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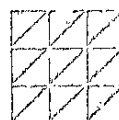


Annual Report & Accounts 1985

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AMEC

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Summary of Results

	1985 £ million
Turnover	751.0
Profit on ordinary activities before taxation	25.5
Profit on ordinary activities after taxation	16.0
Shareholders' funds	90.4
<i>Earnings per share</i>	<i>24.8p</i>
<i>Dividends per share</i>	<i>11.0p</i>

Directors, Officers and Company Information

Directors

JWH Morgan F Eng, *Chairman*
A Cockshaw *Chief Executive*
Sir Oswald Davies CBE DCM
JS Bateson
CI Bateman
RH Peet CBE
RW Mott
NL Franklin CBE FRS F Eng
R Kisjes
JD Early

Secretary

CI Bateman

Registered office

14 South Audley Street, London W1Y 5DP
Registered in England No. 1675285

Joint auditors

Armitage & Norton
Price Waterhouse

Registrars

Barclays Bank PLC
Radbrooke Hall, Knutsford, Cheshire WA16 9EU

Principal bankers

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

Notice of Annual General Meeting

Notice is hereby given that the fourth annual general meeting of AMEC p.l.c. will be held at the Hotel Piccadilly, Piccadilly, Manchester, on Wednesday 21 May 1986 at 12 noon for the following purposes.

- 1 To consider the accounts and the reports of the directors and the joint auditors for the year ended 31 December 1985 and to declare a final dividend.
- 2 To re-elect directors.
- 3 To re-appoint the joint auditors and to authorise the directors to fix their remuneration.
- 4 To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

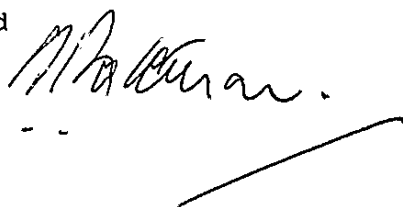
(a) that, pursuant to Section 95 of the Companies Act 1985, the directors are authorised and empowered during the period from the date of the passing of this resolution to the next following annual general meeting to allot equity securities pursuant to the authority conferred by paragraph (A) of Article 12 of the Articles of Association of the company as if Section 89(1) of the Companies Act 1985 did not apply to the 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 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

(ii) to the allotment (otherwise than pursuant to sub-paragraph (a)(i) of this paragraph) up to an aggregate nominal value of £2,150,000.

(b) that, for the purposes of this resolution, the company may before such authority expires make an offer or agreement which would or might require equity securities to be allotted after such authority expires and the directors may offer and allot equity securities pursuant to any such offer or agreement by the company (but not in excess of the limit imposed by sub-paragraph (a)(ii) of this paragraph).

By order of the board
CI Bateman
Secretary
24 April 1986



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 stockholders for information only. Loan stockholders 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 Hotel Piccadilly, Piccadilly, Manchester, from 11.45 am on 21 May 1986 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.



Chairman's Statement

Operating results

Profit before tax for 1985 amounted to £25.5 million with earnings per share of 24.8p. Both these figures are lower than the previous year although the second half result actually exceeded the equivalent result for 1984. Earnings per share were significantly affected by an increased tax charge of 37% compared with 28%.

What would otherwise have been satisfactory results have been depressed by trading losses incurred in four subsidiary companies. Positive steps have been taken to deal with these problems. Our core activities remain strong despite difficult market conditions. As a result, the Board is recommending a maintained final dividend to give a total dividend at the same level as last year. Other important features include:

An adverse swing of £2.8 million on exchange with losses of £1.0 million compared with gains of £1.8 million in 1984.

Realisations and income from investments of £2.6 million compared with £0.7 million;

The tax charge for 1985 being affected by losses in both Australia and the United States which cannot be offset against profits elsewhere but are available to carry forward. The 1984 tax charge included certain non recurring benefits;

Net closure and reorganisation costs of £3.3 million which have been treated as extraordinary items,

Cash balances remaining high at £47.1 million (1984 - £48.4 million);

An overall pre-tax return on shareholders' funds of 28%.

Reorganisation

Worley Engineering Limited - I warned shareholders in my interim report about the problems in this company. The effects of underlying weaknesses in management, although receiving attention, had been exacerbated by the large fall in market demand for its type of service due to uncertainty about oil prices. Significant reorganisation to reduce overheads to be compatible with the anticipated market took place during the second half. Since the year end, we have incorporated our Worley business into a new joint company with Santa Fe International Corporation, a large process engineering company. Santa Fe operates internationally, is wholly owned by the Kuwait Petroleum Company and is based in America. AMEC has a 51% interest in the new joint company, Worley Santa Fe Limited. Santa Fe brings additional relevant management and engineering strengths and Worley Santa Fe will be in a position to approach world markets including, particularly, the Far East. This collaboration is in line with the Government's insistence that American engineering contractors wishing to continue to take part in North Sea work must do so jointly with British companies. The aim is to encourage technology transfer and to enable the profitable use of unique experience in the wider international markets. Despite the obvious difficulties of the short term market we see this association providing a basis for benefit to the group in the medium term.

North America - Last year I referred to our problems in Texas. Close attention has been paid to Fisk and Major Construction and in consequence the business of the latter company has been cut back to just one local office since its particular market 'niche' has become totally unrewarding. Fisk, on the other hand, while continuing to operate in a difficult market can, we believe, make a useful contribution to profits and also continue to provide a base for further activities in the Americas.

Australia - Our performance in this territory has been held back by losses in our term contract gas distribution activity. This activity has now been eliminated.

General Descaling Company Limited - This small company, not in our mainstream business, incurred losses in 1985 and we have disposed of its business since the year end.

Board changes

As foreshadowed in my last report, we have made further additions to the Board and there have been two departures. I am especially pleased that we have been able to persuade John Early to join the group as Finance Director. He replaces Roy Barber who left us at the end of October and had, for the previous fourteen months, combined the role of Finance Director with the overseeing of our overseas operations; we wish him well. Mr Early is thoroughly familiar with the group's activities from his previous position as a senior executive partner of Armitage & Norton, joint auditors to the company.

We have also been fortunate in appointing Rudi Kisjes to the Board with principal responsibility for our overseas activities. Mr Kisjes has been associated with the group over a number of years. Having spent his career so far in many parts of the world where contractors have been successful in finding rewarding work, his experience should help in obtaining access to further opportunities from which a proper platform for growth can be established.

My report would be lacking if it did not refer to the significant contribution made by the non-executive directors in their various ways and particularly to draw attention to the appointment of Dr Franklin, an eminent nuclear power engineer. He is helping in our energy related activities and has been appointed Chairman of Worley Santa Fe following the reorganisation of our Worley business. Mr Osse Newell, who had been involved directly in Worley's affairs, decided to retire early at the year end and we wish him well.

Current business

As already mentioned, the core businesses of AMEC are in sound shape and, despite difficult market conditions influenced by continuing restrictions in public spending and a reduction in oil prices, they should continue to make useful contributions in the future. Significant features include the following:

Fairclough Civil Engineering continues its large involvement in the THORP Project at Sellafield and has just added a contract for major works on the M63 bridge over the Manchester Ship Canal. At this stage THORP represents a big commitment of resources which will produce benefits if all round progress is maintained.

Chairman's Statement

Press Offshore has substantially increased its workload in offshore service activities in the North Sea. This, coupled with a good order book and a prudent policy of depreciation in our fabrication yards, helps to offset the effects of short term market movements. The Farclough Building made a higher contribution to profits in 1985 from markedly increased sales and its continued progress in the development of the private sector market augurs well for the future.

Significant investment was made through AMEC Properties in property development projects during 1985. The benefits from this will flow as the projects reach completion.

AMEC Projects has further enhanced an excellent reputation in its field by winning the consultant contractor role in the major refurbishment of Terminal 3 at London Heathrow Airport for British Airports Authority.

With our strong balance sheet we are able to service both our present level of activities and purposefully to consider future expansion as sound opportunities arise.

Having dealt positively with some difficult problems and improved our overall management strength, I consider that we are now poised to move forward again and I know I can count upon the total co-operation and effort of my colleagues and all our employees in pursuing this aim.

I thank everybody who worked for AMEC during 1985 for the effort that they put in towards the achievement of our results in difficult circumstances. It was not an easy year but I believe we are now set fair to resume steady progress and improvement.



JWH Morgan F Eng
Chairman






Report of the Directors

The directors have pleasure in recommending the profit and accounts bearing their endorsement to the members of the company.

Business review

The business of the group is civil engineering, building and engineering contracting and manufacturing operations in the power and process industries. The group's activities are reviewed in the chairman's statement on pages 4 and 5 and in the operational review distributed with the annual report and accounts.

The profit for the year available to shareholders amounting to £12.7 million is shown in the consolidated profit and loss account on page 8. The directors recommend that a final dividend of 7.0p per ordinary share be paid which, together with the interim dividend of 4.0p, makes a total distribution of £7.1 million and a transfer to reserve of £5.6 million.

The final dividend will be paid on 1 July 1986 to members on the register at the close of business on 30 May 1986.

An analysis of the turnover by geographical area is given in note 2 on page 13.

Share capital

The present authorised and issued share capital of the company is set out in note 21 on page 20.

At the 1985 annual general meeting the shareholders, by special resolution, authorised the directors in accordance with the provisions of the Companies Act 1980 to issue, other than to existing shareholders, during the period up to the 1986 annual general meeting (a) such shares as may be necessary in connection with a rights issue to deal with such matters as for example fractional entitlements and specific circumstances which affect overseas shareholders; and (b) in addition, shares up to an aggregate nominal amount of £2,150,000 representing 5% of the authorised share capital. No shares have been issued by the directors pursuant to this authority. A special resolution to renew this authority until the next annual general meeting, in accordance with the provisions of the Companies Act 1983, is set out in the notice of the fourth annual general meeting on page 3.

Directors

The following were directors at 31 December 1985:

JWH Morgan	CI Bateman
A Cockshaw	RH Peet
Sir Oswald Davies	RW Mott
JS Bateson	NL Franklin

Mr R Barber resigned as a director on 21 October 1985 and Mr O Newell resigned as a director on 31 December 1985.

Dr NL Franklin was appointed a director with effect from 3 September 1985, Mr R Kisjes was appointed a director with effect from 2 January 1986 and Mr JD Early was appointed a director with effect from 31 March 1986. In accordance with Article 91 of the Articles of Association of the company, they retire from office and being eligible they offer themselves for re-election. None of them has a service contract terminable by more than 12 months notice.

The directors retiring by rotation in accordance with Article 84 of the Articles of Association of the company are Mr A Cockshaw and Mr CI Bateman and being eligible they offer themselves for re-election. Mr Cockshaw and Mr Bateman have service contracts with the company terminable by 24 months notice. The interests in the ordinary shares of 50p each of the company of the directors holding office at 31 December 1985 were as follows:

	1 January 1985 Beneficial	31 December 1985 Beneficial	Executive options	3AYE options
JWH Morgan	500	7,500	-	-
A Cockshaw	700	700	34,000	-
Sir Oswald Davies	150,233	33,836	-	-
JS Bateson	500	500	25,000	-
CI Bateman	12,000	12,000	25,000	651
RH Peet	14,000	14,000	-	-
RW Mott	7,000	7,000	25,000	3,253
NL Franklin	2,000*	2,000	-	-

* As at date of appointment

Mr Kisjes acquired a beneficial interest in 500 ordinary shares of the company on 10 January 1986.

No directors had any other beneficial interests in the ordinary share capital or any interests in the 15% unsecured loan stock of the company.

Mr CI Bateman had a non-beneficial interest in 141,930 ordinary shares and £70,965 15% unsecured loan stock of the company at 1 January and 31 December 1985 as a trustee of the William Press Group Share Incentive Scheme, which is in the course of being wound up.

Report of the Directors

The Executive options were granted under the terms of the AMEC Executive Share Option Scheme and the SAVE options were granted under the terms of the AMEC Savings Related Share Option Scheme both of which schemes were approved at the Extraordinary General Meeting held on 16 May 1986. The terms of the options are set out in note 21 on page 22.

There were no other changes in directors' interests in the share and loan capital of the company between 31 December 1985 and 1 April 1986.

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.

Fixed assets

Movements in fixed assets during the year are set out in notes 13 and 14 on pages 16 to 18. In the opinion of the directors, the market value of the group's land and buildings at 31 December 1985 was in excess of book value but, in relation to the group's affairs as a whole, this difference is not significant.

Substantial interest

The directors are not aware of any notifiable interest comprising 5% or more of the ordinary share capital of the company as at 1 April 1986.

Employees

It continues to be the policy of the group to maintain and develop systems of communication designed to keep all employees informed of the progress of the group and of any changes which may be of direct concern. During the past year, several significant developments have taken place in this field.

First, the style and content of the employee newspaper 'AMEC Times' has been improved and provides more information on the overall aims and progress of the group. AMEC Times 'Special' inserts have been introduced to deal with items of particular interest and AMEC Times 'Extra' has been issued between regular editions.

A new pension scheme for United Kingdom staff employees was introduced in 1985 in place of existing schemes. This involved a comprehensive communications exercise which included not only features in the AMEC Times but also a specially produced video, high quality explanatory booklets and personal letters with individual benefit statements to every employee concerned. A Pensions Consultative Committee was formed with representation from every company in the group.

Following approval by shareholders, the group also introduced a Savings Related Share Option Scheme open to all United Kingdom employees with five or more years service and an Executive Share Option Scheme. Both schemes have as an objective the increase of employee awareness and participation in the business of the group.

The policy of the group is to consider for employment, promotion and training, all suitable candidates without discrimination on the grounds of race, sex, ethnic origin, religion or marital status. It is also the policy of the group to consider for employment, equally with all other applicants, suitable disabled persons with the necessary abilities and aptitudes, recognising that special considerations are necessary, in view of the nature of the group's main activities, to ensure that disabled persons employed by the group are properly trained for the tasks they perform.

Donations

Charitable donations for the year amounted to £87,000 including £50,000 to the AMEC Charitable Trust. Charitable donations amounting to £48,000 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 1970 do not apply to the company.

Post balance sheet event

On 3 March 1986, certain group companies entered into an agreement with Mr MS Worley, then a director of Worley International Engineering Group Limited ("WIEGL"), a subsidiary company, and certain other parties, for the purchase from Mr Worley of his interest of 11.25% of the issued share capital of WIEGL, the rearrangement and/or termination of certain agreements with Mr Worley and the transfer to Mr Worley of certain intellectual property. The consideration paid to Mr Worley in respect of this transaction was £190,860.

Auditors

The joint auditors are Armitage & Norton and Price Waterhouse. A resolution will be proposed at the annual general meeting to re-appoint them as joint auditors and to authorise the directors to fix their remuneration.

By order of the board

CI Bateman

Secretary

2 April 1986





Consolidated Profit and Loss Account

for the year ended 31 December 1985

	Note	1985 £ million
Turnover	2	751.0
Cost of sales		672.2
Gross profit		<u>78.8</u>
Administrative expenses		59.5
Operating profit	3	19.3
Share of profits of related companies		1.0
Income from investments	6	2.6
Net interest receivable	7	2.6
Profit on ordinary activities before taxation		<u>25.5</u>
Taxation on profit on ordinary activities	8	9.5
Profit on ordinary activities after taxation		16.0
Minority interests		—
Profit before extraordinary items		16.0
Extraordinary items	9	(3.3)
Profit for the financial year		<u>12.7</u>
Dividends	10	7.1
Transfer to reserve	11	<u>5.6</u>
Earnings per share	12	<u>24.8p</u>
Dividends per share	10	<u>11.0p</u>

The notes on pages 12 to 21 form part of these accounts.

Consolidated Balance Sheet

at 31 December 1985

	Note	1985 £ million	1986 £ million
Fixed assets			
Tangible assets	13		67.5
Investments	14		3.6
			<hr/>
			71.2
Current assets			
Stocks and work in progress	15	105.2	
Debtors	16	84.8	
Investments	17	0.7	
Cash at bank and in hand		49.1	
		<hr/>	
		239.8	
Creditors: amounts falling due within one year	18	195.7	
		<hr/>	
Net current assets			44.1
Total assets less current liabilities			<hr/>
			115.3
Creditors: amounts falling due after more than one year	19	24.3	
Provision for liabilities and charges	20	0.4	
		<hr/>	
			24.7
			<hr/>
			90.6
			<hr/>
Capital and reserve			
Called up share capital	21		32.2
Profit and loss account	22		58.2
			<hr/>
Shareholders' funds			90.4
Minority interests			0.2
			<hr/>
			90.6
			<hr/>

Approved by the board of directors
on 2 April 1986.

JWH Morgan, director

JD Early, director

The notes on pages 12 to 21 form part of these accounts.



Company Balance Sheet

at 31 December 1986

	Note	1986 £million	1985 £million	
Fixed assets				
Tangible assets	13		1.1	
Investments in subsidiary companies	14		82.7	
			<u>83.8</u>	
Current assets				
Debtors	16	4.8		
Investments	17	—		
Cash at bank and in hand		37.1		
		<u>41.9</u>		
Creditors: amounts falling due within one year	18	28.4		
		<u>—</u>		
Net current assets			13.5	
Total assets less current liabilities			<u>97.3</u>	
Creditors: amounts falling due after more than one year	19	6.5		
Provision for liabilities and charges	20	0.4		
		<u>—</u>	6.9	
			<u>90.4</u>	
Capital and reserve				
Called up share capital	21		32.2	
Profit and loss account	22		58.2	
Shareholders' funds			<u>90.4</u>	

Approved by the board of directors
on 2 April 1986.

JWH Morgan, director

JD Early, director

The notes on pages 12 to 21 form part of these accounts.

Consolidated Statement of Source and Application of Funds

for the year ended 31 December 1985

	1985 £million	1984 £million
Source of funds:		
Profit on ordinary activities before taxation		25.9
Extraordinary items before taxation		(4.4)
		<hr/>
		21.1
Adjustment for items not involving the movement of funds:		
Depreciation	13.0	
Premium on cancellation of loan stock	—	
Surplus on disposal of properties	(0.3)	
Surplus on disposal of related companies	—	
	<hr/>	12.8
Total generated from operations		<hr/>
		33.9
Funds from other sources:		
Disposal of investments		11.0
Disposal of tangible assets		5.2
Disposal of related companies		0.9
Exchange and other adjustments		(2.5)
		<hr/>
Total funds generated		<hr/>
		49.5
Application of funds:		
Purchase of tangible assets		25.7
Purchase of investments		0.1
Cancellation of loan stock and repayment of loans		—
Dividends paid to shareholders		7.1
Dividends paid to minority interests		0.1
Taxation paid		6.3
		<hr/>
		39.3
Changes in working capital:		
Stocks and work in progress	18.3	
Debtors	(0.8)	
Creditors	(7.6)	
	<hr/>	10.9
Total funds applied		<hr/>
		49.8
Excess of funds applied over funds generated		<hr/>
		(1.3)
Excess of funds generated over funds applied		—
Net liquid funds at 1 January		12.4
		<hr/>
Net liquid funds at 31 December		<hr/>
		47.1



Notes to the Accounts

1. Accounting policies

Basis of presentation

Accounting convention

The accounts have been prepared under the historical cost convention modified to include the revaluation of land and buildings.

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.

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

Stocks and work in progress

Stocks and work in progress, other than long term contract work in progress, are stated at the lower of cost, including attributable overheads, and net realisable value.

Long term contract work in progress is stated at cost, plus attributable profits, less provision for any known or anticipated losses and payments on account received and receivable.

Research and development

Research and development expenditure is written off as incurred.

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.

Notes to the Accounts

2. Turnover

The group activities are entirely within the construction industry and are regarded by the directors as a single class of business.
Turnover by geographical area:

	1985 £million	1984 £million
United Kingdom	627.5	610.0
Africa	13.3	13.0
Americas	58.5	57.0
Asia	10.6	10.4
Australasia	25.5	25.7
Rest of Europe	15.6	15.3
	<u>751.0</u>	<u>731.4</u>

3. Operating profit

Operating profit is stated after charging (crediting):

	1985 £million	1984 £million
Depreciation	13.0	14.6
Hire of plant and equipment	17.7	10.8
Property lease rentals	3.1	2.1
Loss (1984 profit) on exchange	1.0	(1.3)
Auditors' remuneration	0.9	0.9

4. Directors' remuneration

	1985 £million	1984 £million
Fees	—	—
Other emoluments (including pension contributions)	0.6	0.7
	<u>0.6</u>	<u>0.7</u>

The emoluments of the chairman amounted to £75,000 (1984 present chairman £26,000, former chairman £37,000)

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

£	Number	Number
5,001 – 10,000	1	1
10,001 – 15,000	1	1
15,001 – 20,000	1	1
35,001 – 40,000	—	—
40,001 – 45,000	2	—
45,001 – 50,000	2	—
50,001 – 55,000	1	—
55,001 – 60,000	—	1
60,001 – 65,000	1	—
80,001 – 85,000	—	1

In 1984 three directors waived fees payable by a subsidiary company totalling £3,000. In 1985 the entitlement to such fees ceased to exist.

An ex-gratia payment of £25,000 (1984 – £65,000) was made to a former director.



Notes to the accounts

5. Staff costs

	1985
	£ million
Wages and salaries	204.8
Social security costs	16.5
Other pension costs	4.8
	<hr/> 226.1

The average weekly number of employees during the year was

Number
18,120

Senior employees

The number of senior employees of the group, who performed their duties mainly in the United Kingdom, and who received remuneration falling within the ranges below, were:

£	Number
30,001 – 35,000	25
35,001 – 40,000	11
40,001 – 45,000	5
45,001 – 50,000	4
50,001 – 55,000	2
55,001 – 60,000	—
60,001 – 65,000	1
65,001 – 70,000	—
70,001 – 75,000	—
95,001 – 100,000	1

6. Income from investments

	1985
	£ million
Netsurplus on disposal of listed investments	2.4
Dividends from listed investments	0.2
	<hr/> 2.6

7. Net interest receivable

	1985
	£ million
Interest receivable:	
Bank and short term deposits	4.8
Other	0.3
Interest payable:	
Loan stock 1992	(1.0)
Bank loans and overdrafts and other loans repayable within five years	(1.5)
Premium on cancellation of loan stock	—
	<hr/> 2.6

Notes to the Accounts

8. Taxation on profit on ordinary activities1985
£ million

The taxation charge is made up as follows.

Based on the profit for the year:

Corporation tax	11.3
Tax credits attributable to dividends received (excluding related companies)	—
Deferred taxation	(1.1)
	<hr/>
	10.2
Double taxation relief	(0.1)
	<hr/>
	10.1
Overseas taxation	0.9
	<hr/>
	11.0
Taxation over-provided in previous years	(1.7)
Related companies	0.2
	<hr/>
	9.5
	<hr/>

Taxation for the year has been provided at the rate of 41.25% (1984 40.57 %).

The taxation charge for the year has been reduced by stock relief claimed as a permanent allowance

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

5.6

9. Extraordinary items1985
£ million

Closure and reorganisation costs	(4.4)
Surplus on disposal of related companies	—
	<hr/>
	(4.4)
Related taxation credit	1.1
Minority interest	—
	<hr/>
	(3.3)
	<hr/>

10. Dividends

	1985 Pence per share	1985 £ million
Interim paid	4.0	2.6
Final proposed	7.0	4.5
	<hr/>	<hr/>
	11.0	7.1
	<hr/>	<hr/>



Notes to the Accounts

11. Transfer to reserve

	1985 £ million
Dealt with in the accounts of the holding company	5.6
Retained by subsidiary companies	—
	<u>5.6</u>

12. Earnings per share

The calculation of earnings per share is based on earnings of £16.0 million and on 64,426,417 shares being the number of shares in issue during the year.

13. Tangible assets

	Group Land and buildings £ million	Group Plant and equipment £ million	Group Total £ million	Company Plant and equipment £ million
Cost or valuation:				
At 1 January 1985	32.8	94.9	127.7	2.0
Exchange adjustment	(0.8)	(1.9)	(2.7)	—
Additions and transfers	7.8	17.9	25.7	1.0
Disposals and transfers	(1.5)	(14.9)	(16.4)	—
At 31 December 1985	<u>38.3</u>	<u>96.0</u>	<u>134.3</u>	<u>3.0</u>
Depreciation:				
At 1 January 1985	4.9	61.4	66.3	1.3
Exchange adjustment	(0.1)	(1.1)	(1.2)	—
Provided during the year	0.8	12.2	13.0	0.6
Disposals and transfers	(0.3)	(11.1)	(11.4)	—
At 31 December 1985	<u>5.3</u>	<u>61.4</u>	<u>66.7</u>	<u>1.9</u>
Net book value:				
At 31 December 1985	<u>33.0</u>	<u>34.6</u>	<u>67.6</u>	<u>1.1</u>
At 31 December 1984				

Notes to the Accounts

13. Tangible assets (continued)Group
1985
£million

The net book value of land and buildings comprises:

Freehold	28.2
Long leasehold	4.1
Short leasehold	0.7
	<u>33.0</u>

Land and buildings are stated at:

Valuation 1960	0.2
Valuation 1974	5.6
Valuation 1978	2.4
Cost	30.1
	<u>38.3</u>

No provision has been made for the contingent 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:

Cost	5.5
Depreciation	0.7
	<u>4.8</u>

Fixed assets not depreciated:

Investment properties	11.3
Land	4.5
Assets in the course of construction	—
	<u>15.8</u>

14. Investments (held as fixed assets)Company
1985
£million

Investments in subsidiary companies:

Shares at valuation	123.2
Amounts owed by subsidiary companies	108.7
Amounts owed to subsidiary companies	(148.2)
	<u>83.7</u>



Notes to the Accounts

14. Investments (held as fixed assets) (continued)

	Group Related companies £ million	Group Unlisted investments £ million	Group Total £ million
Other investments:			
Net book value at 1 January 1985	3.2	1.4	4.6
Exchange adjustment	(0.2)	—	(0.2)
Additions	0.1	—	0.1
Disposals and transfers	(1.0)	0.1	(0.9)
Share of results	1.0	—	1.0
Dividends received	(1.0)	—	(1.0)
Net book value at 31 December 1985	2.1	1.5	3.6
Cost	2.1	1.5	3.6

Investments in subsidiary companies are stated at the net asset value attributable to the company.

Investments in related companies are stated at cost, less amounts written off, plus the group's proportion of post acquisition reserves.

Unlisted trade investments are stated at directors' valuation.

Principal group companies are listed on page 22.

15. Stocks and work in progress

	Group 1985 £ million	Group 1984 £ million
Long term contract work in progress	61.0	56.7
Raw materials and consumables	8.3	6.9
Other work in progress	10.3	7.6
Finished goods and goods for resale	5.6	6.1
Property development land and work in progress	20.0	9.8
	105.2	87.1
Long term contract work in progress is stated after deduction of amounts received and receivable of	1,067.0	1,049.0

The inclusion of attributable profit on long term contract work in progress is in accordance with Statement of Standard Accounting Practice No. 9. This constitutes a departure from the statutory valuation rules for current assets but is required by S.238(5) Companies Act 1985 to enable the accounts to give a true and fair view. As progress payments cannot meaningfully be allocated between cost and profit, it is impracticable to determine the effect of the departure on the balance sheet carrying amount of long term contract work in progress.

Notes to the Accounts

16. Debtors	Group 1985 £ million	Company 1985 £ million
Amounts falling due within one year:		
Trade debtors	71.6	—
Amounts owed by subsidiary companies	—	1.8
Amounts owed by related companies	0.3	0.3
Other debtors	8.8	2.2
Pre payments and accrued income	4.1	0.5
	<u>84.8</u>	<u>4.8</u>
17. Investments (held as current assets)	Group 1985 £ million	Company 1985 £ million
Listed investments:		
Cost	0.7	—
Market value	<u>0.8</u>	<u>—</u>
18. Creditors: amounts falling due within one year	Group 1985 £ million	Company 1985 £ million
Bank loans and overdrafts	2.0	—
Trade creditors	133.6	4.8
Amounts owed to subsidiary companies	—	0.7
Amounts owed to related companies	0.3	—
Corporation tax	18.0	17.5
Other taxation and social security costs	9.8	0.4
Other creditors	9.6	—
Accruals and deferred income	17.9	0.5
Proposed dividend	4.5	4.5
	<u>195.7</u>	<u>28.4</u>
19. Creditors: amounts falling due after more than one year	Group 1985 £ million	Company 1985 £ million
Loan stock 1992	6.5	6.5
US dollar bank loan	10.4	—
Other loans	0.4	—
Other creditors	7.0	—
	<u>24.3</u>	<u>6.5</u>

The 15% unsecured loan stock 1992 can be redeemed on 31 March 1988 and/or 31 March 1990 at par at the option of stockholders, any loan stock not so redeemed will be redeemed at par on 31 December 1992.

The US dollar bank loan is repayable in March 1987. Interest payments are variable with US bank rates.



Notes to the Accounts

20. Provision for liabilities and charges

	Group £ million	Company £ million
Deferred taxation		
Balance at 1 January 1985	1.8	2.1
Deferred taxation credit	(1.5)	(1.5)
Other movements	0.1	(0.2)
Balance at 31 December 1985	0.4	0.4

	Group 1985 £ million	Group 1984 £ million	Company 1985 £ million	Company 1984 £ million
Accelerated capital allowances	6.3	6.5	6.3	6.8
Other timing differences	(4.1)	(3.8)	(4.1)	(2.5)
Recoverable advance corporation tax	(1.8)	(1.9)	(1.8)	(1.9)
Provided in accounts	0.4	1.8	0.4	2.1
Not provided in accounts:				
Accelerated capital allowances	1.3	1.1	1.3	1.1
Total potential liability	1.7	2.9	1.7	3.2

No provision has been made in these accounts for taxation on undistributed earnings of foreign subsidiaries.

21. Share capital

	Authorised 1985 Number	Authorised 1984 Number	Allotted, called up and fully paid 1985 £ million	Allotted, called up and fully paid 1984 £ million
Ordinary shares of 50p each	86,000,000	86,000,000	32.2	32.2

In 1985 share options in respect of ordinary shares have been granted and were outstanding at 31 December 1985 as follows:

	Option price per share	Number of shares
Savings Related Share Option Scheme, normally exercisable in the period between September 1990 and February 1991	227p	570,260
Executive Share Option Scheme, normally exercisable in the period between September 1988 and September 1995	237p	395,000

22. Reserve

	Group £ million	Company £ million
Distributable: Profit and loss account		
At 1 January 1985	53.8	53.8
Retained profit for year	5.6	4.4
Exchange adjustments	(1.2)	—
	58.2	58.2

Notes to the Accounts

23. Capital commitments	Group	Company
	1985	1985
	£ million	£ million
Contracted but not provided in accounts	2.4	—
Authorised by the directors but not contracted	2.3	—
24. Lease commitments		Group
		1985
		£ million
Current annual commitments payable under non-cancellable leases expiring:		
Within one year		0.7
Between two and five years		0.6
After five years		1.9
		3.2
25. Contingent liabilities	Group	Company
	1985	1985
	£ million	£ million
Guarantees given in respect of borrowings of subsidiary and related companies	4.2	11.7

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

26. Pension arrangements

The group operates pension schemes under which contributions paid by employees and employers are held in funds that are separate from the group's finances and which are administered by trustees. All the schemes are satisfactorily funded on a discontinuance basis.

AMEC p.l.c.



Principal Group Companies

at 31 December 1985

Subsidiary companies

- AMEC Construction Services Limited
- AMEC International Construction Limited, operating outside the UK
- AMEC Investments Limited
- AMEC Overseas Investments Limited
- AMEC Projects Limited
- AMEC Properties Limited
- AUST-AMEC Pty Limited, incorporated in Australia
- CV Buchan (Concrete) Limited
- *Denco Limited
- Fairclough Building Limited
- Fairclough Civil Engineering Limited
- Fairclough Engineering Limited
- Fairclough International Construction Limited, operating outside the UK
- Fairclough-Parkinson Mining Limited
- Fairclough Scotland Limited, incorporated in Scotland
- *The Fisk Group Inc., incorporated in the USA
- *General Descaling Company Limited
- Metal and Pipeline Endurance Limited
- Press Construction Limited
- Press International Construction Limited, operating outside the UK
- Press Offshore Limited
- James Scott (Electrical Transmission) Limited, operating outside the UK
- James Scott Mechanical and Electrical Services Limited, incorporated in Scotland
- Robert Watson & Co. (Constructional Engineers) Limited
- Robert Watson & Co. (Steelwork) Limited
- *Wentworth Club Limited
- *Worley International Engineering Group Limited (88.75%)

Related company

- *Gulliver Consolidated Limited, incorporated in Zimbabwe (45%)

Notes

- 1 The above 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 capital is in ordinary shares except Robert Watson & Co. (Constructional Engineers) Limited which also has preference shares.
- 3 Shares are held directly by AMEC p.l.c. except where marked with an asterisk where they are held by subsidiary companies.

Report of the Auditors
to the members of AMEC p.l.c.

We have audited the financial statements on pages 8 to 21 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Armitage
& Norton

Price Waterhouse

Armitage & Norton
Chartered Accountants
Leeds

Price Waterhouse
Chartered Accountants
London

2 April 1986