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AMEC plc ANNUAL REPORT AND ACCOUNTS 2000

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knowledge
innovation
technology

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COMPANIES HOUSE 26/05/01

Annualised turnover exceeded £4.2 billion*

BUSINESS SEGMENTATION		SOME HIGHLIGHTS OF ACTIVITY IN 2000
CLIENT SUPPORT SERVICES **Consulting and Design** Engineering, process, environmental and architectural consulting and design; technology and process optimisation.	£350m annualised turnover	
Operations Support Provision of outsourced operations, maintenance and renewal.	£1,124m 2000 turnover	
CAPITAL PROJECTS **Construction Management** Management of projects on behalf of clients, contracted on a fee basis.	£684m 2000 turnover	• The Rose Centre for Earth and Space at the American Museum of Natural History in New York. • Major new International Arrivals Terminal at JFK Airport in New York. • Renovation and data capability upgrade of a major section of the Pentagon in Washington DC.
Construction Procurement and construction in selected sectors.	£1,900m annualised turnover	• Major petrochemical plants completed for Sinopec in China and BP in Grangemouth, UK. • Channel Tunnel Rail Link and other major UK railway projects in Manchester and West Anglia. • Design and construction of third pharmaceutical facility for *AstraZeneca at Loughborough*, UK. • Shearwater oil and gas facility completed for Shell in the North Sea.
INVESTMENTS **Property Development** Property development projects with managed risk and specialism in urban regeneration.	£195m annualised turnover	• Newcastle Quayside development incorporating office, leisure and residential properties in the UK. • Major mixed use development project at Ashton Moss in east Manchester, UK. • Havelock Mill office development in central Manchester, UK.
Public Private Partnerships Finance/design/build/own/ operate/ transfer projects for public infrastructure.	£16m 2000 turnover	• Secured private finance contracts in consortia for the £200 million A13 in East London and a £94 million sewage treatment project in Ayrshire, Scotland. • First phase of the Newcastle Estate redevelopment for the UK Inland Revenue handed over. • Completed Cumberland Infirmary in Carlisle – the first major PFI/PPP district general hospital to be opened in the UK.

*Based on annualised turnover of acquisitions made in 2000 but before internal turnover.

- Environmental services in North America for long term clients including Exxon, Noranda, BASF, Wayerhauser, Ford and the US Airforce.
- Definition engineering for two oil and gas platforms in Sakhalin Island territory in north east Russia.
- Concept studies for the development of pharmaceutical facilities in Singapore and the UK, for GlaxoSmithKline.
- Feasibility studies for De Beers on a new Canadian diamond mine.
- UK mechanical and electrical team appointed to BAA's T5 design team at concept stage.
- Geotechnical work and seismic activity evaluation for the proposed Olivenhain Dam in California.
- Evergreen engineering services in North America for General Electric, General Mills, Agrium and Dupont Canada.

- Railtrack infrastructure maintenance contracts in the UK for the Sussex and West Anglia regions.
- Long term pharmaceutical service contracts for Aventis, Novartis, Eli Lily and BASF.
- In Singapore, long-term service contracts for Becton Dickinson, The Agriculture and Veterinary Authority and Hewlett Packard.
- 'Evergreen' contract for BP at its UK Coryton Refinery in Essex.
- Long term gas repair and replacement contracts for Transco in London, Wales and Anglia.
- Leading North Sea offshore position expanded with new support services contracts in the Philippines and Canada.
- Shutdown and maintenance activity for repeat clients Du Pont, BP Amoco, Huntsman and Union Carbide in the UK.

- Headquarters and pharmaceutical research laboratory for Serono in Rockland, Massachusetts.
- Reception and distribution centre for lighting manufacturer, Murray Feiss, in the Bronx, NY.

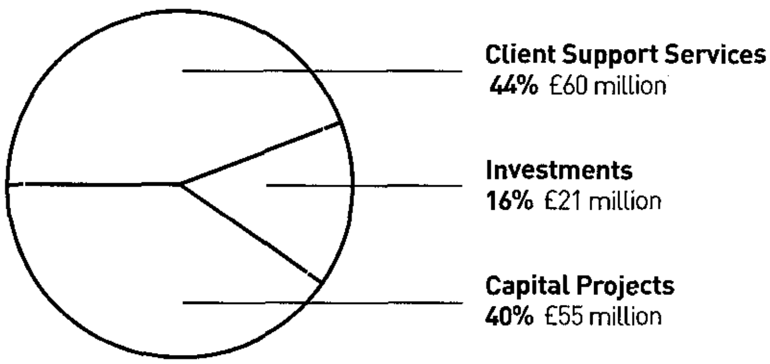
- Two major contracts for the leading South Carolina pulp and paper facility in North America.
- Partnerships for capital improvement programmes with Anglian Water and Hyder in the UK.
- Work performed for the Muskeg River and Aurora Mine oil sands projects and Terra Nova and Sable Offshore energy projects in Canada.

- Refurbishment of North House on AMEC's Cheadle Royal business park in south Manchester, UK.
- Completion of The Circus, a leisure development with hotel, bars, restaurants and casino in central Manchester, UK.
- Commencement of work on the second phase of The Guildway, a prestigious office development outside Guildford, UK.

- Private finance contract for the £225 million University College London Hospital started on site.
- Strong performance from existing private finance road schemes, the A1 (M) and A419/A417.

FINANCIAL HIGHLIGHTS

- Pre-tax profit* increased 25 per cent to £98.9 million
- Diluted earnings per share* increased 22 per cent to 24.7 pence
- Service activity expanded
- Client Support Services was main contributor to total operating profit**
- SPIE operating profit* increased by 23 per cent, substantially from Client Support Services
- Total order book of AMEC and SPIE strong at £5 billion



Analysis of total operating profit**

*Before discontinued operations, goodwill amortisation and exceptional items.

**Before discontinued operations, goodwill amortisation, exceptional items and e-commerce and corporate costs.

AMEC is a leading provider of services and engineering solutions to the world's infrastructure, manufacturing and process industries. The company generates value for clients through the application of knowledge, innovation and technology.

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We have strengthened greatly our global services capability

Last year I said that our ability to provide a fully integrated 'total life of asset' service to our international client base continued to go from strength to strength. I also said that future gains in our profitability would be driven by the selectivity of our approach to work, our collaborative styles of working and the excellence of our front-end engineering, design and specialist skills.

I am pleased to report that, in the year under review, demonstrable progress was made in all of these areas.

In addition to being a year of excellent results for AMEC, it was also a year of intensive corporate activity, with the acquisition and integration of AGRA in North America and the further development of our partnership with SPIE. It was a very successful year in the United Kingdom, where we consolidated our client relationships and set the business on a very solid footing.

As the year progressed, it was particularly pleasing to see the promise of top line synergies between our traditional operations, SPIE's growing business on the continent and our new operations in North America.

Our commitment to the management of safety, health and environmental issues remained a high priority during the year and we are taking steps to develop a broader corporate social responsibility programme.

I think we can now safely claim that we have a new AMEC – significantly transformed, with a much greater volume and strength in Client Support Services and improved contractual arrangements in Capital Projects from long-term relationships in our selected business sectors. We have important new horizons for profitable growth, both geographically and in the range and quality of the services we provide.

As always, I wish to pay tribute to our wealth of talented people who, at all levels, have contributed to the excellent performance achieved by AMEC during 2000.

Finally, I can report that AMEC is very well positioned to deliver improving performance over the years ahead.

Sydney Gillibrand CBE
Chairman
7 March 2001

Transforming the business through the growth of recurring revenues

Over the past few years, AMEC's core business strategy has been to generate value for shareholders by transforming the company into a global, service-driven enterprise with a strong base of predictable, recurring revenues from long-term clients. We have focused our work on infrastructure and in selected client sectors such as energy; pharmachem and other process industries where we are able to differentiate ourselves from our competitors, add significant value for our clients and generate improved profit margins for AMEC.

We made significant progress against our plans in 2000 as we expanded geographically in North America, greatly increased our volume of high value Client Support Services and strengthened our performance in Capital Projects through selective work for long-term clients. Highlights of the year included our acquisition of AGRA in North America, a strong performance from Public Private Partnership operations in the United Kingdom and another excellent profit performance from our French associate, SPIE.

Financial results

As a result, we were pleased to report our fifth consecutive year of improved performance with a 25 per cent increase in pre-tax profits* to £98.9 million, a 51 per cent increase in total operating profit* to £116.3 million and a 30 per cent increase in turnover* to £3,980 million.

In this annual report, we have introduced a new segmental analysis to help to provide shareholders with more visibility and transparency. We believe our new reporting format will also lead to a greater appreciation of how our business has evolved and how components of AMEC inter-relate to create greater value.

Operational highlights

The results of our operations are discussed elsewhere in this report but a number of key developments are particularly worthy of mention.

Our Client Support Services Sector, now segmented into 'Consulting and Design' and 'Operations Support', expanded significantly with our acquisition of AGRA in April 2000. Operating profit margins remained strong in 2000, above four per cent, as we continued to focus on high value services for long-term or repeat clients. With Services revenues in excess of £1.3 billion, this more predictable, lower risk area of our business provided 44 per cent of total operating profit** in 2000. We view our growing Client Support Services operations as a springboard for future growth.

Our Capital Projects Sector has now been segmented into 'Construction Management' and 'Construction', where we carry out construction projects for customers in the infrastructure, manufacturing and process industries. Results in 'Construction Management' were disappointing in 2000 but, with recent changes in local management and the opportunity to work together with our new consulting and design services operations in the Americas, we expect better results in 2001 and a return to more acceptable margins, albeit on lower volumes by 2002. In our 'Construction' activity, we achieved operating profit margins in excess of 3 per cent on increased volumes. This reflected our ongoing strategy of securing

*Before discontinued operations, goodwill amortisation and exceptional items.

**Before discontinued operations, goodwill amortisation, exceptional items and e-commerce and corporate costs repeat work from key clients as well as our ability to benefit from synergies with other parts of AMEC.

Our Investments Sector had an excellent year in 2000. In 'Property Development', we continued to achieve returns on capital employed at better than 20 per cent on completed schemes. Our reputation for the development of brown-field, urban regeneration projects gives competitive advantage in this growing sector of the market. In 'Public Private Partnerships', results benefited from reaching financial close on three large schemes, including our second major hospital project in the UK.

SPIE

SPIE provided another excellent contribution in 2000, having increased its operating profit* by 23 per cent, substantially from its Client Support Services operations. The company maintained its strategy of expanding its electrical based services and being selective in its choice of major projects. We were especially pleased with the growing business synergies we have developed between SPIE and AMEC in the UK, particularly in high-speed rail. We also see prospects of developing further synergy between SPIE and our new operations in the Americas.

As we approach the date for committing to acquire the balance of SPIE, in 2002, we are discussing with the senior SPIE management our joint plans for the company and its position in an expanded AMEC after that time. Relationships built up over four years are excellent and both management teams remain enthusiastic about the future together.

Management

As AMEC expands, we remain focused on ensuring the efficiency of our internal management and overhead structures. In 2000, we identified the savings in AGRA that we anticipated pre-acquisition and, across the group, we continue to search for new efficiencies which will benefit us in later years. Investments in technology are part of these efforts as we continue our work on the development of first class internal financial, human resources and client support systems.

In addition, as the scale of AMEC increases, our ongoing initiatives in the areas of safety, health and the environment, knowledge management, innovative partnering, strategic client management and applied technology will assume ever greater importance. Other sections of this report highlight a number of our activities in these key areas.

Market outlook

Looking forward, we continue to benefit from solid, long-term client relationships. The total order book for AMEC and SPIE remains strong at £5 billion.

Economic robustness in the UK and Europe bodes well for our business. Our service activities have benefited by the renewal of our UK rail contracts and from our position in the expanding oil and gas sector. We see excellent prospects for significant new projects in West Africa, Russia, the Caspian and Canada.

In North America, the current slowdown in the economy is not impacting currently on our operations. Whilst we cannot be entirely shielded from the downturn in consumer spending, our businesses are well positioned to benefit from demand for our services created by power deregulation, infrastructure investment through the US Transportation Equity Act, new pipeline and energy projects and renewed capital spending by our customers in mining and forest products.

In summary, 2000 was a year of great activity and significant strategic progress for AMEC. We have many challenges and opportunities before us but our markets are strong and we remain confident as we press ahead with AMEC's transformation.

Peter Mason
Chief Executive
7 March 2001

*Before discontinued operations, exceptional items and goodwill amortisation.

AMEC generates value for its clients through the application of knowledge, innovation and technology.

Knowledge Our greatest resource is the knowledge of our people. Our ability to create breakthrough solutions stems from our experienced professionals, a learning culture and the ability to share our knowledge and best practices worldwide. Clients benefit from our skill, operational experience and intimate understanding of their operational processes.

Innovation AMEC was a pioneer in the development of innovative approaches to project delivery including alliancing and Public Private Partnerships. Through partnering agreements, services contracts and the provision of full 'life-of-asset' support, we help our clients to achieve significant capital savings, faster project delivery and greater long-term asset value.

Technology Our people use the very latest technologies to unlock value for clients. AMEC's industry-leading technologies include specialised operations analysis and simulation tools, the best in CAD and related design software, our Convero project management system and our in-house project web technology that allows us to deploy instantly the knowledge and experience of AMEC's professionals from offices around the world.

AMEC has developed a unique breadth of knowledge through years of experience working in selected client industries. The company multiplies the value of its knowledge resources by sharing it effectively among its people.

Offshore wind Border Wind, a leading UK wind energy developer, was acquired last year to create AMEC Border Wind. Combining this knowledge with AMEC's existing offshore expertise allowed it to lead a consortium including Powergen Renewable, Nuon UK and Shell Renewables to design and develop the North Sea's first offshore wind farm at Blyth, Northumberland. AMEC and its partners now generate more than 14 megawatts of electricity by wind energy from five sites in the UK – enough to supply more than 14,000 homes. 1

Meteorological knowledge In-depth meteorological and ocean current knowledge allows AMEC to offer a unique service to oil and gas drillers in the waters off Newfoundland, where drifting icebergs can threaten operations. Visually and with radar, AMEC tracks and plots icebergs and, when necessary, co-ordinates efforts to tow or deflect them away from the path of essential operations. During 2000 AMEC, working for a Norwegian oil client, tracked more than 230 icebergs west of Greenland, with over 70 being towed. The largest was estimated to be four million tonnes, making it one of the biggest icebergs ever towed. 2

Knowledge management and AMECnet The collective knowledge and experience of AMEC's people is now shared internally through AMECnet, the global intranet launched during 2000. This is an essential part of AMEC's ability to deliver value solutions to its clients. Using AMECnet, employees can access industry information, best practices, company capabilities, country profiles, archived news and much more. They can also identify specialists across the business and link into their knowledge.

Pharmaceutical research AMEC combined a wide variety of skills to provide total support for Novartis Pharmaceuticals in the UK, at one of the country's most advanced pharmaceutical research facilities. AMEC's multi-disciplinary team designed and constructed the fully integrated building and associated complex services from the outset with provision for future development fully incorporated. The facility, for which AMEC provides continuing support services, focuses on the discovery of new medicines for the treatment of respiratory diseases. 3

knowledge

Contamination clean-up AMEC is managing an innovative programme to clean up contamination at the Massachusetts Military Reservation in the US. Molasses, hydrogen peroxide, cranberry mash and wood chips are all being evaluated for the clean-up of soils and ground water at the reservation, where there is a high concentration of the chemical RDX, which is used in artillery shells. Molasses is used to stimulate the appetite of microbes in the soil, which then consume the RDX – literally eating the soil clean. Another strategy adds locally available cranberry mash to compost the soil. Hydrogen peroxide can also be injected into the groundwater to degrade contaminants. 4

Business improvement for Union Carbide AMEC has completed the first full year of its five year alliance with Union Carbide at its Wilton manufacturing facilities in the UK. The company is providing a comprehensive asset support service to Union Carbide and is reviewing existing management systems and long-term strategic goals for the facility in order to deliver significant business improvements. In addition to providing a range of engineering support services, AMEC also undertakes maintenance, sub-contractor management, planning, purchasing and project execution at the facility. 5

Project webs AMEC's project webs allow the highest levels of collaboration and knowledge sharing for project specific teams. The Muskeg River oil sands project in Northern Canada is a good example of a project that benefits from this technology. The joint venture involves AMEC, its engineering partner and around 20 subcontractors in North America, the UK, and Africa. The secure project web allows seamless communication between all parties, including the client, and helps to make more effective use of project time – lowering costs and increasing overall efficiency. 6

Innovative partnerships help AMEC to generate value for its customers. The company thinks beyond traditional approaches in order to create greater long-term asset value and exceptional results for its clients.

Innovative partnerships AMEC is an industry innovator in client partnership relationships. During the year it secured a number of new strategic framework agreements.
For the BBC, which is upgrading its UK property portfolio, AMEC will provide long-term services, project management and cost consultancy. For BT it will be working on the annual capital and strategic maintenance programme of the UK property portfolio. AMEC has also been appointed as a framework partner for Anglian Water and Hyder, for the third phase of their respective asset management programmes. The business also continued to benefit from existing long-term relationships with clients such as BAA, BNFL and Railtrack. 1

Water from rocks AMEC has used its specialist geotechnical knowledge to put forward innovative proposals to the drought-stricken region of Western Orrisa in India to store water in hard rock to provide a supply to many thousands of local villagers. AMEC has previously used this approach to extract water from bedrock for a highway project in a remote area of Arizona in the US. Under the proposals for Western Orrisa, water would be extracted from deep aquifers in fractured hard rocks during dry periods and replenished when it rains. 2

Public Private Partnerships for hospitals British Prime Minister Tony Blair opened the new Cumberland Infirmary in June – the first major district general hospital to be completed under the Government's private finance initiative. Financing, design and construction of the hospital was undertaken by an AMEC consortium, which will also provide non-clinical services for the next 30 years. An AMEC consortium also started work on the new University College London Hospital during the year. This is AMEC's second major UK private finance hospital and includes the responsibility for non-clinical services for the next 40 years. 3

innovation

Aboriginal partnerships In Canada, renewed activity on land claims and treaty settlements has increased opportunities for companies to work with aboriginal groups. Resource companies have learned that it is sound business practice to develop aboriginal policies and partnerships. Beginning with aboriginal awareness training for managers, AMEC is establishing partnerships with several aboriginal organisations and developing greater aboriginal content in its organisation and services.

Innovative rail solutions An AMEC alliance is developing an innovative new rail freight system for the UK. The project, for the Strategic Rail Authority, aims to encourage freight distribution companies to switch from road to rail, providing considerable operational, economic and environmental benefits. Train design technology and custom-built project management systems are being provided by AMEC to develop the 'mini' freight train concept. The alliance covers research and development up to the production of a first version during 2001. 4

Logistics solutions Logistics and project delivery expertise enabled AMEC to undertake a supply chain flow study and achieve significant savings for US retailer Sears Roebuck Inc. AMEC helped to redesign the client's transportation and repair network across the US for its after-sales service in home goods. Truck routing and scheduling, geographic information and simulation models were all used to design the optimal repair network and reduce the number of repair facilities. AMEC also redesigned the spare parts distribution network to support 15,000 technicians carrying out home repairs.

Defence partnering AMEC has continued to strengthen its relationship with the UK Ministry of Defence (MoD). In March 2000, it won the first project to be placed by MoD under its Prime Contracting initiative, which aims to deliver certainty of cost, programme and quality. Key to securing this project for submarine berthing facilities at HMNB Clyde (Faslane) was AMEC's ability to transfer the partnering lessons learned at Aldershot on the Building Down Barriers pilot project, which was handed over to MoD in July. 5

AMEC applies and develops technologies to support its global operations and help clients achieve or surpass their goals for productivity, efficiency and sustainability.

Advanced engineering AMEC's Advanced Engineering Services unit uses advanced numerical analysis technology to simulate the behaviour of equipment, structures or components in all potential situations. This technology, originally developed for the aerospace industry, is now regularly applied by AMEC to projects all over the world and recently ensured an economical design for wind turbines off the coast of Sweden. In North America, AMEC uses an integrated design engineering and advanced simulation tool (IDEAS™) to help clients minimise risks, improve operations and optimise capital employed. It is regularly used for clients in the pulp and paper, mining and metallurgy, chemical, manufacturing and power industries. 1

Web-based project management Convero, AMEC's web-based project management system, has been employed on some of the world's largest offshore and infrastructure projects. These include projects for Hydro Quebec, a large North American power utility and major Canadian offshore projects including Hibernia and Terra Nova. Hydro Quebec adopted Convero as its standard project management system in 1997. Since that time it has trained hundreds of users and is currently migrating all of its remaining major projects to the system. Convero was also chosen as the primary tracking and project management tool for Hibernia. This Cdn$6.5 billion project was the first fixed platform of its kind and its infrastructure is the foundation for future Canadian oil developments. 2

technology

Fuel cell technology AMEC has an unusual contract to design and build the world's largest regenerative fuel cell. Work involves the design and construction of a commercial-scale energy storage plant for Innogy Technology Ventures Limited, a company formed during the demerger of UK utility, National Power. The plant will store up to 120MWh of electricity using state-of-the-art Regenesys™ technology developed by Innogy, using a regenerative fuel cell system. It will operate like a giant rechargeable battery – storing enough electricity to power 10,000 homes for 24 hours. The facility will become operational in 2002 and AMEC will continue to support Innogy as it enters the market with this technology. 3

Geomelt technology In 2000 AMEC acquired the worldwide licence to the Geomelt vitrification technology which is used in waste treatment operations to destroy or immobilise contamination. AMEC has established Geomelt business centres in the UK, Australia, Japan and the US. A full scale demonstration project is currently underway to confirm the effectiveness of the technology for handling radioactive buried waste for the US Department of Energy. In another project, AMEC is undertaking an engineering design study to evaluate the applicability of Geomelt technology to the treatment of concentrated hexachlorobenzene waste for a private petrochemical company in Australia. 4

Gas to liquids technology AMEC and the Syntroleum Corporation have entered into an agreement to jointly exploit Syntroleum's gas-to-liquids technology. The requirement for gas-to-liquids technology is driven by an increasing global demand for ultra-clean fuels and the petroleum industry's need to utilise, rather than dispose of, associated gas in remote oil fields. Current disposal alternatives include flaring off, which is wasteful and environmentally harmful, and gas re-injection, which is expensive. AMEC will provide the engineering design and development support for the installation of Syntroleum technology in both onshore and offshore applications and is already working with Syntroleum and its licensees in various locations worldwide.

SPIE S.A.
ANOTHER EXCELLENT YEAR OF CONTRIBUTION AND GROWTH.

In 2000, SPIE increased its order book in electrical services by 25 per cent and expanded its services in high value growth sectors.

1 Ore pipeline in Peru
2 Pont du Gard
3 Shell Global Solutions
4 Heating, ventilation and air conditioning for Europlaza, Paris
5 Toll gate maintenance in France
6 Strasbourg Light Rail Transit System
7 Funchal Airport in Madeira

SPIE continued its strategy of organic and acquisitions-led growth with emphasis on Europe and an increased focus on the services markets and telecommunications.

Strong growth in service activities across Europe Following the acquisition of Laurent Bouillet in late 1999, SPIE is now a leading provider of heating, ventilation and air conditioning systems in France and Belgium. The acquisition also allowed SPIE to form in 2000 a partnership with SCIC, a subsidiary of the public French financial group, Caisse des Dépôts et Consignations, through the creation of Eurogem SAS, a building facilities manager. In Portugal, SPIE expanded its local network and enhanced its maintenance skills for the oil industry by purchasing Porto based Sometin.

The major corporate activity in 2000 was the acquisition of Electron in the Netherlands. Skilled in multi-disciplinary technical maintenance for industrial sites and in telecommunications and energy infrastructure, Electron has a turnover of approximately €80 million with 800 employees in 10 subsidiaries throughout the country. This acquisition strengthens SPIE's presence in the Benelux countries, where its operations are focused on the industrial, commercial and infrastructure markets.

Launch of the Spie Netcom brand name In 2000, Spie Trindel combined all of its network and telecoms skills under Spie Netcom. This operation comprises three complementary businesses: Telecom Services, which designs, installs and operates telecom infrastructure; Net Building, which provides solutions for communication networks in commercial, industrial and public buildings; and Networks, which provides specialist expertise in business communication and information systems.

Spie Netcom is supported by Spie Trindel's 200 regional offices, together with its subsidiary companies, Elona in France, EDS in Germany and Electron Telecom in the Netherlands. Spie Netcom, which, in 2000, generated a turnover of around €305 million represents a strategic future development for Spie Trindel. Further expansion is expected to continue in Europe through organic growth and acquisitions.

Development of higher value-added services to construction activities SPIE applies a highly selective approach to securing contracts and when entering into partnership arrangements.

Spie Enertrans Transport reported a 31 per cent increase in railway infrastructure business during the year with major projects in France, the UK (through AMEC SPIE Rail Systems), Germany, Spain, Venezuela, Hong Kong, Egypt and Morocco.

The number of industrial construction projects in France increased significantly during the year and the creation of AMEC SPIE PharmaChem in May 2000 creates new prospects for both partners in the future. Changes in its energy markets resulted in SPIE restructuring its construction operations into three markets, focusing activities on oil and gas, electricity and nuclear power.

Spie Capag is a world leader in pipeline construction. It has recently signed a major oil pipeline contract in West Africa and, in Europe, it entered the UK market in partnership with AMEC. The company is now aiming to expand its activities into oil and gas maintenance and services work. To better serve its chosen markets, SPIE's automation and instrumentation skills in the oil and gas and electric power segments have been combined under the Spie Enertech brand name.

Spie Thermatone continued to enjoy favourable levels of maintenance services business for the French nuclear industry and continued its work on a power plant in China.

SAFETY, HEALTH AND ENVIRONMENT AMEC'S OVERALL GOAL IS TO CAUSE NO HARM TO PEOPLE OR THE ENVIRONMENT.

In 2000, AMEC made solid progress in the continued development of its Safety, Health and Environment (SHE) programme, including a renewed commitment to achieve a year-on-year reduction in accident incidence rates. During the year, it initiated a corporate social responsibility review with the clear aim of developing a broader integrated programme for the future.

In the UK, AMEC's shutdown and maintenance business worked the entire year – 1.7 million man hours – without a lost time incident. Similarly, at BNFL's giant Sellafield nuclear plant, an AMEC team was recently awarded a prestigious safety prize for its activity on a major facility.

In Canada, an AMEC Forest Industries team completed its fourth year without a lost time injury at Procter & Gamble Weston's plant, in Toronto, while the Muskeg River oil sands project, in Alberta, achieved an impressive two million man hours without a lost time incident.

Safety initiatives
During 2000, AMEC introduced a series of further safety initiatives highlighting its commitment to drive health and safety standards higher at every opportunity.

- Directors and Senior Managers across AMEC produced personal safety performance contracts setting out their personal commitments on actions they will take to improve health and safety;
- AMEC introduced a Health and Safety climate survey tool to obtain the views of its workforce, including subcontractors, on health and safety in AMEC and to jointly seek improvements. Over 10,000 responses were received allowing the introduction of a comprehensive programme of improvement and benchmarking;
- AMEC 'Safety Watch' was introduced. This is a system for training supervisors and managers in observation and communication techniques allowing them to recognise and reinforce safe behaviour, find the root cause of unsafe behaviour and ensure that corrective action is taken;
- The VOICE system (Views of Operatives in Construction and Engineering) was implemented on major projects. This seeks the involvement of everyone on site in hazard identification and correction. It trains volunteers to act as observers and provide feedback to site management on a regular basis. It also requires management to participate and act appropriately on the observers' findings.

Training
High quality in-house SHE training programmes underpin AMEC's approach.

Overall, 11,756 people received formal SHE training undertaken in-house in AMEC businesses. In addition, AMEC has a continuous programme of team briefings, site inductions and 'tool-box' talks. During 2000, the central SHE training department also trained over 2,700 people. Some 118 directors and senior managers attended the five-day Managing Safely course that is managed and presented by AMEC's SHE professionals and accredited by the Institution of Occupational Safety and Health. 2000 also saw the development and introduction of the IOSH accredited Working Safely programme and over 80 delegates attended these sessions throughout the year.

Environment
In addition to maintaining a safe working environment, AMEC's goal is to cause no harm to the environment and to work with clients to ensure that the environmental effects of their processes are minimised. For the first time, AMEC participated in the UK Business in the Environment 2000 Index of Corporate Environmental Engagement. Commitment to this leading business survey provides AMEC with a starting point to benchmark and, in due course, report on its environmental impact.

A key development during 2000 was the formation of AMEC's extensive environmental services business through the acquisition of AGRA and, subsequently, Ogden Environmental & Energy Services, in North America. This business now employs some 2000 environmental consultants from more than 90 offices across North America and has an enviable knowledge and technology resource from which to grow. Although aimed primarily at external clients, this business is proving to be a valuable resource when developing internal environmental policies and processes. It also strongly complements AMEC's other environmental activities which include wind power generation, fuel cell technology, gas to liquids, Geomelt and water from rocks – all covered in this annual report.

Sydney Gillibrand CBE
Age 66, was appointed a non-executive director in August 1995 and became non-executive chairman in July 1997. He was previously vice-chairman of British Aerospace plc. He is a non-executive director of several other organisations.

Peter Mason
Age 54, was appointed to the board as chief executive in March 1996. He was previously an executive director of BICC plc and chairman and chief executive of Balfour Beatty Limited.

Liz Airey
Age 42, was appointed a non-executive director in May 1999. She was previously the finance director of Monument Oil and Gas plc and the finance director and company secretary of Nimex Resources Limited. She is also a director of several other organisations.

James Dallas
Age 45, was appointed a non-executive director in October 1999. He is the chairman of a law firm, Denton Wilde Sapte. He is the chairman of the remuneration committee.

John Early
Age 55, was appointed an executive director in March 1986. He is the director responsible for the Investments sector.

Jock Green-Armytage
Age 55, was appointed a non-executive director in June 1996. He is chairman of JZ Equity Partners plc. He is the chairman of the audit committee and the senior non-executive director. He is also a director of several other organisations.

Martha Hesse
Age 58, was appointed a non-executive director in April 2000. She is president of Hesse Gas Company and was formerly chairman of the US Federal Energy Regulatory Commission and assistant secretary for management and administration of the US Department of Energy.

Peter Janson
Age 53, was appointed an executive director in April 2000. He was formerly the chief executive officer of AGRA Inc. and is now chairman and chief executive officer of AMEC Inc. and responsible for AMEC's operations in North America.

Jean Monville
Age 56, was appointed an executive director in February 1997. He is the chairman and chief executive of SPIE S.A.

George Payne
Age 53, was appointed an executive director in November 1994. He is the commercial director.

David Robson
Age 55, was appointed an executive director in August 1991 and became chief operating officer in January 1998.

Stuart Siddall
Age 47, was appointed finance director in June 2000. He was previously finance director of Alpha Airports Group PLC and of MANWEB plc.

Left to right:
Top row: Sydney Gillibrand, Peter Mason, Stuart Siddall, David Robson.
Middle row: John Early, George Payne, Jean Monville, Jock Green-Armytage.
Bottom row: James Dallas, Martha Hesse, Peter Janson, Liz Airey.

Expanded operations and more detailed disclosure

Stuart Siddall
Finance Director

To better present AMEC's expanded operations in 2000, the company has introduced a new segmentation of operational results as outlined on pages 29 to 31.

Acquisitions
During the year, AMEC acquired AGRA Inc. (now AMEC Inc.), a North American engineering and professional services group. In addition, a number of small strategic acquisitions were made, as detailed in the report of the directors on page 32.

Overall shareholder return
Dividends per ordinary share
The recommended final dividend is 5.7 pence which, together with the interim dividend of 2.8 pence, results in a total dividend of 8.5 pence, an increase of 13 per cent. Dividend cover is 2.9 times earnings on a diluted basis* (1999 – 2.7 times).

Shareholders' funds
Shareholders' funds at 31 December 2000 amounted to £300 million, an increase of £41 million in the year, analysed as follows:

	£ million
Issue of ordinary shares	32
Purchase and cancellation of preference shares	(14)
Retained profit	25
Other net movements	(2)
	41

The issue of ordinary shares comprised a placement of 10.4 million shares to fund a number of corporate transactions which included the SPIE rights issue in January 2001, with the balance resulting from the exercise of share options and conversion of preference shares to ordinary shares. The purchase and cancellation of 14.6 million preference shares was achieved at an average price of 96.3 pence per share and was earnings enhancing.

Under the terms of the court order dated 7 July 1993 relating to the cancellation of share premium account and following receipt by the company of £57.3 million for the subscription of new shares since the date on which that order became effective, it is expected that £57.3 million will be transferred from the special reserve to the company's distributable reserves during 2001.

Earnings per share*	2000 pence	1999 pence
Basic	**28.7**	23.1
Diluted	**24.7**	20.2

Over the last four years, diluted earnings per share** have increased at a compound annual growth rate of 24 per cent. The rate has slowed to 19 per cent over the last two years, in part due to a higher tax rate, which will continue to reflect on the growth of future diluted earnings per share.

Turnover and gross margins*
Turnover from continuing businesses, at £3,980 million, was 30 per cent higher than 1999. Of that increase, 13 per cent represented growth from continuing operations, with the balance of 17 per cent, or £516 million, resulting from the impact of acquisitions. Had those acquisitions been owned throughout 2000, turnover on an annualised basis would have exceeded £4.2 billion, a 38 per cent increase.

In 2000, gross margins were 9.2 per cent of group turnover, compared with 7.7 per cent in 1999.

Administrative expenses and operating profit*
Administrative expenses of £205 million were £79 million higher than 1999, principally reflecting the impact of acquisitions of £76 million. At 6.4 per cent of group turnover (1999 – 5.3 per cent), administrative expenses reflect the

*Before discontinued operations, goodwill amortisation and exceptional items.
**Before discontinued operations in the year of discontinuance, goodwill amortisation and exceptional items.

higher level of overheads typical of the engineering and professional services acquired in the year.

Total operating profit in 2000 increased by £39 million to £116 million. The increase is analysed as follows:

	£ million
Consulting and Design	10
Operations Support	4
Construction Management	3
Construction	17
Property Development	1
Public Private Partnership	10
	45
E-commerce and central costs	(6)
	39

Of this increase, £20 million related to acquisitions in the year, principally AGRA Inc.

Interest*
There was a net interest charge in the year of £17 million, compared with net interest income of £2 million in 1999. Of the increase of £19 million, approximately £15 million related to acquisitions in the year, the balance primarily reflected increased finance charges arising in Public Private Partnership companies, several of which are now fully operational.

Operating capital employed
A segmental analysis of operating capital employed is as follows:

Class of business	2000 £ million	1999 £ million
Client Support Services	72	35
Capital Projects	11	(74)
Investments	141	96
	224	57

Of the overall increase of £167 million, £137 million related to the acquisition of AGRA Inc. Of particular note, however, is Capital Projects, where the move towards cost reimbursable contracts is reducing the level of advance cash. In Investments there has been an increase in land and work in progress attributable to Property Development and an increase in the equity participation in Public Private Partnership companies. The Investments segment also includes the Grand Cayman hotel.

Goodwill amortisation and exceptional items
Goodwill amortisation of £6.7 million related to businesses acquired in the year. In addition, goodwill of £3.6 million, previously written off to reserves, principally in respect of an overseas business disposed of in the year, has been charged to the profit and loss account.

Exceptional charges of £6.8 million were in respect of the disposal of a number of non core businesses.

Goodwill capitalised
During the year, goodwill of £176 million was capitalised relating to a number of acquisitions, principally AGRA Inc. This can be analysed as follows:

	£ million	£ million
Total cost of acquisitions		244
Book value of assets acquired	(118)	
Fair value adjustments:		
Revaluations	13	
Alignment of accounting policies	19	
Provisions	18	
Net assets acquired		(68)
Goodwill capitalised		176

Substantially all of this goodwill is expected to be amortised over a 20 year period, at an annual rate of approximately £9 million.

Taxation
Tax charge
The tax charge of £29 million represents 29 per cent of the pre-tax profit*, an increase, as anticipated, from 26 per cent in 1999. This increase is attributable to the higher tax charge on profits arising in North America. Going forward, the tax charge is expected to be marginally above the underlying UK tax rate.

Deferred tax
There has been no recognition of any potential liability for deferred tax of up to £10 million in relation to losses surrendered by some of the Public Private Partnership companies in which AMEC has an interest. Under current accounting standards, no provision has been made given (i) the long period over which this liability becomes payable, (ii) the uncertainty surrounding whether the liability will actually crystallise, (iii) deferred tax asset of £5 million arising in the UK from timing differences and (iv) the potential deferred tax assets referred to below.

A deferred tax asset of £15 million has been recognised in North America. In addition, there are further significant unrecognised deferred tax assets in several overseas territories, principally the US and Germany, which arise from past trading losses and timing differences and which may be utilised over time against future profits.

Cashflow and net debt
Net debt at 31 December 2000 of £212 million is stated before deduction of the deferred consideration of £96 million arising from the disposal of Fairclough Homes in 1999, which is due to be received at the end of March 2001. If this deferred consideration was deducted, net debt would have been £116 million at 31 December 2000.

*Before discontinued operations, goodwill amortisation and exceptional items.

The principal elements of cashflow in the year were:

	£ million	£ million
Net funds as at 1 January 2000		105
Cash flow from operating activities before investment in property development and profit retained in joint ventures		101
Profit retained in joint ventures	(18)	
Investment in property developments	(10)	(28)
Capital transactions		
Net acquisitions and disposals	(318)	
Ordinary shares issued	32	
Preference shares bought back	(14)	(300)
Capital expenditure (net)		(16)
Dividends, tax and interest		(56)
Currency and other adjustments		(18)
Net debt as at 31 December 2000		(212)

There is scope to reduce working capital and the disposal of non-core assets, such as the Grand Cayman hotel, remains a priority. This hotel has a good income stream but interest from other hotel operators has been limited by the long-term management agreement with the current operator. Accordingly, alternative disposal plans in respect of this asset are being developed.

SPIE S.A.
During 2000, AMEC owned 41.6 per cent of SPIE S.A. In January, 2001, AMEC supported a rights issue and increased its holding to 46 per cent at a cost of £24 million. AMEC has an option, exercisable in 2002, to purchase the remaining 54 per cent at a cost currently estimated to be £160 million.

Group treasury policies
The group's treasury department manages the group's liquidity, funding and exposure to foreign exchange risk in a way that ensures the most effective financing of the group's operations and reduces or eliminates the financial risks arising from these operations. Any transactions involving derivatives are designed to manage risks and exposures without engaging in speculative transactions.

The significant financial risks and exposures to the group are in respect of liquidity, interest rates and foreign currency and these are managed by the department using a framework of policies and guidelines authorised by the board. These policies have been fully reviewed in the year and amended where appropriate.

Liquidity risk
The group's financial instruments, other than derivatives, consist of borrowings, cash and liquid resources and items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to manage the finance for the group's operations.

The group has a policy of seeking an appropriate balance between certainty of funding and a flexible and efficient borrowing structure. The principal sources of committed bank facilities are as follows:

Currency	£ million	Facility expiry date
Sterling	180	April 2005
Sterling	60	March 2003
Cdn$/US$	97	July 2002
	337	

In addition, the group has a number of uncommitted facilities available to it to maintain short-term funding requirements.

Interest rate risk
The group finances its operations through a mixture of retained profit, cash and bank loans and overdrafts. The group's policy is to borrow on a floating rate basis on a portfolio of debt, which is diversified by source and maturity. If appropriate, the group will enter into arrangements to fix the cost of borrowings. The group has not had any fixed rate bank borrowings in the year nor has it used interest rate derivatives.

Foreign exchange risk
Trading exposures
The group utilises forward currency contracts to hedge trading exposures as appropriate.

A significant proportion of subsidiaries' transactions are denominated in their local currencies. Where contracts are awarded in a foreign currency and subject to conversion rates in the contract agreement, the group will enter into forward currency arrangements or purchase currency options as appropriate.

Balance sheet exposures
The group's policy is to match a reasonable proportion of its borrowings in the same currency as its net foreign currency assets.

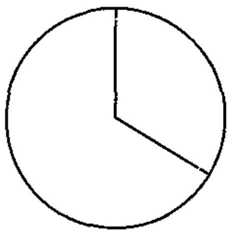
The company had, at 31 December 2000, loans outstanding of US$86 million and Cdn$229 million. This approximates to £160 million, and represents a hedge against assets acquired during the year at a cost of £227 million, substantially in North America.

Since the year end, the group has borrowed €29.7 million to fund the SPIE rights issue.

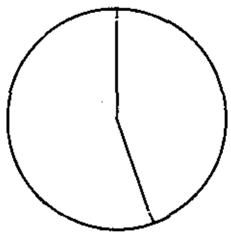
Accounting standards
FRS 15 'Tangible Fixed Assets' and FRS 16 'Current Tax' have been adopted in the year, with minimal impact on the reported accounts.

Segmental review

Client Support Services



34% of total turnover*



44% of total operating profit**

Consulting and Design

	2000 £ million	1999 £ million
Turnover*	233	31
Operating profit***	12	2

- **Business transformed with acquisition of AGRA Inc. in April 2000**
- **Operating margin of 5.0 per cent in 2000**

The Consulting and Design services activity grew significantly, following acquisitions in North America.

The Environmental Consulting business now operates from 90 offices employing over 2000 staff. This business works closely with clients forming long term relationships. Operating margins of around 5 per cent are in the upper quartile of this specialised consulting industry. Operating its Local Business Model, the offices can work independently for local clients whilst combining to service the largest projects.

In the design services area, AMEC is employed to provide day-to-day engineering support to clients' plants and facilities, often on an 'evergreen' contract basis. Projects in 2000 were performed for clients in the oil and gas, pulp and paper, mining, pharmachem, consumer products, transportation and the public sector.

Knowledge and experience creates high entry barriers to this specialist services business.

Opportunities exist for AMEC to continue to expand services throughout the world. For example, multi-year contracts have been entered into in the forest industries sector in North America and in mining in Australia.

Operations Support

	2000 £ million	1999 £ million
Turnover*	1,124	945
Operating profit***	49	45

- **Good growth in all major sectors with exception of UK rail maintenance**
- **Operating margin of 4.4 per cent in 2000**

Operations Support services have been developed by AMEC over many years, in response to the demand for outsourced operation, maintenance and renewal services.

Primary clients operate within the utilities, rail, oil, gas and process industries and are looking to achieve efficiencies whilst they focus on their core activities. This growing business sector is marked by multi-year contracts and delivers more predictable and lower risk operating margins.

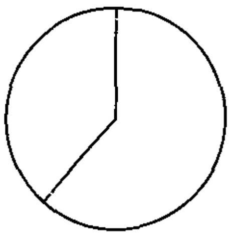
AMEC has been an industry leader in the UK upstream and downstream oil and gas services and maintenance business for over 30 years. Following long years of client development, new competitors find it difficult to enter many of these markets.

After poor performance in 2000, AMEC renegotiated its UK rail maintenance contracts for the Sussex and West Anglia regions. As a result, improved performance and increased volumes are expected in 2001.

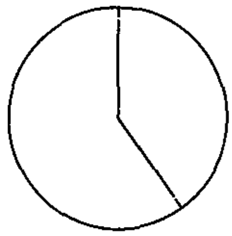
AMEC expanded its work for the water and the gas industries in the UK whilst, in Europe, SPIE expanded its services in high value growth sectors, such as telecommunications and internet infrastructure provision.

*Before internal turnover, discontinued operations, goodwill amortisation and exceptional items.
**Before discontinued operations, goodwill amortisation, exceptional items and e-commerce and corporate costs
***Before discontinued operations, goodwill amortisation and exceptional items.

Capital Projects



61% of total turnover*



40% of total operating profit**

Construction Management

	2000 £ million	1999 £ million
Turnover*	684	570
Operating loss***	(3)	(6)

- **Operating loss halved in the year**
- **Business refocused on lower risk, fee based projects**

These activities comprise mainly the Morse Diesel business (now AMEC Construction Management Inc.) in the US.

The business is characterised by high volume but low margins, even in favourable market conditions.

The leadership of AMEC Construction Management has been changed and has become part of a unified North American Management structure.

The business is moving away from bidding guaranteed maximum price projects back to its historic focus of bidding on a more select number of projects, managed primarily on a fee basis. This should allow the development of a more focused and better quality business.

The US construction market remains strong and opportunities exist to work closely with the new North American consulting and professional services operations.

Construction

	2000 £ million	1999 £ million
Turnover*	1,792	1,531
Operating profit***	58	41

- **Focus on client relationships and repeat contracts**
- **Margins now above 3 per cent, broadly in line with established targets**

Activities are increasingly focused on long-term client relationships and negotiated contracts, many on a cost reimbursable basis.

Activity in this sector has been deliberately narrowed to a smaller number of clients in process industries, manufacturing and infrastructure, helping them to develop their capital assets for long-term efficiency.

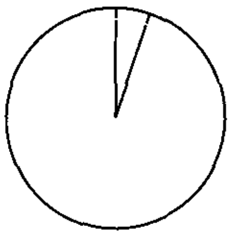
Significant synergy now exists between AMEC's front-end services work and subsequent Capital Projects. Front-end consulting or definition engineering work often translates into high value construction projects. The reverse is also true in that Capital Projects often creates a legacy stream of operation and maintenance services contracts for our services businesses.

The business is focused on markets in UK, North America, Continental Europe, former French overseas territories and Asia Pacific.

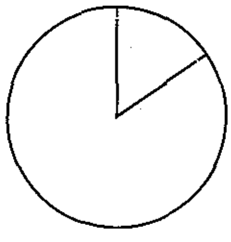
Notable projects completed for long-term clients in the year included the Shearwater offshore oil and gas facility for Shell and a research and development facility for AstraZeneca, together with petrochemical plants for BP and Sinopec (China).

*Before internal turnover, discontinued operations, goodwill amortisation and exceptional items.
**Before discontinued operations, goodwill amortisation, exceptional items and e-commerce and corporate costs
***Before discontinued operations, goodwill amortisation and exceptional items.

Investments



5% of total turnover*



16% of total operating profit**

Property Development

	2000 £ million	1999 £ million
Turnover*	185	61
Operating profit***	14	13

- **Further sound performance in 2000**
- **Returns on capital employed exceed 20 per cent on completed scheme basis**

AMEC acts as the developer of projects in retail, leisure, commercial and other selected areas, on a limited risk basis, and often working closely with the public sector as its partner.

AMEC has now enjoyed five years of good, steady profits from this activity and continues to see further encouraging new opportunities.

Turnover in 2000 was high as forward sales of significant pre-let retail developments were completed at Ashton Moss (Greater Manchester), Eastlands (Manchester), Wakefield Europort (West Yorkshire) and Bamber Bridge (Lancashire). Turnover is not necessarily an accurate indicator of profitability as large schemes such as these are sold pre-let so reducing development risk. Accordingly, profits advanced by £0.9 million although sales increased threefold.

AMEC continues to limit risk with a focus on the redevelopment of 'brown field' inner city land where we have strong core skills. Urban regeneration should gain further prominence in planning consideration following the publication of the Urban Regeneration white paper in November 2000.

There are presently a number of attractive developments in progress.

Public Private Partnerships

	2000 £ million	1999 £ million
Turnover*	16	15
Operating profit***	7	(3)

- **Bid costs recovered as three projects reach financial close**
- **Eight projects now secured with a capital value of £1.6 billion (AMEC share £0.6 billion)**

AMEC enjoyed an excellent year in 2000 where the results benefited from the recovery of bid costs on three UK projects which reached financial close, University College London Hospital, Ayrshire Water Treatment Plant and A13 Thames Gateway.

The results reflect returns from our investments and exclude any profits accruing to our Client Support Services or Capital Projects operations.

AMEC writes off bid costs as they are incurred and recovers the costs from the concession company on successfully reaching financial close. This prudent approach can have a marked impact on the reported results.

In 2000, interest charges of £6 million reduced pre-tax profit earned on AMEC's investment in concession companies to £1 million. AMEC continues to invest about £5 million per annum in bidding for new projects, believing strongly that this young business will bring benefits, over the long-term, to AMEC as a shareholder/investor and, separately, as a service provider.

*Before internal turnover, discontinued operations, goodwill amortisation and exceptional items.
**Before discontinued operations, goodwill amortisation, exceptional items and e-commerce and corporate costs
***Before discontinued operations, goodwill amortisation and exceptional items.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting the annual report and accounts for the year ended 31 December 2000.

Business review
Information on the businesses of the group, their development during the year and on the future outlook is contained on pages 3 to 31.

An analysis of the group's activities is given in note 2 on page 45.

The profit on ordinary activities after taxation, which amounted to £53.3 million (1999 – £57.0 million), is shown in the consolidated profit and loss account on page 39.

The directors recommend that a final dividend of 5.7p (1999 – 5.0p) per ordinary share be paid which, together with the interim dividend of 2.8p (1999 – 2.5p), results in a total ordinary dividend for the year of 8.5p (1999 – 7.5p) per share. Ordinary dividends amounted to £18.8 million (1999 – £15.9 million) and preference dividends amounted to £9.2 million (1999 – £10.4 million). The final dividend will be payable on 2 July 2001 to ordinary shareholders on the register at the close of business on 18 May 2001.

In April 2000, AMEC acquired AGRA Inc. (now AMEC Inc.), an international professional services group, for a consideration of £226.8 million.

The group also made a number of small strategic acquisitions during the year as follows:

- the net assets of IMA Ingenigesellschaft mbH, a German process engineering business;
- Border Wind Limited, a leading United Kingdom wind energy developer;
- Simons Technologies Inc., a United States based software simulation design business; and
- the net assets of Ogden Environmental and Energy Services Co Inc., a United States based environmental consultancy business.

The group made a number of small, non-core, business disposals during the year.

Share capital
The present authorised and issued share capital of the company and movements during the year are set out in note 21 on page 56.

Authority was granted to the directors at the 1999 annual general meeting to allot up to £34,879,214 of ordinary share capital, of which up to £5,222,005 could be allotted for cash other than by way of a rights issue. Pursuant to this authority, on 2 November 2000, the company placed 10,400,000 new ordinary shares of 50p each with a number of institutional investors, at 280p per share, raising approximately £29 million.

The cash raised through the placing was used to finance AMEC's participation in SPIE S.A.'s rights issue of January 2001, through which the group's shareholding was increased from 41.6 per cent to 46.0 per cent. The balance of the cash is being used to develop further AMEC's service activities.

Resolutions 8 and 9, which will be proposed at the 2001 annual general meeting, will renew the limited authority of the directors to allot the unissued share capital of the company and to issue shares for cash other than to existing shareholders. The directors have no present intention of issuing any ordinary shares other than in respect of the conversion of preference shares and the exercise of share options. No issue will be made which will effectively alter the control of the company without the prior approval of shareholders in general meeting.

Resolution 10 will be proposed at the 2001 annual general meeting to grant authority to the directors to make market purchases of the company's preference shares within prescribed limits. Pursuant to the authority currently granted by shareholders, during 2000 the company purchased in the market, for a consideration of £14,022,286 (excluding charges and stamp duty), 14,559,104 preference shares since the authority was last granted. This represented 9.6 per cent of the issued preference share capital.

Resolution 11 will be proposed at the 2001 annual general meeting to grant authority to the directors to make market purchases of the company's ordinary shares within prescribed limits. No such purchases were made in 2000 pursuant to the authority granted at last year's annual general meeting.

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 purchase would be made unless the directors are of the view that it would result in an increase in earnings per ordinary share. The directors will also take into account the company's cash resources, the effect on gearing and other possible investment opportunities before exercising these authorities.

Articles of association
Resolution 12, to be proposed at the 2001 annual general meeting, relates to amendments to the articles of association of the company. The principal amendment is to facilitate electronic communications with shareholders in accordance with The Companies Act 1985 (Electronic Communications) Order 2000 and the guidelines recommended by the Institute of Chartered Secretaries and Administrators. The other amendments bring the company's articles into line with best practice by making express provision for the right to hold telephone board meetings and clarify the way in which the company may deal with shareholdings in uncertificated form.

Substantial interests
Notifications have been received by the company of the following shareholdings in excess of three per cent of the issued share capital.

	Number	%
Ordinary shares		
Schroder Investment Management Ltd.	34,997,052	15.25
CGNU plc/Morley Investment Management Ltd.	16,632,410	7.25
FMR Corporation/ Fidelity International Ltd	13,773,642	6.00
The Standard Life Assurance Company	7,782,630	3.39
Preference shares		
Deutsche Bank AG	8,983,000	6.64

Directors

Details of the directors of the company at the date of this report are set out on pages 24 and 25. Mr S G Batey resigned as a director on 31 March 2000 and Mr J R Darley retired at the annual general meeting on 11 May 2000. Three new directors were appointed during the year.

Following completion of the acquisition of AGRA Inc., Mr P S Janson (chairman and chief executive officer of AMEC Inc.) was appointed to the board on 20 April 2000 and Ms M O Hesse (a former non-executive director of AGRA Inc.) was appointed to the board on 1 June 2000. Mr S J Siddall joined the board as finance director on 19 June 2000.

In accordance with article 90 of the articles of association of the company, Ms Hesse and Mr Siddall will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr Janson was re-elected as a director at last year's annual general meeting.

Ms Hesse does not have an employment contract with the company. Mr Siddall has an employment contract with the company terminable by two years' notice by either party.

Mr D Robson and Mr G E Payne retire in accordance with article 84 of the articles of association of the company and, being eligible, offer themselves for re-election. Both Mr Robson and Mr Payne have employment contracts with the company terminable by two years' notice by either party.

The beneficial interests in the ordinary share capital of the company of the directors holding office at 31 December 2000 were as follows:

	As at 1 January 2000 (or date of appointment if later)	As at 31 December 2000
S Gillibrand	32,334	**33,516**
P J Mason	64,752	**91,427**
J D Early	32,682	**44,382**
D Robson	26,286	**41,107**
G E Payne	46,749	**62,157**
J M Green-Armytage	–	**10,000**
J A Monville	–	**–**
E P Airey	–	**14,023**
J A Dallas	–	**–**
P S Janson	50,000	**50,000**
M O Hesse	–	**3,855**
S J Siddall	–	**–**

Except for interests under share option schemes and the long-term incentive plan, details of which are contained in the report on remuneration and related matters on pages 35 to 38, no director at 31 December 2000 had any other interests, beneficial or otherwise, in the share capital of the company or any of its subsidiaries.

On 2 January 2001, Mr S Gillibrand acquired a beneficial interest in 266 ordinary shares, pursuant to the provisions of the dividend reinvestment plan, relating to the 2000 interim ordinary dividend. There were no other changes in the directors' interests in the share capital of the company between 31 December 2000 and 7 March 2001.

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

Employees

In 2000, AMEC employed on average 26,909 people worldwide. Details are given in note 6 on page 48.

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

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

Internal communication is a priority for AMEC, as employees carry forward the group's knowledge, brand and reputation. AMEC provides numerous direct or electronic opportunities for employees to raise issues and discuss matters of concern with management. Employees share knowledge and are kept informed of group developments through various means, including AMECnet (the group's intranet), internal publications, best practice groups, news bulletins and announcements. A global conference of senior managers is held each year to discuss developing issues.

The group is positive in its support of equal opportunities and 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.

Corporate governance

The board 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 relevant provisions of Section 1 of the Combined Code published in June 1998.

Internal control

The board is ultimately responsible for the group's systems of internal controls and for reviewing their effectiveness. Such systems are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives and they can provide only reasonable, but not absolute, assurance against material misstatement or loss.

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

For a number of years, the group has had specific and comprehensive policy statements on risk, which have been communicated throughout all of its businesses.

During 2000, the process for identifying, evaluating and managing the significant risks faced by the group has been further developed and formalised in order to conform to the recommendations of 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance). As a consequence, the group has not been fully compliant throughout the year under review but, other than as set out below, is compliant as at the date of this report.

The processes adopted by the board, elements of which have been delegated to duly constituted sub-committees, to review the effectiveness of the systems of internal control include reviews of the following:

- the group's strategy;
- major projects to be undertaken by the group;
- all significant investments and disposals; and
- the external and internal audit work plans and reports arising.

The group's management operates a risk management process that identifies the key risks facing each business and reports on how those risks are being managed. This process is based on each sector producing a risk register which identifies their significant risks, the probability of those risks occurring, their impact if they do occur and the actions being taken to manage those risks to the desired level. This culminates in the production of a group risk register. This register identifies the key risks facing AMEC across all of its businesses under a number of generic risk areas. These risks are reviewed on a regular basis and monitoring reports are received by way of an update on the progress which is being achieved.

AMEC acquired AGRA Inc. in April 2000. Prior to the acquisition, the significant risks faced by that company were identified and communicated to the board. The group's policies and embedded control environment are currently being implemented throughout the enlarged North American business.

AMEC owns 46 per cent of SPIE S.A., a company incorporated in France. The board has not specifically reviewed the effectiveness of SPIE's systems of internal control but the company has received reports detailing the methods for the detection, assessment and the control of risks within the SPIE group of companies.

At the end of the financial year, before producing the statement in the annual report and accounts, the board, through the audit committee, reviews the results of a detailed internal control questionnaire covering risk assessment, control environment and control activities, information and communication and monitoring.

Non-executive directors

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

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

Board committees

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

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

The remuneration committee, which comprises all of the non-executive directors, is chaired by Mr J A Dallas. The committee advises the board on 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 continue to adopt the going concern basis in preparing the accounts.

Creditor payment policy

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

The company had 31 days' purchases outstanding at 31 December 2000 based on the average daily amount invoiced by suppliers during the year.

Donations

Donations to United Kingdom charities amounted to £103,000.

Auditors

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

By order of the board

M J Bardsley
Secretary
7 March 2001

Notes

(i) On 7 March 2001, Mr P S Janson exercised options over 152,650 ordinary shares at 162.16p per share. 102,000 shares were sold with Mr Janson retaining an interest in 50,650 shares, thereby increasing his holding of that class to 100,650.

(ii) On 9 March 2001, Ms M O Hesse purchased 1,250 ordinary shares at 425p per share, increasing her holding of that class to 5,105.

(iii) On 9 March 2001, Schroder Investment Management Ltd notified a reduction in their holding of ordinary shares to 28,421,696, being 12.38 per cent of the issued ordinary share capital.

(iv) On 12 March 2001, Deutsche Bank AG advised that they no longer hold a notifiable interest in the company's preference share capital.

(v) There were no other changes in either the directors' interests or in the substantial interests in the share capital of the company between 7 March 2001 and 26 March 2001.

REPORT ON REMUNERATION AND RELATED MATTERS

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

Remuneration committee
The remuneration committee advises the board on the annual remuneration, performance related payments and other aspects of the terms and conditions of employment of the executive directors.

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 a director of similar status and experience, the size and complexity of the 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 director; and

- to link an executive director to the long-term success of the group through appropriate and demanding incentive arrangements.

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

In 2000, the executive directors, except for Mr Monville and Mr Janson, participated in the AMEC executive directors' annual incentive scheme which generated bonus payments calculated by reference to growth in earnings per ordinary share, as defined under the rules of the scheme, and the achievement of specific business targets and individual performance objectives.

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

No elements of remuneration other than base salary are pensionable.

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

The benefits of Mr Mason and Mr Siddall are restricted to take account of the earnings cap and they receive a taxable supplement to their salaries in relation to earnings above the cap.

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

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

There are no funded or unfunded unapproved arrangements in force.

Executive directors' employment contracts
Each executive director, except for Mr Monville and Mr Janson, has an employment contract with a notice period of two years by either the company or the director.

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

The committee still considers that employment contracts with two year notice periods are justified for the current executive directors to enable the company to retain its high quality executives. The committee will continue to keep notice periods for executive directors under review.

It is the company's policy generally to ensure that any payments made to executive directors in the event of the early termination of an employment contract reflect the circumstances giving rise to termination and to an executive director's duty of mitigation. In 1999, compensation payments to a former director amounted to £354,000.

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

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

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

The remuneration of the directors was as follows:

	2000				1999
	Salary /fee £000	Bonus £000	Benefits in kind £000	Total £000	Total £000
Executive					
P J Mason (i)	462	188	19	669	584
J D Early	195	88	10	293	278
D Robson	250	118	9	377	346
G E Payne	195	92	15	302	285
J A Monville (ii)	28	–	–	28	26
P S Janson (from 20 April 2000) (iii)	166	45	13	224	–
S J Siddall (from 19 June 2000) (iv)	126	52	6	184	–
S G Batey (to 31 March 2000)	63	–	5	68	325
Non-executive					
S Gillibrand	130	–	20	150	146
J M Green-Armytage	34	–	–	34	32
E P Airey (from 26 May 1999)	32	–	–	32	20
J A Dallas (from 28 October 1999)	31	–	–	31	7
M O Hesse (from 1 June 2000)	21	–	–	21	–
J R Darley (to 11 May 2000)	16	–	–	16	37

Notes

(i) Mr Mason's salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £62,000 (1999 – £52,000).

(ii) Mr Monville, chairman and chief executive of SPIE S.A., receives a fee for serving on the board of AMEC and does not participate in any of the AMEC incentive or benefit schemes.

(iii) Represents conversion from Canadian dollars at 2.2437. Mr Janson was paid Cdn$100,000 (£45,000) pursuant to a retention agreement entered into prior to the AGRA acquisition. This agreement provided for this payment on completion of the acquisition and a further Cdn$300,000 if he remains an employee until 20 April 2001, the first anniversary of the acquisition.

(iv) Mr Siddall's salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £12,000.

(v) Mr M K Eckersall ceased to be a director on 30 July 1999 and his total remuneration to this date was £186,000. He continued to be employed by the company until 31 December 1999. His total remuneration for this latter period was £84,000.

(vi) Dr K W Humphreys ceased to be a director on 13 September 1999. His remuneration to this date was £23,000.

(vii) The value of benefits in kind received during the year relates principally to the provision of a company car, life assurance and private medical expenses insurance, none of which is pensionable.

(viii) Details of executive share options exercised during the year are set out on page 37.

Long-term incentive arrangements

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

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

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

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

	As at 1 January 2000 (or date of appointment if later)	Exercised during the year	Granted during the year	As at 31 December 2000	Option price pence	Market price on date of exercise pence	Exercise period
P J Mason	600,000			**600,000**	99.00		02/02/99 – 02/02/06
	451,388			**451,388**	144.00		02/04/00 – 02/04/07
			4,211*	**4,211***	230.00		02/01/04 – 02/07/04
J D Early	100,000	100,000(i)		–	218.00	284.00	08/05/94 – 08/05/01
	7,000	7,000(i)		–	160.00	284.00	01/05/95 – 01/05/02
	26,000	26,000(i)		–	60.00	284.00	18/10/98 – 18/10/05
	50,000			**50,000**	144.00		02/04/00 – 02/04/07
	596*			**596***	181.00		01/07/04 – 31/12/04
			3,369*	**3,369***	230.00		02/01/04 – 02/07/04
D Robson	1,308*	1,308(ii)*		–	58.00	280.00	01/09/00 – 28/02/01
	5,060*			**5,060***	90.00		01/09/01 – 28/02/02
	342*			**342***	181.00		01/07/02 – 31/12/02
G E Payne	15,000	15,000(iii)		–	218.00	284.00	08/05/94 – 08/05/01
	1,308*	1,308(iii)*		–	58.00	280.00	01/09/00 – 28/02/01
	342*			**342***	181.00		01/07/02 – 31/12/02
			3,942*	**3,942***	230.00		02/01/04 – 02/07/04
P S Janson			200,000	**200,000**	169.00		25/04/03 – 25/04/10
	152,650(iv)			**152,650**	162.16		09/04/00 – 09/04/09
	122,120(iv)			**122,120**	171.30		13/12/00 – 13/12/09
S J Siddall			97,902	**97,902**	214.50		19/06/03 – 19/06/10

*Savings Related Share Option Scheme

Notes

(i) Aggregate gain on exercises £133,000 (1999 – £5,000).
(ii) Gain on exercise £3,000 (1999 – £580,000).
(iii) Aggregate gain on exercises £13,000 (1999 – £386,000).
(iv) Mr Janson's options were granted under the AGRA Inc. Plans and rolled over into options over AMEC plc shares following the acquisition of AGRA Inc. in April 2000.
(v) Former directors' aggregate gains on exercises during 1999 amounted to £557,000.

No options lapsed during the year.

In 1998 shareholders approved the introduction of a long-term incentive plan. The design of the plan took account of the provisions of Schedule 'A' to the Combined Code. In 2000, further shares were purchased in the market at 185p each and awards were made to directors on 3 April 2000, as determined by the remuneration committee.

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

	As at 1 January 2000	Awarded on 3 April 2000	As at 31 December 2000
P J Mason	214,558	152,567	**367,125**
J D Early	113,902	72,202	**186,104**
D Robson	138,174	90,089	**228,263**
G E Payne	113,403	76,202	**189,605**

Notes

(i) An award of restricted shares will only vest if pre-determined performance conditions are met. These performance conditions, which are measured over three years, require the total return to ordinary shareholders (share price growth plus re-invested dividends) to be ranked in the top quartile of a group comprising mainly engineering, construction and building material comparator companies for an award to vest in full. If the company's performance is at the median, 25 per cent of the award will vest. Between those two levels, the award will vest on a sliding scale. No awards will vest if the company's performance is below the median at the end of the measured period.
(ii) The total value of awards cannot exceed 75 per cent of a participant's base annual salary in any year.
(iii) Participants in the long-term incentive plan will not receive further grants of options under the Executive Share Option Scheme.
(iv) Mr M K Eckersall, who resigned as a director on 30 July 1999, retains an interest in 30,258 restricted shares awarded to him under the plan in June 1998.

The mid market price of the ordinary shares at 31 December 2000 was 345.5p ex-dividend (1999 – 247p ex-dividend).

The range of the mid market prices for the ordinary shares during the year was 144.5p to 345.5p.

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

Directors' pension benefits

Pension benefits earned by the directors for the year ended 31 December 2000 were as follows:

	Accrued entitlement as at 31 December 1999 (or date of appointment if later) £000	Increase in accrued pension for the year ended 31 December 2000 £000	Accrued entitlement as at 31 December 2000 £000	Transfer value of increase in benefits £000
P J Mason	12	3	15	56
J D Early	87	9	98	174
D Robson	137	12	153	234
G E Payne	71	8	82	163
P S Janson (iv)	3	5	8	61
S J Siddall (v)	–	2	2	17
S G Batey (vi)	68	3	71	29

Notes

(i) The increase in accrued pension for the year ended 31 December 2000 excludes any increase for inflation.

(ii) The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year (see note (vi) below).

(iii) The transfer values for United Kingdom based directors have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and are shown net of member contributions paid during the year and, for Mr Janson, in accordance with The Canadian Institute of Actuaries' recommendations.

(iv) Mr Janson's benefits have been converted from Canadian dollars to sterling at the rate of 2.2437. £54,000 of the transfer value of the increase in benefits relates to the Supplementary Executive Retirement Plan of AMEC Inc.

(v) Mr Siddall joined the company on 19 June 2000. His entitlement is only in respect of the period after this date.

(vi) Mr Batey ceased to be a director and left the company on 31 March 2000. His entitlement is based on accrued pension at 31 March 2000, allowing for revaluation to 31 December 2000.

(vii) Members of the AMEC Staff Pension Scheme have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above table.

By order of the board

M J Bardsley

M J Bardsley
Secretary
7 March 2001

Note

Mr Janson exercised options over 152,650 ordinary shares on 7 March 2001, realising a gain of £412,000. He sold 102,000 shares and retained an interest in 50,650 shares, thereby increasing his holding to 100,650 ordinary shares. Mr Janson also exercised options and sold the resulting 122,120 ordinary shares on 22 March 2001, realising a gain of £243,000. Changes in directors' interests between 31 December 2000 and 26 March 2001 are detailed in the report of the directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Notes	2000 Before goodwill amortisation and exceptional items £ million	2000 Goodwill amortisation and exceptional items £ million	2000 Total £ million	1999 Before goodwill amortisation and exceptional items £ million	1999 Goodwill amortisation and exceptional items £ million	1999 Total £ million
Turnover:	2						
Continuing operations		3,464.4	–	3,464.4	3,062.5	–	3,062.5
Acquisitions		515.6	–	515.6	–	–	–
Total continuing operations		3,980.0	–	3,980.0	3,062.5	–	3,062.5
Discontinued operations		–	–	–	38.3	–	38.3
		3,980.0	–	3,980.0	3,100.8	–	3,100.8
Share of turnover in joint ventures		(784.1)	–	(784.1)	(673.3)	–	(673.3)
Group turnover		3,195.9	–	3,195.9	2,427.5	–	2,427.5
Cost of sales		(2,901.2)	–	(2,901.2)	(2,239.6)	–	(2,239.6)
Gross profit		294.7	–	294.7	187.9	–	187.9
Administrative expenses		(205.3)	(6.1)	(211.4)	(129.7)	–	(129.7)
Group operating profit/(loss):							
Continuing operations		69.1	–	69.1	58.4	–	58.4
Acquisitions		20.3	(6.1)	14.2	–	–	–
Total continuing operations		89.4	(6.1)	83.3	58.4	–	58.4
Discontinued operations		–	–	–	(0.2)	–	(0.2)
		89.4	(6.1)	83.3	58.2	–	58.2
Share of operating profit/(loss) in joint ventures		26.9	(0.6)	26.3	18.8	–	18.8
Total operating profit/(loss)	3	116.3	(6.7)	109.6	77.0	–	77.0
(Loss)/profit on disposal of operations:	4						
(Loss)/profit on disposal before goodwill		–	(6.8)	(6.8)	–	16.6	16.6
Goodwill previously written off to reserves		–	(3.6)	(3.6)	–	(15.8)	(15.8)
		–	(10.4)	(10.4)	–	0.8	0.8
Loss on disposal of fixed assets	4	–	–	–	–	(3.0)	(3.0)
Profit/(loss) on ordinary activities before interest		116.3	(17.1)	99.2	77.0	(2.2)	74.8
Net interest (payable)/receivable:	7						
Group		(8.5)	–	(8.5)	7.0	–	7.0
Joint ventures		(8.9)	–	(8.9)	(4.9)	–	(4.9)
Continuing operations		(17.4)	–	(17.4)	2.1	–	2.1
Discontinued operations		–	–	–	3.1	–	3.1
		(17.4)	–	(17.4)	5.2	–	5.2
Profit/(loss) on ordinary activities before taxation		98.9	(17.1)	81.8	82.2	(2.2)	80.0
Taxation on profit/(loss) on ordinary activities	8	(28.5)	–	(28.5)	(20.6)	(2.4)	(23.0)
Profit/(loss) on ordinary activities after taxation		70.4	(17.1)	53.3	61.6	(4.6)	57.0
Equity minority interests				(0.1)			–
Profit for the year				53.2			57.0
Dividends on equity and non-equity shares	9			(28.0)			(26.3)
Retained profit for the year	22			25.2			30.7
Earnings per ordinary share on continuing operations:	10						
Basic		28.7p		20.7p	23.1p		22.9p
Diluted		24.7p		18.7p	20.2p		20.0p
Earnings per ordinary share:	10						
Basic		28.7p		20.7p	24.5p		22.3p
Diluted		24.7p		18.7p	21.2p		19.6p
Dividends per ordinary share	9			8.5p			7.5p

CONSOLIDATED BALANCE SHEET
As at 31 December 2000

	Notes	2000 £ million	1999 £ million
Fixed assets			
Intangible assets	11	175.7	–
Tangible assets	12	209.6	107.4
		385.3	107.4
Investments:	13		
Joint ventures:			
Share of gross assets		991.6	733.5
Share of gross liabilities		(932.1)	(704.0)
		59.5	29.5
Associates		3.1	3.1
Other		4.4	4.5
		67.0	37.1
		452.3	144.5
Current assets			
Stocks	14	75.2	69.3
Debtors: amounts falling due within one year	15	1,038.7	757.7
Debtors: amounts falling due after one year	15	132.1	97.8
Cash at bank and in hand		250.8	189.5
		1,496.8	1,114.3
Creditors: amounts falling due within one year	16	(1,246.3)	(870.5)
Net current assets		250.5	243.8
Total assets less current liabilities		702.8	388.3
Creditors: amounts falling due after one year	17	(366.1)	(95.5)
Provisions for liabilities and charges	20	(34.5)	(34.0)
Net assets	2	302.2	258.8
Capital and reserves			
Called up share capital	21	182.3	183.9
Share premium account	22	36.8	10.3
Revaluation reserve	22	18.6	20.0
Capital redemption reserve	22	17.2	9.9
Profit and loss account	22	45.1	34.7
Shareholders' funds		300.0	258.8
Equity minority interests		2.2	–
Capital employed		302.2	258.8
Shareholders' funds are attributable to:			
Equity shareholders' funds		168.8	111.5
Non-equity shareholders' funds		131.2	147.3
		300.0	258.8

The accounts on pages 39 to 61 were approved by the board of directors on 7 March 2001 and were signed on its behalf by:

P J Mason
Chief Executive

S J Siddall
Finance Director

COMPANY BALANCE SHEET

As at 31 December 2000

	Notes	2000 £ million	1999 £ million
Fixed assets			
Tangible assets	12	**7.7**	8.2
Investments:	13		
Subsidiaries		**676.7**	342.8
Joint ventures		**22.1**	10.6
Associates		**3.1**	3.1
Other		**3.0**	3.1
		704.9	359.6
		712.6	367.8
Current assets			
Debtors: amounts falling due within one year	15	**47.1**	31.0
Debtors: amounts falling due after one year	15	**40.4**	31.6
Cash at bank and in hand		**37.0**	73.4
		124.5	136.0
Creditors: amounts falling due within one year	16	**(160.5)**	(69.7)
Net current (liabilities)/assets		**(36.0)**	66.3
Total assets less current liabilities		**676.6**	434.1
Creditors: amounts falling due after one year	17	**(195.0)**	(46.8)
Net assets		**481.6**	387.3
Capital and reserves			
Called up share capital	21	**182.3**	183.9
Share premium account	22	**36.8**	10.3
Capital redemption reserve	22	**17.2**	9.9
Special reserve	22	**127.9**	127.9
Profit and loss account	22	**117.4**	55.3
Shareholders' funds		**481.6**	387.3
Shareholders' funds are attributable to:			
Equity shareholders' funds		**350.4**	240.0
Non-equity shareholders' funds		**131.2**	147.3
		481.6	387.3

The accounts on pages 39 to 61 were approved by the board of directors on 7 March 2001 and were signed on its behalf by:

P J Mason
Chief Executive

S J Siddall
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2000

	Notes	2000 £ million	1999 £ million
Net cash flow from operating activities	23	73.1	9.6
Dividends from joint ventures and associates		0.9	0.7
Returns on investments and servicing of finance			
Interest received		22.6	8.2
Interest paid		(28.7)	(7.5)
Dividends paid to non-equity shareholders		(9.4)	(10.0)
		(15.5)	(9.3)
Taxation		(25.7)	(6.5)
Capital expenditure			
Purchase of tangible fixed assets		(38.1)	(21.1)
Disposal of tangible fixed assets		22.0	9.3
		(16.1)	(11.8)
Acquisitions and disposals	26		
Acquisition of subsidiaries		(308.8)	–
Acquisition of joint ventures and other investments		(13.2)	(5.2)
Disposal of subsidiaries		(2.4)	32.8
Disposal of joint ventures and other investments		6.9	–
		(317.5)	27.6
Minority interests		0.4	–
Dividends paid to equity shareholders		(15.8)	(13.0)
Net cash flow before use of liquid resources and financing		(316.2)	(2.7)
Management of liquid resources	25	(18.1)	(1.2)
Financing			
Ordinary shares issued		3.5	4.9
Share placement		28.7	–
Purchase and cancellation of preference shares		(14.2)	(0.8)
Net movement in loans		342.1	0.6
		360.1	4.7
Increase in cash	24	25.8	0.8

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2000

	Notes	2000 £ million	1999 £ million
Profit for the year		53.2	57.0
(Deficit)/surplus on property revaluation		(0.4)	5.5
Exchange and other movements		(5.2)	0.5
Total recognised gains and losses relating to the year		47.6	63.0
Prior year adjustment	1	–	(7.5)
Total recognised gains and losses since last annual report		47.6	55.5

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2000

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 2000

	Notes	2000 £ million	1999 £ million
Profit for the year		53.2	57.0
Dividends on equity and non-equity shares		(28.0)	(26.3)
Retained profit for the year		25.2	30.7
Goodwill written back on disposals		3.6	15.8
Share placement		28.7	–
Ordinary shares issued		3.5	4.9
Purchase and cancellation of preference shares		(14.2)	(0.8)
(Deficit)/surplus on property revaluation		(0.4)	5.5
Exchange and other movements		(5.2)	0.5
Net addition to shareholders' funds		41.2	56.6
Shareholders' funds as at 1 January		258.8	209.7
Prior year adjustment	1	–	(7.5)
		258.8	202.2
Shareholders' funds as at 31 December		300.0	258.8

NOTES TO THE ACCOUNTS

1 Accounting policies

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

A new segmental format showing the nature of the group's total turnover and total operating profit has been adopted in these accounts. The segments reflect the changes to the composition of the group arising from the acquisition of AGRA Inc. which resulted in the addition of extensive consulting and professional engineering services to the group's operations. The new segmental format enhances the clarity of the group's reporting and should lead to a greater understanding of its activities.

The prior year adjustment in 1999 arose from conforming with the requirements of FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'.

Basis of consolidation
The group accounts include the accounts of AMEC plc and all of its subsidiaries made up to 31 December each year and the group's share of the results and net assets of joint ventures and associates, based on the gross equity and equity methods of accounting, respectively. Joint arrangements are accounted for using the proportional consolidation method.

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

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

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

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

Goodwill
Following the introduction of FRS 10 'Goodwill and Intangible Assets', goodwill arising on acquisitions made post 1 January 1998, representing the excess of the fair value of purchase consideration over the fair value of net assets acquired, is capitalised and amortised over its estimated useful life, which is not expected to exceed 20 years. Where a business is sold, the profit or loss on disposal includes any unamortised amount included within intangible assets.

Goodwill arising on acquisitions made prior to 1 January 1998 has been written off to reserves. Where a business is sold, the profit or loss on disposal includes the attributable amount of goodwill previously charged to reserves.

Interest
Interest is written off to the profit and loss account as incurred by all subsidiaries in the group.

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

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

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

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

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

Contributions to money purchase schemes are charged to the profit and loss account in the year in which they are incurred.

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

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

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

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

2 Segmental analyses

	Total turnover 2000 £ million	Total turnover 1999 £ million	Total operating profit 2000 £ million	Total operating profit 1999 £ million	Net assets/ (liabilities) 2000 £ million	Net assets/ (liabilities) 1999 £ million
Class of business:						
Client support services:						
Consulting and design services	233.1	31.0	11.6	1.8		
Operations support services	1,123.6	944.5	48.9	44.7		
	1,356.7	975.5	60.5	46.5	71.5	35.3
Capital projects:						
Construction management	683.5	569.9	(2.9)	(6.1)		
Construction	1,791.8	1,531.1	57.9	40.6		
	2,475.3	2,101.0	55.0	34.5	11.1	(74.4)
Investments:						
Property development	184.8	60.8	14.1	13.2		
Public private partnerships	15.8	15.4	6.8	(2.7)		
	200.6	76.2	20.9	10.5	140.9	95.7
	4,032.6	3,152.7	136.4	91.5	223.5	56.6
Internal turnover	(52.6)	(90.2)	–	–	–	–
E-commerce costs	–	–	(3.3)	–	–	–
Corporate costs	–	–	(16.8)	(14.3)	–	–
Continuing operations	3,980.0	3,062.5	116.3	77.2	223.5	56.6
Discontinued operations						
Investments:						
Housing	–	38.3	–	(0.2)	–	–
	3,980.0	3,100.8	116.3	77.0	223.5	56.6
Goodwill amortised/capitalised	–	–	(6.7)	–	175.7	–
Net (debt)/cash	–	–	–	–	(211.8)	105.2
Unallocated net assets	–	–	–	–	114.8	97.0
	3,980.0	3,100.8	109.6	77.0	302.2	258.8
Geographical origin:						
United Kingdom	1,873.5	1,700.5	99.2	88.4	104.0	58.1
Rest of Europe	676.0	584.3	11.0	5.6	41.3	27.0
Americas	1,174.8	576.2	22.0	(1.4)	98.8	(24.4)
Rest of the world	255.7	201.5	4.2	(1.1)	(20.6)	(4.1)
	3,980.0	3,062.5	136.4	91.5	223.5	56.6
E-commerce costs	–	–	(3.3)	–	–	–
Corporate costs	–	–	(16.8)	(14.3)	–	–
Continuing operations	3,980.0	3,062.5	116.3	77.2	223.5	56.6
Discontinued operations:						
United Kingdom	–	38.3	–	(0.2)	–	–
	3,980.0	3,100.8	116.3	77.0	223.5	56.6
Goodwill amortised/capitalised	–	–	(6.7)	–	175.7	–
Net (debt)/cash	–	–	–	–	(211.8)	105.2
Unallocated net assets	–	–	–	–	114.8	97.0
	3,980.0	3,100.8	109.6	77.0	302.2	258.8

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

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

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

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

The unallocated net assets principally comprise assets relating to pension scheme prepayments and the Fairclough loan notes and liabilities relating to dividends and taxation. These are not directly related to the activities of the business segments.

2 Segmental analyses continued

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

	SPIE S.A. 2000 £ million	SPIE S.A. 1999 £ million	Others 2000 £ million	Others 1999 £ million	Total 2000 £ million	Total 1999 £ million
Turnover:						
Client support services:						
Consulting and design services	–	–	19.3	–	19.3	–
Operations support services	364.2	335.3	4.1	–	368.3	335.3
Capital projects:						
Construction	336.2	319.8	40.2	1.8	376.4	321.6
Investments:						
Property development	–	–	4.3	1.0	4.3	1.0
Public private partnerships	–	–	15.8	15.4	15.8	15.4
	700.4	655.1	83.7	18.2	784.1	673.3
Operating profit/(loss):						
Client support services:						
Consulting and design services	–	–	0.9	–	0.9	–
Operations support services	14.2	8.0	–	–	14.2	8.0
Capital projects:						
Construction	3.7	7.1	0.8	(1.2)	4.5	5.9
Investments:						
Property development	–	–	0.8	–	0.8	–
Public private partnerships	–	–	5.9	4.9	5.9	4.9
Total operating profit	17.9	15.1	8.4	3.7	26.3	18.8
Profit on disposal of operations	1.7	2.5	–	–	1.7	2.5
Profit on ordinary activities before interest	19.6	17.6	8.4	3.7	28.0	21.3
Net interest payable	(2.5)	(2.5)	(6.4)	(2.4)	(8.9)	(4.9)
Profit on ordinary activities before taxation	17.1	15.1	2.0	1.3	19.1	16.4
Taxation on profit on ordinary activities	(3.8)	(3.6)	2.5	1.5	(1.3)	(2.1)
Profit for the year	13.3	11.5	4.5	2.8	17.8	14.3

The operating profit for operations support services is after charging goodwill amortisation of £0.6 million (1999 – £nil).

3 Total operating profit/(loss)

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

	2000 £ million	1999 £ million
Goodwill amortisation	6.7	–
Depreciation	29.2	20.1
Operating lease payments:		
Land and buildings	19.1	12.0
Plant and equipment	63.4	66.9
Fees paid to auditors and their associates:		
Audit fees:		
KPMG Audit Plc	1.2	0.8
Other auditors	0.1	0.1
Non-audit fees:		
KPMG Audit Plc taxation – £1.1 million (1999 – £0.6 million) and other services – £0.3 million (1999 – £0.2 million)	1.4	0.8
Other auditors	0.1	0.2

3 Total operating profit/(loss) continued

Total operating profit includes the following in respect of acquisitions: cost of sales of £399.8 million, gross profit of £96.0 million and administrative expenses (before goodwill amortisation) of £76.3 million. Share of turnover and operating profit in joint ventures in respect of acquisitions amounted to £19.8 million and £0.6 million respectively.

In addition to the above amounts, due diligence fees paid to KPMG Audit Plc of £0.6 million were capitalised as part of the costs of acquisitions in the year ended 31 December 2000.

For the year ended 31 December 1999, total operating profit included the following in respect of discontinued operations: cost of sales of £35.5 million, gross profit of £2.8 million and administrative expenses of £3.0 million.

The results of AGRA Inc. under Canadian GAAP and using AGRA's accounting policies for the period from 1 August 1999 to 20 April 2000 were as follows: revenue Cdn$1,092.5 million, expenses Cdn$1,083.2 million, restructuring charges Cdn$18.2 million, income tax creditCdn$4.1 million, minority interests charge Cdn$1.0 million and charge in respect of discontinued operations Cdn$1.0 million.

The statement of total recognised gains and losses for the period includes the loss for the period of Cdn$6.8 million and a charge in respect of exchange movements of Cdn$6.5 million.

Profit after tax and minority interests for the year ended 31 July 1999 as reported by AGRA inc. was Cdn$22.6 million.

4 Non-operating exceptional items

	2000 £ million	1999 £ million
(Loss)/profit on disposal of operations:		
Client support services (2000 – includes attributable goodwill of £3.4 million)	**(2.4)**	–
Capital projects (2000 – includes attributable goodwill of £0.2 million)	**(3.3)**	2.5
Investments (1999 – includes attributable goodwill of £15.8 million)	**(4.7)**	(1.7)
	(10.4)	0.8
Loss on disposal of fixed assets	**–**	(3.0)
	(10.4)	(2.2)

5 Directors' remuneration and related matters

	2000 £000	1999 £000
Directors' emoluments	**2,429**	2,295
Gains on exercise of share options	**149**	1,528

The aggregate emoluments of the highest paid director were £669,000 (1999 – £584,000). He had no gains on the exercise of share options in 2000 or 1999.

More detailed information concerning directors' remuneration, including pension benefits and long-term incentive arrangements, is set out in the report on remuneration and related matters on pages 35 to 38.

6 Staff costs and employee numbers

	2000 £ million	1999 £ million
Wages and salaries	**706.4**	527.2
Social security costs	**56.3**	46.7
Other pension costs	**13.3**	9.4
	776.0	583.3

The average number of people employed was as follows:

	2000 Number	1999 Number
Client support services	**11,731**	6,551
Capital projects	**15,068**	13,796
Investments	**110**	224
	26,909	20,571

7 Net interest (payable)/receivable

	2000 £ million	1999 £ million
Interest payable and similar charges:		
Group:		
Bank loans and overdrafts	**(27.3)**	(6.1)
Other charges	**(0.2)**	(0.3)
	(27.5)	(6.4)
Joint ventures	**(9.0)**	(4.9)
	(36.5)	(11.3)
Interest receivable and similar income:		
Group:		
Bank and short-term deposits	**5.4**	2.7
Other income	**13.6**	13.8
	19.0	16.5
Joint ventures	**0.1**	-
	19.1	16.5
	(17.4)	5.2

The group's share of interest capitalised by joint ventures on public private partnership long-term projects amounted to £1.6 million (1999 – £4.8 million).

8 Taxation on profit/(loss) on ordinary activities

	2000 £ million	1999 £ million
Corporation tax at 30.0% (1999 – 30.25%)	**21.5**	20.7
Double taxation relief	**(1.5)**	(0.5)
Joint ventures' taxation	**1.3**	2.1
Overseas' taxation	**8.8**	0.9
	30.1	23.2
Taxation over provided in previous years	**(1.6)**	(0.2)
	28.5	23.0

There was no tax attributable to the non-operating exceptional items for the year ended 31 December 2000 (1999 – £2.4 million)

The group and company have no potential liability for deferred tax, and further details are given in the operating and financial review on page 27.

9 Dividends on equity and non-equity shares

	2000 pence	1999 pence	2000 £ million	1999 £ million
Equity shares:				
Ordinary shares:				
Interim paid 2 January 2001	**2.80**	2.50	**6.0**	5.3
Final recommended payable 2 July 2001	**5.70**	5.00	**12.8**	10.6
	8.50	7.50	**18.8**	15.9
Non-equity shares:				
Convertible redeemable preference shares:				
Paid 1 May 2000	**3.25**	3.25	**4.9**	5.0
Paid 1 November 2000	**3.25**	3.25	**4.3**	5.0
FRS 4 finance cost	**-**	-	**-**	0.4
	6.50	6.50	**9.2**	10.4
			28.0	26.3

The amount waived and to be waived by the Trustees of the long-term incentive plan in respect of the interim and final ordinary dividends is £0.3 million (1999 – £0.2 million).

The amount waived and to be waived by the Trustees of the qualifying employee share ownership trust in respect of the interim and final ordinary dividends is £0.1 million (1999 – £0.2 million).

10 Earnings per ordinary share

In order to appreciate the effect of discontinued operations, goodwill amortisation and exceptional items (net of attributable tax) on the reported underlying performance, additional calculations of earnings per ordinary share have been presented.

	2000			1999		
	Earnings £ million	Weighted average ordinary shares number million	Earnings per share pence	Earnings £ million	Weighted average ordinary shares number million	Earnings per share pence (restated)
Basic earnings before goodwill amortisation and exceptional items, net of attributable tax	**61.1**	**213.0**	**28.7**	51.2	209.1	24.5
Goodwill amortisation	**(6.7)**	**-**		-	-	
Exceptional items	**(10.4)**	**-**		(2.2)	-	
Attributable tax on exceptional items	**-**	**-**		(2.4)	-	
Basic earnings	**44.0**	**213.0**	**20.7**	46.6	209.1	22.3
Basic earnings before goodwill amortisation and exceptional items, net of attributable tax	**61.1**	**213.0**	**28.7**	51.2	209.1	24.5
Share options	**-**	**2.3**		-	3.3	
Employee share and incentive schemes	**-**	**3.9**		-	3.3	
Preference shares	**9.2**	**65.9**		10.4	74.3	
Diluted earnings before goodwill amortisation and exceptional items, net of attributable tax	**70.3**	**285.1**	**24.7**	61.6	290.0	21.2
Goodwill amortisation	**(6.7)**	**-**		-	-	
Exceptional items	**(10.4)**	**-**		(2.2)	-	
Attributable tax on exceptional items	**-**	**-**		(2.4)	-	
Diluted earnings	**53.2**	**285.1**	**18.7**	57.0	290.0	19.6

The 1999 calculations have been restated for the effect of discontinued operations.

There were no earnings from discontinued operations for the year ended 31 December 2000. For the year ended 31 December 1999, the earnings included the following in respect of discontinued operations: earnings before exceptional charges of £2.9 million and exceptional charges, net of attributable tax, of £4.1 million.

11 Intangible assets

	Goodwill £ million
Group:	
Cost:	
As at 1 January 2000	–
Exchange and other movements	5.7
Additions	176.1
As at 31 December 2000	181.8
Amortisation:	
As at 1 January 2000	–
Provided during the year	6.1
As at 31 December 2000	6.1
Net book value:	
As at 31 December 2000	175.7
As at 31 December 1999	–

12 Tangible assets

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Group:			
Cost or valuation:			
As at 1 January 2000	68.9	158.9	227.8
Exchange and other movements	1.4	4.8	6.2
Additions and transfers	3.8	39.3	43.1
Acquisition of subsidiaries	47.4	52.4	99.8
Disposals and transfers	(7.1)	(33.1)	(40.2)
Disposal of subsidiaries	(1.7)	(2.6)	(4.3)
Property revaluation	(0.4)	–	(0.4)
As at 31 December 2000	112.3	219.7	332.0
Depreciation:			
As at 1 January 2000	3.4	117.0	120.4
Exchange and other movements	0.2	0.3	0.5
Provided during the year	2.2	27.0	29.2
Disposals and transfers	(0.5)	(25.3)	(25.8)
Disposal of subsidiaries	–	(1.9)	(1.9)
As at 31 December 2000	5.3	117.1	122.4
Net book value:			
As at 31 December 2000	107.0	102.6	209.6
As at 31 December 1999	65.5	41.9	107.4

12 **Tangible assets** continued

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Company:			
Cost or valuation:			
As at 1 January 2000	**8.0**	**2.4**	**10.4**
Additions and transfers	**1.5**	**0.1**	**1.6**
Disposals and transfers	**(2.0)**	**(0.1)**	**(2.1)**
As at 31 December 2000	**7.5**	**2.4**	**9.9**
Depreciation:			
As at 1 January 2000	**0.8**	**1.4**	**2.2**
Provided during the year	**0.1**	**0.2**	**0.3**
Disposals and transfers	**(0.3)**	**–**	**(0.3)**
As at 31 December 2000	**0.6**	**1.6**	**2.2**
Net book value:			
As at 31 December 2000	**6.9**	**0.8**	**7.7**
As at 31 December 1999	7.2	1.0	8.2

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
The net book value of land and buildings comprised:				
Freehold	**102.0**	60.4	**5.4**	5.6
Long leasehold	**1.7**	1.7	**–**	–
Short leasehold	**3.3**	3.4	**1.5**	1.6
	107.0	65.5	**6.9**	7.2
The cost or valuation of land and buildings comprised:				
Cost	**53.9**	6.9	**2.1**	2.4
External valuation in 1999	**56.6**	62.0	**5.4**	5.6
Internal valuation in 2000	**1.8**	–	**–**	–
	112.3	68.9	**7.5**	8.0

The bases of the external and internal valuations were existing use for properties occupied by group companies and open market value for those properties without group occupancy.

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

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

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
Cost	**46.3**	47.7	**7.2**	9.1
Depreciation	**(13.0)**	(16.6)	**(1.4)**	(4.5)
Net book value	**33.3**	31.1	**5.8**	4.6

Freehold land held by the group amounting to £27.1 million (1999 – £19.3 million) (company – £2.2 million (1999 – £2.4 million)) has not been depreciated.

13 Investments (held as fixed assets)

	2000 £ million	1999 £ million
Company:		
Investments in subsidiaries:		
Shares at cost less amounts written off	838.5	592.4
Amounts owed by subsidiaries	205.0	107.7
Amounts owed to subsidiaries	(366.8)	(357.3)
	676.7	342.8

	Joint ventures £ million	Associates £ million	Other investments £ million	Total £ million
Group:				
Net book value:				
As at 1 January 2000	29.5	3.1	4.5	37.1
Exchange and other movements	2.3	–	0.1	2.4
Additions and transfers	18.1	–	1.8	19.9
Acquisition of subsidiaries	4.9	–	–	4.9
Net movement in share of reserves	13.0	–	–	13.0
Amounts written off	(0.3)	–	(1.9)	(2.2)
Dividends received	(0.9)	–	–	(0.9)
Disposals and transfers	(7.1)	–	(0.1)	(7.2)
As at 31 December 2000	59.5	3.1	4.4	67.0
Represented by:				
Shares at cost less amounts written off	60.5	3.1	4.4	68.0
Share of post acquisition results	47.4	–	–	47.4
Goodwill written off to reserves	(40.5)	–	–	(40.5)
Loans	(7.9)	–	–	(7.9)
	59.5	3.1	4.4	67.0
Company:				
Cost:				
As at 1 January 2000	10.6	3.1	3.1	16.8
Additions and transfers	13.0	–	1.8	14.8
Amounts written off	–	–	(1.9)	(1.9)
Disposals and transfers	(1.5)	–	–	(1.5)
As at 31 December 2000	22.1	3.1	3.0	28.2

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

	SPIE S.A. 2000 £ million	SPIE S.A. 1999 £ million	Others 2000 £ million	Others 1999 £ million	Total 2000 £ million	Total 1999 £ million
Fixed assets	81.7	77.3	217.0	172.4	298.7	249.7
Current assets	518.3	411.0	188.3	81.8	706.6	492.8
Share of gross assets	600.0	488.3	405.3	254.2	1,005.3	742.5
Loans to group companies	–	–	(13.7)	(9.0)	(13.7)	(9.0)
Group share of gross assets	600.0	488.3	391.6	245.2	991.6	733.5
Liabilities due within one year or less	(538.3)	(432.7)	(94.2)	(62.9)	(632.5)	(495.6)
Liabilities due after more than one year	(35.0)	(41.7)	(270.4)	(170.5)	(305.4)	(212.2)
Share of gross liabilities	(573.3)	(474.4)	(364.6)	(233.4)	(937.9)	(707.8)
Loans from group companies	–	–	5.8	3.8	5.8	3.8
Group share of gross liabilities	(573.3)	(474.4)	(358.8)	(229.6)	(932.1)	(704.0)
Share of net assets	26.7	13.9	32.8	15.6	59.5	29.5

Principal group companies are listed on page 64.

13 Investments (held as fixed assets) continued

There is a commitment to invest a total of £36.7 million (1999 – £28.0 million) in various public private partnership projects of which £1.1 million (1999 – £1.3 million) will be equity investment and £35.6 million (1999 – £26.7 million) will be subordinated debt.

Included within other investments is £3.0 million (1999 – £3.1 million) in respect of 3,073,499 (1999 – 2,055,379) ordinary shares of 50p each in the company, held by the trustees of the long-term incentive plan. The cost of these shares is being written off to the profit and loss account over the period between the dates of the awards and the vesting of the shares. The market value of these shares at 31 December 2000 was £10.6 million (1999 – £5.1 million).

A qualifying employee share ownership trust (Quest) was established on 26 August 1999. The Quest holds ordinary shares issued by the company in connection with the savings related share option scheme. During the year the company allotted 378,499 (1999 – 4,342,827) ordinary shares to the Quest and the Quest transferred 1,452,874 (1999 – 1,845,506) of these shares to employees exercising options.

At 31 December 2000 the Quest held 1,422,946 (1999 – 2,497,321) ordinary shares and these are included within investments at £nil (1999 – £nil).

14 Stocks

	2000 £ million	1999 £ million
Group:		
Development land and work in progress	**59.4**	52.9
Raw materials and consumables	**11.7**	10.3
Other work in progress	**0.9**	1.8
Finished goods and goods for resale	**3.2**	4.3
	75.2	69.3

15 Debtors

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
Debtors: amounts falling due within one year				
Amounts recoverable on contracts	**256.0**	202.5	**–**	–
Trade debtors	**584.1**	387.8	**0.7**	0.5
Amounts owed by subsidiaries	**–**	–	**4.6**	4.0
Amounts owed by joint ventures and associates	**40.1**	22.2	**38.8**	24.2
Other debtors	**136.5**	130.9	**2.2**	0.9
Prepayments and accrued income	**22.0**	14.3	**0.8**	1.4
	1,038.7	757.7	**47.1**	31.0
Debtors: amounts falling due after one year				
Trade debtors	**85.6**	65.0	**–**	–
Other debtors	**3.7**	0.1	**–**	–
Prepayments and accrued income	**42.8**	32.7	**40.4**	31.6
	132.1	97.8	**40.4**	31.6
	1,170.8	855.5	**87.5**	62.6

16 Creditors: amounts falling due within one year

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
Bank loans and overdrafts	**171.3**	37.6	**104.1**	1.1
Payments on account	**112.3**	92.1	**–**	–
Trade creditors	**765.0**	586.9	**3.1**	4.1
Amounts owed to joint ventures and associates	**2.0**	2.3	**–**	–
Corporation tax	**17.3**	21.7	**17.7**	21.1
Other taxation and social security costs	**39.6**	35.0	**5.0**	11.2
Other creditors	**38.3**	24.0	**6.2**	10.5
Accruals and deferred income	**80.3**	53.5	**4.2**	4.3
Dividends	**20.2**	17.4	**20.2**	17.4
	1,246.3	870.5	**160.5**	69.7

17 Creditors: amounts falling due after one year

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
Bank loans	**291.3**	46.9	**193.1**	46.8
Trade creditors	**63.7**	44.8	**–**	–
Amounts owed to joint ventures and associates	**0.9**	–	**1.9**	–
Other creditors	**8.0**	0.3	**–**	–
Accruals and deferred income	**2.2**	3.5	**–**	–
	366.1	95.5	**195.0**	46.8

18 Analysis of borrowings and banking facilities

The maturity of borrowings was as follows:

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
Due:				
In one year or less, or on demand	**171.3**	37.6	**104.1**	1.1
Between one and two years	**79.5**	46.9	**–**	46.8
Between two and five years	**211.8**	–	**193.1**	–
	462.6	84.5	**297.2**	47.9

The available undrawn committed bank facilities were as follows:

	2000 £ million	1999 £ million
Group:		
Expiring in:		
One year or less	**6.2**	–
More than one year but not more than two years	**–**	75.9
More than two years	**46.9**	60.0
	53.1	135.9

19 Financial instruments

Details of the group's policies on the use of financial instruments are provided in the Operating and Financial Review on pages 26 to 31. As permitted by FRS 13 'Derivatives and other financial instruments: Disclosures', short-term debtors and creditors have been excluded from the following analyses.

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

	2000				1999			
Currency	Non interest bearing £ million	Floating rate £ million	Fixed rate £ million	Total £ million	Non interest bearing £ million	Floating rate £ million	Fixed rate £ million	Total £ million
Group:								
Financial assets:								
Sterling	**90.3**	**41.4**	**–**	**131.7**	75.5	109.4	–	184.9
US dollar	**9.5**	**62.7**	**–**	**72.2**	2.8	32.3	–	35.1
Canadian dollar	**6.1**	**1.0**	**–**	**7.1**	–	–	–	–
German mark	**0.4**	**0.5**	**–**	**0.9**	4.3	0.9	–	5.2
Hong Kong dollar	**22.3**	**0.5**	**–**	**22.8**	2.4	16.8	–	19.2
Other	**17.9**	**4.9**	**–**	**22.8**	3.3	8.7	–	12.0
	146.5	**111.0**	**–**	**257.5**	88.3	168.1	–	256.4

19 Financial instruments continued

Currency	2000 Non interest bearing £ million	2000 Floating rate £ million	2000 Fixed rate £ million	2000 Total £ million	1999 Non interest bearing £ million	1999 Floating rate £ million	1999 Fixed rate £ million	1999 Total £ million
Group:								
Financial liabilities:								
Sterling	63.2	93.0	131.2	287.4	47.1	4.9	147.3	199.3
US dollar	0.3	138.8	–	139.1	–	26.7	–	26.7
Canadian dollar	6.0	170.7	–	176.7	–	–	–	–
German mark	3.8	54.8	–	58.6	5.9	46.9	–	52.8
Hong Kong dollar	3.2	0.6	–	3.8	0.1	2.1	–	2.2
Other	2.3	4.8	–	7.1	0.5	3.9	–	4.4
	78.8	462.7	131.2	672.7	53.6	84.5	147.3	285.4

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

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

The fixed rate financial liabilities relate to the preference shares in issue which have a right to a fixed annual dividend of 6.5p (net) per share until conversion or redemption. Further details in respect of the rights of these shares is given in note 21.

The maturity of the financial liabilities was as follows:

	2000 £ million	1999 £ million
Group:		
Due:		
In one year or less, or on demand	240.4	37.6
Between one and two years	81.2	95.2
Between two and five years	218.3	2.0
Over five years	132.8	150.6
	672.7	285.4

There is no material difference between the book and fair value of financial assets and liabilities save for the preference shares which have a book value of £131.2 million and a market value of £228.8 million as at 31 December 2000 (£147.3 million and £188.8 million respectively as at 31 December 1999) and financial liabilities in the two to five year category which have a book value of £218.3 million and a fair value of £176.5 million (£2.0 million and £2.0 million respectively as at 31 December 1999).

The group had no material currency exposures as at 31 December 2000 after taking into account the effects of forward foreign currency exchange contracts.

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

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

20 Provisions for liabilities and charges

	Insurance £ million	Onerous property contracts £ million	Total £ million
Group:			
As at 1 January 2000	26.8	7.2	34.0
Utilised in the year	–	(0.1)	(0.1)
Charged/(credited) to the profit and loss account	1.1	(0.5)	0.6
As at 31 December 2000	27.9	6.6	34.5

21 Share capital

The authorised share capital of the company is £350.0 million (1999 – £250.0 million).

	2000 £ million	1999 £ million
Group and company:		
Allotted, called up and fully paid:		
Equity share capital:		
Ordinary shares of 50p each	114.7	107.8
Non-equity share capital:		
6.5p (net) cumulative convertible redeemable preference shares of 50p each	67.6	76.1
	182.3	183.9

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

	Ordinary shares Number	Ordinary shares £ million	Preference shares Number	Preference shares £ million
Group and company:				
As at 1 January 2000	215,522,626	107.8	152,231,895	76.1
Conversion of preference shares to ordinary shares	1,209,080	0.6	(2,478,640)	(1.2)
Qualifying employee share ownership trust allotments	378,499	0.2	–	–
Exercise of executive share options	1,600,500	0.8	–	–
Exercise of AGRA rolled-over options	149,202	0.1	–	–
Purchase and cancellation of preference shares	–	–	(14,559,104)	(7.3)
Share placement	10,400,000	5.2	–	–
Allotments to AGRA shareholders	54,020	–	–	–
As at 31 December 2000	229,313,927	114.7	135,194,151	67.6

Preference shares

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. On a show of hands, a holder of preference shares who is present in person has one vote and, on a poll, each 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 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 to convert the balance outstanding.

Redemption

Subject to the provisions of the Companies Act 1985, the company shall redeem on 1 May 2009 any preference shares which remain in issue and are 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.

Share options

During the year, options were granted in respect of 4,386,180 ordinary shares under the terms of the AMEC Savings Related Share Option Scheme and in respect of 519,902 ordinary shares under the terms of the AMEC Executive Share Option Scheme 1995.

21 Share capital continued

The number of share options outstanding under the Savings Related and Executive Schemes as at 31 December 2000 was as follows:

	Option price per ordinary share pence	Number
Savings Related Share Option Scheme		
Normally exercisable in the period between:		
September 2000 and February 2001	58.0	58,622
September 2001 and February 2002	90.0	2,416,781
July 2002 and December 2002	181.0	399,105
July 2004 and December 2004	181.0	853,349
January 2004 and June 2004	230.0	4,372,486
Executive Share Option Schemes		
Normally exercisable in the period between:		
May 1994 and May 2001	218.0	187,500
May 1995 and May 2002	160.0	115,000
May 1997 and May 2004	118.0	20,000
October 1998 and October 2005	60.0	80,000
February 1999 and February 2006	99.0	600,000
April 2000 and April 2007	144.0	611,388
March 2001 and March 2008	153.5	75,439
April 2003 and April 2010	169.0	322,000
June 2003 and June 2010	214.5	97,902

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

	Option price per ordinary share pence	Number
AGRA Inc. Stock Option Plans		
Normally exercisable in the period between:		
October 1997 and October 2001	146.26	5,190
December 1997 and December 2001	153.30	5,800
December 1998 and December 2002	123.76	12,212
January 1999 and January 2003	146.26	3,052
December 1999 and December 2003	137.12	13,738
February 2000 and February 2009	132.20	6,468
April 2000 and April 2009	162.16	152,650
May 2000 and May 2004	171.58	1,727
September 2000 and September 2009	142.75	6,030
December 2000 and December 2009	148.37	30,530
December 2000 and December 2009	171.30	295,529

As at 31 December 2000 there were 4,422 participants in the Savings Related Scheme, 34 participants in the Executive Schemes and 24 participants in the AGRA Plans.

During the year, under the provisions of the Savings Related Scheme, 1,452,874 shares were transferred from the qualifying employee share ownership trust (Quest) for a total consideration of £1.0 million. Under the provisions of the Executive Schemes, 1,600,500 shares were allotted for a total consideration of £2.2 million and, under the provisions of the AGRA Plans, 149,202 shares were allotted for a total consideration of £0.2 million.

The market value of the ordinary shares at 31 December 2000 was 345.5p ex-dividend (1999 – 247p ex-dividend).

During the year the company received £1.0 million from employees in respect of 378,499 shares allotted to the Quest.

22 Reserves

	Share premium account £ million	Revaluation reserve £ million	Capital redemption reserve £ million	Special reserve £ million	Profit and loss account £ million	Total £ million
Group:						
As at 1 January 2000	10.3	20.0	9.9	–	34.7	74.9
Exchange and other movements	0.6	(1.0)	–	–	(4.2)	(4.6)
Ordinary shares issued	2.4	–	–	–	–	2.4
Share placement	23.5	–	–	–	–	23.5
Purchase and cancellation of preference shares	–	–	7.3	–	(14.2)	(6.9)
Deficit on property revaluation	–	(0.4)	–	–	–	(0.4)
Goodwill written back on disposals	–	–	–	–	3.6	3.6
Retained profit for the year	–	–	–	–	25.2	25.2
As at 31 December 2000	36.8	18.6	17.2	–	45.1	117.7
Company:						
As at 1 January 2000	10.3	–	9.9	127.9	55.3	203.4
Exchange and other movements	0.6	–	–	–	(11.4)	(10.8)
Ordinary shares issued	2.4	–	–	–	–	2.4
Share placement	23.5	–	–	–	–	23.5
Purchase and cancellation of preference shares	–	–	7.3	–	(14.2)	(6.9)
Retained profit for the year	–	–	–	–	87.7	87.7
As at 31 December 2000	36.8	–	17.2	127.9	117.4	299.3

The cumulative goodwill (at historic exchange rates) written off against reserves in respect of acquisitions prior to 1 January 1998, when FRS 10: 'Goodwill and Intangible Assets' was adopted, amounts to £200.7 million (1999 – £204.3 million). Of these amounts, £40.5 million related to joint ventures, associates and unincorporated businesses (1999 – £40.5 million).

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

	2000 £ million	1999 £ million
Group operating profit	83.3	58.2
Goodwill amortisation	6.7	–
Depreciation	29.2	20.1
Decrease/(increase) in stocks	12.8	(15.8)
(Increase)/decrease in debtors	(180.3)	49.3
Increase/(decrease) in creditors and provisions	122.7	(98.5)
Exchange and other movements	(1.3)	(3.7)
Net cash flow from operating activities	73.1	9.6

24 Reconciliation of net cash flow to movement in net funds

	2000 £ million	1999 £ million
Increase in cash	25.8	0.8
Cash flow from movement in debt	(342.1)	(0.5)
Cash flow from movement in liquid resources	18.1	1.2
Change in funds resulting from cash flows	(298.2)	1.5
Exchange and other movements	(18.8)	6.5
Movement in net funds in the year	(317.0)	8.0
Net funds as at 1 January	105.2	97.2
Net (debt)/funds as at 31 December	(211.8)	105.2

25 Analysis of net funds

	As at 1 January 2000 £ million	Cash flow £ million	Other non-cash movements £ million	Exchange and other movements £ million	As at 31 December 2000 £ million
Cash at bank and in hand	124.3	39.4	–	2.8	166.5
Overdrafts	(7.8)	(13.6)	(1.1)	(0.1)	(22.6)
		25.8			
Debt due within one year	(29.7)	(98.9)	(8.6)	(11.5)	(148.7)
Debt due after one year	(46.8)	(243.2)	9.7	(11.0)	(291.3)
		(342.1)			
Liquid financial instruments	65.2	18.1	–	1.0	84.3
	105.2	(298.2)	–	(18.8)	(211.8)

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

26 Acquisitions and disposals

The following table analyses subsidiaries and businesses acquired in the year, all of which were accounted for under the acquisition method of accounting, and predominantly relates to the purchase of AGRA Inc. The book value of the identifiable assets and liabilities acquired, and their provisional fair value to the group, were as follows:

	Book value £ million	Revaluations £ million	Accounting policy alignments £ million	Other adjustments £ million	Net assets acquired £ million
Tangible fixed assets	114.4	(11.8)(i)	(2.8)(iv)	–	99.8
Investments	5.5	(0.6)(ii)	–	–	4.9
Stocks	22.2	(0.3)(iii)	–	–	21.9
Debtors	183.4	–	(16.0)(v)	(24.4)(vi)	143.0
Deferred tax	5.3	–	–	10.0 (vii)	15.3
Creditors	(146.3)	–	–	(3.7)(viii)	(150.0)
Net debt	(65.2)	–	–	–	(65.2)
Minority interests	(1.8)	–	–	–	(1.8)
Net assets	117.5	(12.7)	(18.8)	(18.1)	67.9
Goodwill capitalised					176.1
					244.0
Consideration:					
Cash					232.3
Contingent consideration					0.3
Shares issued					0.1
Costs of acquisitions					11.3
					244.0

Notes

(i) Revaluation of Grand Cayman Hotel and resort developments.
(ii) Write down of joint venture investment.
(iii) Write down of condominium developments.
(iv) Alignment of depreciation policies.
(v) Alignment of contract work in progress and amounts recoverable policies.
(vi) Reassessment of contract end life forecasts.
(vii) Deferred tax on fair value adjustments.
(viii) Provisions for post retirement benefits and litigation.

The acquisition of joint ventures and other investments amounted to £13.2 million in 2000 and principally relates to investments in public private partnership projects and shares in the company acquired for the purposes of the long-term incentive plan.

26 Acquisitions and disposals continued

The net assets of subsidiaries disposed of in the year and the related sales proceeds were as follows:

	£ million
Tangible fixed assets	2.4
Stocks	3.2
Debtors	7.2
Cash	0.1
Creditors	(7.0)
Net assets	5.9
Attributable goodwill	3.6
Loss on disposals	(10.1)
	(0.6)
Satisfied by:	
Cash	3.8
Deferred consideration	1.7
	5.5
Costs of disposals	(6.1)
	(0.6)

Joint ventures and other investments with a carrying value of £7.2 million were disposed of in the year, realising sales proceeds of £6.9 million.

27 Capital commitments

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
Contracted but not provided in accounts	5.0	1.3	0.6	–

28 Lease commitments

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

	Land and buildings 2000 £ million	Land and buildings 1999 £ million	Plant and equipment 2000 £ million	Plant and equipment 1999 £ million
Group:				
Expiring:				
In one year or less	3.7	0.8	4.6	4.4
Between two and five years	9.4	5.5	9.9	6.6
Over five years	5.7	4.5	–	–
	18.8	10.8	14.5	11.0
Company:				
Expiring:				
Between two and five years	0.7	0.8	–	–
Over five years	0.4	0.1	–	–
	1.1	0.9	–	–

29 Contingent liabilities

	Group 2000 £ million	Group 1999 £ million	Company 2000 £ million	Company 1999 £ million
Guarantees given in respect of borrowings of group companies	–	0.7	131.0	45.8

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

In addition, AMEC Inc. has a one-third interest in two joint venture companies involved in the Cross Israel Highway Project, in connection with which those companies have procured from certain banks Letters of Credit totalling US$142 million. AMEC Inc. has guaranteed on a joint and several basis the obligations of the companies to the banks.

30 Pension arrangements

The group operates a number of pension schemes for United Kingdom and overseas employees. All United Kingdom members are in defined benefit schemes. Contributions paid by employees and employers are in accordance with a qualified actuary's advice and are held in funds that are separate from the group's finances and administered by trustees. The total pension cost for the group was £13.4 million (1999 – £9.4 million) which reflects businesses acquired during the year. A prepayment of pension costs of £41.7 million (1999 – £30.4 million) is included in note 15 – Debtors: amounts falling due after one year – on page 53. The projected unit method has been used to assess liabilities and future funding rates for the two major schemes which cover approximately 90 per cent of United Kingdom members. The latest actuarial valuations of these schemes were undertaken as at 31 December 1998 and 1 April 1999. These showed that the market value of the assets was £922 million, with the actuarial value of assets being sufficient to cover 114 per cent of the accrued benefits. The principal assumptions were based upon future investment returns of 6.70 to 6.75 per cent, future pensionable salary increases of 3.6 to 4.5 per cent, future pension increases of 2.6 to 3.0 per cent and valuation rates of interest of 3.0 to 4.5 per cent.

31 Related party transactions

All related party transactions arose in the normal course of business.

During the year, the value of services rendered, goods sold, sales of fixed assets and the provision of finance to joint ventures, associates and joint arrangements amounted to £23.1 million, £0.6 million, £52.1 million and £17.3 million respectively (1999 – £22.9 million, £0.7 million, £2.8 million and £0.6 million respectively).

At 31 December 2000, the amounts owed for services rendered, the provision of finance and goods sold to joint ventures, associates and joint arrangements amounted to £3.2 million, £5.8 million and £nil respectively (1999 – £1.2 million, £1.5 million and £0.1 million respectively).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

REPORT OF THE AUDITORS TO THE MEMBERS OF AMEC plc

We have audited the accounts on pages 39 to 61.

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

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

We review whether the statement on pages 33 and 34 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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

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

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

Opinion
In our opinion, the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 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
Manchester
7 March 2001

FIVE YEAR RECORD

	2000 £ million	1999 £ million	1998 £ million	1997 £ million	1996 £ million
Summarised consolidated results					
Continuing operations	**3,980.0**	3,062.5	3,191.9	3,186.5	2,736.3
Discontinued operations	–	38.3	200.9	184.4	175.4
Total turnover	**3,980.0**	3,100.8	3,392.8	3,370.9	2,911.7
Continuing operations	**98.9**	79.3	56.1	31.4	30.5
Discontinued operations	–	2.9	15.3	16.1	7.2
Profit on ordinary activities before goodwill amortisation, exceptional items and taxation	**98.9**	82.2	71.4	47.5	37.7
Goodwill amortisation	**(6.7)**	–	–	–	–
Exceptional items	**(10.4)**	(2.2)	(2.2)	20.9	(10.5)
Profit on ordinary activities before taxation	**81.8**	80.0	69.2	68.4	27.2
Taxation on profit on ordinary activities	**(28.5)**	(23.0)	(21.9)	(23.7)	(6.0)
Profit on ordinary activities after taxation	**53.3**	57.0	47.3	44.7	21.2
Equity minority interests	**(0.1)**	–	–	–	–
Profit for the year	**53.2**	57.0	47.3	44.7	21.2
Dividends on equity and non-equity shares	**(28.0)**	(26.3)	(23.5)	(21.3)	(19.7)
Retained profit for the year	**25.2**	30.7	23.8	23.4	1.5
Basic earnings per ordinary share	**20.7p**	22.3p	17.8p	16.5p	4.7p
Dividends per ordinary share	**8.50p**	7.50p	6.25p	5.00p	4.00p
Summarised consolidated balance sheets					
Assets employed:					
Fixed assets	**452.3**	144.5	130.5	115.7	137.7
Net current assets	**250.5**	243.8	235.6	189.8	172.6
	702.8	388.3	366.1	305.5	310.3
Financed by:					
Share capital	**182.3**	183.9	181.0	184.6	188.3
Reserves	**117.7**	74.9	21.2	2.7	22.4
Shareholders' funds	**300.0**	258.8	202.2	187.3	210.7
Equity minority interests	**2.2**	–	–	–	–
Loans	**291.3**	46.8	48.3	69.1	49.3
Other creditors and provisions	**109.3**	82.7	115.6	49.1	50.3
	702.8	388.3	366.1	305.5	310.3

The figures are stated in accordance with the accounting policies set out on page 44.

PRINCIPAL GROUP COMPANIES

As at 31 December 2000

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

Subsidiaries

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

Joint ventures and associates

*AMEC SPIE Rail Systems Limited (50%) (note 5)
Health Management (Carlisle) Holdings Limited (50%) (note 6)
Health Management (UCLH) Holdings Limited (33.3%) (note 7)
KIG Immobilien Beteiligungsgesellschaft mbH (Germany) (50%) (note 8)
*Newcastle Estate Partnership Holdings Limited (50%) (note 9)
*Northern Integrated Services Limited (50% – B Shares) (note 10)
*Ringway Developments plc (21% – B shares) (note 11)
*Road Management Group Limited (25%) (note 12)
SPIE S.A. (France) (41.6%) (note 13)
Wastewater Management Holdings Limited (25%) (note 14)

Notes

1 The issued share capital of AMEC Australia Pty Limited is 62,930,001 ordinary shares of A$1 each, 12,500,000 class 'A' redeemable preference shares of A$1 each and 2,500 non-cumulative redeemable preference shares of A$1 each.
2 The issued share capital of AMEC Civil LLC is 1,000 common shares of US$1 each.
3 The issued share capital of AMEC Electrical and Mechanical Engineers Limited is 41,000,000 ordinary shares of HK$1 each, 1,035,000 cumulative redeemable preference shares of US$1 each and 150,000 'B' preference shares of HK$10 each.
4 Cayman Hotel & Golf Club Partnership is a limited liability partnership.
5 The issued share capital of AMEC SPIE Rail Systems Limited is 2,000,000 ordinary shares of £1 each.
6 The issued share capital of Health Management (Carlisle) Holdings Limited is 841,002 ordinary shares of £1 each.
7 The issued share capital of Health Management (UCLH) Holdings Limited is 692,157 ordinary shares of £1 each.
8 KIG Immobilien Beteiligungsgesellschaft mbH is a limited liability partnership.
9 The issued share capital of Newcastle Estate Partnership Holdings Limited is 500,000 'A' ordinary shares of £1 each and 500,000 'B' ordinary shares of £1 each.
10 The issued share capital of Northern Integrated Services Limited is 12,500 'A' ordinary shares of £1 each and 12,500 'B' ordinary shares of £1 each.
11 The issued share capital of Ringway Developments plc is 4,226,971 'A' shares of £1 each and 4,399,673 'B' shares of £1 each.
12 The issued share capital of Road Management Group Limited is 25,335,004 ordinary shares of £1 each.
13 The issued share capital of SPIE S.A. is 9,127,501 ordinary shares of FF76 each.
14 The issued share capital of Wastewater Management Holdings Limited is 150,000 'A' ordinary shares of £1 each, 75,000 'B' ordinary shares of £1 each and 75,000 'C' ordinary shares of £1 each.
15 The company has representation on the board of each principal group company.

SHAREHOLDER INFORMATION

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

Stockbroking commission will be payable at the following rate:

1.0 per cent on the first £3,000 consideration and 0.5 per cent thereafter.

Minimum commission £9.50.

Further information may be obtained from:

NatWest Stockbrokers Limited
Corporate and Employee Services
AMEC information
55 Mansell Street
FREEPOST
London E1 8BR
Tel: 0870 600 2050

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

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

Financial calendar
Publication of results
The company's results will normally be published at the following times:

March
Preliminary announcement for the year ended 31 December.

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

Copies of the interim reports and preliminary announcements notified to the London Stock Exchange are available on the Internet at www.amec.com. They, and copies of the annual report and accounts, are also available upon written request from:
AMEC plc, Corporate Communications, 65 Carter Lane, London EC4V 5HF. A mailing list is maintained for those who wish to register for copies of future preliminary announcements to be sent to them.

May
Annual general meeting.

September
Interim report for the half year ended 30 June.

Payment of dividends
Interim ordinary dividend announced in August and paid in January.

Final ordinary dividend announced in March and paid in July.

Convertible preference dividends paid 1 May and 1 November.

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

Dividend reinvestment plan
A dividend reinvestment plan (DRIP) has been introduced by the company for the convenience of ordinary shareholders and preference shareholders who would prefer the company to utilise their dividends for the purchase, on their behalf, of additional ordinary shares of the company instead of receiving cash dividends.

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

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 020 8639 2000
E-mail: ssd@capita-irg.com or visit the website at www.capita-irg.com

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