	
		<hr/>		<hr/>	
NET CURRENT ASSETS			160.2		124.5
TOTAL ASSETS LESS CURRENT LIABILITIES			338.1		280.3
CREDITORS: due after one year	18	49.8		41.9	
PROVISION FOR LIABILITIES AND CHARGES	19	-		0.4	
		<hr/>	49.8		42.3
		<hr/>	288.3		238.0
		<hr/>			
CAPITAL AND RESERVES					
Called up share capital	20	122.3		122.5	
Reserves	21	166.0		115.5	
		<hr/>	288.3		238.0
		<hr/>			

Approved by the board of directors on 11 April 1990

A Cockshaw, director

JD Early, director

The notes on pages 41 to 54 form part of these accounts.

COMPANY BALANCE SHEET

AT 31 DECEMBER 1989

	Note	1989 £million	1989 £million	1988 £million	1988 £million
FIXED ASSETS					1.6
Tangible assets	13		7.2		211.8
Investments in subsidiary companies	14		293.3		8.8
Investments in related companies	14		12.5		
			313.0		222.2
CURRENT ASSETS				5.9	
Debtors	16	17.7		94.5	
Cash at bank and in hand		88.1			
		105.8		100.4	
CREDITORS: due within one year	17	104.0		71.0	
NET CURRENT ASSETS			1.8		29.4
TOTAL ASSETS LESS CURRENT LIABILITIES			314.8		261.6
CREDITORS: due after one year	18		26.5		13.6
			288.3		238.0
CAPITAL AND RESERVES					122.5
Called up share capital	20		122.3		115.5
Reserves	21		166.0		
			288.3		238.0
SHAREHOLDERS' FUNDS					

Approved by the board of directors on 11 April 1990

A Cockshaw, director

JD Early, director

The notes on pages 41 to 54 form part of these accounts.

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

FOR THE YEAR ENDED 31 DECEMBER 1989

	1989 £million	1989 £million	1988 £million	1988 £million
SOURCE OF FUNDS:				
Profit on ordinary activities before taxation	91.3			61.6
Extraordinary items before taxation	(2.9)			9.4
	<hr/>			<hr/>
	88.4			71.0
Items not involving the movement of funds:				
Depreciation	26.0		16.8	
Reserves of related companies	2.7		(1.1)	
Exchange and other adjustments	(1.2)		(0.2)	
	<hr/>	27.5		15.5
	<hr/>	<hr/>		<hr/>
Total generated from operations	115.9			86.5
Funds from other sources:				
Net proceeds from share issues	1.7		80.5	
Increase in long-term loans	1.0		1.6	
Disposal of tangible assets	29.2		11.8	
	<hr/>	147.8		180.4
TOTAL FUNDS GENERATED	<hr/>			<hr/>
APPLICATION OF FUNDS:				
Purchase of tangible assets	54.3		46.5	
Investments in related companies	10.8		7.3	
Subsidiaries acquired	0.5		42.2	
Dividends paid to shareholders	23.1		11.9	
Taxation paid	36.3		8.9	
	<hr/>	125.0		116.8
Changes in working capital:				
Stocks and long-term contracts	80.2		25.3	
Debtors	46.4		43.3	
Creditors	(75.1)		(87.6)	
	<hr/>	51.5		(19.0)
	<hr/>	<hr/>		<hr/>
TOTAL FUNDS APPLIED	<hr/>	176.5		97.8
EXCESS OF FUNDS APPLIED OVER FUNDS GENERATED	(28.7)			
Excess of funds generated over funds applied	-		82.6	
Net liquid borrowings of subsidiaries acquired	-		(50.5)	
Net liquid funds at 1 January	49.1		17.0	
	<hr/>	<hr/>		<hr/>
NET LIQUID FUNDS AT 31 DECEMBER	<hr/>	20.4		49.1

NOTES TO THE ACCOUNTS

I Accounting Policies

BASIS OF PRESENTATION

Accounting convention

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

Basis of consolidation

The group accounts include the accounts of AMEC p.l.c. and all its subsidiaries and the group's share of the results and net assets of related companies made up to 31 December each year. Certain overseas companies have been consolidated at original cost and profit recognition taken on a remittance basis.

The company has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985.

TURNOVER

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

STOCKS

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

LONG-TERM CONTRACTS

The disclosure requirements of Statement of Standard Accounting Practice No. 9 (Revised) - Stocks and long-term contracts have been adopted in these accounts. Comparative figures for 1988 have been restated.

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 are included in creditors.

DEFERRED TAXATION

Provision is made for taxation deferred in respect of all timing differences except where it is considered there is reasonable probability that such taxation will not be payable in the foreseeable future.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of opening net assets of overseas companies are taken directly to reserves. All other translation differences are taken to the profit and loss account.

GOODWILL

Goodwill representing the excess of the purchase consideration over the fair value of net assets acquired is charged to reserves in the year of acquisition.

DEPRECIATION

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

Freehold buildings	~50 years
Leasehold land and buildings	~the lease term
Plant and equipment	~mainly 3 to 5 years

PENSIONS

Contributions to pension schemes are allocated to the profit and loss account so as to maintain a substantially level percentage of relevant payroll costs over the normal expected service lives of employees.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off as incurred.

NOTES TO THE ACCOUNTS

2 Turnover And Profit Before Taxation

	Turnover 1989 £million	Turnover 1988 £million	Profit 1989 £million	Profit 1988 £million
By principal activity:				
Building and civil engineering	754.5	620.4	38.7	18.0
Mechanical and electrical engineering	1,018.0	513.4	28.8	14.2
Property development and housing	257.3	257.5	23.8	29.4
	<u>2,029.8</u>	<u>1,391.3</u>	<u>91.3</u>	<u>61.6</u>
Internal trading	37.2	81.4	-	-
	<u>1,992.6</u>	<u>1,309.9</u>	<u>91.3</u>	<u>61.6</u>
Turnover by geographical area:			1989 £million	1988 £million
United Kingdom	1,632.4			1,161.1
Rest of Europe	51.3			28.9
Americas	157.1			66.8
Australasia	115.0			36.1
Africa	13.4			8.9
Asia	23.4			8.1
	<u>1,992.6</u>			<u>1,309.9</u>

3 Operating Profit

Operating profit is stated after charging:

Depreciation	26.0	16.8
Hire of plant and equipment	33.3	27.9
Property lease rentals	8.1	3.7
Auditors' remuneration	0.8	0.6

And after crediting:

Surplus on disposal of group occupied properties

1989 £million

1988 £million



NOTES TO THE ACCOUNTS

4 Directors' Remuneration

	1989 £million	1988 £million
Emoluments including pension contributions	1.2	1.1

The emoluments (excluding pension contributions) of the chairman amounted to £199,105. (1988 - present chairman £109,394 for the period from 19 May 1988 to 31 December 1988 and former chairman £45,000 for the period from 1 January 1988 to 18 May 1988).

The emoluments (excluding pension contributions) of all the directors fell within the following ranges:

£	Number	Number
15,001- 20,000	4	3
25,001- 30,000	1	-
30,001- 35,000	1	1
35,001- 40,000	1	-
40,001- 45,000	1	2
45,001- 50,000	1	-
50,001- 55,000	-	1
55,001- 60,000	1	1
60,001- 65,000	1	-
195,001-200,000	1	-

5 Staff Costs

	1989 £million	1988 £million
Wages and salaries	463.0	266.0
Social security costs	45.9	25.5
Other pension costs	14.7	7.6
	<hr/>	<hr/>
	523.6	299.1
	<hr/>	<hr/>

The average weekly number of employees during the year was

Senior employees of the company, who performed their duties mainly in the United Kingdom, received remuneration within the following ranges:

£	Number	Number
30,001- 35,000	4	4
35,001- 40,000	5	2
40,001- 45,000	4	2
45,001- 50,000	-	1
50,001- 55,000	1	1
55,001- 60,000	1	-
60,001- 65,000	1	-

NOTES TO THE ACCOUNTS

6 Income From Related Companies

	1989 £million	1988 £million
Share of results		
Interest receivable	(2.1) 2.1	5.2 1.0
	-	6.2

7 Net Interest (Payable) Receivable

	1989 £million	1988 £million
Interest payable:		
On loans wholly repayable within five years:		
- not by instalments	(10.2)	(5.0)
- by instalments	(0.4)	(0.4)
On loans repayable in more than five years	(0.3)	(0.2)
On finance leases	(0.3)	(0.2)
Interest receivable:		
Bank and short term deposits	5.1	5.6
Other	0.6	0.5
Income from investments	-	0.2
	(5.5)	0.5

8 Taxation On Profit On Ordinary Activities

	1989 £million	1988 £million
The taxation charge is made up as follows:		
Based on the profit for the year:		
Corporation tax	23.7	21.4
Deferred taxation	-	(1.1)
	23.7	20.3
Double taxation relief	(0.6)	(0.2)
	28.1	20.1
Overseas taxation	1.6	0.7
	29.7	20.8
Taxation under (over) provided in previous years	1.3	(0.4)
Related companies	(0.9)	1.1
	30.1	21.5

Taxation for the year has been provided at the rate of 35% (1988-35%)

Approximate amount of losses available in subsidiary companies to carry forward against future taxable trading income subject to agreement of the appropriate taxation authorities

14.1 13.6

NOTES TO THE ACCOUNTS

9 Extraordinary Items

	1989 £million	1988 £million
Surplus on sale of subsidiary companies	-	13.9
Closure and reorganisation costs	(2.9)	(4.5)
	(2.9)	9.4
Taxation	2.0	(4.1)
	(0.9)	5.3

10 Dividends

	1989 pence per share	1988 pence per share	1989 £million	1988 £million
Ordinary shares:				
Interim	7.25	6.25	5.1	4.3
Final proposed	11.75	10.75	8.3	7.9
Adjustment for ordinary shares allotted in respect of scrip dividend alternative			(0.6)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	19.00	17.00	12.8	12.2
Convertible redeemable preference shares			11.3	3.6
	<hr/>	<hr/>	<hr/>	<hr/>
	24.1	17.00	24.1	15.7

11 Retained Profit

	1989 £million	1988 £million
Dealt with in the accounts of the holding company	33.7	16.3
Retained by subsidiary companies	2.5	13.4
	<hr/>	<hr/>
	36.2	29.7

12 Earnings Per Ordinary Share

The calculation of undiluted earnings per ordinary share is based on earnings of £49.9 million (1988 - £36.6 million) and on 69,855,349 (1988 - 67,513,483) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per ordinary share is based on adjusted earnings of £62.0 million (1988 - £40.7 million) and on 118,828,564 (1988 - 85,183,730) ordinary shares which allows for conversion of all the convertible redeemable preference shares in issue, the allotment of ordinary shares under employee share option schemes and the maximum additional 2,516,000 ordinary shares which may be allotted in April 1991 in respect of the acquisition of the outstanding interest in Fairclough Homes Limited (note 20).

NOTES TO THE ACCOUNTS

13 Tangible Assets

Group:	Land and buildings £million	Plant and equipment £million	Total £million
Cost or valuation:			
At 1 January 1989	87.0	172.7	259.7
Additions and transfers	14.6	39.7	54.3
Disposals and transfers	(29.4)	(22.9)	(52.3)
Revaluation	11.5	-	11.5
Exchange adjustment	1.1	1.9	3.0
At 31 December 1989	84.8	191.4	276.2
Depreciation:			
At 1 January 1989	9.2	106.5	115.7
Provided during the year	1.9	24.1	26.0
Disposals and transfers	(0.4)	(16.4)	(16.8)
Revaluation	(7.5)	-	(7.5)
Exchange adjustment	0.2	1.4	1.6
At 31 December 1989	3.4	115.6	119.0
Net book value:			
At 31 December 1989	81.4	75.8	157.2
At 31 December 1988	77.8	66.2	144.0
Company:			
Cost or valuation:			
At 1 January 1989	0.8	2.8	3.6
Additions and transfers	8.5	1.3	9.8
Disposals and transfers	(3.5)	(2.4)	(5.9)
Revaluation	0.3	-	0.3
At 31 December 1989	6.1	1.7	7.8
Depreciation:			
At 1 January 1989	-	2.0	2.0
Provided during the year	0.1	0.6	0.7
Disposals and transfers	0.1	(2.0)	(1.9)
Revaluation	(0.2)	-	(0.2)
At 31 December 1989	-	0.6	0.6
Net book value:			
At 31 December 1989	6.1	1.1	7.2
At 31 December 1988	0.8	0.8	1.6



NOTES TO THE ACCOUNTS

13 Tangible Assets (continued)

	Group 1989 £million	Group 1988 £million	Company 1989 £million	Company 1988 £million
The net book value of land and buildings comprises:				
Freehold	74.4	70.4	5.4	0.8
Long leasehold	4.6	5.7	0.3	-
Short leasehold	2.4	1.7	0.4	-
	<hr/>	<hr/>	<hr/>	<hr/>
	81.4	77.8	6.1	0.8

Land and buildings are stated at:

Valuation 1988	2.1	28.0	-	-
Valuation 1989	66.9	-	6.1	-
Cost	15.8	59.0	-	0.8
	<hr/>	<hr/>	<hr/>	<hr/>
	84.8	87.0	6.1	0.8

United Kingdom properties were valued as at 31 December 1989 by Hillier Parker on the basis of open market value for existing use in the case of those properties occupied by the business and open market value in respect of investment properties in the total sum of £86.9 million.

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 above at valuation, determined according to the historical cost accounting rules is as follows:

	Group 1989 £million	Group 1988 £million	Company 1989 £million	Company 1988 £million
Cost	55.7	19.9	5.8	0.8
Depreciation	7.5	-	0.2	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	48.2	19.9	5.6	0.8

Fixed assets not depreciated:

Land	30.0	9.7	2.4	-
Investment properties	11.1	33.8	-	-
Assets in the course of construction	0.6	1.8	-	0.9
	<hr/>	<hr/>	<hr/>	<hr/>
	41.7	45.3	2.4	0.9



NOTES TO THE ACCOUNTS

14 Investments (held as fixed assets)

	Company 1989 £million	Company 1988 £million
Investments in subsidiary companies:		
Shares at valuation	187.3	198.3
Amounts owed by subsidiary companies	327.9	279.8
Amounts owed to subsidiary companies	(221.9)	(266.3)
	293.3	211.8
Investments in subsidiary companies are stated at the net asset value attributable to the company.		
Investments in related companies:		
Net book value at 1 January 1989	11.8	8.8
Additions	10.8	3.2
Net movement in share of reserves	(1.9)	0.5
Net book value at 31 December 1989	20.7	12.5
Represented by:		
Shares at cost less amounts written off	22.1	12.3
Share of post acquisition reserves	(1.4)	0.2
	20.7	12.5
Investment listed on a United Kingdom Stock Exchange:		
Cost including share of post acquisition reserves	12.5	12.5
Market value	28.7	28.7

Principal group companies are listed on page 57

NOTES TO THE ACCOUNTS

15 Stocks

	Group 1989 £million	Group 1988 £million
Property development land and work in progress	229.1	158.0
Raw materials and consumables	12.2	11.5
Other work in progress	3.9	4.6
Finished goods and goods for resale	7.8	7.0
	253.0	181.1

16 Debtors**Due within one year:**

	Group 1989 £million	Group 1988 £million	Company 1989 £million	Company 1988 £million
Amounts recoverable on contracts	179.9	143.7	—	—
Trade debtors	217.6	195.0	—	—
Amounts owed by subsidiary companies	—	—	11.1	1.0
Amounts owed by related companies	30.7	8.1	—	—
Other debtors	9.4	11.5	2.5	2.1
Prepayments and accrued income	8.8	7.3	1.3	0.3
	446.4	365.6	14.9	3.4
Due after one year:				
Trade debtors	20.0	16.7	—	—
Amounts owed by related companies	5.4	8.9	—	—
Other debtors	3.2	3.1	2.8	2.5
	475.0	393.3	17.7	5.9

17 Creditors: due within one year

	Group 1989 £million	Group 1988 £million	Company 1989 £million	Company 1988 £million
Bank loans and overdrafts	43.8	8.1	36.6	2.4
Trade creditors	362.7	321.0	9.1	7.2
Payments on account	79.7	51.6	—	—
Amounts owed to subsidiary companies	—	—	0.8	0.6
Amounts owed to related companies	0.7	—	—	—
Corporation tax	41.5	49.4	37.2	43.7
Other taxation and social security costs	25.2	15.1	4.2	0.3
Other creditors	20.5	16.1	0.4	5.1
Accruals and deferred income	42.8	36.7	5.6	2.6
Dividends	10.1	9.1	10.1	9.1
	632.0	507.1	104.0	71.0

NOTES TO THE ACCOUNTS

18 Creditors: due after one year

	Group 1989 £million	Group 1988 £million	Company 1989 £million	Company 1988 £million
Loan stock 1992	6.5	6.5	6.5	6.5
US dollar loans	23.5	21.3	20.0	7.1
Other foreign currency loans	1.1	2.3	-	-
Other creditors	16.9	9.8	-	-
Payments on account	1.8	2.0	-	-
	49.8	41.9	26.5	13.6

The 15% unsecured loan stock 1992 will be redeemed at par on 31 December 1992.

The US dollar loans are unsecured and are repayable as to £3.6 million by 31 December 1991, £18.3 million by 31 December 1994 and £1.6 million after 1 January 1995.

Interest payments on all loans vary with market rates; at 31 December 1989 these averaged 9.11%.

19 Provision For Liabilities And Charges

	Group 1989 £million	Company 1989 £million
Deferred taxation		
Balance at 1 January 1989	0.4	-
Deferred taxation credit	(0.4)	-
Balance at 31 December 1989	-	-
	Group 1989 £million	Group 1988 £million
Accelerated capital allowances	1.8	1.7
Other timing differences	(1.8)	(1.3)
Provided in accounts	-	0.4
Not provided in accounts:		
Accelerated capital allowances	1.1	0.7
Other timing differences	(1.1)	-
Total potential liability	-	1.1

NOTES TO THE ACCOUNTS

20 Share Capital

	Authorised 1989 Number	Authorised 1988 Number	Allotted, called up and fully paid 1989 £million	Allotted, called up and fully paid 1988 £million
Ordinary shares of 50p each	100,000,000	100,000,000	35.2	34.7
6.5p (net) cumulative convertible redeemable preference shares of 50p each	220,000,000	220,000,000	87.1	87.8
			122.3	122.5

The total number of ordinary shares allotted at 31 December 1989 was 70,472,686 (1988 - 69,407,074).

The total number of preference shares allotted at 31 December 1989 was 174,080,909
(1988 - 166,095,314).

Since 31 December 1988 a further 9,417,676 preference shares have been allotted in part consideration of the acquisition of the ordinary shares in Matthew Hall PLC pursuant to the offer dated 21 October 1988 to acquire the whole of the issued share capital of that company.

On 19 May 1988 AMEC agreed to acquire the outstanding 50 per cent. interest in Fairclough Homes Limited. Further consideration may be payable in 1991 based on aggregate profits before tax of Fairclough Homes Limited for the three years ending 31 December 1990 and which would be satisfied by the issue of additional ordinary shares. The number of additional ordinary shares to be issued will be determined by the extent to which aggregate profits before tax exceed £30 million subject to a maximum of 2,516,000 additional ordinary shares if aggregate profits before tax exceed £50 million.

Conversion and redemption of preference shares

The preference shares are convertible into ordinary shares on 31 May (or, if later, the date five weeks after despatch to the holders of the preference shares of the audited consolidated accounts of the company and its subsidiaries for the most recently ended financial period) or 30 November in each of the years up to and including the year 2008 on the basis of 24.39 ordinary shares of 50p each for every 100 preference shares.

The company must redeem at 100p per share on 1 May 2009 any preference shares which remain in issue and are outstanding at that date.

Holders of 1,199,147 preference shares converted their holdings into 292,472 ordinary shares at the first conversion date of 19 June 1989.

Holders of 232,934 preference shares converted their holdings into 56,813 ordinary shares on the conversion date of 30 November 1989.

Scrip dividends

Subsequent to the scrip dividend alternative offered to ordinary shareholders in respect of the final dividend for 1988, 101,539 ordinary shares were allotted on 30 June 1989.

Subsequent to the scrip dividend alternative offered to ordinary shareholders in respect of the interim dividend for 1989, 49,438 ordinary shares were allotted on 29 December 1989.

Share options

In 1989 share options were granted in respect of 336,043 ordinary shares under the Savings Related Share Option Scheme and in respect of 275,000 ordinary shares under the Executive Share Option Scheme.

NOTES TO THE ACCOUNTS

20 Share Capital (continued)

At 31 December 1989 share options were outstanding as follows:

	Option price per share	Number of shares
Savings Related Share Option Schemes		
Normally exercisable in the period between:		
September 1990 and February 1991	222p	424,925
July 1991 and December 1991	247p	90,625
February 1992 and August 1994	285.08p	467,345
July 1992 and December 1992	300p	210,022
July 1993 and December 1993	346p	219,789
August 1994 and January 1995	418p	329,111

Executive Share Option Schemes

Normally exercisable in the period between:

September 1988 and September 1995	232p	218,045
April 1989 and April 1996	274p	224,373
July 1989 and July 1996	304.82p	260,298
April 1990 and April 1997	332p	523,337
October 1990 and October 1997	504.38p	106,020
April 1991 and April 1998	384p	542,140
May 1991 and May 1998	335.52p	24,852
August 1991 and August 1998	364p	83,000
May 1992 and May 1999	464p	275,000

Currently there are 2,147 participants in the Savings Related Schemes and 103 participants in the Executive Schemes

During the year the following allotments of ordinary shares were made under the provisions of the various Share Option Schemes:-

Savings Related Schemes	222p	6,379
	247p	1,761
	285.08p	7,226
	300p	927
	346p	46
Executive Schemes	232p	121,645
	274p	60,222
	304.82p	341,621
	332p	15,315
	384p	10,208

NOTES TO THE ACCOUNTS

21 Reserves

	Share premium account £million	Revaluation reserve £million	Profit and loss account £million	Total reserves £million
Group:				
At 1 January 1989	78.5	8.1	28.9	115.5
Retained profit	-	-	36.2	36.2
Shares issued less costs	1.9	-	-	1.9
Goodwill on acquisitions	-	-	(0.5)	(0.5)
Surplus on property revaluation	-	19.0	-	19.0
Disposals and transfers	-	(6.3)	-	(6.3)
Other movements	-	-	0.2	0.2
At 31 December 1989	80.4	20.8	64.8	166.0

Company:

At 1 January 1989	78.5	18.5	18.5	115.5
Retained profit	-	-	33.7	33.7
Shares issued less costs	1.9	-	-	1.9
Surplus on property revaluation	-	0.5	-	0.5
Adjustment to carrying value of investments	-	12.4	2.0	14.4
At 31 December 1989	80.4	31.4	54.2	166.0

22 Capital Commitments

	Group 1989 £million	Group 1988 £million	Company 1989 £million	Company 1988 £million
Contracted but not provided in accounts	3.4	5.4	-	2.0
Authorised by the directors but not contracted	5.1	5.9	-	0.2

23 Lease Commitments

	Group Land and buildings 1989 £million	Group Plant and equipment 1989 £million	Group Land and buildings 1988 £million	Group Plant and equipment 1988 £million
Current annual commitments payable under non-cancellable leases expiring:				
Within one year	0.5	0.3	0.4	0.2
Between two and five years	1.5	1.1	0.7	0.9
After five years	6.5	0.1	5.7	0.1
	8.5	1.5	6.8	1.2

NOTES TO THE ACCOUNTS

24 Contingent Liabilities

	Company 1989 £million	Company 1988 £million
Guarantees given in respect of borrowings of subsidiary companies	66.3	72.0

The parent and certain subsidiary companies have given counter indemnities in respect of performance bonds in the normal course of business.

25 Pension Arrangements

The group operates a number of pension schemes for UK and overseas employees. Over 90% of members are in defined benefit schemes. Contributions paid by employees and employers are held in funds that are separate from the group's finances and which are administered by trustees.

Pension costs are assessed in accordance with the advice of independent qualified actuaries.

The entry age method is used to assess liabilities and future funding rates for the major scheme which covers over 60% of UK members. The latest actuarial valuation for this scheme was undertaken as of 1 April 1988. The present employer contribution rate of 12% of earnings (11% to 31 March 1989) assumes investment returns 2% higher than the rate of annual salary increases.

At the date of the latest actuarial valuations the market value of group schemes was £218 million and the actuarial value of the assets was sufficient to cover accrued benefits.

REPORT OF THE AUDITORS

TO THE MEMBERS OF AMEC p l c

We have audited the accounts on pages 37 to 54
in accordance with Auditing Standards.

In our opinion the accounts give a true and fair
view of the state of affairs of the company and of
the group at 31 December 1989 and of the profit
and source and application of funds of the group
for the year then ended and have been
properly prepared in accordance with the
Companies Act 1985.

KPMG Peat Marwick McLintock
Chartered Accountants
Leeds

11 April 1990

STATISTICS

FOR THE FIVE YEARS ENDED 31 DECEMBER 1989

	1989 £m	1988 £m	1987 £m	1986 £m	1985 £m
CONSOLIDATED RESULTS					
Turnover	<u>1,992.6</u>	<u>1,309.9</u>	<u>793.6</u>	<u>711.0</u>	<u>761.0</u>
Profit before taxation	<u>91.3</u>	<u>61.6</u>	<u>34.5</u>	<u>30.5</u>	<u>25.5</u>
Taxation	<u>30.1</u>	<u>21.5</u>	<u>12.3</u>	<u>11.0</u>	<u>9.5</u>
Profit after taxation	<u>61.2</u>	<u>40.1</u>	<u>22.2</u>	<u>19.5</u>	<u>16.0</u>
Extraordinary items	<u>(0.9)</u>	<u>5.3</u>	<u>(0.9)</u>	<u>(1.2)</u>	<u>(3.3)</u>
Attributable profit	<u>60.3</u>	<u>45.4</u>	<u>21.3</u>	<u>18.3</u>	<u>12.7</u>
Dividends	<u>24.1</u>	<u>15.7</u>	<u>8.4</u>	<u>7.7</u>	<u>7.1</u>
Retained profit	<u>36.2</u>	<u>29.7</u>	<u>12.9</u>	<u>10.6</u>	<u>5.6</u>
<i>Earnings per ordinary share: undiluted</i>	<i>71.4p</i>	<i>54.2p</i>	<i>34.5p</i>	<i>30.0p</i>	<i>24.8p</i>
<i>Earnings per ordinary share: diluted</i>	<i>52.2p</i>	<i>47.8p</i>	<i>34.0p</i>	<i>29.1p</i>	<i>24.7p</i>
<i>Dividends per ordinary share</i>	<i>19.0p</i>	<i>17.0p</i>	<i>13.0p</i>	<i>12.0p</i>	<i>11.0p</i>
SUMMARISED CONSOLIDATED BALANCE SHEETS					
Assets employed:					
Fixed assets	<u>127.9</u>	<u>155.8</u>	<u>107.1</u>	<u>85.9</u>	<u>71.2</u>
Net current assets	<u>160.2</u>	<u>124.5</u>	<u>20.1</u>	<u>27.1</u>	<u>44.1</u>
	<u>338.1</u>	<u>280.3</u>	<u>127.2</u>	<u>113.0</u>	<u>115.3</u>
Financed by:					
Share capital	<u>122.3</u>	<u>122.5</u>	<u>32.2</u>	<u>32.2</u>	<u>32.2</u>
Reserves	<u>166.0</u>	<u>115.5</u>	<u>75.7</u>	<u>67.6</u>	<u>58.2</u>
Shareholders' funds	<u>288.3</u>	<u>238.0</u>	<u>107.9</u>	<u>99.8</u>	<u>90.4</u>
Loan stock	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>
Loans and other creditors	<u>43.3</u>	<u>35.4</u>	<u>12.8</u>	<u>6.7</u>	<u>18.0</u>
Deferred taxation	<u>—</u>	<u>0.4</u>	<u>—</u>	<u>—</u>	<u>0.4</u>
	<u>338.1</u>	<u>280.3</u>	<u>127.2</u>	<u>113.0</u>	<u>115.3</u>

NOTES

- 1 Dividends and earnings per ordinary share have been adjusted for capital issues.
 2 The figures are stated in accordance with the accounting policies set out on page 41.

PRINCIPAL GROUP COMPANIES

AT 31 DECEMBER 1989

SUBSIDIARY COMPANIES

- AMEC Construction Services Limited
- *AMEC Holdings Inc., incorporated in the USA
- AMEC International Construction Limited,
operating outside the UK
- AMEC Property and Overseas Investments
Limited
- AMEC Projects Limited
- AMEC Properties Limited
- AMEC Regeneration Limited
- *Arden Computer Services Limited
- *Atlantic Services Limited, incorporated in
Bermuda
- *AUST-AMEC Pty Limited, incorporated in
Australia
- *Australian Minder Systems Pty Limited,
incorporated in Australia
- *Barnard and Burk Group Inc., incorporated in
the USA
- *Barnard and Burk Engineers and Constructors,
Inc., incorporated in the USA
- CV Buchan (Concrete) Limited
- Denco Limited
- *Denco SA, incorporated in France
- *William Ellis (Etchingham) Limited
- Fairclough Building Limited
- Fairclough Civil Engineering Limited
- Fairclough Engineering Limited
- *Fairclough Homes Limited
- Fairclough International Construction Limited,
operating outside the UK
- Fairclough-Parkinson Mining Limited
- Fairclough Scotland Limited, incorporated in
Scotland
- *Fire Protection Industries Inc., incorporated in
the USA
- *The Fisk Group Inc., incorporated in the USA
- Franklin Hodge Industries Limited
- The IDC Group Limited
- *IDC Limited
- *IDC Property Investments Limited
- *Inpark BV, incorporated in Holland
- Intek Floors Limited
- Matthew Hall PLC
- Matthew Hall Engineering Limited
- *Matthew Hall Keynes Engineering BV,
incorporated in Holland
- Matthew Hall Mechanical & Electrical
Engineers Limited
- *Matthew Hall Mechanical & Electrical
Engineers (Pty) Limited, incorporated
in Australia

- *Matthew Hall (Pty) Limited, incorporated in
Australia
- Metal and Pipeline Endurance Limited
- Press Construction Limited
- Press (Humber Side Fabricators) Limited
- Press International Construction Limited,
operating outside the UK
- Press Offshore Limited
- James Scott Limited, incorporated in Scotland
- James Scott (Electrical Transmission) Limited,
incorporated in Scotland, operating outside
the UK
- *Stoneleigh Developments Limited
- *Sunland Services, Inc., incorporated in the
USA
- Travel Places (International) Limited
- Robert Watson & Co. (Constructional
Engineers) Limited
- Robert Watson & Co. (St. el-work) Limited
- *Worsham Sprinkler Co. Inc., incorporated in
the USA

RELATED COMPANIES

- *Gulliver Consolidated Limited, incorporated
in Zimbabwe (45%) (Note 4)
- Power Corporation Plc, incorporated in the
Republic of Ireland (18.16% – ordinary
shares) (Note 5)

NOTES

- 1 These companies, together with their
subsidiary and related companies, are, in the
opinion of the directors, those principally
affecting group trading results and net assets.
- 2 Except where otherwise indicated, all of the
companies are wholly owned, incorporated
in England, operate principally in their
countries of incorporation and their share
capitals are in ordinary shares.
- 3 Shares are held directly by AMEC p.l.c.
except where marked with an asterisk where
they are held by subsidiary companies.
- 4 The issued share capital of Gulliver
Consolidated Limited is 3,482,450
Zimbabwean dollars divided into 6,964,900
shares of 50 cent each.
- 5 The issued sha, capital of Power
Corporation Plc as at 11 April 1990 is
116,273,491 ordinary shares of IR10p each,
2,016,843 Series A convertible redeemable
deferred shares of IR1p each and 2,596,464
Series B convertible redeemable deferred
shares of IR1p each.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighth annual general meeting of AMEC p.l.c. will be held at the Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester, on Friday 25 May 1990 at 12 noon for the following purposes:

- 1** To consider the accounts and the reports of the directors and the auditors for the year ended 31 December 1989 and to approve a final dividend of 11.75p per ordinary share (Resolution 1)
- 2** To re-elect directors (Resolutions 2 to 5).
- 3** To re-appoint the auditors (Resolution 6).
- 4** As special business, to consider and, if thought fit, pass the following resolutions:

As an Ordinary Resolution (Resolution 7):

That the authorised share capital of the company be increased from £160,000,000 to £220,000,000 by the creation of 120,000,000 new ordinary shares of 50p each.

As an Ordinary Resolution (Resolution 8):

That (conditionally upon the passing of Resolution 7) upon the recommendation of the directors, it is desirable to capitalise out of the amount standing to the credit of the share premium account of the company such sum as may be required to pay up in full such number of ordinary shares of 50p each as is equal to the number of ordinary shares of 50p each in issue as at 5 July 1990 and accordingly that such sum be set free for distribution to the holders of such shares on the register of members of the company on 5 July 1990 on the basis that the same be paid not in cash but be applied in paying up in full such number of the unissued ordinary shares of 50p each in the capital of the company to be allotted and distributed credited as fully paid up among such ordinary shareholders in the proportion of one such share for each issued ordinary share of 50p then held, which shares shall rank pari passu with the ordinary shares of 50p each in the company in issue on 5 July 1990 and that the directors are hereby authorised to allot pursuant to and in accordance with Section 80 of the Companies Act 1985 relevant securities up to an aggregate nominal amount of £70,000,000 for such purpose not later than 31 July 1990.

As an Ordinary Resolution (Resolution 9):

That the directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to exercise for the period ending on the date of the next annual general meeting or on 25 August 1991, whichever is the earlier, all the powers of the company to allot relevant securities up to an aggregate nominal amount of £23,490,895 save that the company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority hereby conferred had not expired.

As a Special Resolution (Resolution 10):

(a) That pursuant to Section 95 of the Companies Act 1985, the directors be and they are hereby authorised and empowered to allot equity securities pursuant to and during the period of the authority conferred by Resolution 9 above as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment. Provided that this power shall be limited:

(i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and convertible preference shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them and where the equity securities respectively attributable to the interests of the convertible preference shareholders are proportionate (as nearly as may be) to the number of ordinary shares into which the convertible preference shares held by such holders would be convertible if the conversion rights attached to such shares had been exercisable and exercised in full immediately prior to the record date for such rights issue; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (a)(i) of this resolution) of equity securities up to an aggregate nominal value of £3,523,634.

(b) That for the purposes of this Resolution, the company may before such authority expires make offers or agreements which would or might require equity securities to be allotted

NOTICE OF ANNUAL GENERAL MEETING

after such authority expires and the directors may offer and allot equity securities pursuant to any such offers or agreements by the company (but not in excess of the limit imposed by sub-paragraph (a) (ii) of this Resolution).

As an Ordinary Resolution (Resolution 11):

That the directors be authorised to offer to ordinary shareholders the right to elect to receive in lieu of any dividend (or any part thereof), declared or proposed to be declared or in respect of any interim dividend to be paid from the date of this annual general meeting until the conclusion of the 1991 annual general meeting an allotment of additional ordinary shares credited as fully paid.

As a Special Resolution (Resolution 12):

That the memorandum of association of the company be and hereby is amended by the addition of new clause 4. (29) as follows:-

"(29) (i) To purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees or auditors of the company, or of any other company which is its holding company or in which the company or such holding company or any of the predecessors of the company or of such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the company, or of any subsidiary undertaking of the company or of any such other company, or who are or were at any time trustees of any pension fund in which any employees of the company or of any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the company or a 'y such other company, subsidiary undertaking or pension fund and (ii) to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability; for the purpose of this clause "holding company" and "subsidiary undertaking" shall have the same meanings as in the Companies Act 1989."

As a Special Resolution (Resolution 13):

That the articles of association of the company be and are hereby amended by:-

1 Renumbering article 79, as article 79. (A) and by the addition of a new article 79. (B) as follows:

"79. (B) Without prejudice to the provisions of article 149 the directors shall have power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees or auditors of the company, or any other company which is its holding company or in which the company or such holding company or any of the predecessors of the company or of such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the company, or of any subsidiary undertaking of the company or of any such other company, or who are or were at any time trustees of any pension fund in which employees of the company or of any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the company or any such other company, subsidiary undertaking or pension fund; for the purpose of this article "holding company" and "subsidiary undertaking" shall have the same meanings as in the Companies Act 1989."

2 The addition in article 96. (A) of a new paragraph (7) as follows:-

"(7) Any proposal concerning any insurance which the company is empowered to purchase and/or maintain for or for the benefit of any directors of the company or for any persons who include directors of the company provided that for the purposes of this paragraph insurance shall mean only insurance against liability incurred by a director in respect of any act or omission by him as referred to in article 79. (B) or any other insurance which the company is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including directors of the company."

NOTICE OF ANNUAL GENERAL MEETING

3 The deletion of article 149, and the substitution therefor of a new article 149, as follows:-

"149. Subject to the provisions of and so far as may be consistent with the Statutes, every director, auditor, secretary or other officer of the company shall be entitled to be indemnified by the company out of its own funds against all costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office including (without prejudice to the generality of the foregoing) any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the company and in which judgement is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or

in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the court."

By order of the board
M J Bardsley
Secretary
30 April 1990

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member. Copies of the annual report and accounts are sent to loan stock holders and loan note holders for information only. Loan stock holders and loan note holders are not entitled to attend or vote at the annual general meeting.

There will be available for inspection at the registered office of the company, during business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until the date of the annual general meeting and at the Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester, from 11.45am on 25 May, 1990 until the conclusion of the meeting, copies of all service contracts of the directors with the company or any of its subsidiaries not expiring or terminable within one year without payment of compensation.

