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In my statement last year, I said that AMEC was in a better position going forward than it had been for some years. It is particularly gratifying, therefore, to be able to report a 71 per cent increase in our pre-tax profits for 1996 compared with 1995. The continued strengthening of our cash position during the year has ensured that we have entered 1997 in a very favourable position. I also said last year that we were determined to ensure that the support given to the management of AMEC by our shareholders would be amply justified. It is, therefore, pleasing to report that the directors have decided to recommend a final dividend of 2.5p per ordinary share, giving a total dividend for the year of 4.0p - an increase of 33 per cent.

We can have considerable confidence in our future prospects, underpinned, as they are, by an order book which, having grown by almost 20 per cent in the last 12 months, allows us to continue to be more selective as we look ahead.

We have seen a particularly strong performance in our United Kingdom based activities, which has virtually doubled our 1995 results. However, the market in Germany has continued to be difficult and our activities have, therefore, been cut back and a restructuring charge incurred. Better results, however, are now beginning to emerge both in the United States and from our Far Eastern activities, although progress elsewhere in the world has been slower than I would like.

I am particularly pleased that the disposals of BPMS, Fisk Electric and, more recently, our stake in Egypt Gas have been completed, strengthening the group's cash position. These have been achieved through considerable efforts by the executive team over a period of time.

Even through the difficult years, my own faith in the underlying direction of our group has never wavered. The future of our industry will be very different from the past. It will require better technology; it will require better systems and it will require the delivery of total solutions not simply the provision of separate services from individual subsidiaries in a market where the competition will always, almost by definition, be difficult.

It is only in the larger, more complex, more demanding schemes where sensible margin improvement can be expected, whether it be at

home or overseas. We are well prepared for that future.

As we predicted in 1995, the results for 1996 show that we are on the right track. I have every confidence that we will see further improvement in 1997 and onwards.

For 13 years, I have been privileged to lead the group, firstly through a period of unprecedented growth and then through the worst recession that our industry has ever endured. There have, of course, been many casualties amongst our competitors and some fundamental changes of direction but this has resulted in an industry that is now smaller and more efficient than it was just a few years ago. AMEC, however, has emerged from the recession in a strong position with its key core skills intact and well placed to build on its performance in 1996.

As I reported at the half year, our team of non-executive directors has been strengthened with the appointments of Julian Darley and Jock Green-Armytage. I am also pleased to welcome to the board Jean Monville, the chairman of Spie Batignolles.

With our new group chief executive, Peter Mason, firmly in command, supported by our executive and new non-executive directors, my main outstanding tasks are complete and I am now able to stand aside, as I had hoped, at my normal retirement date of 14 July 1997.

It has been a pleasure and a privilege to lead the AMEC team. For their loyalty and commitment to the group and to me personally, I extend to all of our employees my sincere thanks and very best wishes for their continuing prosperity coupled with AMEC and its shareholders.

My thanks also go to our many clients, throughout the world, on whom the group depends for its livelihood. We strive to deliver high quality services and products to justify the faith they place in us. Our new chairman will be Sydney Gillibrand who knows that I will continue to offer him, and the group as a whole, my help and support in the future.

Sir Alan Cockshaw FEng
Chairman



Group chief executive's review



The improvement in AMEC's results in 1996 is due largely to **better performance** by core businesses, full year benefit from measures taken earlier to reduce the group's cost base and from the **corporate activity** arising from the **strategic review** which I announced 12 months ago.

Although the improvement in results is welcome and has allowed a positive approach to the recommended dividend for 1996, it is clear that our core businesses are capable of further progress in the new financial year and beyond.

Trading

In **building and civil engineering**, satisfactory results have been achieved in most areas. In the United States, Morse Diesel's performance and prospects are encouraging and in the United Kingdom, civil engineering had an excellent year. However, these solid performances have been diluted by losses in Germany where the trading environment has been especially harsh. Despite employee numbers being cut by nearly 30 per cent, a return to profitability in Germany will require an improvement in the market which is not yet visible.

In the **mechanical and electrical** businesses, a 17 per cent increase in operating profit reflects an excellent first time contribution from AMEC Rail. Sound profit performances from James Scott and the Far East businesses more than offset a difficult year for Matthew Hall.

Although the **process and energy** business has shown a welcome return to profitability, there remains considerable scope for further improvement. Excellent results from offshore services and the design business were offset by a poor performance in the fabrication yard at Wallsend. Improvement here has taken longer to achieve than anticipated but an improved order book suggests that prospects are better.

In **Fairclough Homes**, the overall improvement in the housing market allowed operating margins to rise to six per cent in the second half year. After the year end, Richard Fraser was appointed chief executive and a £25 million write-down of housing assets was announced. This will allow the release of up to £30 million of non-performing assets for re-investment in land.

In **project investment, property development, manufacturing and services**, improved results have been achieved across the board. Partnership property development reaped rewards from prior year initiatives and Watson Steel, Denco and especially CV Buchan turned in excellent performances. Whilst progress in the pursuit of projects under the private finance initiative is at times frustratingly slow, AMEC secured participation in Annington Homes, managing the Ministry of Defence married quarters estate and has been

announced as preferred bidder on three hospital schemes and the Longbenton estate project in Newcastle for the Department of Social Security. Physical progress on the two DBFO highway projects secured earlier has been good in the year.

Corporate activity

Over the last 12 months or so, as part of the strategic review, we have addressed the existing portfolio of businesses and have sold several non-core assets, including Fisk Electric, our 50 per cent stake in BPMS and, after the year end and not included in these accounts, our Dutch based engineering design business and our 20 per cent stake in Egypt Gas Company. In total, these disposals realised over £75 million in cash. On the other hand, we invested in the acquisition of AMEC Rail in April 1996 and after the year end, we completed the acquisition of a 41.6 per cent shareholding in the French group, Spie Batignolles. These are forecast to add to earnings in 1997 and beyond.

Outlook

Output in United Kingdom construction appears, at long last, to be moving in our favour.

We continue to seek change in the relationship with our clients by moving away from the traditional, hard-bid, adversarial forms of contract and, already, around 50 per cent of our United Kingdom building, civil engineering, mechanical and electrical businesses is on a non-traditional contract basis. Whilst we are by no means becoming immune to the risks of contracting, I believe that with these new client relationships providing the opportunity to offer value for money, we should begin to see a steady improvement in underlying margins.

In international development, the objective remains to build robust, permanent businesses in chosen markets with chosen partners and provide outlets for our United Kingdom based design and engineering skills. I believe that the investment in Spie Batignolles is most important in this respect. The strategic review continues. We have made positive progress in 1996 and again in the early part of 1997, but I can see more that has to be done and in the coming months it will be done.

Peter Mason
Group chief executive

Financial highlights and review

71 per cent increase in pre-tax profit

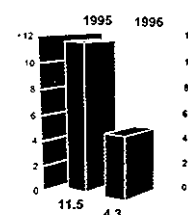
- £37.7 million profit before exceptional items
- Fourfold increase in earnings per share
- Net cash £63.4 million - five year high
- Order book up by 19 per cent
- Dividend increased by 33 per cent

	1996 £ million	1995 £ million	Percentage increase
Turnover	2,768.5	2,451.3	+13%
Operating profit before exceptional items	45.2	32.8	+38%
Profit before exceptional items	37.7	24.7	+53%
Profit before taxation	27.2	15.9	+71%
Net cash balances	63.4	14.5	+337%
Earnings per ordinary share			
Including exceptional items	4.7p	1.1p	+327%
Excluding exceptional items	9.6p	5.5p	+75%
Dividends per ordinary share	4.0p	3.0p	+33%

Operating profit £ million

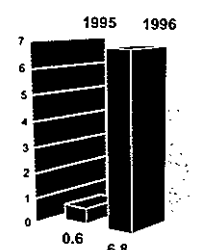
Building and civil engineering

Operating profit (before exceptional items)
£ million



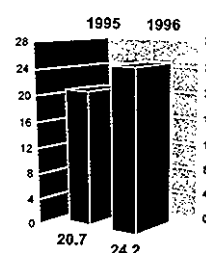
Housing

Operating profit (before exceptional items)
£ million



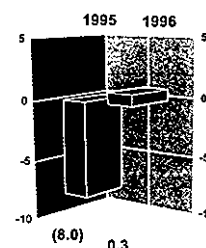
Mechanical and electrical

Operating profit (before exceptional items)
£ million



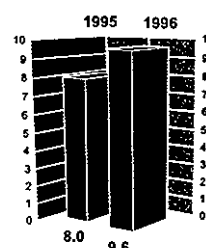
Process and energy

Operating profit £ million



Project investment, development, manufacturing and services

Operating profit (before exceptional items)
£ million



Profit before taxation increased by 71 per cent in 1996. For the first time in five years all the group's businesses reported operating profits. Strong cash inflows and a further increase in the order book have also provided evidence that trading conditions are beginning to recover.

Review of results

The group's substantially improved results have been achieved against the background of a more modest 13 per cent increase in turnover, partly derived from growth in the Morse Diesel construction management business, but also reflecting turnover from AMEC Rail, the maintenance business acquired from British Rail. Gross profit before exceptional items has increased during the year, although the gross margin has fallen slightly from the 6.5 per cent achieved in 1995. Despite this, operating profit before exceptional items has improved sharply, in part reflecting further savings from our programme of overhead reductions.

In 1996, administrative expenses fell in absolute terms despite the overall increase in activity and, in the last three years, the relative level of overhead spend, expressed as a percentage of turnover, has fallen from 6.4 per cent to 4.8 per cent. The 1996 results include several exceptional items. During the year, a review of the trading strategy was undertaken and the decision was made to write-down our housing and development assets by £25 million.

The write-down principally related to that part of our land bank which is either outside our normal regional territory or for which alternative development strategies would require the commitment of working capital in excess of our current investment parameters. This has provided the scope for further realisations to fund re-investment as Fairclough Homes continues to improve the balance between the size and shape of its land bank and forecast levels of trading. The costs of restructuring our German construction business have also been separately identified. The German construction market is at least as poor as the British market was several years ago and £2.7 million of downsizing costs have been provided for.

The disposals of Fisk Electric and our 50 per cent interest in BPMS generated a profit on sale of £31 million, before accounting for the £11.5 million of goodwill previously written off on acquisition. The balance of our investment in Power Corporation, which was placed in receivership in the second half

year, has also been written off.

The tax charge, at 22 per cent, is low due to the utilisation of prior years' losses.

Return to shareholders

After taking into account the preference dividend, the profit available for distribution to ordinary shareholders is £9.7 million. This represents earnings per share of 4.7p, over four times the 1995 level. The board is now confident that, after several years of very difficult trading, the group is in a better shape to sustain earnings improvement. As a consequence, a final dividend of 2.5p has been recommended, giving a total dividend for the year of 4.0p, an increase of 33 per cent. This level of dividend will provide a new base from which increases can be made in the light of future earnings growth and having regard to the need to continue to rebuild dividend cover. It will also provide a more appropriate balance between the interim and final dividends, reflecting the normal pattern of earnings in the year.

At the last annual general meeting, the company was granted power to buy back up to 10 per cent of the issued preference share capital. The company intends to seek renewal of this power at the forthcoming annual general meeting and to seek further power to buy back up to 10 per cent of the issued ordinary share capital. Given the significant improvement in the group's liquidity, referred to below, it is considered desirable to have the flexibility that such powers confer, to utilise this improved liquidity if scope can be seen to enhance earnings per ordinary share in preference to other investment opportunities.

Review of financial resources

Net cash balances, at £63.4 million, reflect a near £50 million cash inflow for the second successive year. In part, this inflow resulted from corporate activity during the year, with the disposals of BPMS and Fisk Electric, offset by the acquisition of AMEC Rail, having a net cash effect of £12.3 million. The remaining cash inflow has resulted from an improved working capital position, with advance payments from clients having been an important contributor. Whilst the level of advance payments is forecast to reduce during 1997, the overall level of trading cash flow is expected to remain satisfactory.

Simon Batey
Finance director

Board of directors

Front row left to right:

Sir Alan Cockshaw, age 59, was appointed a director in December 1983 and chairman in May 1988. He became non-executive chairman in April 1996.

Peter Mason, age 50, group chief executive, was appointed to the board in March 1996. He was previously chairman and chief executive of Balfour Beatty Limited and a director of BICC plc.

Simon Batey, age 43, was appointed finance director in June 1992.

Sydney Gillibrand, age 62, was appointed a non-executive director in August 1995. He was previously vice-chairman of British Aerospace plc.



Back row left to right:

John Early,

age 51, was appointed an executive director in March 1986.

David Robson,

age 51, was appointed an executive director in August 1991.

Malcolm Eckersall,

age 51, was appointed an executive director in July 1993.

George Payne,

age 49, was appointed an executive director in November 1994. He is group commercial director.

Jean Monville,

age 52, was appointed an executive director in February 1997. He is chairman and chief executive officer of Spie Batignolles S.A.

Julian Darley,

age 59, was appointed a non-executive director in June 1996. He was head of engineering and research with British Petroleum p.l.c. and a business board member of BP Exploration, BP Oil and BP Chemicals.

Jock Green-Armytage,

age 51, was appointed a non-executive director in June 1996. He is chairman of both MCIT PLC and the International Biotechnology Trust PLC and a director of NM Rothschild & Sons Limited. He is chairman of the audit committee.

Dr Keith Humphreys,

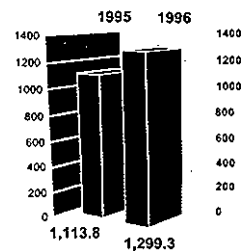
age 63, was appointed a non-executive director in September 1993 and non-executive deputy chairman in December 1994. He was previously chairman and managing director of Rhône-Poulenc Limited, the United Kingdom subsidiary of Rhône-Poulenc S.A., and is a past president of the Chemical Industries Association. He is chairman of the nominations and remuneration committees.



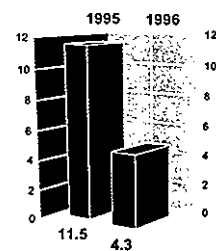
A major extension to the Almondvale shopping centre in Livingston, Scotland was completed during 1996.

AMEC secured the development opportunity with Livingston Development Corporation, undertook the design and construction and let over 90 per cent of the units by the year end.

Turnover £ million



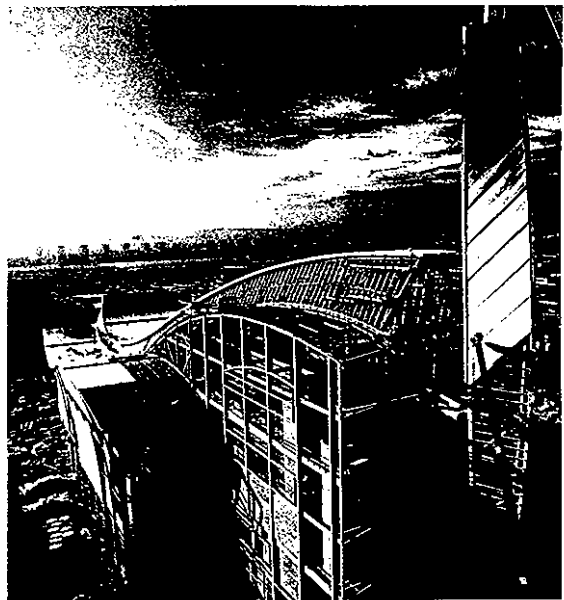
Operating profit (before exceptional items) £ million



Building and civil engineering

Improved quality of order book with an increase in partnership and alliance style contracts, **good progress** under the private finance initiative and a **strong performance** from Hong Kong and the United States.

In joint venture with German process specialist Lurgi, AMEC is undertaking the complete design, construction and commissioning of Europe's largest sewage sludge incineration plants for Thames Water at Beckton and Crossness in east London.



Benefiting from their strong design and project management base, the building and civil engineering companies produced a solid contribution from a difficult and overcrowded market. By seeking higher margin opportunities, through technical and commercial advantage rather than simply price, AMEC improved the quality of its order book. Design and build, private finance projects and partnering and alliancing work now account for nearly half of all United Kingdom building and civil engineering activity. An alliance contract with Rugby Cement, for a new £120 million plant, was secured as were two further long-term framework agreements with BAA, covering project management and building services consultancy work at Heathrow, Gatwick and Stansted airports. Alliance contracts were also secured with Welsh Water and, more recently, with Southern Water. Both privately financed highway projects, the A1(M) and the A417/A419 made good progress during the

year and preferred partner status was achieved on private finance hospitals, worth £450 million, in London and Carlisle.

A £250 million construction management contract was awarded by Korean company, Chunghwa, at Mossend in Scotland while, in the pharmaceutical industry, AMEC consolidated its leading position in the design of production facilities, securing several key projects in the Midlands and the south east. In Hong Kong, an operation and maintenance contract was secured, in partnership with local companies, for the Tsing Ma suspension bridge and highway between the new airport at Chek Lap Kok and the mainland. Work on the airport terminal contract progressed well towards planned completion in October 1997.

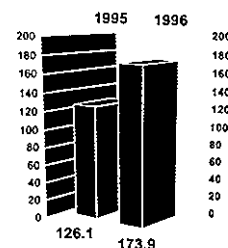
An excellent performance was recorded in the United States, where Morse Diesel's turnover in the year increased by around 50 per cent and orders were secured for a new international arrivals terminal at JFK Airport in New York and the Brooklyn Renaissance Plaza. This was offset by a poor performance in Germany, where activity was adversely affected by the current market downturn.



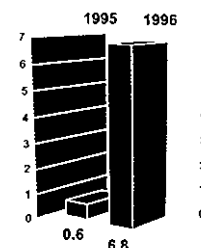
AMEC has been increasing its airport work with BAA under a variety of long term framework agreements. These cover construction and maintenance of runways and taxiways, project management services and building services.

Housing

Turnover £ million



Operating profit (before exceptional items) £ million



With unit **sales up** by 13 per cent, new management in place and write-downs of land acquired in the late 1980s and early 1990s, Fairclough Homes is **well positioned** for the future.

Turnover was **up by 38 per cent.**

A prestigious development of 16 luxury four and five bedroom houses at St James' Gate, Windchore Hill in north London. The location is adjacent to Bush Hill Park golf course and is within easy commuting distance of central London.

In the heart of London's Docklands, Fairclough Homes' Howland Quay development proved particularly successful. Offering one and two bedroom apartments in an exceptional waterside location, construction was completed and all units were sold during the year.



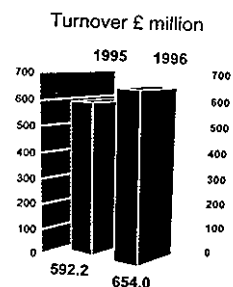
Solid progress was made by Fairclough Homes during the year with continued growth from a restructured operational base. The appointment of a new chief executive for the housing company and write-downs of land acquired in the late 1980s and early 1990s, leaves Fairclough Homes in a better position to benefit from improved market conditions. Sales of 1,809 units were achieved during the year, up 13 per cent on 1995, and a marked improvement in profitability was seen in the second half due to increased sales from new sites with better margins. The company operates across four regions - north west, Midlands, north and south London and the home counties, providing a range of one to five bedroom houses from £30,000 to £300,000. The average sales price was £86,000 - up more than £12,000 on 1995.

This reflects a shift upmarket in product range and a change in regional emphasis to enable a better trading balance between north and south. Turnover increased by 38 per cent during the year. Significant 'brownfield' acquisitions were also made during the year. Prime examples include the site of the former Milk Marketing Board headquarters in Surrey and the nearby Kingston upon Thames power station. Both of these are being transformed into high quality residential developments. In London's Docklands, the Victoria Wharf and Rainbow Quays developments both achieved considerable success through sales drives in Hong Kong and the Far East. With low inflation and affordability still at historically high levels, Fairclough Homes is confident that prospects for 1997 and beyond are good.

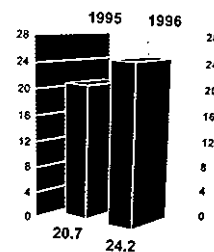


Designed on a cottage theme, Fairclough Homes' development in the village of Elston, Cambridgeshire, offers four and five bedroom detached houses. The Grange development of 20 homes in six different styles was designed to blend in with the local surroundings.

AMEC is responsible for the facilities management of the grade two listed Hertford House in London, which contains The Wallace Collection, a world famous exhibition of European works of art and the largest collection of arms and armour outside the Tower of London.



Operating profit (before exceptional items) £ million

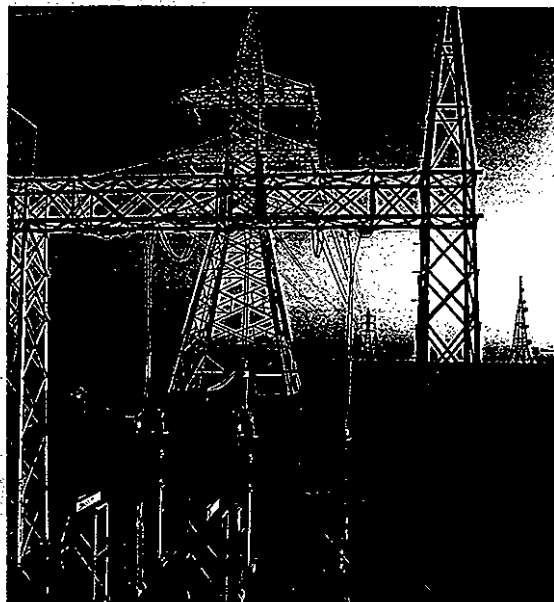


The spread of AMEC's mechanical and electrical activities produced a **strong overall performance**.

Excellent contributions were recorded from overseas, heavy industrial and the railway industry. A **new business** was formed to focus the group's activity in facilities services.

Mechanical and electrical

The first sections of AMEC's 180 kilometre power transmission contract in Oman went live in the summer of 1996, followed by substantial completion at year end. AMEC was responsible for the full design and construction of the overhead line and substations, including all topographical surveys, routing and tower positioning.



A difficult year in the commercial mechanical and electrical business, where margins remained under intense pressure, was offset by good progress overseas and in the heavy industrial sector.

Highlights included the successful completion of British Nuclear Fuel's MOX facility and the conversion of the oil tanker, *Solitaire*, into the world's largest pipelaying vessel carried out at Swan Hunter's yard.

Activity overseas saw a strong performance from established businesses in the Far East and the completion of the Manah power contract in Oman. A first profit contribution was also generated from power activities in Thailand and Laos where AMEC has been establishing its presence in recent years. Waterline, AMEC's patented epoxy lining system, was sold under licence to a company in Quebec and further expansion of this activity, into Canada and north America, is anticipated.

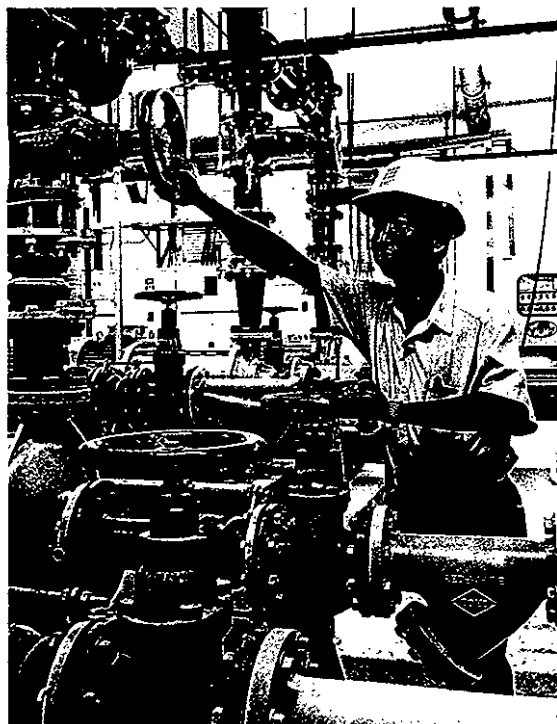
The mechanical and electrical company continued

its policy of selective bidding and utilising its design and project management skills base to secure higher margin business. In the City of London, a design and construct contract was secured for SBC Warburg while, in healthcare, resources were directed towards the substantial mechanical and electrical requirements of the group's private finance initiative hospital projects.

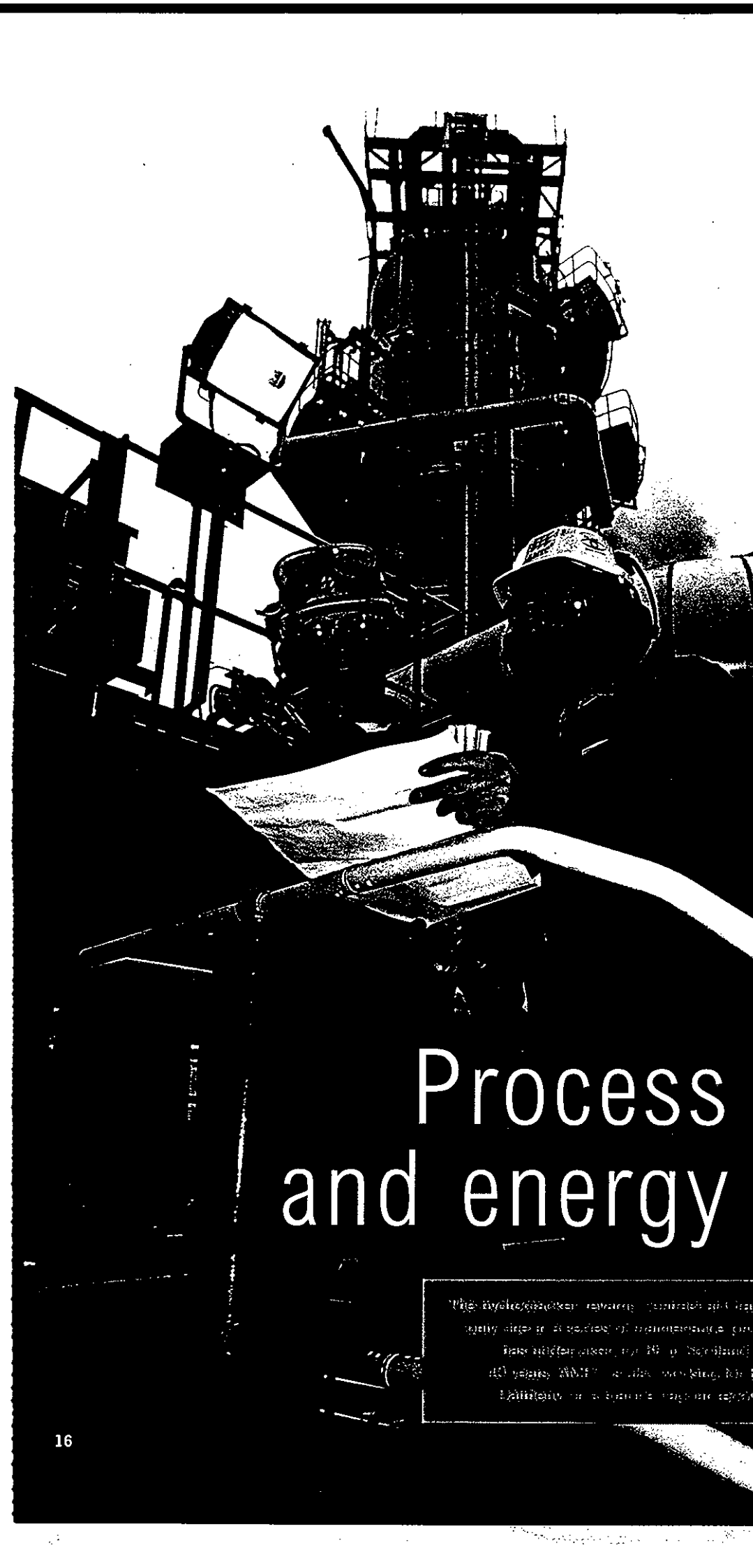
Power activities in the United Kingdom moved away from the declining transmission line market and into the buoyant substation sector, where AMEC has established a leading position.

A significant contribution was made by AMEC's railway activities following the acquisition of the British Rail infrastructure maintenance company, renamed AMEC Rail. This enhanced skills base will enable the group to pursue a variety of new opportunities in this fast changing industry.

A new business was formed to provide a focus for the group's activities in facilities services. AMEC is already a significant player in the operation and maintenance of a wide range of client facilities.

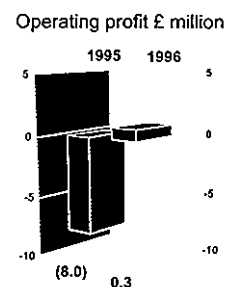
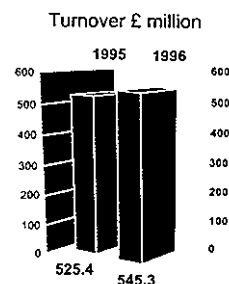


At Pontac Marina, a 42 storey office tower in Singapore, AMEC undertook all mechanical, electrical, air conditioning and fire protection services work under a design, develop and full service co-ordination package.



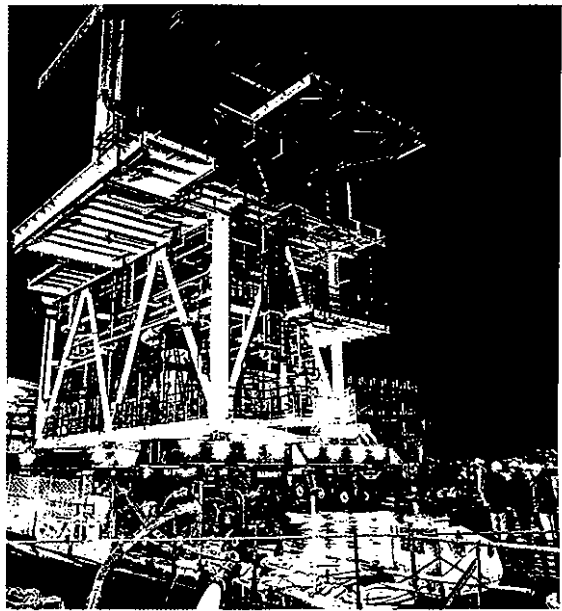
Process and energy

The cycloconverter repairs generator and transformer is only single in a series of maintenance projects which have taken place on the B. p. North Sea oil rig. Just 40 years, AMT is the working for B. p. as well as for other companies in the oil and gas industry.



Process and energy secured a number of **significant contract awards** and maintained its leading position in the oil and gas markets. **Good performances** by engineering and offshore services were offset by losses in international activities.

Gas injection module for Phillips Petroleum's Judy platform loading out at AMEC's Wallsend yard. This powerful, state of the art equipment is required to overcome the high pressures of the Judy/Joanne reservoirs, 220 kilometres south east of Aberdeen in the North Sea.



Although the process and energy business showed a welcome return to profitability, there remains considerable scope for further improvement. In particular, an upturn in trading performance in the fabrication facilities at Wallsend has taken longer to achieve than anticipated, reflecting the poorer margins available from work taken on in 1994 and earlier. A fuller order book means that the prospects in 1997 for this business should be better, provided that the labour productivity improvements secured over the last two years can be sustained. Good results from the Aberdeen and London businesses were offset by losses in international activities, particularly in the South African fabrication operation from which the group is now withdrawing with no further cost anticipated in 1997 or thereafter.

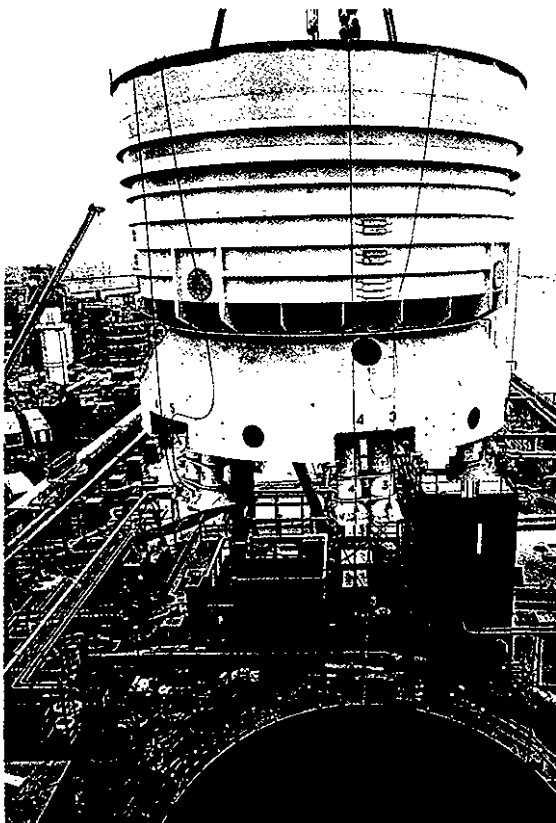
A satisfactory and better quality order book overall and strengthened management should deliver improved performance in 1997.

A number of significant successes were achieved in both traditional and new markets during 1996. AMEC entered the floating production market with fabrication of the Shell Teal/Guillemot topsides, the award of a conversion contract for Shell Curlew and a hook-up and operations contract for Texaco's Captain field.

A notable award was Shell Shearwater, one of the two major North Sea field developments let in 1996. AMEC was also awarded the new five year, integrated services contract for Shell's southern North Sea operations.

AMEC maintained its leading position in North Sea hook-up and commissioning with the award of the BP ETAP hook-up. In Norway, the group secured a significant joint venture contract for the hook-up of the Phillips Ekofisk platform, which is also being fabricated by AMEC, under a separate contract, at its Wallsend yard.

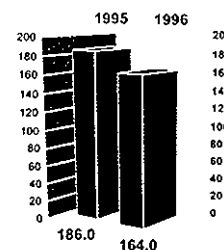
Process and energy continued to build on its onshore activity, which now accounts for more than 30 per cent of its turnover and includes a growing presence in the energy and environmental industries. Its alliance capability onshore was further developed through its activities at BP Grangemouth and Mobil Coryton.



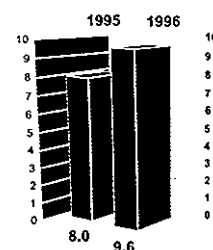
A massive internal turret being lowered into position on the floating production, storage and offloading vessel, Masura, at AMEC's Wallsend yard. AMEC also installed 28 further modules on the vessel which will develop the Teal, Teal South and Guillemot fields in the North Sea.

Project investment, development, manufacturing and services report as one business.

Turnover £ million



Operating profit (before exceptional items) £ million

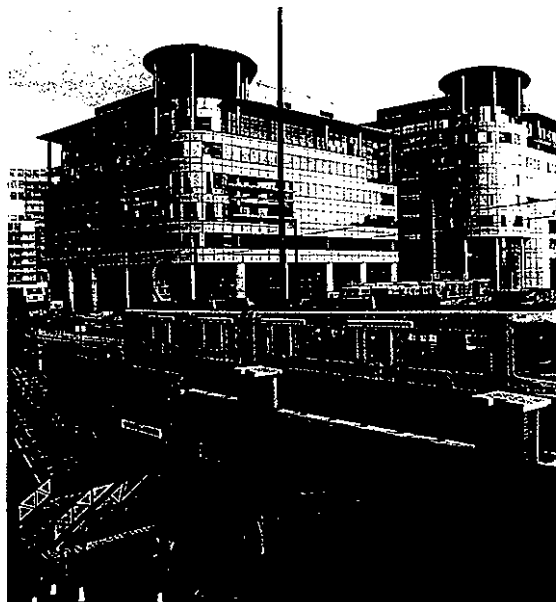


Project investment and development

Commercial property development was **re-established** as an important, low risk, extension of the group's activity. A **new business** was also formed to focus the group's involvement in private finance initiative schemes.

AVIC's innovative approach to projects under the government's private finance initiative has produced a wide range of opportunities and, by the end of 1996, the group had achieved preferred partner status on three major new hospital projects across the country.

A prime new business and leisure district has been opened up in central Manchester with the completion of AMEC's £58 million Great Bridgewater Street office development next to the new international concert hall.



A number of schemes were successfully developed by AMEC in 1996. Two notable examples which were completed during the year were the Almondvale Shopping Centre, at Livingston, in Scotland, which was 90 per cent let by the year end, and Manchester's 220,000 square foot Great Bridgewater Street office development. Representing the largest commercial development in Manchester for over 30 years, this project was already 83 per cent let by the end of 1996. A range of new development opportunities were secured to maintain activity levels through 1997 and beyond. Further development took place at Newcastle Quayside, a major office and leisure scheme, which is being developed in partnership with the Tyne & Wear Development Corporation, and at Mossend, in Scotland, where AMEC is developing 100 acres of enterprise zone adjacent to the Euroterminal. At Cheadle Royal, AMEC's 67 acre business park

in south Manchester, a contract was secured to develop a new regional headquarters for Independent Insurance.

A specialist division was set up to handle AMEC's participation in private finance initiative schemes and similar initiatives, into which the group has invested considerable effort.

By the year end, these included two road contracts, worth nearly £300 million, which are currently under construction. AMEC was also at preferred partner stage on nearly £600 million worth of projects including the redevelopment of the Department of Social Security's Newcastle Estate and three NHS hospital projects, two in London and one in Carlisle.

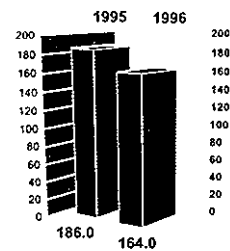
AMEC is also a participator in Annington Homes, which acquired the Ministry of Defence's married quarters estate. Over 57,000 homes in England and Wales are involved and AMEC's role will be to advise on the disposal of the surplus estate as it comes free.



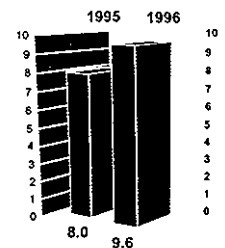
AMEC's Cheadle Royal business park is proving highly attractive as a quality location. The park, which lies close to the motorway network, Manchester Airport and Stockport Inter-city railway station, is set within mature surroundings, more than 40 per cent of which will be maintained as open parkland.

Project investment, development, manufacturing and services report as one business.

Turnover £ million



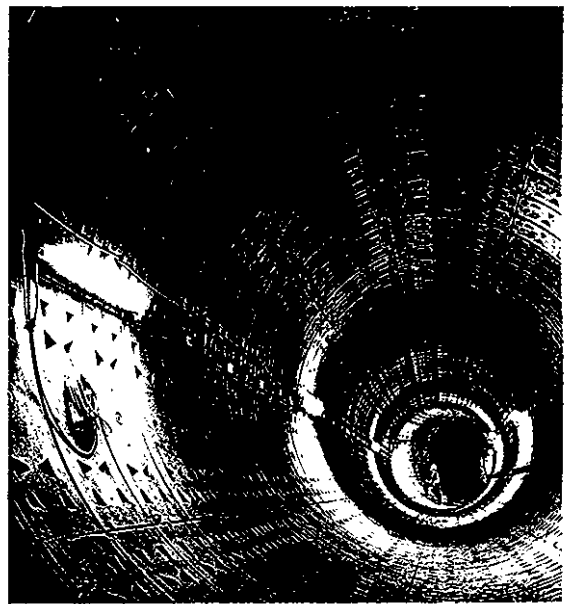
Operating profit (before exceptional items) £ million



A greater emphasis on design and engineering skills to secure **higher margin** manufacturing and services business and to **increase turnover** overseas, produced a **sound performance** by this area of business.

An AYLEC services engineer undertaking a commissioning check on a heat rejection plant. The equipment serves a sophisticated air conditioning system the group designed and installed at Schroeder Investment Management's London office in St. Paul's.

In addition to being a joint venture tunnelling contractor on the Jubilee line extension project, AMEC has also fabricated and supplied tunnel linings to five major sections of the scheme. In total, the group supplied around 9,000 pre-cast concrete rings and 1,700 cast iron rings, of various sizes, to the project.



During 1996, AMEC continued its work on the Green Park to Waterloo section of the Jubilee line extension project and has successfully shifted the emphasis of its traditional pre-cast concrete business into the higher margin factory engineered concrete market. This now accounts for over 35 per cent of the business and supplies modular accommodation units, particularly for prison construction. AMEC also maintained its drive to secure higher margin activity overseas. It has supplied a variety of customers in north America, the Middle and Far East and western Europe, with bespoke moulds, technical and consultancy packages and finished concrete products. A joint venture agreement to fabricate specialist air conditioning units in Malaysia, was signed with South East Asia distributor, CITEC. This growing source of business coincided with high levels of fabrication at AMEC's Hereford factory, which worked to capacity

throughout the year.

The final shipment of steel for Hong Kong's new airport terminal left AMEC's Bolton factory during the year and was replaced by a range of new orders, providing a solid order book through into 1997.

Of particular note were the new Parliamentary Building at Westminster, where an unusual design calls for the structural use of aluminium bronze, and the 'armadillo' style Scottish Exhibition Centre in Glasgow, where AMEC is supplying a complex roof structure.

AMEC's services division has further developed its business, providing plant, equipment, recruitment and manpower services outside the group - which now accounts for approximately 30 per cent of its activity.

In Hong Kong, the division secured a significant order to supply plant and equipment for construction work on the new airport terminal.



AMEC undertook the detailed design, fabrication and erection of 1,300 tonnes of high tolerance steelwork for the striking new extension to the Scottish Exhibition and Conference Centre in Glasgow. The facility houses two national committee rooms, a business centre and stage.



Focus on people

Many employees marked their year by **achieving excellence** in work or sport, while others helped make life a little better for those worse off than themselves. From **mercy missions** in Romania to the Cystic Fibrosis Trust, funds were raised for **numerous worthwhile causes.**

Ray Gelling (right), commissioning representative, AMEC Process and Energy and Daniel Ali, senior engineer, AMEC Civil Engineering. Both men are working on the east London sewerage bridge, now being rebuilt in Crossness.

Alex Wellbeloved could not believe his luck when he was given the opportunity to sit in an excavator at AMEC's Longford Mill housing development in Sevenoaks. The fun was only marred by the news that the digger did not actually come with the house his parents were buying.



During a year of consolidation and change, AMEC's employees still found time to raise money for deserving charities and local initiatives, while achieving levels of personal excellence.

Joe Locke, managing director of Watson Steel, received a Fellowship of the Royal Academy of Engineering for services to the steelwork industry over more than 40 years with AMEC. Gordon Hay and Des Heard of AMEC Utilities were each awarded the MBE for their gas distribution work in Sarajevo. Fairclough Homes' site managers, Alan Sunter, Tony Felton, Mick Valentini and Graham Trueman received Pride in the Job awards from the National Housebuilding Council. Anthony Naylor, of AMEC Civil Engineering, became *Construction News'* Northern Engineer of the Year.

AMEC Rail's Mick Lowe arranged a mercy mission to take food and heating appliances to Romania and Watson Steel's Danny Blackmore raised £1,000 for

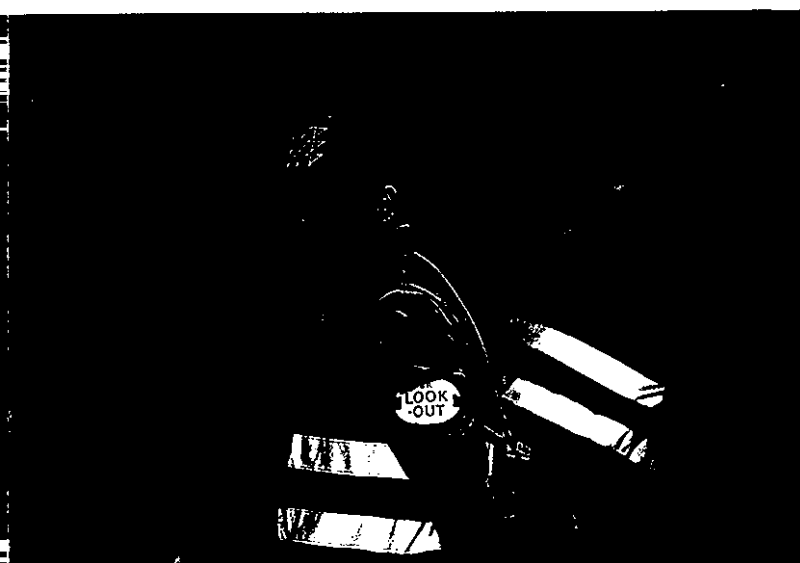
the Malcolm Sargent Cancer Trust for Children through a sponsored swim.

Kittelberger's Jim McManus won a Silver medal in the British veterans' massed start road race. In judo, European champion Nils Bryant, from Watson Steel, now has his sights firmly set on a millennium Olympic Games Gold medal.

When The Duke of Westminster officially opened the new national headquarters of the Youth Charter for Sport at The Anchorage, Salford Quays, AMEC chairman, Sir Alan Cockshaw, received a commendation for AMEC's corporate support. David Pelham, of AMEC Developments, was singled out for his personal contribution.

CV Buchan and AMEC Construction employees climbed the three highest peaks in England, Scotland and Wales over a 24 hour period. St Teresa's Hospice in Darlington received over £16,000 raised by AMEC Process and Energy employees and the Britannia topsides team raised money for charities in Middlesbrough.

Denco's aid committee made donations to the Royal National College for the Blind and a local Riding for the Disabled Centre. In Great Yarmouth, AMEC Process and Energy employees raised money for two local children suffering from Harlequins Disease and also for the Cystic Fibrosis Trust.



Leading trackman Bryan Winslow of AMEC Rail maintains a close watch on passing traffic as colleagues undertake maintenance work on track at Clapham Junction. Safety considerations are vital in the railway industry where safety briefings are a regular and compulsory activity.

Directors, officers and company information

Directors

Sir Alan Cockshaw FRCGS
Dr K W Humphreys CBE
P J Mason
J D Early
D Robson
S G Batey
M K Eckersall
G E Payne
S Gillibrand CBE
J M Green-Armytage
J R Darley
J A Monville

Secretary

M J Bardsley

Auditors

KPMG Audit Plc

Registrars

Independent Registrars Group Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Principal Bankers

Barclays Bank plc
Midland 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 1675285

Report of the directors

The directors have pleasure in presenting the annual report and accounts for the year ended 31 December 1996.

Business review

The group is engaged in engineering, construction and development and its activities are referred to on pages 2 to 23. The profit for the financial year available to shareholders, amounting to £21.2 million, is shown in the consolidated profit and loss account on page 32. The directors recommend that a final dividend of 2.5p per ordinary share be paid which, together with the interim dividend of 1.5p, makes a total ordinary dividend for the year of 4.0p. After ordinary dividends of £8.2 million and preference dividends of £11.5 million, £1.5 million has been transferred to reserves. The final dividend will be payable on 1 July 1997 to ordinary shareholders on the register at the close of business on 25 April 1997.

In April 1996, the acquisition from British Rail of South West Infrastructure Maintenance Company Limited (since renamed AMEC Rail Limited) was completed. This acquisition has significantly strengthened the group's presence in the railway industry where, it is believed, there will be substantial investment in the future.

Building and Property Management Services Limited, the 50 per cent owned facilities management and services business, was sold in September 1996 in order to rationalise the group's involvement in this market sector and against a background of diversification and overlap with other group companies.

Also in September 1996, the sale of Fisk Electric Company took place. The disposal of this business will allow the group to focus in the United States on the construction management business, Morse Diesel International Inc.

An analysis of the group's activities is given in note 2 on page 38.

Share capital

The present authorised and issued share capital of the company and movements during the year are set out in note 19 on page 48. A special resolution, Resolution 9, will be proposed at the 1997 annual general meeting to renew limited powers for the directors to allot the unissued share capital of the company and to issue shares for cash other than to existing shareholders.

The directors have no present intention of issuing any ordinary shares other than in respect of 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.

A special resolution, Resolution 10, will be proposed at the annual general meeting to renew the authority, granted to the directors by shareholders at last year's annual general meeting, to make market purchases of preference shares in the capital of the company within prescribed limits.

Special resolution 11 relates to a proposal to authorise the directors to make market purchases of ordinary shares within prescribed limits.

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

Substantial interests

The directors have been notified of the following interests, in accordance with section 198 of the Companies Act 1985, as at 27 March 1997.

Ordinary shares

Kværner a.s	52,788,115	- 25.87%
PDFM Limited	24,317,206	- 11.92%
Halifax Building Society	8,032,502	- 3.94%
BBC Pension Trust Limited	6,487,250	- 3.20%
Prudential Portfolio Management	6,301,112	- 3.08%

Preference shares

PDFM Limited	35,203,750	- 20.41%
M&G Group PLC	19,464,862	- 11.29%

Donations

Charitable donations for the year amounted to £190,000.

Report of the directors

Scrip dividends

The directors propose to offer to ordinary shareholders the opportunity to elect to receive additional ordinary shares, credited as fully paid, in lieu of the final cash dividend of 2.5p per share for 1996, which is subject to the approval of shareholders at the annual general meeting.

At the 1996 annual general meeting, shareholders approved the introduction of a scrip dividend scheme whereby preference shareholders could elect to receive an allotment of ordinary shares in lieu of cash dividends. This scheme has been introduced and the directors propose to offer to preference shareholders the opportunity to receive new ordinary shares, credited as fully paid, in lieu of the fixed preferential dividends due on 1 May and 1 November 1997.

Directors

Details of the directors of the company at the date of this report are set out on pages 8 and 9.

Sir Oswald Davies and Mr R H Peet retired as directors on 5 June 1996.

Mr J M Green-Armytage and Mr J R Darley were appointed as directors on 5 June 1996 and Mr J A Monville was appointed a director on 26 February 1997. In accordance with article 90 of the articles of association of the company, they will retire from office at the 1997 annual general meeting and, being eligible, they offer themselves for re-election. None of these directors has a service contract with the company.

Dr K W Humphreys, Mr J D Early and Mr M K Eckersall retire by rotation in accordance with article 84 of the articles of association of the company and, being eligible, they offer themselves for re-election.

Mr Early and Mr Eckersall each have service contracts with the company terminable by two years' notice. Dr Humphreys does not have a service contract with the company.

Sir Alan Cockshaw will retire as non-executive chairman on 14 July 1997, his normal retirement date, and will be succeeded in this position by Mr S Gillibrand.

The beneficial interests in the share capital of the company of the directors holding office at 31 December 1996 were:

	At 31 December 1996			At 1 January 1996 (or date of appointment if later)		
	Ordinary shares	Preference shares	Share options	Ordinary shares	Preference shares	Share options
Sir Alan Cockshaw	63,080	10,000	385,435	51,739	10,000	425,247
Dr K W Humphreys	5,189	—	—	5,053	—	—
P J Mason	25,000	—	600,000	—	—	600,000
J D Early	6,792	2,200	266,960	4,734	2,200	296,104
D Robson	—	—	462,418	—	—	472,293
S G Batey	27,845	—	415,545	22,214	—	412,767
M K Eckersall	—	—	428,196	—	—	443,131
G E Payne	10,000	—	257,476	—	—	254,616
S Gillibrand	10,269	—	—	10,000	—	—
J M Green-Armytage	—	—	—	—	—	—
J R Darley	—	—	—	—	—	—

Options have been granted under the terms of the AMEC Executive and Savings Related Share Option Schemes, which were approved at the extraordinary general meeting held on 16 May 1985 and under the AMEC Executive Share Option Scheme 1995, which was approved at the annual general meeting held on 7 June 1995.

No director at 31 December 1996 had any other interests, beneficial or otherwise, in the share capital of the company. An option over 1,994 shares at 188p per share granted to

Mr Batey under the provisions of the Savings Related Option Scheme lapsed on 28 February 1997.

On 27 March 1997, Mr S Gillibrand and Mr J R Darley purchased 10,000 and 5,161 ordinary shares respectively. There were no other changes in the directors' interests in the share capital of the company between 31 December 1996 and 27 March 1997.

Further details of options held by directors are given in the report of the remuneration committee on pages 29 to 31.

Report of the directors

Employees

In 1996, AMEC employed on average 24,269 people worldwide. Details are given in note 6 on page 40. Communication with employees is regarded by the group as an important ingredient in engendering the team spirit essential for success. Employees are informed about group affairs through various channels, including the group newspaper, *AMEC Times*. This publication is supplemented by newsletters produced by subsidiary companies. Consultative procedures enable employees to discuss matters of mutual interest with management. The pensions consultative committee of the AMEC Staff Pension Scheme meets regularly and its meetings are reported in *Pension News*, which is distributed to all scheme members and pensioners. The group seeks to ensure that the careers of all employees are determined solely on merit. This principle guides operations worldwide and is reinforced by policies and procedures which are regularly reviewed and monitored. It is the group's policy to consider for employment suitably qualified disabled people and to assist them in overcoming their handicaps at work. The group recognises that special arrangements are necessary in view of the nature of its main activities to ensure that disabled people employed are properly trained for the tasks they perform. If necessary, the group endeavours to retrain any employee who develops a disability during employment wherever appropriate. Further share options were granted under the provisions of the Savings Related and Executive Share Option Schemes. Details of share options are shown in note 19 on page 49.

Auditors

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

Corporate governance

The board of directors is responsible to shareholders for the management of the company and for the protection of its assets. The board meets formally at least 10 times a year. The company complied throughout the year with The Code of Best Practice as outlined in the Financial Aspects of Corporate Governance.

Internal control

The directors are responsible for the company's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material mis-statement or loss, the company's system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The group's strategic direction is determined by the board. Annual plans and performance targets for each subsidiary are reviewed by the board in the light of overall objectives. Within the objectives agreed by the board, the operational management of the group as a whole is delegated to the group chief executive, supported by the executive directors. Managing directors of subsidiary companies are accountable for the conduct and performance of their businesses within their agreed short range plans. They have authority to act subject to the reserved powers and limits laid down by the board and to group policies and guidelines. Controls are designed to ensure that all activities operate efficiently and effectively.

Subsidiaries are responsible for meeting defined reporting timetables and compliance with group accounting manuals which set out accounting policies and procedures. The board receives operating reports, together with a summary of financial results and forecasts, monthly for each subsidiary. The group's published interim and annual accounts are based on a standardised reporting process. The board has reviewed the effectiveness of the system of internal financial control for the group as a whole.

Board committees

Board committees comprise all non-executive directors.

The audit committee, which is chaired by Mr J M Green-Armytage, ensures that appropriate accounting and financial policies and controls are adhered to and, on behalf of the board, reviews half yearly reports from both the internal and external auditors.

The nominations committee, which is chaired by Dr K W Humphreys, reviews any proposed appointments of directors and makes recommendations to the board in relation to such appointments.

The remuneration committee, which is also chaired by Dr K W Humphreys, determines the annual remuneration, performance related payments and other aspects of the terms and conditions of employment of the executive directors.

Going concern

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

Report of the directors

Creditor payment policy

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

Post balance sheet events

In December 1996, agreement was reached with the management and employees of the French electrical contracting and construction company, Spie Batignolles S.A. (Spie), and Schneider S.A. (Schneider) for the management and employees, together with AMEC, to acquire the whole of the issued share capital of Spie from Schneider. The acquisition was completed on 26 February 1997 and AMEC now holds 41.6 per cent of the issued share capital of Spie and an option to purchase the balance of the share capital exercisable between 1 July and 31 December 2002.

Also during February 1997, the group sold its 20 per cent shareholding in Egypt Gas Company. In March 1997, a conditional sale was agreed of the Dutch design and engineering business. These two transactions will result in an estimated net profit of £28 million.



By order of the board
M J Bardsley
Secretary
27 March 1997

Notes:

1 Options over the undermentioned numbers of ordinary shares were granted to the directors concerned, at 144p per share, under the provisions of the Executive Share Option Scheme 1995 on 2 April 1997.

P J Mason	451,388
J D Early	50,000

2 Options over the undermentioned numbers of ordinary shares granted to the directors concerned, at 159p per share, in 1987 under the provisions of the Executive Share Option Scheme, lapsed on 9 April 1997.

Sir Alan Cockshaw	74,618
J D Early	63,959
D Robson	42,639
M K Eckersall	42,639

3 The directors were notified on 3 April and 4 April 1997 respectively that Prudential Portfolio Management and BBC Pension Trust Limited no longer have a notifiable interest, pursuant to section 198 of the Companies Act 1985, in the share capital of the company.

4 There were no other changes in either the directors' interests or in the substantial interests in the share capital of the company between 28 March and 11 April 1997.

Report of the remuneration committee

The role of the remuneration committee, which is comprised solely of the non-executive directors of the company, is to determine the annual remuneration, performance related payments and other aspects of the terms and conditions of employment of the executive directors.

Remuneration policy

The committee considers that, during the year to 31 December 1996, the company has complied with the best practice provisions of the London Stock Exchange Listing Rules relating to remuneration committees and remuneration policy.

The recruitment, motivation and retention of quality executives is given priority by the board and this objective is reflected in the overall design of the remuneration policies and in the decisions of the committee on implementation for the individuals concerned. The main elements of the remuneration policy for executive directors are:

- to pay market competitive salaries having regard to those prevailing in the employment market generally for executives of similar status, the director's experience, the size and complexity of his role and any other factors (such as special expertise or market requirements necessary to acquire a new recruit) in order to provide a competitive package to attract and retain a high calibre of executive;
- to link the executive directors to the long-term success of the group through the award of executive share options with the amounts allocated determined by the importance of the role and performance of the director concerned.

Directors' base salary and benefits

The base salaries of directors are reviewed annually, having regard to personal performance, company performance and competitive market practice as determined by external research. In 1996, the executive directors, other than Mr P J Mason, participated in the executive directors' annual incentive scheme which generated bonus payments calculated by reference to AMEC's total shareholder return (compared with a peer group of companies) and growth in earnings per ordinary share both as defined under the rules of the scheme. Mr P J Mason had, in 1996, a bonus arrangement whereby a bonus payment would be generated upon the achievement of a defined profit target and a scaled increased bonus payment on achievement of a level of profitability in excess of the target. Employment related benefits (principally the provision of a company car, life assurance and private medical expenses insurance) are also provided. No elements of remuneration other than basic salary are pensionable.

Directors' pension entitlements

The chairman and the executive directors are included in the AMEC Staff Pension Scheme and have top up benefits provided through the AMEC Executive Pension Scheme. The schemes are both approved defined benefit schemes. The directors have a normal retirement age of 60 and accrue pension rights which are linked to the length of pensionable service and to final pensionable salary. The schemes also provide for life assurance cover and dependants' pensions. The group chief executive's benefits are restricted to take account of the earnings cap and he receives a taxable supplement to salary in relation to earnings above the earnings cap. There are no funded or unfunded unapproved arrangements in force.

Executive directors' employment contracts

Each executive director has an employment contract with a notice period of 24 months by both the company and the director.

The committee considers that employment contracts with such notice periods are justified for the executive directors to enable the company to attract and retain high quality executives.

The unexpired terms, under the employment contracts of directors retiring and offering themselves for re-election at the 1997 annual general meeting, are detailed in the report of the directors on page 26.

It is the company's policy to ensure that any payments made to directors in the event of the early termination of employment contracts reflect the circumstances giving rise to termination and to the directors' duty of mitigation.

External directorships

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

Non-executive directors

The non-executive directors receive fees for their services and do not participate in any of the incentive or benefit schemes of the group save Sir Alan Cockshaw who became non-executive chairman on 11 April 1996 and retains his previous benefits as an executive director.

The board's policy with regard to non-executive directors is that their appointments should be for a fixed period of three years with provision for a review upon expiry with any extended term mutually acceptable to both the company and the director being not greater than three years but with no further renewal thereafter.

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

Report of the remuneration committee

Summary remuneration table

	Salary/ fees £	Bonus £	Benefits in kind £	Total 1996 £	Total 1995 £	Pension contributions 1996 £	Pension contributions 1995 £
Executive							
P J Mason (wef 1.3.96)	286,300	114,000	15,504	415,804	—	6,987	—
J D Early	146,667	37,760	9,516	193,943	166,448	15,367	15,800
D Robson	175,000	41,300	5,552	221,852	210,019	18,375	19,500
S G Batey	175,000	41,300	8,595	224,895	201,589	18,375	19,500
M K Eckersall	175,000	41,300	6,743	223,043	193,623	18,375	18,500
G E Payne	153,333	37,760	12,036	203,129	174,894	16,083	16,000
Non-executive							
Sir Alan Cockshaw	260,000	—	11,043	271,043	396,673	27,300	31,200
Dr K W Humphreys	50,000	—	—	50,000	47,292	—	—
Sir Oswald Davies (to 5.6.96)	6,423	—	224	6,647	15,557	—	—
R H Peet (to 5.6.96)	10,000	—	—	10,000	20,000	—	—
S Gillibrand	27,917	—	—	27,917	12,500	—	—
J M Green-Armytage (wef 5.6.96)	26,250	—	—	26,250	—	—	—
J R Darley (wef 5.6.96)	14,583	—	—	14,583	—	—	—

Notes

(i) Mr Mason was appointed group chief executive on 1 February 1996. His salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £36,300. His total remuneration (excluding pension contributions but including the taxable supplement and benefits in kind) from that date until his appointment to the board on 1 March 1996 amounted to £30,179. The taxable supplement for that period was £3,630. Pension contributions amounted to £822.

(ii) The value of benefits in kind received during the year relates principally to the provision of a company car, life assurance cover and private medical expenses insurance.

(iii) Full details of executive share options granted during the year are set out in the table on page 31.

(iv) Sir Alan Cockshaw became non-executive chairman on 11 April 1996 and, in accordance with his employment contract, maintains his previous benefits as an executive director (except participation in any incentive arrangements) through to his normal retirement date of 14 July 1997.

Longer term incentive schemes

In 1995, shareholders approved the introduction of two new share option schemes.

The renewed Savings Related Share Option Scheme is open to all employees (including the executive directors) and is linked to a monthly savings contract.

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

Report of the remuneration committee

Options held by directors are as follows:

Executive Scheme

	At 1.1.96	Granted during year	Lapsed during year	At 31.12.96	Weighted average exercise price (pence)	Range of exercise dates
Sir Alan Cockshaw	425,247	-	42,672	382,575	188.58	4/1990 - 7/1998
P J Mason	-	600,000	-	600,000	99.00	2/1999 - 2/2006
J D Early	296,104	-	32,004	264,100	177.95	4/1990 - 10/2005
D Robson	470,985	-	14,935	456,050	126.67	4/1990 - 10/2005
S G Batey	402,722	-	-	402,722	116.05	4/1991 - 10/2005
M K Eckersall	443,131	-	14,935	428,196	125.20	4/1990 - 10/2005
G E Payne	245,880	-	-	245,880	91.10	5/1993 - 10/2005

Options were granted to Mr Mason on 2 February 1996 at an option price of 99p per share.

Those options which lapsed had an option price of 131.23p per share.

No options were exercised during the year.

With the exception of those options granted in October 1995 at 60p, all outstanding options have exercise prices greater than the mid market price of the ordinary shares at 31 December 1996 of 92.5p **ex-dividend** (1995 - 94.0p **ex-dividend**).

An option over 2,282 shares at 173.37p granted to Mr Batey lapsed on 29 February 1996.

The range of the mid market quotations for the ordinary shares during the year was 88p to 119p.

The register of directors' interests, which is open to inspection at the registered office, contains full details of directors' shareholdings and options to subscribe.

Savings Related Scheme

On 14 June 1996, options to subscribe for shares at 90p per share, under the provisions of the Savings Related Share Option Scheme, were granted to the undermentioned directors whose holdings under the scheme are as indicated below.

	At 1.1.96	Granted during year	Lapsed during year	At 31.12.96
Sir Alan Cockshaw	-	2,860	-	2,860
J D Early	-	2,860	-	2,860
D Robson	1,308	5,060	-	6,368
S G Batey	10,045	5,060	2,282	12,823
G E Payne	8,736	2,860	-	11,596

Dr K W Humphreys

Chairman, remuneration committee

27 March 1997

Note:

Changes in directors' interests between 31 December 1996 and 11 April 1997 are detailed in the notes to the report of the directors on page 28.

Consolidated profit and loss account for the year ended 31 December 1996

	Note	Before exceptional items 1996 £ million	Exceptional items (Note 3) 1996 £ million	Total 1996 £ million	Before exceptional items 1995 £ million	Exceptional items (Note 3) 1995 £ million	Total 1995 £ million
Turnover:							
Continuing operations		2,681.3	—	2,681.3	2,451.3	—	2,451.3
Acquisitions		87.2	—	87.2	—	—	—
Total turnover	2	2,768.5	—	2,768.5	2,451.3	—	2,451.3
Cost of sales		(2,602.0)	(25.2)	(2,627.2)	(2,292.5)	—	(2,292.5)
Gross profit (loss)		166.5	(25.2)	141.3	158.8	—	158.8
Administrative expenses		(132.2)	—	(132.2)	(135.5)	—	(135.5)
Share of results of associated undertakings		10.9	(2.5)	8.4	9.5	—	9.5
Operating profit (loss):							
Continuing operations		34.5	(27.7)	6.8	19.9	—	19.9
Acquisitions		5.6	—	5.6	—	—	—
		40.1	(27.7)	12.4	19.9	—	19.9
Discontinued operations		5.1	—	5.1	12.9	—	12.9
Total operating profit (loss)	2	45.2	(27.7)	17.5	32.8	—	32.8
Profit (loss) on disposal or termination of operations:							
Continuing operations		—	(0.6)	(0.6)	—	(2.5)	(2.5)
Discontinued operations		—	20.1	20.1	—	—	—
Amounts written off investments:							
Discontinued operations		—	(2.3)	(2.3)	—	(2.2)	(2.2)
Bid defence costs - continuing operations		—	—	—	—	(4.1)	(4.1)
Profit (loss) on ordinary activities before interest		45.2	(10.5)	34.7	32.8	(8.8)	24.0
Net interest payable	7	(7.5)	—	(7.5)	(8.1)	—	(8.1)
Profit (loss) on ordinary activities before taxation		37.7	(10.5)	27.2	24.7	(8.8)	15.9
Taxation on profit (loss) on ordinary activities	8	(6.5)	0.5	(6.0)	(2.0)	—	(2.0)
Profit (loss) on ordinary activities after taxation		31.2	(10.0)	21.2	22.7	(8.8)	13.9
Dividends on equity and non-equity shares	9			(19.7)			(17.7)
Transfer to (from) reserves	10			1.5			(3.8)
Earnings (loss) per ordinary share	11	9.6p	(4.9p)	4.7p	5.5p	(4.4p)	1.1p
Dividends per ordinary share	9			4.0p			3.0p

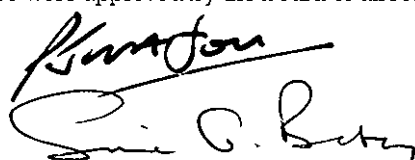
Consolidated balance sheet at 31 December 1996

	Note	1996 £ million	1996 £ million	1995 £ million	1995 £ million
Fixed assets					
Tangible assets	12		122.7		139.3
Investments	13		15.0		11.8
			137.7		151.1
Current assets					
Stocks	14	181.3		191.2	
Debtors - due within one year	15	632.5		678.2	
- due after one year	15	53.0		36.5	
Cash at bank and in hand		167.3		163.7	
		1,034.1		1,069.6	
Creditors: due within one year	16	861.5		841.3	
Net current assets			172.6		228.3
Total assets less current liabilities			310.3		379.4
Creditors: due after one year	17		92.1		160.1
	2		218.2		219.3
Capital and reserves					
Called up share capital	19		188.3		188.2
Special reserve	20		2.5		4.3
Revaluation reserve	20		14.9		14.3
Profit and loss account	20		12.5		12.5
			218.2		219.3
Attributable to:					
Equity shareholders' funds			52.6		54.1
Non-equity shareholders' funds			165.6		165.2
			218.2		219.3

The accounts on pages 32 to 53 were approved by the board of directors on 27 March 1997 and were signed on its behalf by:

P J Mason, director

S G Batey, director



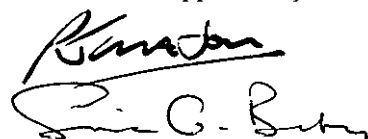
Company balance sheet at 31 December 1996

	Note	1996 £ million	1996 £ million	1995 £ million	1995 £ million
Fixed assets					
Tangible assets	12		5.7		6.0
Investments in subsidiary undertakings	13		378.2		389.5
Other investments	13		3.1		4.7
			387.0		400.2
Current assets					
Debtors - due within one year	15	21.6		15.7	
- due after one year	15	8.8		4.4	
Cash at bank and in hand		46.7		44.5	
		77.1		64.6	
Creditors: due within one year	16	60.7		35.7	
Net current assets			16.4		28.9
Total assets less current liabilities			403.4		429.1
Creditors: due after one year	17		5.1		47.4
			<u>398.3</u>		<u>381.7</u>
Capital and reserves					
Called up share capital	19		188.3		188.2
Special reserve	20		128.0		128.1
Revaluation reserve	20		(0.5)		(0.4)
Profit and loss account	20		82.5		65.8
			<u>398.3</u>		<u>381.7</u>
Attributable to:					
Equity shareholders' funds			232.7		216.5
Non-equity shareholders' funds			<u>165.6</u>		<u>165.2</u>
			<u>398.3</u>		<u>381.7</u>

The accounts on pages 32 to 53 were approved by the board of directors on 27 March 1997 and were signed on its behalf by:

P J Mason, director

S G Batey, director



Consolidated cash flow statement for the year ended 31 December 1996

	Note	1996 £ million	1996 £ million	1995 £ million	1995 £ million
Net cash inflow from operating activities	22		82.6		99.6
Returns on investments and servicing of finance					
Interest received		7.2		7.8	
Interest paid		(14.8)		(15.6)	
Dividends received from associated undertakings and investments		0.2		3.2	
Dividends paid		(16.6)		(18.1)	
Net cash outflow from returns on investments and servicing of finance			(24.0)		(22.7)
Net tax paid			(3.2)		(1.8)
Investing activities					
Purchase of tangible fixed assets		(18.1)		(27.4)	
Purchase of subsidiary undertakings	21	(23.4)		1.0	
Purchase of associated undertakings		(2.3)		(2.1)	
Purchase of short-term investments		(24.6)		(21.7)	
Disposal of tangible fixed assets		11.4		12.2	
Disposal of subsidiary undertakings		1.5		(2.4)	
Disposal of associated undertakings and fixed asset investments		33.1		-	
Disposal of short-term investments		20.3		19.1	
Net cash outflow from investing activities			(2.1)		(21.3)
Net cash inflow before financing			53.3		53.8
Financing					
Issue of ordinary share capital		0.3		0.9	
Proceeds of long-term borrowings		21.4		9.2	
Repayment of long-term borrowings		(73.6)		(32.4)	
Net cash outflow from financing			(51.9)		(22.3)
Increase in cash and cash equivalents	24		1.4		31.5

Consolidated statement of total recognised gains and losses for the year ended 31 December 1996

	1996 £ million	1995 £ million
Profit for the financial year	21.2	13.9
Exchange and other movements	(1.2)	(0.3)
Total recognised gains and losses for the financial year	<u>20.0</u>	<u>13.6</u>

Note of historical cost profits and losses for the year ended 31 December 1996

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

Reconciliation of movements in consolidated shareholders' funds for the year ended 31 December 1996

	1996 £ million	1995 £ million
Shareholders' funds at 1 January	219.3	233.4
Profit for the financial year	21.2	13.9
Dividends	(19.7)	(17.7)
Goodwill on acquisitions and disposals - note 21	(1.7)	(11.2)
Issue of ordinary share capital	0.3	0.9
Exchange and other movements	(1.2)	—
Shareholders' funds at 31 December	<u>218.2</u>	<u>219.3</u>

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 certain fixed assets. Except as stated in the depreciation policy note, they have been prepared in accordance with applicable accounting standards and with the Companies Act 1985.

Basis of consolidation

The group accounts include the accounts of AMEC p.l.c. and all of its subsidiary undertakings made up to 31 December each year and the group's share of the results and net assets of associated undertakings based on the equity accounting method. Unincorporated joint ventures are accounted for on the proportional consolidation method.

The company has not presented its own profit and loss account as permitted by section 230 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

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

Payments on account in excess of amounts recoverable on long-term contracts are included in creditors.

Taxation

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

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

Pensions

Contributions to pension schemes are allocated to the profit and loss account on a systematic basis over the normal expected service lives of employees.

Foreign currencies

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

Goodwill

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

Where a business is sold, the profit or loss on disposal includes the attributable amount of goodwill previously charged to reserves.

Depreciation

Depreciation is provided on all tangible assets, other than freehold land, investment properties and assets in the course of construction, 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 shorter of the lease term or 50 years
Plant and equipment	mainly three to five years

The treatment adopted in respect of investment properties may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is, therefore, necessary for the accounts to give a true and fair view. Depreciation is only one of many factors reflected in periodic valuations and the amount which might otherwise have been shown cannot be separately identified or quantified.

Leases

Operating lease costs are charged to the profit and loss account in the period in which they are incurred. Assets held under finance leases are included in tangible fixed assets at cost and depreciated over their anticipated useful lives: the finance element of lease payments is charged to the profit and loss account.

Notes to the accounts

2 Analysis of turnover, operating results before exceptional items and net assets

	Turnover 1996 £ million	Turnover 1995 £ million	Operating profit (loss) 1996 £ million	Operating profit (loss) 1995 £ million	Net assets (liabilities) 1996 £ million	Net assets (liabilities) 1995 £ million
By class of business:						
Building and civil engineering	1,299.3	1,113.8	4.3	11.5	(74.1)	(59.8)
Mechanical and electrical	654.0	592.2	24.2	20.7	15.8	28.6
Process and energy	545.3	525.4	0.3	(8.0)	25.3	45.3
Housing	173.9	126.1	6.8	0.6	95.3	122.1
Project investment, development, manufacturing and services	164.0	186.0	9.6	8.0	83.6	85.4
Internal trading	(68.0)	(92.2)	—	—	—	—
Net cash and unallocated net assets (liabilities)	—	—	—	—	72.3	(2.3)
	<u>2,768.5</u>	<u>2,451.3</u>	<u>45.2</u>	<u>32.8</u>	<u>218.2</u>	<u>219.3</u>
By geographical origin:						
United Kingdom	1,955.3	1,736.5	51.4	27.6	169.8	211.7
Rest of Europe	164.4	173.9	(8.5)	1.6	4.1	6.8
Americas	450.0	354.2	3.6	1.5	(18.9)	8.9
Rest of the world	198.8	186.7	(1.3)	2.1	(9.1)	(5.8)
Net cash and unallocated net assets (liabilities)	—	—	—	—	72.3	(2.3)
	<u>2,768.5</u>	<u>2,451.3</u>	<u>45.2</u>	<u>32.8</u>	<u>218.2</u>	<u>219.3</u>

The comparative figures for 1995 have been restated to reflect changes to the management structure implemented during the year. The analysis of turnover by geographical market is not materially different from that by geographical origin.

3 Exceptional items

	1996 £ million	1995 £ million
Cost of sales:		
Amounts written off housing assets	(20.0)	—
Amounts written off development assets	(2.5)	—
Restructuring costs in the German building and civil engineering operation	(2.7)	—
	(25.2)	—
Share of results of associated undertakings:		
Amounts written off housing assets	(2.5)	—
Profit (loss) on disposal or termination of operations in the mechanical and electrical businesses	19.5	(2.5)
Amounts written off investments	(2.3)	(2.2)
Bid defence costs	—	(4.1)
	<u>(10.5)</u>	<u>(8.8)</u>

Notes to the accounts

4 Operating profit

	1996 £ million	1995 £ million
Operating profit is stated after charging:		
Depreciation	22.1	23.0
Hire of plant and equipment	64.9	57.0
Property lease rentals	14.2	15.0

Fees paid to auditors and their associates amounted to **£1.0 million** (1995 - £1.0 million) in respect of statutory audit services and **£1.3 million** (1995 - £0.7 million) in respect of services rendered relating to acquisitions, disposals, taxation and other matters.

5 Directors

	1996 £	1995 £
Remuneration including contributions to pension schemes:		
Non-executive directors	406,440	107,016
Executive directors	1,482,666	1,467,808
Pension contributions	120,862	134,000
	<u>2,009,968</u>	<u>1,708,824</u>

Directors' remuneration shown above includes:

Chairman (the highest paid director in 1995):

Salary and benefits in kind	271,043	270,333
Bonus	-	126,340
Pension contributions	27,300	31,200
	<u>298,343</u>	<u>427,873</u>

Highest paid director:

Salary and benefits in kind	301,804
Bonus	114,000
Pension contributions	6,987
	<u>422,791</u>

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

£	Number	Number
5,001 - 10,000	2	-
10,001 - 15,000	1	2
15,001 - 20,000	-	2
25,001 - 30,000	2	-
45,001 - 50,000	1	1
60,001 - 65,000	-	2
165,001 - 170,000	-	1
170,001 - 175,000	-	1
190,001 - 195,000	1	1
200,001 - 205,000	1	1
210,001 - 215,000	-	1
220,001 - 225,000	3	-
270,001 - 275,000	1	-
395,001 - 400,000	-	1
420,001 - 425,000	1	-

Notes to the accounts

6 Staff costs

	1996 £ million	1995 £ million
Wages and salaries	530.6	498.2
Social security costs	50.0	46.6
Other pension costs	12.0	16.3
	<u>592.6</u>	<u>561.1</u>

	Number	Number
The average number of people employed during the year was:		
Building and civil engineering	5,790	5,843
Mechanical and electrical	9,278	6,918
Process and energy	6,744	6,450
Housing	524	542
Project investment, development, manufacturing and services	1,933	1,891
	<u>24,269</u>	<u>21,644</u>

7 Net interest payable

	1996 £ million	1995 £ million
Interest payable:		
On loans wholly repayable within five years:		
- not by instalments	13.7	15.9
- by instalments	0.2	0.3
	<u>13.9</u>	<u>16.2</u>
Interest and similar income receivable:		
Bank and short-term deposits	6.2	6.5
Other	0.2	1.6
	<u>6.4</u>	<u>8.1</u>
Net interest payable	<u>7.5</u>	<u>8.1</u>

Notes to the accounts

8 Taxation on profit on ordinary activities

	1996 £ million	1995 £ million
The taxation charge is made up as follows:		
Based on the result for the year:		
Corporation tax	5.4	(0.2)
Double taxation relief	–	(0.8)
Associated undertakings	1.6	3.7
Overseas taxation	0.8	(0.8)
Surplus advance corporation tax written back	(0.8)	–
	7.0	1.9
Taxation (over) under provided in previous years	(1.0)	0.1
	<u>6.0</u>	<u>2.0</u>

Taxation for the year has been provided at the rate of 33.0% (1995 - 33.0%).

9 Dividends

	1996 pence per share	1995 pence per share	1996 £ million	1995 £ million
Equity shares:				
Ordinary shares:				
Interim payable	1.50	1.50	3.1	3.0
Final proposed	2.50	1.50	5.1	3.1
	<u>4.00</u>	<u>3.00</u>	<u>8.2</u>	<u>6.1</u>
Non-equity shares:				
Convertible redeemable preference shares:				
Paid 1 May 1996	3.25	3.25	5.6	5.6
Paid 1 November 1996	3.25	3.25	5.6	5.6
FRS 4 finance cost	–	–	0.3	0.4
	<u>6.50</u>	<u>6.50</u>	<u>11.5</u>	<u>11.6</u>
Total dividends			<u>19.7</u>	<u>17.7</u>

Notes to the accounts

10 Transfer to (from) reserves

	1996 £ million	1995 £ million
Dealt with in the accounts of AMEC p.l.c.	16.2	(14.7)
Retained by subsidiary undertakings	(19.9)	5.5
Retained by associated undertakings	5.2	5.4
	<u>1.5</u>	<u>(3.8)</u>

11 Earnings per ordinary share

Earnings per ordinary share are calculated on earnings of **£9.7 million** (1995 - £2.3 million) including exceptional items and on earnings of **£19.7 million** (1995 - £11.1 million) excluding exceptional items and, in each case, on a weighted average of 204,002,759 (1995 - 202,579,268) ordinary shares.

12 Tangible assets

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Group:			
Cost or valuation:			
At 1 January 1996	95.7	195.0	290.7
Subsidiaries acquired	1.9	1.3	3.2
Subsidiaries sold	(1.8)	(2.2)	(4.0)
Additions and transfers	1.5	17.0	18.5
Disposals and transfers	(6.4)	(24.7)	(31.1)
Exchange and other movements	(2.8)	(2.8)	(5.6)
At 31 December 1996	88.1	183.6	271.7
Depreciation:			
At 1 January 1996	6.5	144.9	151.4
Provided during the year	2.2	19.9	22.1
Subsidiaries sold	(0.8)	(1.9)	(2.7)
Disposals and transfers	(0.2)	(19.5)	(19.7)
Exchange and other movements	(0.3)	(1.8)	(2.1)
At 31 December 1996	7.4	141.6	149.0
Net book value:			
At 31 December 1996	<u>80.7</u>	<u>42.0</u>	<u>122.7</u>
At 31 December 1995	<u>89.2</u>	<u>50.1</u>	<u>139.3</u>

Notes to the accounts

12 Tangible assets (continued)

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Company:			
Cost or valuation:			
At 1 January 1996	6.2	1.7	7.9
Additions and transfers	1.4	0.8	2.2
Disposals and transfers	(1.5)	(0.1)	(1.6)
At 31 December 1996	6.1	2.4	8.5
Depreciation:			
At 1 January 1996	0.5	1.4	1.9
Provided during the year	0.4	0.5	0.9
At 31 December 1996	0.9	1.9	2.8
Net book value:			
At 31 December 1996	5.2	0.5	5.7
At 31 December 1995	5.7	0.3	6.0

Group 1996 £ million	Group 1995 £ million	Company 1996 £ million	Company 1995 £ million
----------------------------	----------------------------	------------------------------	------------------------------

The net book value of land and buildings comprises:

Freehold	72.6	83.5	3.7	5.2
Long leasehold	4.6	4.2	0.3	0.2
Short leasehold	3.5	1.5	1.2	0.3
	80.7	89.2	5.2	5.7

Land and buildings are stated at:

Valuation 1989	1.2	1.2	0.7	0.4
Valuation 1994	62.8	68.8	4.1	5.5
Cost	24.1	25.7	1.3	0.3
	88.1	95.7	6.1	6.2

Notes to the accounts

12 Tangible assets (continued)

Freehold and long leasehold properties situated in the United Kingdom were valued at 31 December 1994 by Richard Ellis Regional Limited, chartered surveyors, on an open market value basis or at depreciated replacement cost in the sum of £70.0 million.

One investment property was valued at 31 December 1994 by the group property manager, a chartered surveyor, on an open market value basis in the sum of £0.6 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 at valuation, determined according to the historical cost convention, is as follows:

	Group 1996 £ million	Group 1995 £ million	Company 1996 £ million	Company 1995 £ million
Cost	59.4	66.0	6.0	7.1
Depreciation	15.9	15.6	1.4	1.1
Net book value	43.5	50.4	4.6	6.0

Fixed assets not depreciated:

Land	24.0	26.8	1.1	1.1
Investment properties	3.1	5.4	—	1.2
Assets in the course of construction	1.0	—	1.0	—
	28.1	32.2	2.1	2.3

Assets acquired under finance leases:

Cost or valuation	4.1	3.0	—	—
Depreciation	—	1.3	—	—
Net book value	1.1	1.7	—	—
Depreciation charge for the year	0.6	1.2	—	—

13 Investments (held as fixed assets)

Company
1996
£ million

Investments in subsidiary undertakings	550.1	569.0
Shares at cost less amounts written off	67.2	—
Amounts owed by subsidiary undertakings	(239.1)	(179.5)
Amounts owed to subsidiary undertakings	378.2	389.5

Notes to the accounts

13 Investments (held as fixed assets) (continued)

	Group Associated undertakings £ million	Group Other investments £ million	Company Associated undertakings £ million	Company Other investments £ million
Other investments				
Net book value at 1 January 1996	9.2	2.6	2.5	2.2
Additions and transfers	2.2	–	0.7	0.1
Disposals and transfers	(1.7)	–	(0.1)	–
Amounts written off	–	(2.3)	–	(2.3)
Net movement in share of reserves	5.6	–	–	–
Exchange and other movements	(0.6)	–	–	–
Net book value at 31 December 1996	<u>14.7</u>	<u>0.3</u>	<u>3.1</u>	<u>–</u>
Represented by:				
Shares at cost less amounts written off	12.5	0.3	3.1	–
Share of post acquisition reserves	2.2	–	–	–
	<u>14.7</u>	<u>0.3</u>	<u>3.1</u>	<u>–</u>

Principal group undertakings are listed on pages 56 and 57.

The company is committed to investing in 1998 the sum of £12.6 million in Road Management Group Limited of which £6.3 million will be equity investment and £6.3 million will be subordinated debt.

14 Stocks

	Group 1996 £ million	Group 1995 £ million
Development land and work in progress	163.6	171.3
Raw materials and consumables	10.6	10.0
Other work in progress	1.8	1.9
Finished goods and goods for resale	5.3	8.0
	<u>181.3</u>	<u>191.2</u>

Notes to the accounts

15 Debtors

	Group 1996 £ million	Group 1995 £ million	Company 1996 £ million	Company 1995 £ million
Due within one year:				
Amounts recoverable on contracts	231.6	253.4	–	–
Trade debtors	358.9	376.8	0.3	0.6
Amounts owed by subsidiary undertakings	–	–	7.0	5.3
Amounts owed by associated undertakings	8.7	19.1	0.1	4.4
Other debtors	24.4	16.9	12.9	3.6
Prepayments and accrued income	8.9	12.0	1.3	1.8
	<u>632.5</u>	<u>678.2</u>	<u>21.6</u>	<u>15.7</u>
Due after one year:				
Amounts recoverable on contracts	11.5	–	–	–
Trade debtors	28.0	28.6	–	–
Amounts owed by associated undertakings	–	2.2	–	1.7
Other debtors	3.9	2.0	–	–
Prepayments and accrued income	9.6	3.7	8.8	2.7
	<u>53.0</u>	<u>36.5</u>	<u>8.8</u>	<u>4.4</u>
	<u>685.5</u>	<u>714.7</u>	<u>30.4</u>	<u>20.1</u>

16 Creditors: due within one year

	Group 1996 £ million	Group 1995 £ million	Company 1996 £ million	Company 1995 £ million
Bank loans and overdrafts	54.6	37.2	15.3	2.7
Trade creditors	586.4	562.1	27.6	19.3
Payments on account	78.9	107.8	–	–
Amounts owed to associated undertakings	–	0.2	–	0.1
Corporation tax	2.8	2.9	2.0	1.3
Other taxation and social security costs	38.7	36.9	0.7	0.7
Other creditors	33.5	36.7	1.9	1.0
Accruals and deferred income	56.7	50.3	3.3	3.4
Dividends	9.9	7.2	9.9	7.2
	<u>861.5</u>	<u>841.3</u>	<u>60.7</u>	<u>35.7</u>

Notes to the accounts

17 Creditors: due after one year

	Group 1996 £ million	Group 1995 £ million	Company 1996 £ million	Company 1995 £ million
Loans repayable:				
- between one and two years	0.3	111.6	-	47.4
- between two and five years	49.0	0.4	4.0	-
	49.3	112.0	4.0	47.4
Trade creditors	34.3	37.2	-	-
Payments on account	1.1	2.1	-	-
Amounts owed to associated undertakings	1.2	-	1.1	-
Other creditors	2.6	5.5	-	-
Accruals and deferred income	3.6	3.3	-	-
	92.1	160.1	5.1	47.4
Loans are denominated in:				
Pounds sterling	45.0	79.0	-	14.7
US dollars	3.5	9.7	3.5	9.7
German marks	-	13.5	-	13.5
Norwegian krone	0.5	5.2	0.5	5.2
Australian dollars	-	4.3	-	4.3
Other currencies	0.3	0.3	-	-
	49.3	112.0	4.0	47.4

Interest payments on all loans vary with market rates. At 31 December 1996, the average rate payable on all loans was 6.6% (1995 - 7.3%).

Loans amounting to £48.7 million (company - £4.0 million) mature within one year (1995 - group £111.2 million and company £47.4 million). They represent advances against facilities available to the group until at least January 2001 (1995 - June 1997) under which such loans may be refinanced on a continuing basis.

18 Provision for liabilities and charges

	Group 1996 £ million	Group 1995 £ million	Company 1996 £ million	Company 1995 £ million
Deferred taxation:				
Short-term timing differences	-	4.7	-	4.7
Losses carried forward	-	(4.7)	-	(4.7)
	-	-	-	-

There is no unprovided deferred taxation liability.

Notes to the accounts

19 Share capital

The authorised share capital of the company is **£250.0 million** (1995 - £250.0 million).

	1996 £ million	1995 £ million
Allotted, called up and fully paid:		
Equity share capital:		
Ordinary shares of 50p each	102.10	102.00
Non-equity share capital:		
6.5p (net) cumulative convertible redeemable preference shares of 50p each	86.22	86.22
	<u>188.32</u>	<u>188.22</u>
	Ordinary shares number	Ordinary shares £ million
	Preference shares number	Preference shares £ million

Movements in share capital during the year:

At 1 January 1996	203,918,203	102.00	172,443,949	86.22
Conversion of preference shares to ordinary shares:				
14 June 1996	2,986	-	(6,122)	-
2 December 1996	3,550	-	(7,278)	-
Scrip dividends:				
11 June 1996	121,125	0.05	-	-
25 October 1996	26,384	-	-	-
5 December 1996	133,112	0.05	-	-
Exercise of savings related share options	699	-	-	-
At 31 December 1996	<u>204,206,059</u>	<u>102.10</u>	<u>172,430,549</u>	<u>86.22</u>

The following is a summary of the rights under the company's articles of association relating to voting, income and capital, conversion and redemption which attach to the preference shares.

Voting

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

Income and capital

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

Capital: the preference shares rank ahead of the ordinary shares on a winding-up or other return of capital (other than by conversion, redemption or purchase of shares) in respect of

100p per share together with any arrears and accruals of dividend which accrue to the date of repayment.

Conversion

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

Redemption

Subject to the provisions of the Companies Act, the company shall redeem on 1 May 2009 any preference shares which remain in issue and outstanding on that date. The preference shares so redeemed will be redeemed at 100p per share together with any arrears and accruals of dividend to the date of redemption.

Notes to the accounts

19 Share capital (continued)

Share options

During the year under review, further options were granted in respect of 4,997,156 ordinary shares under the AMEC Savings Related Share Option Scheme and in respect of 818,000 ordinary shares under the AMEC Executive Share Option Scheme 1995.

	Option price per ordinary share (pence)	Number of shares
At 31 December 1996, share options were outstanding as follows:		
Savings Related Share Option Scheme		
Normally exercisable in the period between:		
September 1996 and February 1997	188.00	1,226,651
September 1997 and February 1998	139.00	2,482,158
September 1999 and February 2000	112.00	2,149,211
September 1999 and February 2000	90.00	1,028,958
September 2000 and February 2001	58.00	1,891,481
September 2001 and February 2002	90.00	3,868,144

Executive Share Option Schemes

Normally exercisable in the period between:

April 1990 and April 1997	159.00	419,988
October 1990 and October 1997	241.56	97,589
April 1991 and April 1998	183.91	520,063
May 1991 and May 1998	160.69	37,608
August 1991 and August 1998	174.33	90,828
May 1992 and May 1999	222.22	250,560
May 1993 and May 2000	185.34	83,520
May 1994 and May 2001	218.00	1,570,000
May 1995 and May 2002	160.00	1,367,500
May 1997 and May 2004	118.00	455,000
October 1998 and October 2005	60.00	2,236,000
February 1999 and February 2006	99.00	600,000
June 1999 and June 2006	114.00	94,000
September 1999 and September 2006	98.00	124,000

Currently there are 3,090 participants in the Savings Related Scheme and 124 participants in Executive Schemes.

During the year, under the provisions of the Savings Related Scheme, 699 ordinary shares were allotted at 58p per share.

The market value of the ordinary shares at 31 December 1996 was 92.5p (ex-dividend) (1995 - 94.0p (ex-dividend)).

Notes to the accounts

20 Reserves

	Special reserve £ million	Revaluation reserve £ million	Profit and loss account £ million	Total reserves £ million
Group:				
At 1 January 1996	4.3	14.3	12.5	31.1
Retained profit	—	—	1.5	1.5
Goodwill	(1.7)	—	—	(1.7)
Ordinary shares issued in lieu of dividends	(0.1)	—	0.3	0.2
FRS 4 finance cost	—	—	0.3	0.3
Exchange and other movements	—	0.6	(2.1)	(1.5)
At 31 December 1996	<u>2.5</u>	<u>14.9</u>	<u>12.5</u>	<u>29.9</u>
	Special reserve £ million	Revaluation reserve £ million	Profit and loss account £ million	Total reserves £ million
Company:				
At 1 January 1996	128.1	(0.4)	65.8	193.5
Retained profit	—	—	16.2	16.2
Ordinary shares issued in lieu of dividends	(0.1)	—	0.3	0.2
FRS 4 finance cost	—	—	0.3	0.3
Exchange and other movements	—	(0.1)	(0.1)	(0.2)
At 31 December 1996	<u>128.0</u>	<u>(0.5)</u>	<u>82.5</u>	<u>210.0</u>

21 Acquisitions, disposals and terminations

In April 1996, the group acquired the whole of the issued share capital of South West Infrastructure Maintenance Company Limited, since renamed AMEC Rail Limited, for a cash consideration of **£11.1 million**. Other acquisitions in the year amounted to **£1.0 million**. Acquisition accounting has been used to account for all purchases. No fair value or other adjustments were considered necessary.

The profit after taxation of AMEC Rail Limited for the 16 months period ended 31 March 1996 amounted to £3.0 million.

	£ million	£ million
Net liabilities acquired:		
Tangible fixed assets		3.2
Stocks		6.1
Debtors		27.3
Creditors		(22.1)
Net cash and cash equivalents		(10.9)
Loans including finance leases		(4.7)
		(1.1)
Consideration:		
Cash	12.5	
Investment in an associated undertaking	(0.4)	12.1
Goodwill on acquisition		<u>13.2</u>

Notes to the accounts

21 Acquisitions, disposals and terminations (continued)

£ million

Net outflow in cash and cash equivalents relating to acquisitions:

Cash consideration	12.5
Cash and cash equivalents acquired	10.9
	<u>23.4</u>

In September 1996, the group disposed of its 50 per cent interest in Building and Property Management Services Limited and its wholly owned subsidiary Fisk Electric Company. The total consideration was £39.9 million compared to a carrying value, restated to include £11.5 million goodwill on acquisition, at the dates of disposal of £20.4 million. The net profit on disposal of £19.5 million is represented by a profit on disposal of Building and Property Management Services Limited of £20.1 million and a loss on disposal of Fisk Electric Company of £(0.6) million.

Cumulative goodwill, after merger relief of £52.9 million (1995 - £52.9 million), written off to group reserves, net of that attributed to disposals, amounted to £125.5 million (1995 - £123.8 million).

22 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £ million	1995 £ million
Operating profit:		
- before exceptional items	45.2	32.8
- exceptional items	(27.7)	—
	<u>17.5</u>	<u>32.8</u>
Associated undertakings	(8.4)	(9.5)
Bid defence costs	—	(4.1)
Depreciation of fixed assets	22.1	23.0
Decrease (increase) in stocks	15.8	(10.2)
Decrease (increase) in debtors	45.2	(60.7)
(Decrease) increase in creditors	(15.3)	129.3
Exchange and other movements	<u>5.7</u>	<u>(1.0)</u>
Net cash inflow from operating activities	<u>82.6</u>	<u>99.6</u>

23 Analysis of changes in financing during the year

	Share capital 1996 £ million	Borrowings 1996 £ million	Share capital 1995 £ million	Borrowings 1995 £ million
At 1 January 1996	188.2	125.1	187.4	145.8
Subsidiaries acquired	—	4.7	—	—
Cash inflow (outflow) from financing	0.1	(52.2)	0.9	(23.2)
Inception of finance leases	—	0.8	—	0.7
Exchange and other movements	—	(2.7)	(0.1)	1.8
At 31 December 1996	<u>188.3</u>	<u>75.7</u>	<u>188.2</u>	<u>125.1</u>

Borrowings comprise:

	1996 £ million	1995 £ million
Loans repayable after more than one year	49.3	112.0
Loans repayable within one year where the original maturity date exceeded three months	24.3	10.8
Finance leases	<u>2.1</u>	<u>2.3</u>

75.7 125.1

Notes to the accounts

24 Analysis of changes in cash and cash equivalents

	Short-term investments £ million	Cash £ million	Overdrafts £ million	Net cash and cash equivalents £ million
At 1 January 1995	20.5	104.0	(22.2)	81.8
Net cash inflow (outflow)	2.6	35.6	(4.1)	31.5
Exchange and other movements	0.2	0.8	(0.1)	0.7
At 1 January 1996	23.3	140.4	(26.4)	114.0
Net cash inflow (outflow)	4.3	7.3	(5.9)	1.4
Exchange and other movements	(0.1)	(7.9)	2.0	(5.9)
At 31 December 1996	<u>27.5</u>	<u>139.8</u>	<u>(30.3)</u>	<u>109.5</u>

25 Capital commitments

	Group 1996 £ million	Group 1995 £ million
Contracted but not provided in accounts	<u>1.6</u>	<u>1.3</u>

26 Lease commitments

	Land and buildings 1996 £ million	Plant and equipment 1996 £ million	Land and buildings 1995 £ million	Plant and equipment 1995 £ million
Current annual commitments payable under non-cancellable operating leases expiring:				
Group:				
Under one year	1.1	0.1	3.0	0.1
Between two and five years	4.2	6.7	3.9	4.9
After five years	7.4	—	6.9	—
	<u>12.7</u>	<u>6.8</u>	<u>13.8</u>	<u>5.0</u>
Company:				
Between two and five years	0.2	—	0.2	—
After five years	1.8	—	1.8	—
	<u>2.0</u>	<u>—</u>	<u>2.0</u>	<u>—</u>

Notes to the accounts

26 Lease commitments (continued)

	Group 1996 £ million	Group 1995 £ million
Obligations under finance leases due:		
Under one year	0.8	1.2
From one to five years	1.3	1.1
	2.1	2.3
Future finance charges	0.3	0.3
	<u>1.8</u>	<u>2.0</u>

27 Contingent liabilities

	Group 1996 £ million	Group 1995 £ million	Company 1996 £ million	Company 1995 £ million
Guarantees given in respect of borrowings of group undertakings	<u>2.7</u>	<u>6.1</u>	<u>87.1</u>	<u>114.0</u>

AMEC p.l.c. and certain subsidiary undertakings have given counter indemnities in respect of performance bonds issued on behalf of group undertakings in the normal course of business.

28 Pension arrangements

The group operates a number of pension schemes for United Kingdom and overseas employees. All United Kingdom members are in defined benefit schemes. Contributions paid by employees and employers are held in funds that are separate from the group's finances and which are administered by trustees. The total pension cost for the group was **£12.0 million** (1995 - £16.3 million). A prepayment of pension costs of **£8.8 million** (1995 - £2.7 million) is included in note 15 - Debtors due after one year - on page 46. Pension costs are assessed in accordance with the advice of independent qualified actuaries. The projected unit method is used to assess liabilities and future funding rates for the two major schemes which cover 92.5 per cent of United Kingdom members. The latest actuarial valuations of these schemes were undertaken as at April 1996. These showed that the market value of the assets was £618 million with the actuarial value of assets being sufficient to cover 118 per cent of the accrued benefits. The valuations assumed that the investment returns would be two per cent higher than the rate of annual salary increases.

29 Related party transactions

During the year, the value of services rendered and goods sold to unincorporated joint ventures and associated undertakings amounted to **£51.1 million** and **£41.1 million** respectively. At 31 December 1996, the amounts owed by unincorporated joint ventures and associated undertakings for services rendered and goods sold amounted to **£19.9 million** and **£4.5 million** respectively.

Statement of directors' responsibilities for the preparation of accounts

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

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

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

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

Report of the auditors

To the members of AMEC p.l.c.



We have audited the accounts on pages 32 to 53. We have also examined the amounts disclosed relating to the emoluments and share options of the directors which form part of the report of the remuneration committee on pages 29 to 31.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the

information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 1996 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered accountants
Registered auditor

Leeds
27 March 1997

Five year record

	1996 £ million	1995 £ million	1994 £ million	1993 £ million	1992 £ million
Consolidated results					
Turnover	2,768.5	2,451.3	1,962.4	2,186.4	2,123.2
Profit (loss) before taxation	27.2	15.9	20.0	20.4	(88.2)
Taxation	(6.0)	(2.0)	(2.3)	(2.5)	9.8
Attributable profit (loss)	21.2	13.9	17.7	17.9	(78.4)
Dividends	19.7	17.7	17.6	17.6	17.7
Transfer to (from) reserves	1.5	(3.8)	0.1	0.3	(96.1)
Earnings (loss) per ordinary share	4.7p	1.1p	3.1p	3.2p	(44.6p)
Dividends per ordinary share	4.0p	3.0p	3.0p	3.0p	3.0p

Summarised consolidated balance sheets

Assets employed:					
Fixed assets	137.7	151.1	159.8	188.0	186.3
Net current assets	172.6	228.3	276.5	182.6	157.0
	310.3	379.4	436.3	370.6	343.3
Financed by:					
Share capital	188.3	188.2	187.4	187.5	187.3
Reserves	29.9	31.1	46.0	51.6	54.2
Shareholders' funds	218.2	219.3	233.4	239.1	241.5
Loans	49.3	112.0	129.4	95.0	69.2
Other creditors	42.8	48.1	73.5	36.5	32.6
	310.3	379.4	436.3	370.6	343.3

Notes

- 1 Dividends and earnings (loss) per ordinary share have been adjusted for capital issues.
- 2 The figures are stated in accordance with the accounting policies set out on page 37.

Principal group undertakings at 31 December 1996

The subsidiary and associated undertakings which are, in the opinion of the directors, those principally affecting group trading results and net assets are listed below. All subsidiaries are wholly owned. Except where indicated, undertakings are incorporated in Great Britain, registered in England and Wales and carry on their activities principally

in their countries of incorporation. Shares are held directly by AMEC p.l.c. except where marked with an asterisk where they are held by subsidiaries. All holdings are of ordinary shares except where otherwise indicated. A full list of subsidiaries will be filed with the Registrar of Companies with the next annual return.

Civil engineering

AMEC Civil Engineering Limited
AMEC Mining Limited
AMEC International Construction Limited
(operating outside the United Kingdom)

Civil engineering
Opencast mining
International construction

Construction

AMEC Construction Limited
AMEC Construction Scotland Limited (Scotland)

Construction
Building and civil engineering

Housing

Fairclough Homes Limited

Private housing

Infrastructure services

AMEC Infrastructure Services Limited
AMEC Facilities Limited
AMEC Power Limited
AMEC Utilities Limited

Infrastructure services
Facilities management and services
Power transmission and distribution
Ducting and pipeline installation and maintenance

Mechanical and electrical

AMEC Mechanical and Electrical Services Limited
AMEC Rail Limited
James Scott Limited (Scotland)
Matthew Hall Limited

Mechanical and electrical services
Railway infrastructure services
Mechanical and electrical engineering
Mechanical and electrical engineering

Process and energy

AMEC Process and Energy Limited
*AMEC Engineering Nederland b.v. (Netherlands)
*AMEC Process and Energy A/S (Norway)

Engineering, construction, fabrication and project management
Engineering, construction and project management
Engineering, construction and project management

Project investment, development, manufacturing and services

AMEC Developments Limited
AMEC Housing and Development Limited
AMEC Manufacturing and Services Limited
AMEC Project Investments Limited
AMEC Services Limited
CV Buchan Limited
Denco Limited
Franklin Hodge Industries Limited
Travel Places (International) Limited
Watson Steel Limited

Commercial property development
Commercial and residential property development
Manufacturing and services
Private finance initiatives
Plant, transport and agency personnel services
Precast concrete
Building services equipment
Storage vessels
Travel services
Fabricated steelwork

Principal group undertakings at 31 December 1996

International

* AMEC Australia Pty Limited (Australia) (note 1)	<i>Mechanical and electrical engineering</i>
* AMEC Electrical and Mechanical Engineers Limited (Hong Kong)	<i>Mechanical and electrical engineering</i>
* AMEC Mechanical and Electrical Engineers Pte Limited (Singapore)	<i>Mechanical and electrical engineering</i>
* Gebrüder Kittelberger GmbH & Co. (Germany)	<i>Construction</i>
* Morse Diesel International Inc. (USA)	<i>Construction management</i>

Group services

AMEC Finance Limited	<i>Group finance</i>
AMEC Property and Overseas Investments Limited	<i>Group investments</i>
* Atlantic Services Limited (Bermuda)	<i>Insurance</i>

Associated undertakings

Ringway Developments PLC (21% - B shares) (note 2)	<i>Commercial property development</i>
* Gulliver Consolidated Limited (Zimbabwe) (34.8%) (note 3)	<i>Civil engineering and transport contracting</i>
* Christiani-AMEC Asia Limited (Thailand) (49% - B shares) (note 4)	<i>Civil engineering, power transmission and distribution</i>
Greater Manchester Metro Limited (28.6%) (note 5)	<i>Operation and maintenance of a light rapid transit system</i>
* Egypt Gas Company (20%) (note 6)	<i>Gas distribution</i>

Notes

- 1 The issued share capital of AMEC Australia Pty Limited is 62,930,001 ordinary shares of A\$1 each, 2,500 non-cumulative redeemable preference shares of A\$1 each and 10,000 class A redeemable preference shares of A\$1 each.
- 2 The issued share capital of Ringway Developments PLC is 7,000,000 A shares of £1 each and 7,286,000 B shares of £1 each.
- 3 The issued share capital of Gulliver Consolidated Limited is 9,694,253 shares of 50 Zimbabwean cents each.
- 4 The issued share capital of Christiani-AMEC Asia Limited is 1,020,000 A ordinary shares of baht 10 each and 980,000 B ordinary shares of baht 10 each.
- 5 The issued share capital of Greater Manchester Metro Limited is 10,000 ordinary shares of 10p each and 10,000 preference shares of 10p each.
- 6 The issued share capital of Egypt Gas Company is 60,000 shares of LE 1,000 each.
- 7 AMEC p.l.c. has representation on the board of each group undertaking.

Notice of annual general meeting

Notice is hereby given that the 1997 annual general meeting of AMEC p.l.c. will be held at the Greater Manchester Exhibition and Event (G-MEX) Seminar Centre, Manchester M2 3GX, on Wednesday 4 June 1997, 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 1996 and to declare a final dividend of 2.5p per ordinary share (Resolution 1).
- 2 To re-elect directors:
Mr J M Green-Armytage, Mr J R Darley and Mr J A Monville, who retire in accordance with article 90 of the articles of association of the company (Resolutions 2, 3 and 4).
Dr K W Humphreys, Mr J D Early and Mr M K Eckersall, who retire by rotation in accordance with article 84 of the articles of association of the company (Resolutions 5, 6 and 7).
- 3 To consider and, if thought fit, to pass the following resolution:
That KPMG Audit Plc be and they are hereby re-appointed auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company at a remuneration to be fixed by the directors (Resolution 8).
- 4 As special business, to consider and, if thought fit, pass the following resolutions:

As a special resolution (Resolution 9):

That the authority conferred on the directors by paragraph 12.2.1 and the power conferred on the directors by paragraph 12.2.2 of article 12.2 of the articles of association of the company be renewed for the period ending on the date of the annual general meeting in 1998 or on 4 September 1998, whichever is the earlier, and for such period:

- (a) the section 80 amount should be £34,041,160 and
- (b) the section 89 amount should be £5,105,151.

As a special resolution (Resolution 10):

That, subject to the passing at a meeting of the holders of the company's 6.5p (net) cumulative convertible redeemable preference shares of 50p each (preference shares) of an extraordinary resolution in the terms set out in the notice of meeting of the holders of such shares convened for 4 June 1997, the company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of that Act) of preference shares in the capital of the company provided that:

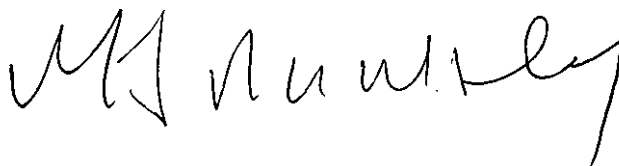
- (i) the maximum number of preference shares which may be purchased is 17,243,054;
- (ii) the minimum price which may be paid for a preference share (exclusive of expenses) is 50p;
- (iii) the maximum price which may be paid for a preference share is an amount (exclusive of expenses) not to exceed the lesser of:

- a) 105 per cent of the average of the middle market quotations of the preference shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such preference share is contracted to be purchased; and
- b) 105 per cent of the average of such quotations for the 10 business days immediately preceding the day on which such preference share is contracted to be purchased; and
- (iv) this authority shall expire at the conclusion of the annual general meeting of the company held in 1998 or, if earlier, on 4 September 1998 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed, wholly or partly, after such expiry).

As a special resolution (Resolution 11):

That, subject to the passing at a meeting of the holders of the company's 6.5p (net) cumulative convertible redeemable preference shares of 50p each (preference shares) of an extraordinary resolution in the terms set out in the notice of meeting of the holders of such shares convened for 4 June 1997, the company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of that Act) of ordinary shares of 50p each in the capital of the company provided that:

- (i) the maximum number of shares which may be purchased is 20,424,696;
- (ii) the minimum price which may be paid for each share (exclusive of expenses) is 50p;
- (iii) the maximum price which may be paid for a share is an amount (exclusive of expenses) equal to 105 per cent of the average of the middle market quotations of the company's ordinary shares as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and
- (iv) this authority shall expire at the conclusion of the annual general meeting of the company held in 1998 or, if earlier, 4 September 1998 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.



By order of the board
M J Bardsley
Secretary
9 May 1997

Notice of annual general meeting

Notes

- 1 Resolution 9, which is a special resolution proposed in accordance with the provisions of sections 80 and 89 of the Companies Act 1985, renews the authority given to the directors at last year's annual general meeting to issue shares in the company, up to a nominal amount of £34,041,160, being approximately one third of the total issued ordinary share capital, until the earlier of next year's annual general meeting or 4 September 1998 and also renews the power given to the directors at last year's annual general meeting to allot further shares for cash, other than by way of a rights issue, up to a nominal amount of £5,105,151 being approximately five per cent of the total issued ordinary share capital.
- 2 Resolution 10 is a special resolution and is a renewal of the authority given to the directors at last year's annual general meeting to purchase up to 10 per cent of the preference shares of the company currently in issue. Full details of this proposal are contained in the circular enclosed with the annual report and accounts.
- 3 Resolution 11 is a special resolution relating to a proposal to give to the directors authority to purchase up to 10 per cent of the ordinary shares of the company currently in issue. Full details of this proposal are contained in the circular enclosed with the annual report and accounts.
- 4 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.

Shareholder information

Financial calendar

Publication of results

The group's results will normally be published at the following times:

Interim report for half year to 30 June	September
Preliminary profit announcement for year to 31 December	March/April
Annual report and accounts for year to 31 December	May
Annual general meeting	June
Dividends payable	
Interim ordinary dividend	January
Final ordinary dividend	July
Convertible preference dividends	1 May and 1 November

Payment of dividends

Shareholders who do not have dividend payments made directly into their bank or building society accounts through the Bankers Automatic Clearing System (BACS) may do so by contacting the company's registrars directly at the following address:

Independent Registrars Group Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: (0181) 650 4866

Share dealing service

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

Stockbroking commission will be payable at the following rate:
1.0 per cent on the first £3,000 consideration
0.5 per cent thereafter
Minimum commission £9.50

Further information may be obtained from:

National Westminster Bank plc
Corporate and Banking Services
AMEC information
55 Mansell Street
FREEPOST
London E1 8BR
Telephone: (0171) 895 5448

This note has been approved for the purposes of section 57 of the Financial Services Act 1986 by National Westminster Bank plc, which is regulated by the Personal Investment Authority and IMRO.

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

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1 Golden Lane, London EC1Y 0RR. Telephone: (0171) 574 3999, Fax: (0171) 574 3601

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Annual report and accounts

1996

AMEC p.l.c.

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AMEC is a fully integrated engineering, construction and development group which offers clients a complete service from initial concept development, through design and construction, to aftercare.

Operating across all areas of the built environment, the group employs more than 20,000 people in a wide range of specialist disciplines. Linking them together is a strong central commitment to the transfer of technology, allowing the very best skills and expertise within AMEC to be focused on any project worldwide.

Whilst offering the broadest range of services, AMEC also provides the simplicity of single point responsibility for even the most complex projects.

Profile

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Chairman's statement



It has been a pleasure and **a privilege** to lead the AMEC team, for almost 13 years. AMEC has emerged from the recession in a strong position, with its **key core skills** intact and well placed to build on its **1996 performance.**