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AMEC profile

AMEC is an international group with a comprehensive engineering, construction and development capability.

Employing approximately 20,000 people worldwide, our group is committed to the highest standards of service and management, based on a sound foundation of financial prudence.

The breadth and depth of our integrated resources enable us to respond effectively to the ever changing requirements of the markets we serve. These resources also enhance our ability to target and develop new and profitable opportunities both in the United Kingdom and overseas.

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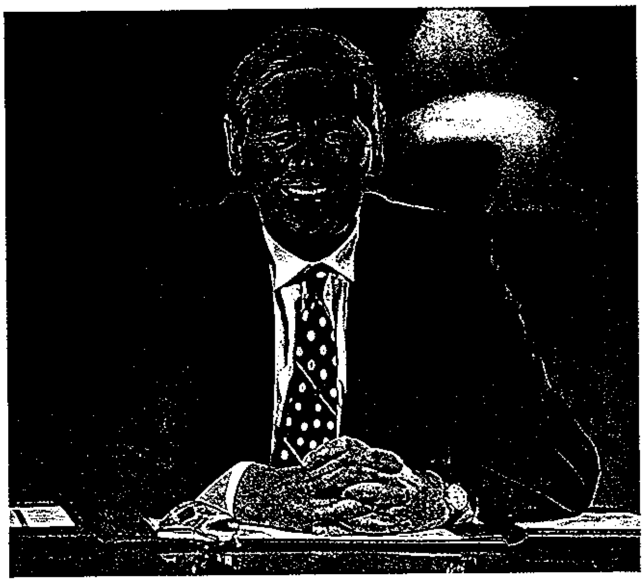


In my statement last year, I indicated that 1994 would be a demanding year but that we could look forward to significant improvements from 1995 and beyond. Despite the fact that recovery of the United Kingdom economy has not offered tangible benefits to our domestic construction markets, our progress elsewhere underpins my confidence that we will achieve further improvements in our performance this year.

Underlying operating profit for the year increased by 20 per cent principally due to substantial improvement in the performance of our overseas engineering and construction activities and from the elimination of losses in housing and development businesses. At the pre-tax level, these improvements were diluted by costs incurred in the disposal of several peripheral businesses. However, their sale will, of course, improve our performance in the current year and beyond. The directors have therefore decided to recommend a final dividend of 1.5p per ordinary share, giving a total for the year of 3.0p, the same as last year.

Group net borrowings at the year end represent only 17 per cent of shareholders' funds. Strong positive cash flow in the second half of the year is forecast to continue in the current year as a whole, leading to an overall cash positive position in 1996.

Whilst the construction market in the United Kingdom remains extremely difficult, opportunities overseas are much more encouraging. Accordingly, we will seek to reduce the volume of domestic business which we carry out in traditional contracting in favour of higher added value projects and targeted major international opportunities. The order book going forward reflects our commitment to these principles and, in 1995, we anticipate that over a third of our engineering and construction activities will be outside the United Kingdom as the results of our long-term strategic international development begin to flow through.

Chairman's statement

In particular, the continuing development of our activities in Hong Kong and China culminated, after the year end, in the award to the

AMEC led joint venture, of the Hong Kong airport main terminal building, a project which has been actively pursued by the group for over four years. We anticipate that about 10 per cent of the group's turnover will be in Asia by the end of the current year.

In a year which saw a number of the mature markets of mainland Europe follow the United Kingdom downhill trend, the opportunity was taken to dispose of our interests in those markets in favour of the continued development of our German activities through Kittelberger where the market remains strong in the foreseeable future. Here, our focus has increasingly been directed into the eastern German market place which offers the prospect of margins significantly better than those available in the United Kingdom.

At the end of January 1995, Morse Diesel International, in the United States, became a wholly owned subsidiary of AMEC. We will take the opportunity to integrate fully this capability with the rest of the group to offer the management skills of this business to our clients, not only in the USA but also in Europe and the growing markets of South East Asia.

In the short to medium-term within the United Kingdom, we cannot realistically expect any increase in the overall volume of business available. The market for routine construction projects will, therefore, remain extremely competitive with little prospect of margin improvement without further rationalisation of the industry. There are too many people chasing too little work. Regrettably, the industry continues to become more adversarial and there is a need for considerable change in the way contracts are placed and administered if clients are to get the best value for money and the industry is to return to acceptable levels of profitability.

The group's engineering and construction activities have once again performed well in a difficult market.

This changing balance in the kind of work which we carry out and the places where we do it will continue. Whilst it has increased the demands on everyone within the group, it is now producing more opportunities.

We are also particularly pleased with the continuing progress of Fairclough Homes, which is now well set for 1995 and beyond.

In my statement last year, I said that profit growth in the future will not come by waiting for traditional markets to return. In 1994, AMEC has demonstrated that its future does not lie in the low margin markets of the United Kingdom but in the broader higher added value opportunities in the targeted growth markets both at home and overseas.

AMEC people have understood and led this continuing process of change and their ability to recognise and respond to the challenges not only deserves our sincere thanks but also ensures that we are well set for our future development.

Finally, John Bateson, our chief executive, with whom I have worked personally for 25 years, retired on 31 March 1995, having given 26 years' outstanding service to our group. We extend to him our considerable thanks and best wishes for his health and happiness in the future. We expect to appoint a new chief executive within the next few months who will spearhead the group in the pursuit of its strategic objectives.

A. Cockshaw

Sir Alan Cockshaw, FEng
Chairman
30 March 1995

Overseas turnaround supports solid United Kingdom performance

- Marked improvement in operating profit
- Return to profit from overseas activities
- Despite depressed market conditions, a good performance from United Kingdom engineering and construction
- Good order book with stronger overseas content and better margin prospects
- Sound financial position - gearing 17 per cent

	1994 £ million	1993 £ million
Turnover	**1,962.4**	2,186.4
Operating profit:		
Engineering and construction:		
United Kingdom	**26.4**	36.0
Overseas	**5.0**	(3.0)
Housing and development	**0.4**	(6.5)
	31.8	26.5
Loss on disposal of Trafalgar Place, Brighton	**(3.2)**	-
	28.6	26.5
Profit before taxation	**20.0**	20.4
Profit available for distribution	**17.7**	17.9
Shareholders' funds	**233.4**	239.1
Undiluted earnings per ordinary share:		
Nil distribution basis	**4.2p**	3.6p
Net distribution basis	**3.1p**	3.2p
Dividends per ordinary share	**3.0p**	3.0p

Financial highlights and review

Although the 1994 results show a marginal reduction in profit on ordinary activities before taxation, the underlying performance, before exceptional items, is an improvement of 20 per cent over the result for 1993. Exceptional items relate to the loss on disposal of the Trafalgar Place, Brighton property (£3.2 million) and the net effect of business disposals and write-downs, mainly in the United States and mainland Europe.

Accounting standards

Two new accounting standards, FRS 4 - 'Capital Instruments' and FRS 5 - 'Reporting the Substance of Transactions', came into effect during 1994 and have been adopted in the preparation of these accounts. FRS 4 introduced a new analysis of shareholders' funds and its application also affects the accounting treatment of the preference dividend. This is now stated in the profit and loss account at a slightly higher amount, reflecting the amortisation of the discount at which such shares were issued, relative to their redemption value. This treatment has no effect on the level of dividend payments made to preference shareholders.

The introduction of FRS 5 affects the presentation of the 1993 accounts, principally through the inclusion on the balance sheet of certain development project assets and their related limited recourse finance. In addition, there is a consequential adjustment to prior years' profit which, for 1993, amounted to a £0.6 million reduction.

Review of operating results

A substantial improvement in the group's overseas activities helped offset the slow-down in the performance of United Kingdom based businesses. The group's joint venture facilities management company, Building and Property Management Services, made a good contribution in its first full year of trading.

The gross margin at 7.3 per cent narrowed from 7.6 per cent in 1993 but the progress made through our cost control programme enabled us to reduce administration expenses, substantially offsetting the reduction in gross profit. Interest payable fell from £6.1 million to £5.5 million.

The tax charge for the year is £2.3 million, being 11.5 per cent of the profit before tax (1993 - 12.3 per cent), again reflecting the utilisation of prior years' tax losses.

Return to shareholders

After deduction of preference dividends, £6.1 million remains attributable to ordinary shareholders. On a nil distribution basis, adding back irrecoverable advance corporation tax written off in the tax charge, this represents undiluted earnings per share of 4.2p (1993 - 3.6p). On a net distribution basis, undiluted earnings per share are virtually unchanged at 3.1p. The final ordinary dividend recommended by the board of 1.5p, together with the interim ordinary dividend already paid, will cost £6.0 million. The remaining balance on the profit and loss account has been transferred to group reserves.

The reduction in shareholders' funds during the year principally reflects goodwill written off in respect of the acquisitions of NE Norsk Elektro and our 50 per cent investment in Building and Property Management Services together with a reduction of £1.9 million in the level of the revaluation reserve following the revaluation of our United Kingdom freehold and long leasehold group property portfolio at 31 December 1994. The relatively small shortfall (2.6 per cent), compared to book value, is particularly satisfactory when considered in the context of the general decline in values in the United Kingdom property market which has taken place over the last five years.

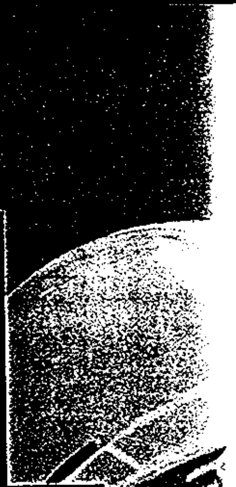
Review of financial resources

Net borrowings, at £40.4 million, represent gearing of 17 per cent (1993 - 9 per cent). Although there was an overall cash outflow in the first half of 1994, cash flow in the second half was positive. The group is targeting to achieve an overall positive cash flow in 1995, although the normal peaks in working capital requirements will occur in the summer months. The increased emphasis within the group on overseas activity is changing our funding requirements. During the year, our banking facilities were successfully renegotiated in Germany.

Going concern

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

S G Batey
Finance director



Sir Alan Cockshaw, age 57, was appointed a director in December 1983 and chairman in May 1988.

Dr Keith Humphreys, age 61, was appointed a non-executive director in September 1993 and non-executive deputy chairman in December 1994. He was previously chairman and managing director of Rhône-Poulenc Limited, the United Kingdom subsidiary of Rhône-Poulenc S.A., and is the immediate past president of the Chemical Industries Association.

John Bateson, age 53, was appointed a director in November 1982 and chief executive in May 1988. He retired from the board on 31 March 1995.

Sir Oswald Davies, age 74, was chairman of the company from its foundation until July 1984. He is a non-executive director.

Ron Peet, age 69, was appointed a non-executive director in January 1984. He was previously chief executive of Legal and General Group p.l.c.

Rudi Kisjes, age 52, was appointed a director in January 1986.

Board of directors

John Early, age 49, was appointed a director in March 1986. He is chairman of the housing and development sector.

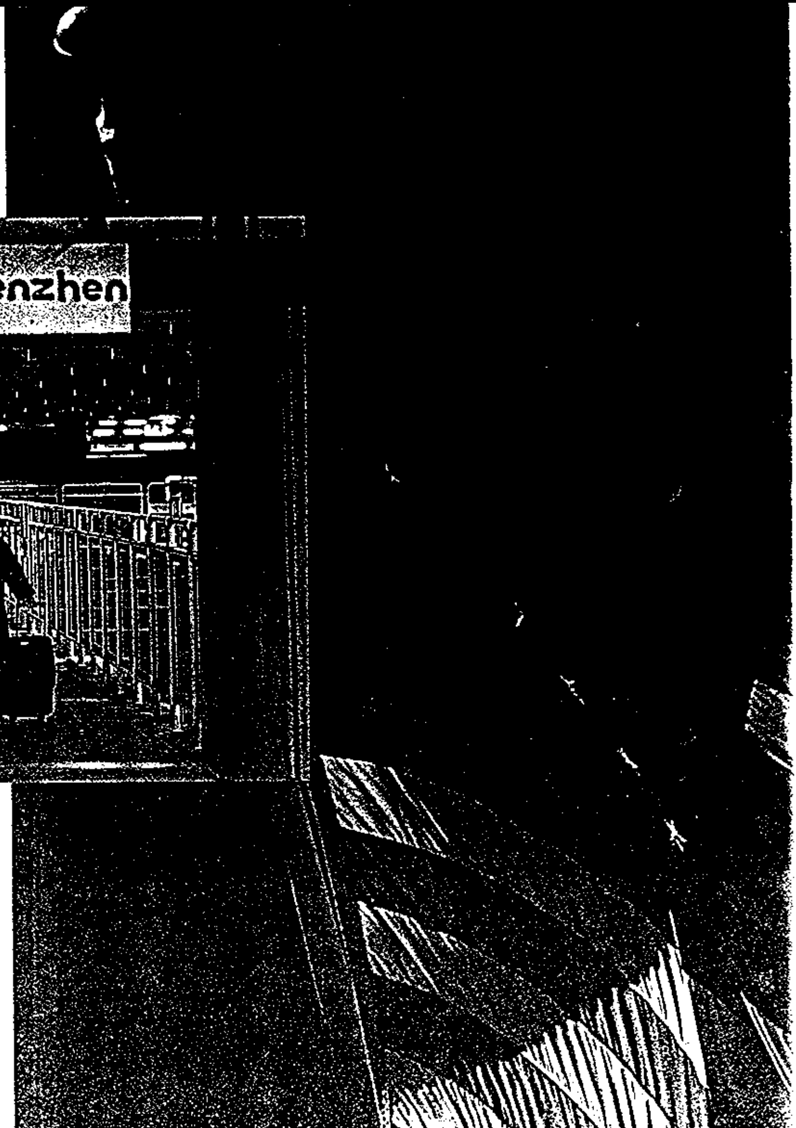
Eric Swainson, age 68, was appointed a non-executive director in July 1987. He is a vice chairman of Lloyds Bank PLC and was previously managing director of IMI p.l.c.

David Robson, age 49, was appointed a director in August 1991. He is chairman of both the manufacturing and services and mechanical and electrical sectors.

Simon Batey, age 41, was appointed finance director in June 1992.

Malcolm Eckersall, age 49, was appointed a director in July 1993. He is chairman of the construction sector.

George Payne, age 47, was appointed a director in November 1994. He is chairman of the process and energy sector.



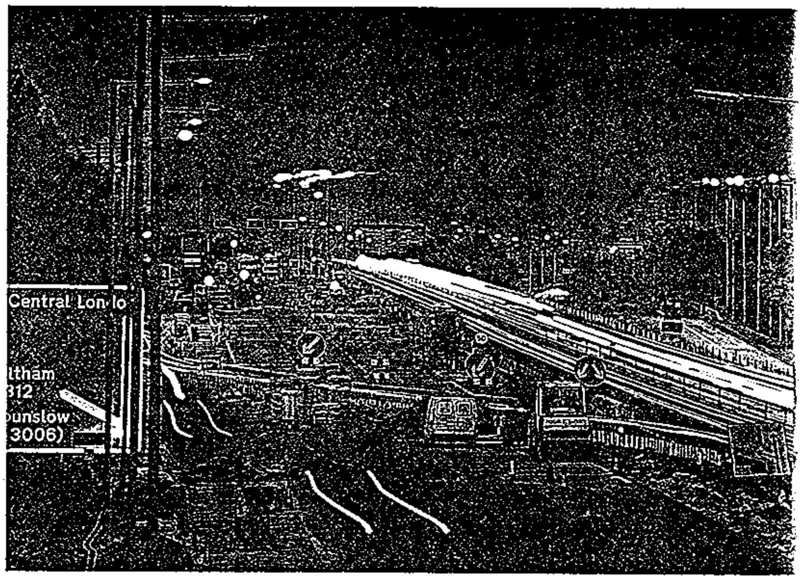
Above: Lo Wu station on the railway border crossing between Hong Kong and mainland China. AMEC provided a full range of mechanical and electrical services.
Right: In the United States, AMEC completed the acquisition in 1995 of the outstanding 50 per cent of Morse Diesel International.
Far right: AMEC Civil Engineering's contract for repairs to the M4 between junctions 3 and 4.

Review of operations

In a United Kingdom market showing little evidence of growth, AMEC companies made solid progress in 1994. While continuing to seek improvements in efficiency, they looked at contract opportunities on an increasingly selective basis, to maximise on the value of the group's core skills and integrated capability. Partnerships and alliances were undertaken which allowed companies to deliver further project cost savings.

During the year, AMEC continued to increase its focus on the international scene, applying the group's specialist skills to overseas markets where they will have a positive impact. South East Asia, where a joint venture led by AMEC has been awarded, in 1995, a major airport terminal contract, and the emerging economies of central and eastern Europe show particular potential.

The group is now reaping the rewards from efforts which have been put into developing international activities over a number of years. The outlook for the future is encouraging.



Above: Work continued on the £160 million Green Park to Waterloo section of the new Jubilee line, where AMEC Civil Engineering is working in joint venture. Right: The velodrome in Manchester - AMEC Building's design and build contract. Watson Steel, AMEC Piling and CV Buchan also contributed to this project. Far right: Zeneca Pharmaceutical's sterile products plant 3 in Macclesfield, designed by AMEC Design and Management.

Construction

This sector performed well overseas, although signs of recovery in the domestic market were limited.

Significant efforts have been made in previous years to develop opportunities overseas and these initiatives are beginning to secure rewards.

In the United Kingdom, the sector realigned operations to enable it to perform more effectively in the current difficult trading conditions.

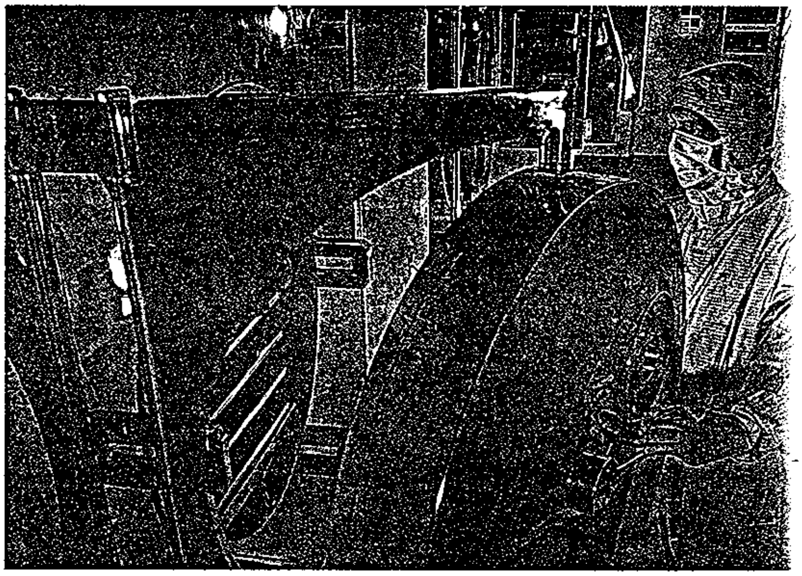
Some areas, particularly civil engineering, showed positive growth. AMEC Civil Engineering was awarded a number of major road construction projects as well as significant contracts from North West Water and from British Gas for redevelopment work. The company prequalified for two of the road schemes covered by the government's private finance initiative.

Major projects awarded to AMEC Building included Blandford Camp for the Ministry of Defence, the design and construction of De Vere's five star Grand Harbour Hotel in Southampton and the Llantrisant District General Hospital in South Wales. Among the many projects completed were the Manchester velodrome, the national cycling centre which is a feature of the city's successful bid to be the British contender for the Commonwealth Games in 2002, and the design and build contract for the 263 bed Liverpool Women's Hospital. Both were completed on time and within budget.

In 1994, AMEC Design and Management unveiled the design of a landmark pharmaceutical research building which is now being built for SmithKline Beecham in Harlow. Other projects include an £18 million courts' administration building in Glasgow and a £25 million inhalations facility for Fisons Pharmaceuticals. Notable completions include a human vaccine plant for SmithKline Biologicals in Belgium and the renovation of an historic Grade I production building for the Boots Company.

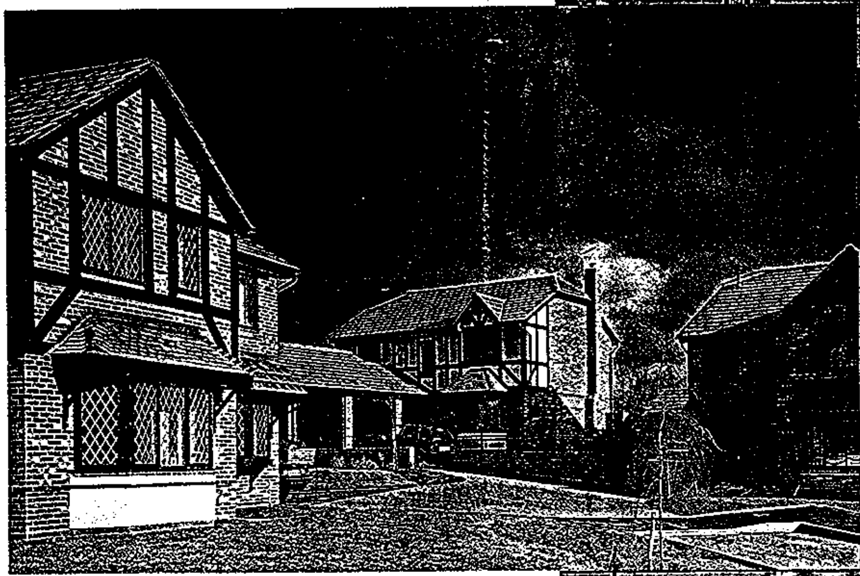
Substantial progress was made in international business, in particular in the Far East, where AMEC's skills are in demand. Notable success has been achieved in Hong Kong with the award of contracts, in joint venture, for work at Kowloon Station and, in 1995, for the construction of the prestigious terminal building for the new airport at Chek Lap Kok. Current work on the North Lantau Expressway is progressing well and AMEC Civil Engineering is in contention for further related work.

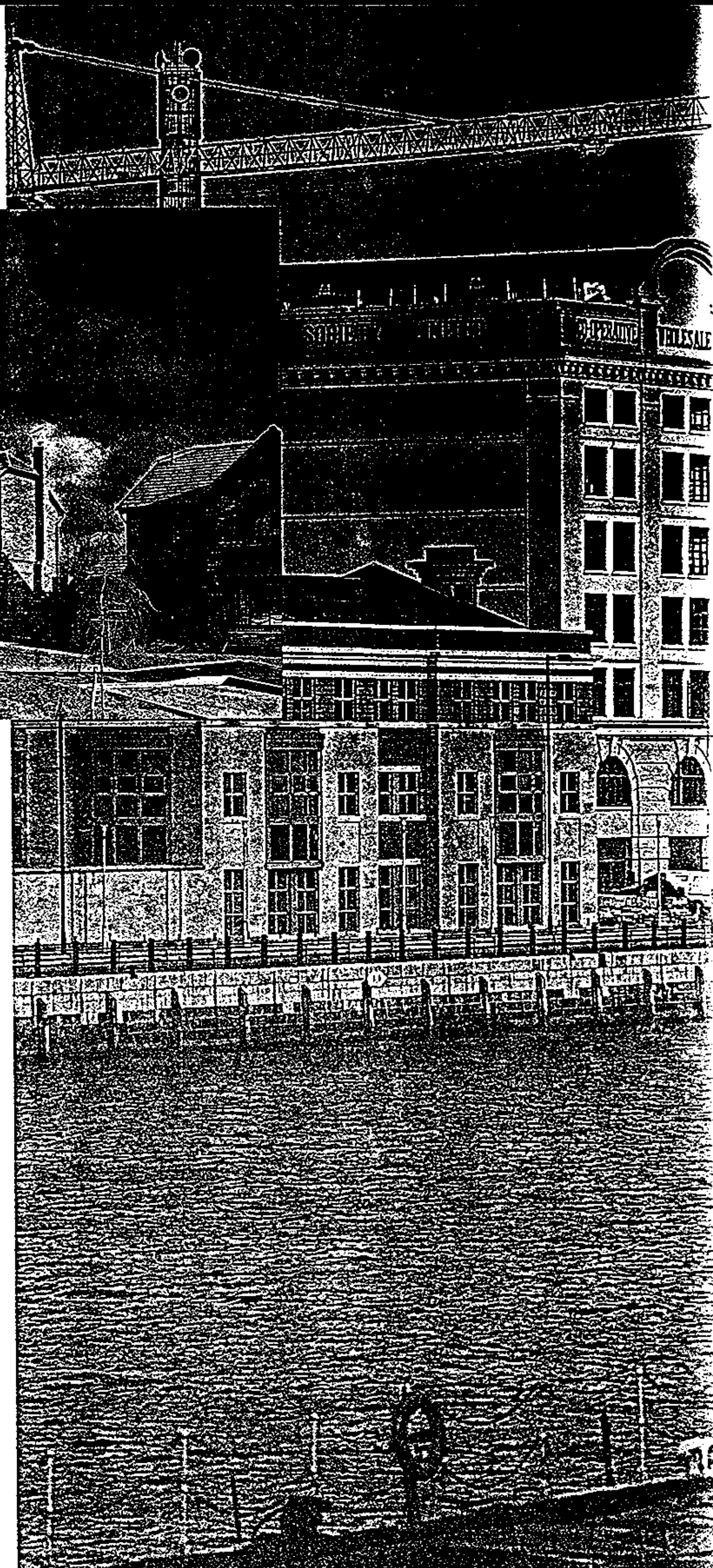
In Europe, AMEC disposed of its interests in GERIL-AMEC in Portugal and Serete in France, therefore concentrating its European focus for construction activities on Germany. Here, AMEC has increased the scale of its operations by 80 per cent since 1991, through



the acquisition of the outstanding 50 per cent of Kittelberger and by work secured in the former East Germany on a series of major projects in Berlin, Halle and Dresden.

In the United States, the acquisition of the outstanding 50 per cent of Morse Diesel International was completed in early 1995. As one of America's leading construction management businesses, Morse Diesel International's skill base will enhance AMEC's ability to develop internationally in the future.





Above: The Fernhill Heath development near Droitwich, which gained Fairclough Homes the NHBC Pride in the Job Small Site award. Right: The Newcastle Quayside development offers a 25 acre extension to Newcastle's city centre, including offices, an hotel and high quality homes. Far right: The Great Bridgewater scheme in Manchester will involve the development of two office buildings next to the new concert hall and canal basin.

Housing and development

Partnership and innovation were the key to an improved financial performance with enhanced prospects in this sector.

Fairclough Homes is a multi-regional house-builder, with operations in the south east, Hertfordshire, the Midlands, Manchester and the north west. The company has developed a range of high quality homes catering for all buyers, with particular emphasis on the middle market sector.

In a housing market which showed only modest improvements in volume and prices, Fairclough Homes continued its strategy of seeking to achieve a more effective use of capital by selling homes from a larger number of smaller sites. As a result, house sales increased by over 40 per cent, with almost 2,000 homes sold during the year.

Substantial progress was made in trading out older sites where margins had been adversely affected by the recession. Docklands developments at Cyclops and King and Queen wharves were sold during the year.

Fairclough Homes is experienced in partnerships both with housing associations and the public sector. An innovative funding package, developed with support from the city council, provided 244 houses for the Guinness Trust in Manchester.

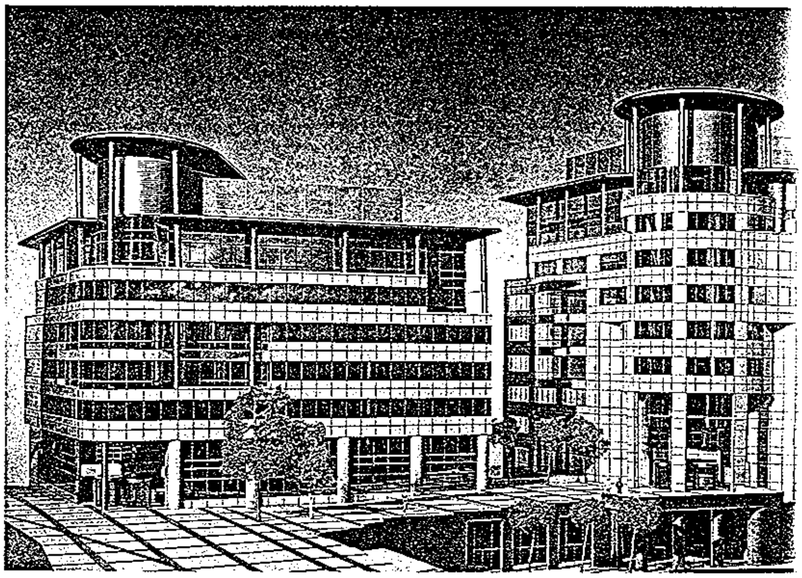
AMEC Developments sold its Trafalgar Place development in Brighton during the year and is now focused on the enhancement of its growing track record of partnership with landowners in the public and private sectors.

One of the largest projects realised during the year was the Great Bridgewater initiative. AMEC, in partnership with Manchester City Council and Central Manchester Development Corporation, is developing two large office buildings adjacent to the new concert hall and canal basin. The majority of this new office development is pre-let and the scheme is forward sold to PosTel. Construction started in January 1995 on what will be the largest office development in Manchester for 30 years.

AMEC's Giant's Field industrial distribution park in Manchester, developed in partnership with Trafford Park Development Corporation, received a significant boost with the sale of half the site to Japan Tobacco.

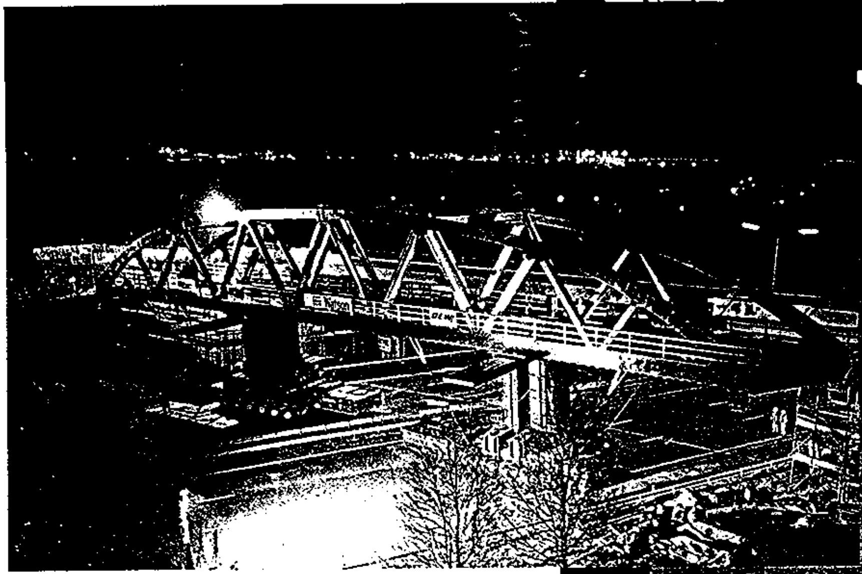
In a similar co-operative venture, AMEC is developing a leading business park in partnership with the Cheadle Royal Trust hospital in Cheshire. AMEC's contribution will be the provision of infrastructure as the development goes forward on a pre-let basis.

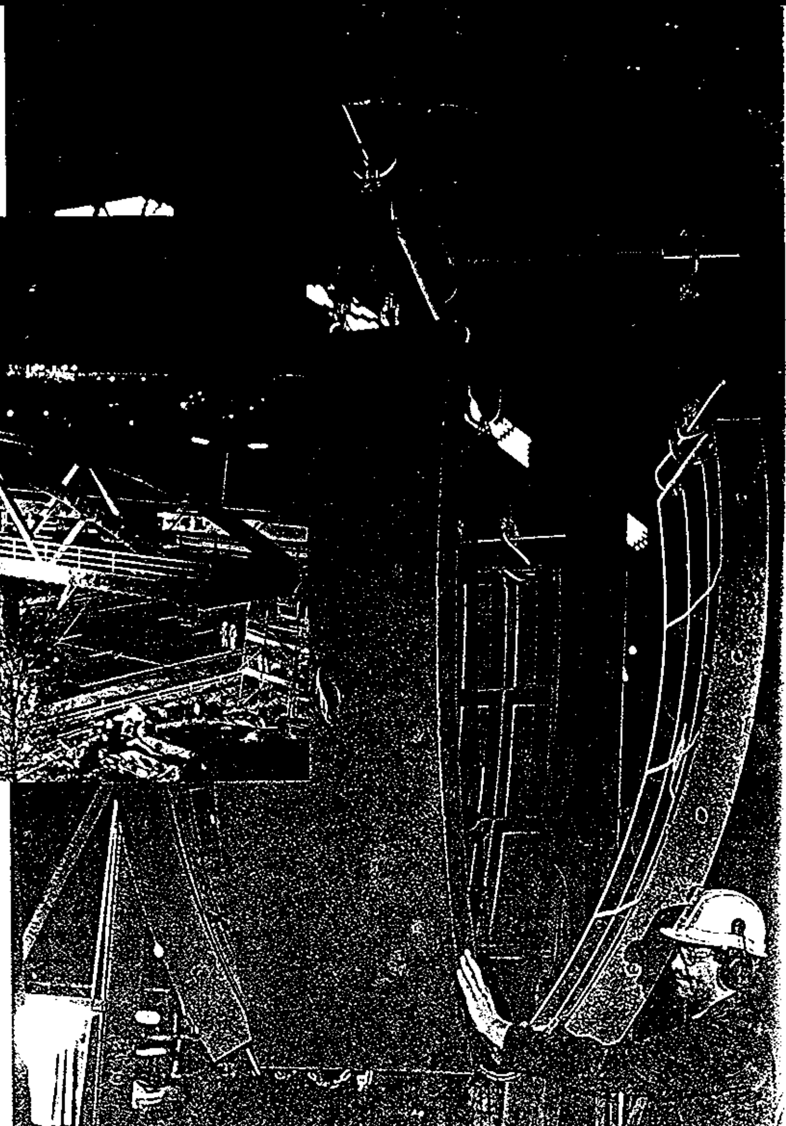
Good progress has been made on AMEC's other major distribution schemes at Wakefield and Mossend in Scotland, both of



which involve long established partnerships with the public sector.

In the north east, the development of a 25 acre site on Newcastle quayside is being carried out in partnership with the Tyne & Wear Development Corporation. The complex includes offices, hotel facilities and housing. The first building of the phased development was delivered to the owner-occupier, NEPIA, during the year and won a Development of the Year award from the Business and Industrial Agents Society.





Above: Structural steelwork, fabricated and erected by Watson Steel for the Hallen rail bridge over the M5 near Bristol.
Right: The Green Park to Waterloo section of the Jubilee line in London will provide work for CV Buchan's Stockton Foundry over the next two years.
Far right: AMEC Services supplies, maintains and repairs vehicles, plant, and equipment for AMEC companies.

Manufacturing and services

While conditions generally remained difficult in this sector, some signs of improvement did emerge in 1994.

CV Buchan's most notable success was the award of substantial contracts to supply concrete and cast iron segments for stations and running tunnels along four sections of the Jubilee line extension.

The company supplied precast tunnel and shaft segments for the £150 million Fylde waste water treatment works for North West Water and also created a market 'first' when it provided 42 prestressed concrete Super Y beams for a new flyover outside Oxford. This style of beam, suitable for large bridge spans, had previously not been used in the United Kingdom.

Denco maintained its market leadership in the design, manufacture and installation of close control air conditioning systems and the production of compressed air drying equipment, gas processing plant and lubrication and cooling water systems. A new range of dual refrigerant compressed air dryers, designed to meet new environmental laws, was launched.

The company's emphasis on developing markets abroad continues. An agreement was signed with Singapore based CITEC for the distribution of close control air conditioning equipment in the expanding South East Asian market. Orders from Thailand, Malaysia and the Philippines have already been achieved, while newly developed mobile air conditioning units have been exported to Pakistan. As part of the rationalisation of Denco's international strategy, its raised access floor manufacturing subsidiary in France has been sold.

Franklin Hodge Industries, a specialist in the manufacture of liquid storage tanks, exported 75 per cent of its work and further developed links in The Gambia, Pakistan, Saudi Arabia, Spain and Malaysia.

In difficult trading conditions, Watson Steel continued to develop its skills and experience in highly engineered structural steelwork. Steel was provided for the Thelwall viaduct, on the M6 in Cheshire, the longest continuously welded structure of its kind in the United Kingdom. The company completed its work on Kansai International Airport in Japan, for which it was awarded first prize in the prestigious British Constructional Steelwork Association's design awards. The world's highest and fastest roller-coaster was also completed in Blackpool. In the City of London, Watson supplied structural steelwork to protect Roman remains on the site of a new development at The Guildhall.

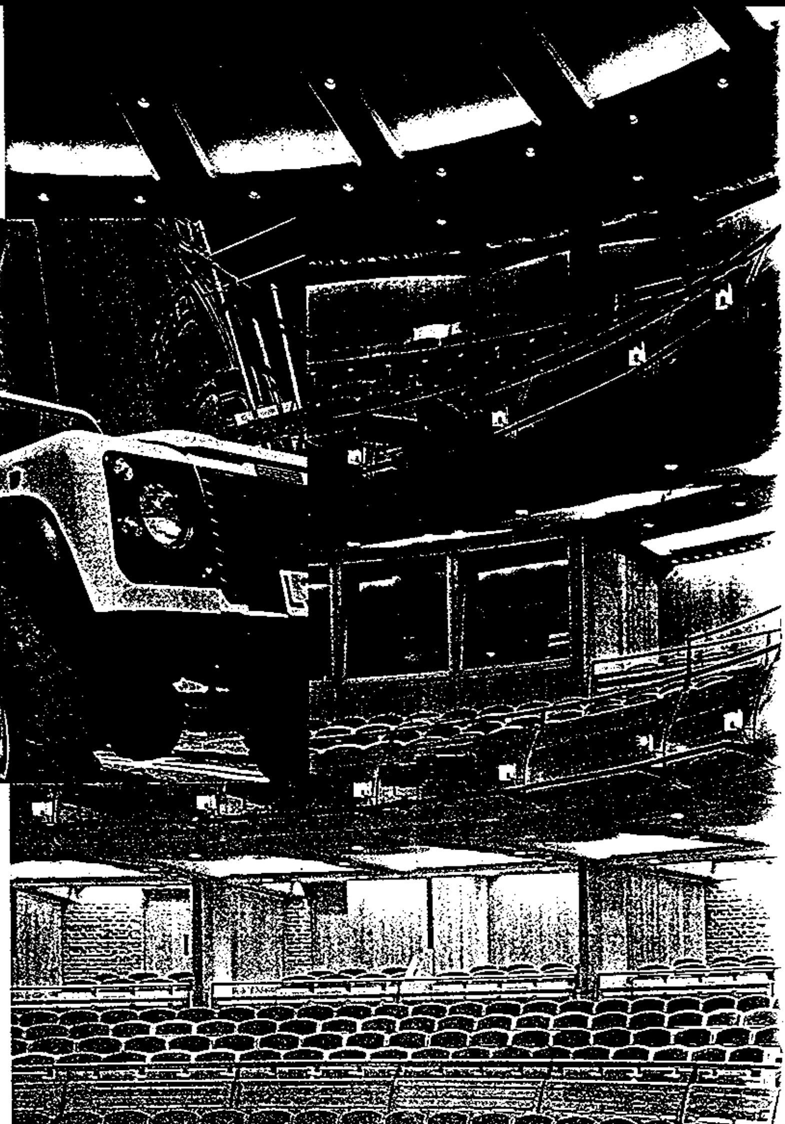
Overseas, innovative design and competitive costs enabled the company to win the contract to design and supply the structural steel for a new steel rolling mill in Hong Kong.

AMEC Services continued to develop its fleet servicing and maintenance business. Its new

site accommodation systems are gaining increased market share, based on high quality and total service.

MAPEL (Metal and Pipeline Endurance Limited) maintained its position as a leader in non-destructive testing. Using specially commissioned equipment, MAPEL won the contract to carry out ultrasonic testing of welds on Conoco's Heidrun platform for the North Sea.

Primat, AMEC's recruitment specialist, saw continued success with its Moray Firth oil initiative. This project is designed to find placements for workers made redundant during the recent restructuring of fabrication yards and, towards the end of 1994, the 1,000th worker was found a new employer.



Above: A team of AMEC Utilities' engineers leaving to carry out emergency gas repairs in Sarajevo. Right: A £33 million replacement for the Glyndebourne Opera House in Sussex was opened in 1994. Matthew Hall was responsible for the mechanical and electrical, public health, fire and control systems. Far right: Maintenance and refurbishment work was carried out at the Royal Hospital, Chelsea by Building and Property Management Services.

Mechanical and electrical

AMEC's workload remained stable in the United Kingdom, while increasing importance was placed on overseas markets.

AMEC Power retained its position as a market leader in electrical transmission and distribution, winning several contracts for The National Grid Company and the regional electricity companies. These included the installation of 330 kilometres of fibre optic cabling for Energis, The National Grid Company's telecommunications subsidiary.

Overseas, a new joint venture in Thailand achieved early success and provides a good base from which to approach the entire ASEAN market. In Oman, the company won a contract for the construction of 180 kilometres of transmission lines, one of the largest projects of its kind to have been let in 1994.

AMEC Utilities maintained a high level of work for the gas, water and telecommunications industries, securing several new contracts. Under an Overseas Development Administration initiative, the company played a major role in repairing Sarajevo's gas infrastructure.

James Scott continued its high level of activity and won several offshore hook-up contracts. Onshore, the company maintained its presence at Sellafield and was also successful in securing a management contract on the Docklands Light Railway and the electrical refurbishment of Blackpool's tramway and illuminations systems.

Matthew Hall strengthened its position with a number of new contracts including the multi-million pound fast-track refurbishment of services at 99 Bishopsgate in the City of London. Other major contracts were awarded by the Centre for Deep Sea Oceanography in Southampton and Glyndebourne Opera House.

The company's facility services division also saw continued growth, including the award of a major contract at London Underground's new headquarters at Canary Wharf.

Building and Property Management Services performed well in its first year of operation, achieving new work in the private sector and extending existing public sector contracts. Railtrack appointed the company to carry out condition surveys at 1,700 stations throughout the United Kingdom, a project which was subsequently expanded.

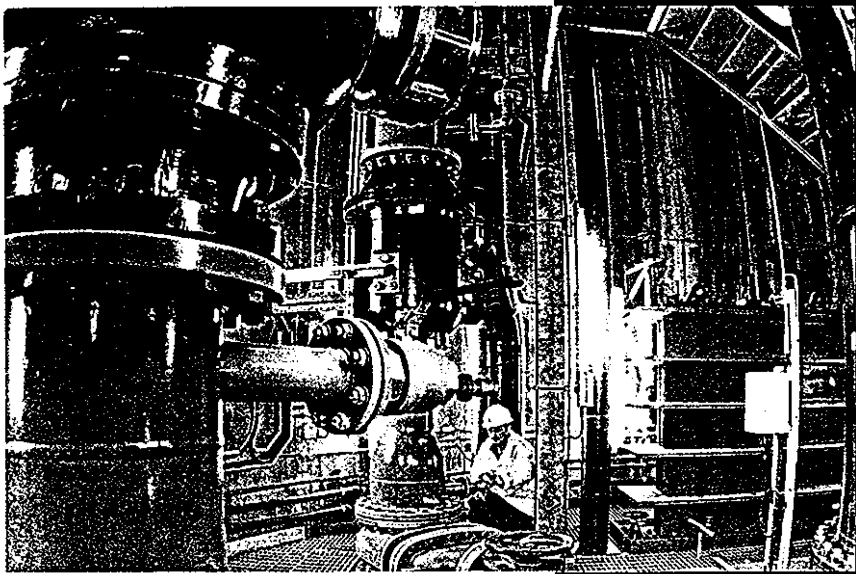
In the United States, Fisk Electric Company continued to trade successfully, expanding its skill base in teledata installations, particularly in Houston and New Orleans and also securing further hotel and casino projects in Las Vegas. It also strengthened its position in the healthcare sector with a significant electrical installation at the MD Anderson cancer centre in Houston.

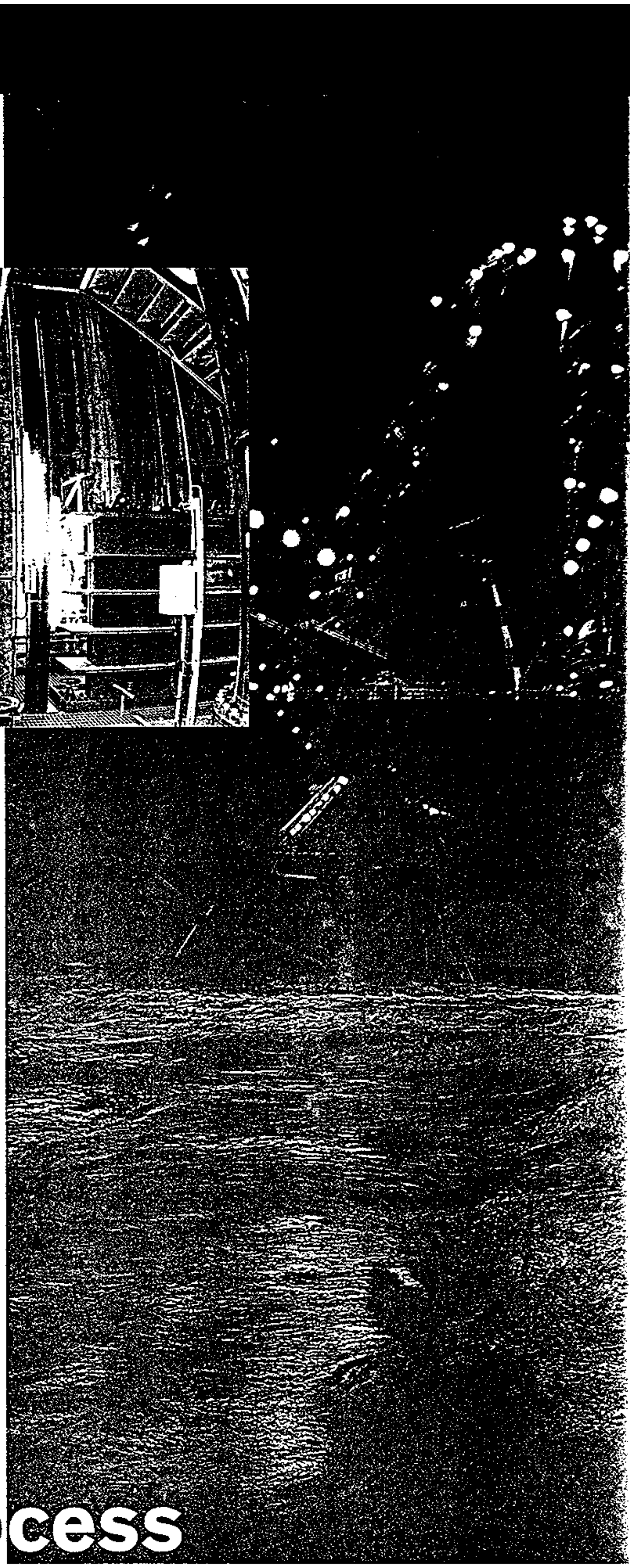
In Australia, AMEC Construction Pty experienced a satisfactory year and developed a number of innovative partnerships with

clients, the most notable being with the Federal Airports Corporation for a refurbishment project at Sydney Airport.

In Hong Kong, AMEC Electrical and Mechanical Engineers won the contract to install environmental systems along a connecting railway to the new airport at Chek Lap Kok.

Activities also developed throughout the western region of the Pacific Rim, particularly in China and Singapore.





Above: Engineering, project management and installation services were carried out on the Thames Water London ring main. Right: Excalibur, in the southern North Sea, is the third phase of Mobil's Lancelot development. Far right: Accommodation module for the Phillips' Xijiang platform being loaded out from the Chinese Offshore Industrial Corporation's Dalian yard in north east China.

Process and energy

This sector has strengthened its position in domestic markets and enjoyed strong international development during 1994.

AMEC Process and Energy remains a market leader in the continuing development of the North Sea and has consolidated its position across the process and plant market. Internationally, initiatives in China, Indonesia and South Africa have helped enhance AMEC's place amongst global contractors and continue the company's drive to be at the leading edge of new developments. AMEC now has local joint venture partners in all three locations.

In China, an exclusive agreement was signed with the China Offshore Industrial Corporation and the Huang Pu shipyard to provide a wide range of fabrication and engineering services to the petroleum and chemical, refinery and oil and gas sectors. These services have already provided an early contract success on Phillips' Xijiang field.

As a partner in the Intershore joint venture in South Africa, AMEC is building two offshore platforms for the Cabinda Gulf Oil Company to be installed offshore Angola.

In Indonesia, AMEC has signed a joint operation agreement with the government owned PT Pal shipyard, encompassing the full range of offshore and onshore oil and gas services, to exploit large local gas reserves.

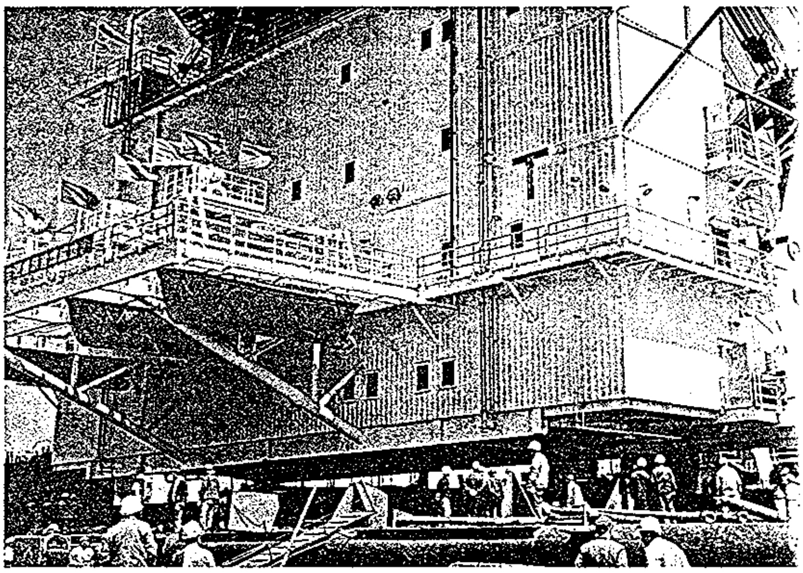
In the United Kingdom, AMEC has continued to take the lead in the development and provision of innovative business solutions. AMEC is a leading exponent of the evolution of modern contract relationships through its participation within the Britannia alliance, partnering with Shell and Esso on the Brent redevelopment and experience of risk and reward and performance related contract arrangements such as the Armada and Morecambe Bay developments for British Gas.

AMEC's full commitment to the industry-wide initiative 'Cost Reduction in New Era' is reflected in the action taken to improve productivity throughout the company, particularly at the fabrication yards in the north east.

The ability to bring to bear such a wide range of capabilities across the sector has enabled AMEC to provide substantial added value to projects such as BP's hydrofiner at Grangemouth, Elf's hydrotreater at Milford Haven, British Gas' Amethyst onshore gas compression facilities and Mobil's Excalibur project.

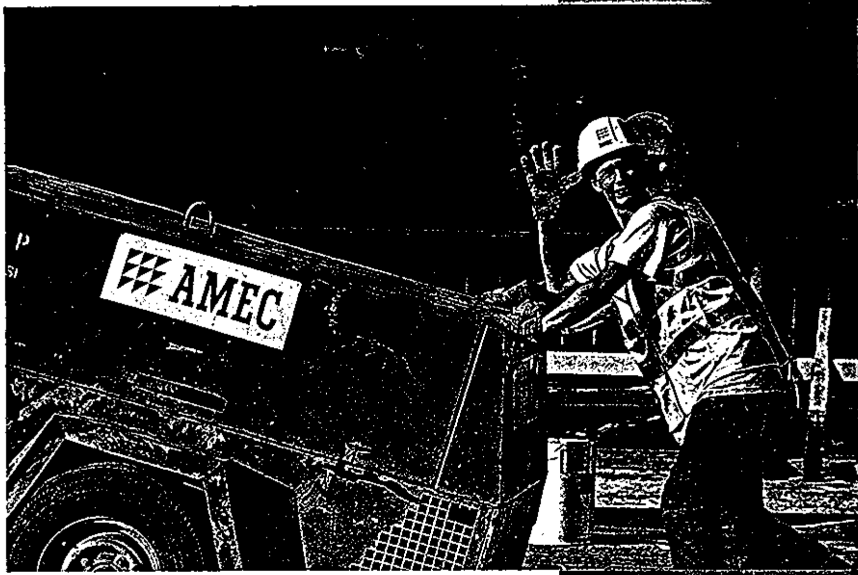
By successfully applying these capabilities and innovative techniques, AMEC has opened up major new market opportunities, such as the east London sludge incineration project for Thames Water.

A notable success offshore is the subsea EPIC



contract for NAM's L13 field development on the Dutch continental shelf. This is the first time that an operator has asked for a total solution to the development of a new field.

The acquisition of NE Norsk Elektro has provided AMEC with an entry into Norway's offshore contracting and maintenance market whilst the award of the Maersk Tyra West bridge module has been the first major fabrication contract in the growing Danish offshore market.



Above: AMEC Civil Engineering's contract for the M4 required continuous 24 hour a day working for eight weeks.
Right: AMEC Utilities and AMEC Services played a major part in helping to establish water supplies for 800,000 Rwandan refugees around the town of Goma.
Far right: Some of the AMEC Utilities' team in Sarajevo carrying out emergency repair work to its gas infrastructure.

AMEC people

1994 was a year of personal achievement for many AMEC employees.

Howard Shiplee, of AMEC Construction, was named Building Manager of the Year in the Chartered Institute of Building's annual awards. He was recognised for his exceptional management skills on the Manchester Airport Terminal 2 contract. "This was an excellent job demonstrating project teamwork, motivation and leadership," said the judges. Howard has since been appointed as the project director for the AMEC led joint venture for the construction of Hong Kong's new airport terminal building at Chek Lap Kok.

AMEC Process and Energy was awarded the Royal Society for the Prevention of Accidents' prestigious Gold award for occupational safety.

Commitment to quality by site manager Graham Trueman and his team at Fairclough Homes' Droitwich development was rewarded when the site became the Midlands' regional winner in the NHBC Pride in the Job awards.

A team of 13 people from AMEC Utilities spent two months in Sarajevo, restoring the city's gas supply, sponsored by the British government's Overseas Development Administration. The team worked with both the Bosnian and Serbian gas authorities to eliminate the dangers posed by up to 50,000 'home-made' gas connections.

AMEC Civil Engineering won the BEC/FCEC Construction Safety Special Merit award. The award is presented annually to the company which has shown exceptional effort or significant achievement in health and safety.

AMEC Process and Energy won the Investors in People award. It was presented to the company by the then parliamentary under secretary of state for industry and energy, Charles Wardle MP.

Tushar Doshi from AMEC Utilities was awarded the Engineering Construction Industry Training Board Fellowship award in engineering construction site management.

Fairclough Homes' multi-million pound leisure and housing development, Heron's Reach, Blackpool, situated next to a site of special scientific interest, won a commendation from English Nature and conservationists. John Hickling from English Nature commented: "Conservationists would be delighted if all such projects were handled as well as this one."

Karen Stewart, senior engineer with AMEC Process and Energy, won a place in the final of the national Woman of Tomorrow competition.

Matthew Hall was given a Training Initiative of the Year award for its design work on a system linking all of its business training to nationally recognised standards of competence.

Gatwick Airport Limited was so impressed with the success of Watson Steel's safety procedures, while working on the new check-in hall contract, that it presented the company with an award in recognition of its exceptional record of safe working.

Directors, officers and company information

Directors
Sir Alan Cockshaw FEng
Dr K W Humphreys
J S Bateson
Sir Oswald Davies CBE, DCM
R H Peet CBE
R Kisjes
J D Early
E Swainson CBE
D Robson
S G Batey
M K Eckersall
G E Payne

Secretary
M J Bardsley

Auditors
KPMG

Registrars
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

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

Registered office
Sandiway House
Hartford
Northwich
Cheshire CW8 2YA

Registered in England No 1675285

Report of the directors

The directors have pleasure in presenting the 13th annual report and accounts being for the year ended 31 December 1994.

Business review

The business of the group is building and civil engineering, mechanical and electrical engineering, housing and development. The group's activities are referred to in the chairman's statement on pages 2 and 3 and in the review of operations on pages 8 to 21.

The profit for the financial year available to shareholders amounting to £17.7 million is shown in the consolidated profit and loss account on page 27. The directors recommend that a final dividend of 1.5p per ordinary share be paid which, together with the interim dividend of 1.5p, makes a total ordinary dividend for the year of 3.0p. After ordinary dividends of £6.0 million and preference dividends of £11.6 million, £0.1 million has been transferred to reserves.

The final dividend will be payable on 3 July 1995 to ordinary shareholders on the register at the close of business on 1 May 1995.

In March 1994, the acquisition of the Norwegian offshore contracting and maintenance company, NE Norsk Elektro A/S was completed.

During the year, the group disposed of its interests in Denco S.A. and Serete S.A. in France and GERIL-AMEC SGPS in Portugal.

As part of a rationalisation process in the United States, the businesses of AMEC Engineering Inc and AMEC Plant Services Inc were sold.

An analysis of the group's activities is given in note 3 on page 34.

Share capital

The present authorised and issued share capital of the company and movements during the year are set out in note 19 on page 45. A resolution will be proposed at the 1995 annual general meeting to renew limited powers for the directors to allot the unissued share capital of the company and to issue shares for cash other than to existing shareholders.

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

Resolutions will be proposed at the annual general meeting to renew, for a further period of 10 years, the Savings Related Share Option Scheme and to introduce a new Executive Share Option Scheme. The circular enclosed with the annual report and accounts outlines the proposals in more detail.

The floating rate unsecured loan notes 1994 were repaid in full on 30 November 1994.

Substantial interests

The directors have been notified of the following interests comprising three per cent or more of the ordinary share capital of the company as at 30 March 1995.

BBC Pension Trust Limited	11,633,350 shares	5.75%
AMP Asset Management plc	6,811,131 shares	3.37%

No other interests of three per cent or more in either the ordinary or preference share capital have been notified as at 30 March 1995.

Donations

Charitable donations for the year amounted to £71,000. Charitable donations amounting to £5,000 in the year were also made by the AMEC Charitable Trust.

Status for taxation

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

Directors' and officers' liability insurance

As permitted by the Companies Act 1985, the company has maintained insurance cover for the directors and officers of all group companies against certain liabilities which they may incur in carrying out their duties.

Scrip dividends

The directors are once again proposing to offer to shareholders the opportunity to elect to receive additional ordinary shares, credited as fully paid, in lieu of the final cash dividend of 1.5p per share for 1994, which is subject to the approval of shareholders at the annual general meeting. Full details of the terms of the scrip dividend offer are set out in the circular enclosed with the annual report and accounts.

Fixed assets

Changes in fixed assets are shown in notes 12 and 13 on pages 39 to 42.

Report of the directors

Directors

Details of the directors of the company at the date of this report are set out on pages 6 and 7.

Mr D Clark resigned as a director on 30 August 1994.

Mr G E Payne was appointed a director on 15 November 1994. In accordance with article 91 of the articles of association of the company, he will retire from office at the 1995 annual general meeting and, being eligible, offers himself for re-election. Mr Payne has a service contract with the company terminable by two years' notice.

In November 1994, Mr J S Bateson notified his intention to retire from the board with effect from 31 March 1995.

Dr K W Humphreys was appointed non-executive deputy chairman with effect from 1 December 1994.

The directors retiring by rotation, in accordance with article 85 of the articles of association of the company, are Mr R H Peet, Mr R Kisjes and Mr D Robson and, being eligible, they offer themselves for re-election. Mr Peet does not have a service contract. Mr Kisjes and Mr Robson have service contracts with the company terminable by three years' and two years' notice respectively.

The beneficial interests in the share capital of the company of the directors holding office at 31 December 1994 were as follows:

	At 31 December 1994			At 1 January 1994 (or date of appointment if later)		
	Ordinary shares	Preference shares	Share options	Ordinary shares	Preference shares	Share options
Sir Alan Cockshaw	51,201	–	459,767	41,201	–	459,767
Dr K W Humphreys	2,000	–	–	–	–	–
J S Bateson	12,695	1,600	409,514	12,695	1,600	409,514
Sir Oswald Davies	119,482	–	–	119,482	–	–
R H Peet	26,463	11,999	–	37,048	11,999	–
R Kisjes	1,491	600	195,460	1,491	600	195,460
J D Early	4,734	2,200	270,104	4,734	2,200	270,104
E Swainson	5,362	2,400	–	5,362	2,400	–
D Robson	–	–	270,985	–	–	255,985
S G Batey	11,470	–	211,459	1,470	–	159,426
M K Eckersall	–	–	270,859	–	–	270,859
G E Payne	–	–	78,308	–	–	78,308

Options were granted under the terms of the AMEC Executive Share Option Scheme and the AMEC Savings Related Share Option Scheme both of which were approved at the extraordinary general meeting held on 16 May 1985.

During the year, Mr D Robson and Mr S G Batey were granted options to subscribe for 15,000 and 50,000 shares respectively under the provisions of the Executive Scheme.

Mr S G Batey was also granted options to subscribe for 2,033 shares under the provisions of the Savings Related Scheme and his total options thereunder are now over 8,737 shares. Mr G E Payne was granted options under this scheme over 2,033 shares and his total options thereunder are now over 7,428 shares.

Further details of options held by directors are given in note 5 on page 36.

No director at 31 December 1994 had any other interests, beneficial or otherwise, in the share capital of the company.

There were no changes in the directors' interests in the share capital of the company between 31 December 1994 and 30 March 1995.

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

Report of the directors

Employees

In 1994, AMEC employed on average 21,175 people worldwide. Details are given in note 6 on page 36.

Further share options were granted under the provisions of the Savings Related and Executive Share Option Schemes. Details of share options are shown in note 19 on page 46.

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

Communication with employees is regarded by the group as a vital ingredient in engendering the team spirit essential for success and employees are informed about group affairs through various channels including the group newspaper, *AMEC Times*. This publication is supplemented by various additional newsletters produced by subsidiary companies.

Consultative procedures enable employees to discuss matters of mutual interest with management. The pensions consultative committee of the AMEC Staff Pension Scheme meets regularly and its meetings are reported in *Pension News*, which is distributed to all scheme members and pensioners.

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

Auditors

On 6 February 1995, the company's auditors changed the name under which they practise to KPMG and, accordingly, they have signed their report in the new name. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

Corporate governance

The board of directors is responsible to shareholders for the management of the company and for the protection of its assets. Certain responsibilities have been delegated in this regard to an executive committee of the board. The board meets formally at least 10 times a year and the executive committee meets approximately every two weeks.

The company complied throughout the year with The Code of Best Practice in the Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) to the extent that the various elements were in force for the year.

Guidance for directors on reporting on internal control has only recently been issued and will be effective for the group's next financial year. However, the directors acknowledge their responsibility for the group's systems of internal financial control.

The group's strategic direction is determined by the board. Annual plans and performance targets for each sector are reviewed by the board in the light of overall objectives.

Within the objectives agreed by the board, the operational management of the group as a whole is delegated to the executive committee and sector chairmen. Managing directors of subsidiary companies are accountable for the conduct and performance of their businesses within their agreed short range plans. They have authority to act subject to the reserved powers and limits laid down by the board and to group policies and guidelines. Controls are designed to ensure that all activities operate efficiently and effectively.

Sectors are responsible for meeting defined reporting timetables and compliance with group accounting manuals which set out accounting policies and procedures.

The board receives operating reports, together with a summary of financial results and forecasts, monthly for each sector. The group's published interim and annual accounts are based on a standardised reporting process.

The audit committee, on behalf of the board, reviews half yearly reports from both the internal and external auditors.

The board includes non-executive directors of considerable experience, one of whom, Dr K W Humphreys, was appointed non-executive deputy chairman during the year. They make a valuable contribution to the board's discussions and represent a source of strong and independent judgement.

Report of the directors

Corporate governance (continued)

The membership of committees of the board, together with their terms of reference, are set out below:

Executive committee
Sir Alan Cockshaw
Dr K W Humphreys
Mr D Robson
Mr S G Batey
Mr M K Eckersall

Chaired by Sir Alan Cockshaw; this committee reviews the group's operational performance and reports thereon to the board. It also exercises powers delegated to it by the board in respect of the management of the group.

Audit committee
Mr E Swainson
Dr K W Humphreys
Sir Oswald Davies
Mr R H Peet

Chaired by Mr E Swainson; this committee ensures that appropriate accounting and financial policies and controls are adhered to and that internal and external auditing procedures work efficiently and effectively.

Remuneration committee
Mr R H Peet
Dr K W Humphreys
Sir Oswald Davies
Mr E Swainson

Chaired by Mr R H Peet; this committee determines the annual remuneration, performance related payments and other aspects of the terms and conditions of employment of the executive directors.

Nominations committee
Sir Alan Cockshaw
Dr K W Humphreys
Sir Oswald Davies
Mr R H Peet
Mr E Swainson

Chaired by a non-executive director; this committee reviews any proposed appointments of directors and makes recommendations to the board in relation to such appointments.

Post balance sheet event

On 31 January 1995, the company acquired the outstanding 50 per cent interest in Morse Diesel International, the United States based construction management business. Previously a partnership, the business has now been incorporated as Morse Diesel International Inc.

M J Bardsley

By order of the board
M J Bardsley
Secretary
30 March 1995

Note: There were no changes in either the directors' interests or in the substantial interests in the share capital of the company between 31 March and 21 April 1995.

Consolidated profit and loss account for the year ended 31 December 1994

Continuing operations:	Note	1994 £ million	1993 £ million
Turnover	3	1,962.4	2,186.4
Cost of sales		1,818.5	2,020.9
Gross profit		143.9	165.5
Other expenses	4	115.3	139.0
Operating profit	4	28.6	26.5
Loss on disposal of operations	21	(0.2)	(2.2)
Amounts written off investments		(2.5)	–
(Loss) profit on disposal of fixed assets		(0.4)	2.2
Profit on ordinary activities before interest		25.5	26.5
Net interest payable	7	5.5	6.1
Profit on ordinary activities before taxation		20.0	20.4
Taxation on profit on ordinary activities	8	2.3	2.5
Profit on ordinary activities after taxation		17.7	17.9
Dividends on equity and non-equity shares	9	17.6	17.6
Transfer to reserves	10	0.1	0.3

Earnings per ordinary share	11		
Nil distribution basis:			
Undiluted		4.2p	3.6p
Diluted		7.0p	6.7p
Net distribution basis:			
Undiluted		3.1p	3.2p
Diluted		6.2p	6.4p
Dividends per ordinary share	9	3.0p	3.0p

Consolidated balance sheet at 31 December 1994

	Note	1994 £ million	1994 £ million	1993 £ million	1993 £ million
Fixed assets					
Tangible assets	12		144.2		160.0
Investments	13		3.6		18.9
			147.8		178.9
Current assets					
Stocks	14	180.9		209.7	
Debtors - due within one year	15	534.3		473.6	
- due after one year	15	74.7		47.5	
Cash at bank and in hand		124.5		136.2	
		914.4		867.0	
Creditors: due within one year	16	625.9		675.3	
Net current assets			288.5		191.7
Total assets less current liabilities			436.3		370.6
Creditors: due after one year	17		202.9		131.5
			233.4		239.1
Capital and reserves					
Called up share capital	19		187.4		187.5
Special reserve	20		16.3		19.0
Revaluation reserve	20		14.5		16.9
Profit and loss account	20		15.2		15.7
			233.4		239.1
Attributable to:					
Equity shareholders' funds			68.5		74.2
Non-equity shareholders' funds			164.9		164.9
			233.4		239.1

The accounts on pages 27 to 50 were approved by the board of directors on 30 March 1995 and were signed on its behalf by:

Sir Alan Cockshaw, director

S G Batey, director

Company balance sheet at 31 December 1994

	Note	1994 £ million	1994 £ million	1993 £ million	1993 £ million
Fixed assets					
Tangible assets	12		5.2		5.9
Investments in subsidiary undertakings	13		426.0		393.9
Other investments	13		6.9		7.5
			438.1		407.3
Current assets					
Debtors - due within one year	15	16.2		9.9	
- due after one year	15	2.0		1.1	
Cash at bank and in hand		51.1		75.9	
		69.3		86.9	
Creditors: due within one year	16	49.2		49.2	
Net current assets			20.1		37.7
Total assets less current liabilities			458.2		445.0
Creditors: due after one year	17		63.6		50.5
			394.6		394.5
Capital and reserves					
Called up share capital	19		187.4		187.5
Special reserve	20		128.9		128.9
Revaluation reserve	20		(0.2)		0.3
Profit and loss account	20		78.5		77.8
			394.6		394.5
Attributable to:					
Equity shareholders' funds			229.7		229.6
Non-equity shareholders' funds			164.9		164.9
			394.6		394.5

The accounts on pages 27 to 50 were approved by the board of directors on 30 March 1995 and were signed on its behalf by:

Sir Alan Cockshaw, director

S G Batey, director

Consolidated cash flow statement for the year ended 31 December 1994

	Note	1994 £ million	1994 £ million	1993 £ million	1993 £ million
Net cash (outflow) inflow from operating activities	22		(0.8)		40.6
Returns on investments and servicing of finance					
Interest received		8.2		9.2	
Interest paid		(13.4)		(17.5)	
Dividends received from associated undertakings and investments		2.1		1.1	
Dividends paid		(14.2)		(16.0)	
Net cash outflow from returns on investments and servicing of finance			(17.3)		(23.2)
Total tax (paid) refunded			(1.1)		4.9
Investing activities					
Purchase of tangible fixed assets		(32.9)		(18.6)	
Purchase of subsidiary undertakings		(2.0)		(8.3)	
Purchase of associated undertakings		(3.4)		(7.8)	
Purchase of short-term investments		(16.4)		(18.3)	
Disposal of tangible fixed assets		21.9		5.1	
Disposal of subsidiary undertakings		1.0		10.4	
Disposal of associated undertakings and fixed asset investments		17.6		9.8	
Disposal of short-term investments		15.8		16.4	
Net cash inflow (outflow) from investing activities			1.6		(11.3)
Net cash (outflow) inflow before financing			(17.6)		11.0
Financing					
Proceeds of long-term borrowings		77.9		54.4	
Repayment of long-term borrowings		(77.1)		(62.1)	
Net cash inflow (outflow) from financing	23		0.8		(7.7)
(Decrease) increase in cash and cash equivalents	24		(16.8)		3.3

Statement of total recognised gains and losses for the year ended 31 December 1994

	1994 £ million	1993 £ million
Profit for the financial year	17.7	17.9
Property revaluation	(1.9)	–
Exchange and other movements	(0.7)	0.3
Total recognised gains and losses for the financial year	15.1	18.2
Accounting policy change - note 2	(1.3)	
Total recognised gains and losses since last annual report	13.8	

Note of historical cost profits and losses for the year ended 31 December 1994

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

Reconciliation of movements in shareholders' funds for the year ended 31 December 1994

	1994 £ million	1993 £ million
Shareholders' funds at 1 January - as previously stated	240.4	242.2
Accounting policy change - note 2	(1.3)	(0.7)
As restated	239.1	241.5
Profit for the financial year	17.7	17.9
Dividends	(17.6)	(17.6)
Goodwill on acquisitions and disposals - note 21	(3.1)	(3.2)
Property revaluation	(1.9)	–
Exchange and other adjustments	(0.8)	0.5
Shareholders' funds at 31 December	233.4	239.1

Notes to the accounts

1 Accounting policies

Basis of presentation

Accounting convention
The accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets. Except as stated in the depreciation policy note, they have been prepared in accordance with applicable accounting standards.

The group has adopted Financial Reporting Standard 4 'Capital Instruments' and Financial Reporting Standard 5 'Reporting the Substance of Transactions' in preparing the accounts; comparative figures for 1993 have been restated where appropriate - note 2.

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

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

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

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

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

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

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

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

Research and development
Research and development expenditure is written off as incurred.

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

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

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

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

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

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

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

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

Notes to the accounts

2 Adoption of new accounting standards

The group has complied with the requirements of Financial Reporting Standard 4 'Capital Instruments' (FRS 4) and Financial Reporting Standard 5 'Reporting the Substance of Transactions' (FRS 5) in preparing the accounts.

FRS 4 requires that:

where scrip dividends are issued or proposed, the value of shares should be taken to be the amount of the cash dividend, and

finance costs of non-equity shares, including dividends, premium on redemption and issue costs, are charged at a constant rate in the profit and loss account as an appropriation of profit.

In addition, FRS 4 requires the analysis of shareholders' funds to be apportioned between amounts attributable to equity shareholders and non-equity shareholders.

The effect of the introduction of FRS 4 is a small increase in the cost of the ordinary and preference dividends.

FRS 5 requires the recognition in accounts of transactions based on the substance of a transaction rather than its legal form and introduces new definitions of assets and liabilities.

Comparative figures for 1993 have been restated as appropriate. The effect on the 1993 consolidated profit and loss account was an increase in turnover of £2.2 million, a reduction in profit on ordinary activities before taxation of £0.6 million and a reduction in the amount transferred to reserves of £1.2 million.

The restated consolidated balance sheet at 31 December 1993 was as follows:

	As restated £ million	As previously stated £ million	Movement £ million
Fixed assets:			
Tangible assets	160.0	156.0	4.0
Investments	18.9	14.6	4.3
	178.9	170.6	8.3
Stocks	209.7	172.0	37.7
Debtors	521.1	527.6	(6.5)
Cash at bank and in hand	136.2	136.2	–
	867.0	835.8	31.2
Creditors: due within one year	675.3	636.5	(38.8)
Net current assets	191.7	199.3	(7.6)
Creditors: due after one year	131.5	129.5	(2.0)
Net assets	239.1	240.4	(1.3)

Notes to the accounts

3 Analysis by class of business and geographical origin

	Turnover 1994 £ million	Turnover 1993 £ million	Profit (loss) 1994 £ million	Profit (loss) 1993 £ million	Net assets 1994 £ million	Net assets 1993 £ million
By class of business:						
Building and civil engineering	735.5	704.8	8.0	9.7	33.8	31.1
Mechanical and electrical engineering	1,034.8	1,361.1	23.4	23.3	101.1	66.3
Housing and development*	205.6	140.3	(2.8)	(6.5)	160.5	186.4
	1,975.9	2,206.2	28.6	26.5	295.4	283.8
Internal trading	(13.5)	(19.8)	–	–	–	–
Loss on disposal of operations	–	–	(0.2)	(2.2)	–	–
Amounts written off investments	–	–	(2.5)	–	–	–
(Loss) profit on disposal of fixed assets	–	–	(0.4)	2.2	–	–
Net interest payable	–	–	(5.5)	(6.1)	–	–
Unallocated net liabilities	–	–	–	–	(62.0)	(44.7)
	1,962.4	2,186.4	20.0	20.4	233.4	239.1
By geographical origin:						
United Kingdom*	1,609.4	1,753.6	23.6	29.5	257.9	235.2
Europe	149.0	201.4	4.2	3.9	17.3	25.7
Americas	102.0	132.0	(0.2)	(6.1)	9.7	21.6
Middle East, Asia and Australasia	115.5	119.2	1.0	(0.8)	10.5	1.3
	1,975.9	2,206.2	28.6	26.5	295.4	283.8
Internal trading	(13.5)	(19.8)	–	–	–	–
Loss on disposal of operations	–	–	(0.2)	(2.2)	–	–
Amounts written off investments	–	–	(2.5)	–	–	–
(Loss) profit on disposal of fixed assets	–	–	(0.4)	2.2	–	–
Net interest payable	–	–	(5.5)	(6.1)	–	–
Unallocated net liabilities	–	–	–	–	(62.0)	(44.7)
	1,962.4	2,186.4	20.0	20.4	233.4	239.1

* Includes loss on disposal of Trafalgar Place, Brighton **£3.2 million** (1993 - £ nil).

Certain businesses have been disposed of or terminated during the year, none of which falls within the materiality definition of discontinued operations.

The results of businesses acquired during the year have not had a significant impact on the profit for the year.

Accordingly, information disclosed in the consolidated profit and loss account includes the results of business disposals and acquisitions during the year.

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

Notes to the accounts

4 Operating profit

	1994 £ million	1993 £ million
Operating profit is stated after charging:		
Other expenses - administrative expenses	124.5	135.9
- share of results of associated undertakings	(9.2)	3.1
	115.3	139.0
Depreciation	25.1	27.4
Hire of plant and equipment	49.9	50.9
Property lease rentals	14.4	14.8
Auditors' remuneration - audit fees	0.9	0.9
- other fees	0.4	0.5

5 Directors

	1994 £	1993 £
Remuneration including contributions to pension schemes:		
Fees to non-executive directors	73,057	78,934
Executive directors - emoluments	1,241,796	1,340,552
- pension contributions	137,427	127,290
Compensation for loss of office	332,500	–
	1,784,780	1,546,776

	1994 £	1993 £
Chairman and highest paid director:		
Salary and benefits in kind	235,755	232,161
Bonus	–	29,250
Pension contributions	27,350	27,000
	263,105	288,411

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

£	Number	Number
0 - 5,000	–	1
15,001 - 20,000	4	4
30,001 - 35,000	1	–
60,001 - 65,000	–	1
80,001 - 85,000	1	–
95,001 - 100,000	–	1
100,001 - 105,000	1	–
110,001 - 115,000	–	2
130,001 - 135,000	1	–
135,001 - 140,000	1	–
140,001 - 145,000	1	1
145,001 - 150,000	–	1
150,001 - 155,000	–	1
160,001 - 165,000	1	–
215,001 - 220,000	1	–
235,001 - 240,000	1	–
240,001 - 245,000	–	1
260,001 - 265,000	–	1

Notes to the accounts

5 Directors (continued)

The emoluments of the executive directors are determined by the remuneration committee which comprises all of the non-executive directors under the chairmanship of Mr R H Peet. Bonus payments to executive directors are normally calculated by reference to AMEC's total shareholder return and earnings per ordinary share growth as defined under the rules of the executive directors' annual incentive scheme. However, those directors who are also sector chairmen receive 50 per cent of their entitlement through the group's senior management bonus scheme, which is related to the financial performance of individual sectors. Executive directors' emoluments shown above include bonus payments amounting to **£35,920** (1993 - £186,226).

Executive options held by directors were as follows:

	At 1.1.94	Granted during year	Option price	At 31.12.94	Weighted average exercise price	Range of exercise dates
Sir Alan Cockshaw	459,767	–	–	459,767	177.44p	9/1988-5/2002
J S Bateson	409,514	–	–	409,514	181.55p	4/1989-5/2002
R Kisjes	195,460	–	–	195,460	176.11p	4/1989-5/2002
J D Early	270,104	–	–	270,104	183.77p	4/1989-5/2002
D Robson	255,985	15,000	118.00p	270,985	176.13p	4/1989-5/2004
S G Batey	152,722	50,000	118.00p	202,722	171.35p	4/1991-5/2004
M K Eckersall	270,859	–	–	270,859	172.24p	9/1988-5/2002
G E Payne	70,880*	–	–	70,880	167.89p	5/1993-5/2004

* At date of appointment, 15 November 1994.

No options were exercised during the year and none lapsed.
All outstanding options have exercise prices greater than the mid market price of the shares at 31 December 1994 of **69p (ex-dividend)** (1993 - 124p (ex-dividend)).
The range of the mid market quotations for the ordinary shares during the year was 65p (ex-dividend) to 159p.
The register of directors' interests, which is open to inspection at the registered office, contains full details of directors' shareholdings and options to subscribe.

6 Staff costs

	1994 £ million	1993 £ million
Wages and salaries	474.0	583.0
Social security costs	44.5	54.6
Other pension costs	17.9	21.1
	536.4	658.7

The average number of people employed during the year was:	Number	Number
Building and civil engineering	6,087	6,224
Mechanical and electrical engineering	14,556	18,955
Housing and development	532	502
	21,175	25,681

Notes to the accounts

7 Net interest payable

	1994 £ million	1993 £ million
Interest payable:		
On loans wholly repayable within five years:		
- not by instalments	12.7	14.8
- by instalments	0.8	0.6
	13.5	15.4
Interest and similar income receivable:		
Bank and short-term deposits	4.4	4.8
Associated undertakings	2.0	1.8
Other	1.6	2.7
	8.0	9.3
Net interest payable	5.5	6.1

8 Taxation on profit on ordinary activities

	1994 £ million	1993 £ million
The taxation charge (credit) is made up as follows:		
Based on the result for the year:		
Corporation tax	(2.9)	2.3
Double taxation relief	(0.7)	(0.6)
Associated undertakings	3.7	(0.1)
Overseas taxation	1.5	1.1
Irrecoverable advance corporation tax written off	2.2	0.9
	3.8	3.6
Taxation over provided in previous years	(1.5)	(1.1)
	2.3	2.5

Taxation for the year has been provided at the rate of 33.0% (1993 - 33.0%).

Notes to the accounts

9 Dividends

	1994 pence per share	1993 pence per share	1994 £ million	1993 £ million
Equity shares:				
Ordinary shares:				
Interim payable	1.50	1.50	3.0	3.0
Final proposed	1.50	1.50	3.0	3.0
	3.00	3.00	6.0	6.0
Non-equity shares:				
Convertible redeemable preference shares:				
Paid 1 May 1994	3.25	3.25	5.6	5.6
Paid 1 November 1994	3.25	3.25	5.6	5.6
FRS 4 finance cost	–	–	0.4	0.4
	6.50	6.50	11.6	11.6
Total dividends			17.6	17.6

10 Transfer to reserves

	1994 £ million	1993 £ million
Dealt with in the accounts of AMEC p.l.c.	0.4	9.7
Retained by subsidiary undertakings	(3.5)	(4.9)
Retained by associated undertakings	3.2	(4.5)
	0.1	0.3

11 Earnings per ordinary share

Undiluted earnings per ordinary share on the nil distribution basis are calculated on earnings of **£8.4 million** (1993 - £7.3 million) and on the net distribution basis on earnings of **£6.2 million** (1993 - £6.4 million), and, in each case, on a weighted average of **202,243,616** (1993 - 201,974,576) ordinary shares.

Diluted earnings per ordinary share on the nil distribution basis are calculated on earnings of **£20.9 million** (1993 - £20.1 million) and on the net distribution basis on earnings of **£18.7 million** (1993 - £19.2 million) and, in each case, on a weighted average of **300,434,498** (1993 - 300,101,671) ordinary shares which allows for conversion of all the convertible redeemable preference shares in issue and the allotment of ordinary shares under employee share option schemes.

Earnings per share on the nil distribution basis are calculated before the write-off of irrecoverable advance corporation tax of **£2.2 million** (1993 - £0.9 million).

Notes to the accounts

12 Tangible assets

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Group:			
Cost or valuation:			
At 1 January 1994 - as previously stated	108.6	196.5	305.1
Accounting policy change - note 2	–	5.8	5.8
As restated	108.6	202.3	310.9
Additions and transfers	1.7	32.8	34.5
Disposals and transfers	(9.3)	(39.5)	(48.8)
Revaluation	(6.4)	–	(6.4)
Exchange and other movements	0.9	0.8	1.7
At 31 December 1994	95.5	196.4	291.9
Depreciation:			
At 1 January 1994 - as previously stated	8.9	140.2	149.1
Accounting policy change - note 2	–	1.8	1.8
As restated	8.9	142.0	150.9
Provided during the year	2.1	23.0	25.1
Disposals and transfers	(1.2)	(23.5)	(24.7)
Revaluation	(4.5)	–	(4.5)
Exchange and other movements	–	0.9	0.9
At 31 December 1994	5.3	142.4	147.7
Net book value:			
At 31 December 1994	90.2	54.0	144.2
At 31 December 1993	99.7	60.3	160.0

Notes to the accounts

12 Tangible assets (continued)

Company:	Land and buildings £ million	Plant and equipment £ million	Total £ million
Cost or valuation:			
At 1 January 1994	6.1	1.4	7.5
Additions and transfers	–	0.1	0.1
Revaluation	(0.8)	–	(0.8)
At 31 December 1994	5.3	1.5	6.8
Depreciation:			
At 1 January 1994	0.5	1.1	1.6
Provided during the year	0.1	0.2	0.3
Revaluation	(0.3)	–	(0.3)
At 31 December 1994	0.3	1.3	1.6
Net book value:			
At 31 December 1994	5.0	0.2	5.2
At 31 December 1993	5.6	0.3	5.9

	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
The net book value of land and buildings comprises:				
Freehold	84.4	91.6	4.5	5.0
Long leasehold	4.5	5.9	0.2	0.3
Short leasehold	1.3	2.2	0.3	0.3
	90.2	99.7	5.0	5.6
Land and buildings are stated at:				
Valuation 1989	0.9	2.0	0.6	–
Valuation 1994	70.6	60.8	4.7	5.8
Cost	24.0	45.8	–	0.3
	95.5	108.6	5.3	6.1

Notes to the accounts

12 Tangible assets (continued)

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

One investment property was valued at 31 December 1994 by the group property manager, a chartered surveyor, on an open market value basis in the sum of **£0.6 million**.

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

The amount of land and buildings, included at valuation, determined according to the historical cost convention, is as follows:	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Cost	69.9	54.0	6.0	5.7
Depreciation	16.5	13.9	0.9	0.7
Net book value	53.4	40.1	5.1	5.0
Fixed assets not depreciated:				
Land	26.1	33.8	1.4	2.1
Investment properties	6.1	12.8	–	–
Assets in the course of construction	–	0.4	–	–
	32.2	47.0	1.4	2.1
Assets acquired under finance leases:				
Cost or valuation	7.5	6.6	–	–
Accumulated depreciation	3.0	2.0	–	–
Net book value	4.5	4.6	–	–
Depreciation charge for the year	1.5	1.5	–	–

13 Investments (held as fixed assets)

	Company 1994 £ million	Company 1993 £ million
Investments in subsidiary undertakings		
Shares at cost less amounts written off	314.3	456.4
Amounts owed by subsidiary undertakings	111.7	314.1
Amounts owed to subsidiary undertakings	–	(376.6)
	426.0	393.9

Notes to the accounts

13 Investments (held as fixed assets) (continued)

Other investments	Group Associated undertakings £ million	Group Other investments £ million	Company Associated undertakings £ million	Company Other investments £ million
Net book value at 1 January 1994				
- as previously stated	7.9	6.7	1.0	6.5
Accounting policy change - note 2	4.3	–	–	–
As restated	12.2	6.7	1.0	6.5
Additions and transfers	3.3	0.2	1.8	–
Disposals and transfers	(19.0)	–	–	–
Amounts written off	–	(2.5)	–	(2.5)
Net movement in share of reserves	2.7	–	0.1	–
Net book value at 31 December 1994	(0.8)	4.4	2.9	4.0
Represented by:				
Shares at cost less amounts written off	18.5	4.4	1.8	4.0
Share of post acquisition reserves	(19.3)	–	1.1	–
	(0.8)	4.4	2.9	4.0
Investment listed on a United Kingdom Stock Exchange:				
Cost less amounts written off	–	4.0	–	4.0
Market value	–	0.6	–	0.6

Principal group undertakings are listed on pages 53 and 54.

14 Stocks

	Group 1994 £ million	Group 1993 £ million
Development land and work in progress	161.4	192.1
Raw materials and consumables	8.6	9.6
Other work in progress	2.1	1.7
Finished goods and goods for resale	8.8	6.3
	180.9	209.7

Notes to the accounts

15 Debtors

Due within one year:	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Amounts recoverable on contracts	245.9	238.5	–	–
Trade debtors	225.0	178.1	–	–
Amounts owed by subsidiary undertakings	–	–	6.1	5.3
Amounts owed by associated undertakings	31.6	32.2	4.4	0.2
Other debtors	20.8	14.3	4.4	2.9
Prepayments and accrued income	11.0	10.5	1.3	1.5
	534.3	473.6	16.2	9.9
Due after one year:				
Amounts recoverable on contracts	1.7	3.3	–	–
Trade debtors	67.6	36.9	–	–
Amounts owed by associated undertakings	3.2	4.5	1.0	0.6
Other debtors	0.7	1.8	0.4	0.5
Prepayments and accrued income	1.5	1.0	0.6	–
	74.7	47.5	2.0	1.1
	609.0	521.1	18.2	11.0

Included in amounts recoverable on contracts is an amount relating to the Tiffany project. This project was originally awarded in 1990 to a joint venture, Tiffany Contractors, in which an AMEC group undertaking has a 70 per cent participation. It relates to the design, fabrication, hook-up and commissioning of an offshore platform in the North Sea for an operator consortium led by Agip UK Limited. To date, contract payments in excess of £500 million have been received by the joint venture. The directors have taken legal and other expert advice and have included as amounts recoverable further amounts incurred in respect of measurable and reimbursable work under this contract. No amounts have been taken into account in respect of Claims or Counter-claims. The certificate of fitness to produce oil was received in November 1993 and the negotiation of the final account is in progress.

16 Creditors: due within one year

	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Bank loans and overdrafts	35.5	62.5	3.0	3.4
Trade creditors	393.3	430.0	32.3	35.7
Payments on account	56.9	51.3	–	–
Amounts owed to associated undertakings	19.4	11.5	–	–
Corporation tax	2.1	1.2	1.5	0.8
Other taxation and social security costs	30.4	31.4	0.9	0.7
Other creditors	33.5	34.0	0.8	0.4
Accruals and deferred income	46.9	48.5	2.8	3.3
Dividends	7.9	4.9	7.9	4.9
	625.9	675.3	49.2	49.2

Notes to the accounts

17 Creditors: due after one year

	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Loans repayable:				
- between one and two years	0.5	0.9	–	–
- between two and five years	128.9	94.1	63.6	50.5
	129.4	95.0	63.6	50.5
Trade creditors	68.6	31.2	–	–
Payments on account	–	0.6	–	–
Other creditors	1.6	1.1	–	–
Accruals and deferred income	3.3	3.6	–	–
	202.9	131.5	63.6	50.5
Loans are denominated in:				
Pounds sterling	104.1	58.1	38.7	14.9
US dollars	9.6	18.0	9.6	17.6
German marks	12.8	12.6	12.4	11.7
Norwegian krone	2.9	–	2.9	–
Australian dollars	–	1.1	–	1.1
French francs	–	5.2	–	5.2
	129.4	95.0	63.6	50.5

Interest payments on all loans vary with market rates. At 31 December 1994 the average rate payable on all loans was 6.64% (1993 - 5.51%).

Loans amounting to £128.3 million (company - £63.6 million) mature within one year (1993 - group £92.8 million and company £50.5 million). They represent advances against facilities available to the group until at least June 1997 under which such loans may be refinanced on a continuing basis.

18 Provision for liabilities and charges

	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Deferred taxation:				
Other timing differences	1.8	(2.2)	1.6	(2.2)
Losses carried forward	(1.8)	–	(1.6)	–
Accelerated capital allowances	–	2.2	–	2.2
	–	–	–	–

There is no unprovided deferred taxation liability.

Notes to the accounts

19 Share capital

The authorised share capital of the company is £250.0 million (1993 - £250.0 million).

Allotted, called up and fully paid:	1994 £ million	1993 £ million
Equity share capital:		
Ordinary shares of 50p each	101.2	101.1
Non-equity share capital:		
6.5p (net) cumulative convertible redeemable preference shares of 50p each	86.2	86.4
	187.4	187.5

Movements in share capital during the year:	Ordinary shares number	Ordinary shares £ million	Preference shares number	Preference shares £ million
At 1 January 1994	202,229,472	101.1	172,747,974	86.4
Conversion of preference shares to ordinary shares:				
21 June 1994	4,195	–	(8,600)	–
30 November 1994	135,896	0.1	(278,591)	(0.2)
At 31 December 1994	202,369,563	101.2	172,460,783	86.2

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

Voting

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

Income and capital

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

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

Conversion

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

Redemption

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

Notes to the accounts

19 Share capital (continued)

Share options

During the year under review, further options were granted in respect of 2,569,326 ordinary shares under the AMEC Savings Related Share Option Scheme and in respect of 475,000 ordinary shares under the AMEC Executive Share Option Scheme.

At 31 December 1994 share options were outstanding as follows:	Option price per ordinary share	Number of shares
Savings Related Share Option Scheme		
Normally exercisable in the period between:		
September 1994 and February 1995	200.19p	348,577
September 1995 and February 1996	173.37p	420,166
September 1996 and February 1997	188.00p	1,398,538
September 1997 and February 1998	139.00p	2,859,766
September 1999 and February 2000	112.00p	2,403,760
Executive Share Option Schemes		
Normally exercisable in the period between:		
September 1988 and September 1995	111.11p	136,898
April 1989 and April 1996	131.23p	266,832
July 1989 and July 1996	145.99p	125,650
April 1990 and April 1997	159.00p	650,501
October 1990 and October 1997	241.56p	116,631
April 1991 and April 1998	183.91p	720,417
May 1991 and May 1998	160.69p	37,608
August 1991 and August 1998	174.33p	90,828
May 1992 and May 1999	222.22p	292,320
May 1993 and May 2000	185.34p	83,520
May 1994 and May 2001	218.00p	1,955,000
May 1995 and May 2002	160.00p	1,697,500
May 1997 and May 2004	118.00p	460,000

Currently there are 2,471 participants in the Savings Related Scheme and 139 participants in Executive Schemes.

No shares were allotted during the year under the provisions of either the Savings Related Scheme or the Executive Schemes.

The market value of the ordinary shares at 31 December 1994 was 69p (ex-dividend) (1993 - 124p (ex-dividend)).

Notes to the accounts

20 Reserves

Group:	Special reserve £ million	Revaluation reserve £ million	Profit and loss account £ million	Total reserves £ million
At 1 January 1994 - as previously stated	19.0	16.9	17.0	52.9
Accounting policy change - note 2	–	–	(1.3)	(1.3)
As restated	19.0	16.9	15.7	51.6
Retained profit	–	–	0.1	0.1
Property revaluation	–	(1.9)	–	(1.9)
Goodwill	(2.7)	–	(0.4)	(3.1)
FRS 4 finance cost	–	–	0.4	0.4
Exchange and other movements	–	(0.5)	(0.6)	(1.1)
At 31 December 1994	16.3	14.5	15.2	46.0

Company:	Special reserve £ million	Revaluation reserve £ million	Profit and loss account £ million	Total reserves £ million
At 1 January 1994	128.9	0.3	77.8	207.0
Retained profit	–	–	0.4	0.4
Property revaluation	–	(0.5)	–	(0.5)
FRS 4 finance cost	–	–	0.4	0.4
Exchange and other movements	–	–	(0.1)	(0.1)
At 31 December 1994	128.9	(0.2)	78.5	207.2

21 Acquisitions and disposals

On 3 March 1994, the group acquired NE Norsk Elektro A/S, since renamed AMEC NE A/S, for a cash consideration of £3.6 million compared to the book value of assets acquired of £0.3 million. No fair value adjustments were made on acquisition. On 30 September 1993, the group acquired a 50 per cent interest in Building and Property Management Services Limited for a cash consideration of £1. The attributable share of net liabilities acquired was £9.1 million including £6.7 million fair value adjustments made to the carrying value of the investment. Both acquisitions have been accounted for under the acquisition method of accounting.

During the year, the group disposed of its investments in overseas subsidiary undertakings - Denco S.A., AMEC Engineering Inc. and AMEC Plant Services Inc. together with its investments in overseas associated undertakings - Serete S.A. and GERIL-AMEC SGPS. The total cash consideration was £22.2 million compared to a carrying value, restated to include £9.3 million of goodwill on acquisition, at the dates of disposal of £22.4 million. The net loss on disposal of £0.2 million is made up of profits of £2.9 million and losses of £3.1 million. Cumulative goodwill written off to group reserves, net of that attributed to disposals, amounted to £112.6 million (1993 - £109.9 million).

Notes to the accounts

22 Reconciliation of operating profit to net cash (outflow) inflow from operating activities

	1994 £ million	1993 £ million
Operating profit	28.6	26.5
Associated undertakings	(9.2)	3.1
Depreciation of fixed assets	25.1	27.4
Decrease in stocks	27.7	16.5
(Increase) decrease in debtors	(82.1)	77.5
Increase (decrease) in creditors	11.2	(111.5)
Exchange and other movements	(2.1)	1.1
Net cash (outflow) inflow from operating activities	(0.8)	40.6

23 Analysis of changes in financing during the year

	Share capital £ million	Borrowings £ million
At 1 January 1994 - as previously stated	187.5	106.5
Accounting policy change - note 2	–	37.6
As restated	187.5	144.1
Cash inflow from financing	–	0.8
Inception of finance leases	–	1.3
Exchange and other movements	(0.1)	(0.4)
At 31 December 1994	187.4	145.8

Borrowings comprise:	1994 £ million	1993 £ million
Loans repayable after more than one year	129.4	95.0
Loans repayable within one year where the original maturity date exceeded three months	13.3	44.5
Finance leases	3.1	4.6
	145.8	144.1

Notes to the accounts

24 Analysis of changes in cash and cash equivalents

	Short-term investments £ million	Cash £ million	Overdrafts £ million	Net cash and cash equivalents £ million
At 1 January 1994 - as previously stated	19.9	116.3	(13.6)	102.7
Accounting policy change - note 2	–	–	(4.4)	(4.4)
As restated	19.9	116.3	(18.0)	98.3
Net cash inflow (outflow)	0.5	(12.3)	(4.5)	(16.8)
Exchange and other movements	0.1	–	0.3	0.3
At 31 December 1994	20.5	104.0	(22.2)	81.8

25 Capital commitments

	Group 1994 £ million	Group 1993 £ million
Contracted but not provided in accounts	1.7	2.5
Authorised by the directors but not contracted	2.1	3.0

26 Lease commitments

Current annual commitments payable under non-cancellable operating leases expiring:	Land and buildings 1994 £ million	Plant and equipment 1994 £ million	Land and buildings 1993 £ million	Plant and equipment 1993 £ million
Group:				
Under one year	1.9	0.5	0.9	0.4
Between two and five years	5.6	2.7	5.7	0.9
After five years	5.4	–	6.5	–
	12.9	3.2	13.1	1.3
Company:				
Between two and five years	0.2	–	0.2	–
After five years	1.6	–	1.9	–
	1.8	–	2.1	–

Notes to the accounts

26 Lease commitments (continued)

	Group 1994 £ million	Group 1993 £ million
Obligations under finance leases due:		
Under one year	1.9	2.9
Between two and five years	1.2	1.7
	3.1	4.6
Future finance charges	0.4	0.5
	2.7	4.1

27 Contingent liabilities

	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Guarantees given in respect of borrowings of group undertakings	0.6	4.0	116.3	120.6

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

28 Pension arrangements

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

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

The projected unit method is used to assess liabilities and future funding rates for the major scheme which covers 90.7 per cent of United Kingdom members. The latest actuarial valuation of this scheme was undertaken as at 1 April 1993. This showed that the market value of the assets was £357 million with the actuarial value of assets being sufficient to cover 110 per cent of the accrued benefits. Amortising the excess assets over the employees' working lives with the group results in the present employer contribution rate of 12 per cent of earnings. The valuation assumed that the investment returns would be two per cent higher than the rate of annual salary increases. The next actuarial valuation will be undertaken as at 1 April 1996.

Statement of directors' responsibilities for the preparation of accounts

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

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

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

The above statement should be read in conjunction with the statement of auditors' responsibilities set out below.

Report of the auditors

KPMG

To the members of AMEC p.l.c.

We have audited the accounts on pages 27 to 50.

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

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material 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 1994 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 KPMG
Chartered accountants
Registered auditors

30 March 1995
Leeds

Five year record

	1994 £ million	1993 £ million	1992 £ million	1991 £ million	1990 £ million
Consolidated results					
Turnover	1,962.4	2,186.4	2,123.2	2,339.6	2,216.9
Profit (loss) before taxation	20.0	20.4	(88.2)	(13.6)	60.8
Taxation	(2.3)	(2.5)	9.8	0.3	(20.9)
Attributable profit (loss)	17.7	17.9	(78.4)	(13.3)	39.9
Dividends	17.6	17.6	17.7	32.1	25.9
Transferred to (from) reserves	0.1	0.3	(96.1)	(45.4)	14.0
Undiluted earnings (loss) per ordinary share:					
Nil distribution basis	4.2p	3.6p	(43.8p)	(13.9p)	19.2p
Net distribution basis	3.1p	3.2p	(44.6p)	(13.9p)	19.2p
Dividends per ordinary share	3.0p	3.0p	3.0p	10.25p	10.125p
Summarised consolidated balance sheets					
Assets employed:					
Fixed assets	147.8	178.9	178.5	206.0	200.6
Net current assets	288.5	191.7	164.8	245.8	192.7
	436.3	370.6	343.3	451.8	393.3
Financed by:					
Share capital	187.4	187.5	187.3	186.9	157.9
Reserves	46.0	51.6	54.2	162.8	140.8
Shareholders' funds	233.4	239.1	241.5	349.7	298.7
Loans	129.4	95.0	69.2	52.8	70.5
Other creditors	73.5	36.5	32.6	49.3	24.1
	436.3	370.6	343.3	451.8	393.3

Notes
1 Dividends and earnings (loss) per ordinary share have been adjusted for capital issues.
2 The figures are stated in accordance with the accounting policies set out on page 32.

Principal group undertakings at 31 December 1994

The principal subsidiary and associated undertakings which are, in the opinion of the directors, those principally affecting group trading results and net assets are listed below. All subsidiaries are wholly owned. Except where indicated, undertakings are incorporated in Great Britain, registered in England and Wales and carry on their activities principally in their countries of incorporation. Shares are held directly by AMEC p.l.c. except where marked with an asterisk where they are held by subsidiaries. All holdings are of ordinary shares except where otherwise indicated. A full list of subsidiaries will be filed with the Registrar of Companies with the next annual return.

Construction sector

AMEC Construction Limited	*Construction*
AMEC Building Limited	*Building*
AMEC Civil Engineering Limited	*Civil engineering*
AMEC Construction Scotland Limited (Scotland)	*Building and civil engineering*
AMEC Design and Management Limited	*Design and management*
AMEC Mining Limited	*Opencast mining*
*AMEC Construction South East Asia Limited (Hong Kong)	*Construction*
*Gebruder Kittelberger GmbH & Co. (Germany)	*Construction*
AMEC International Construction Limited (operating outside the United Kingdom)	*Construction*

Housing and development sector

AMEC Housing and Property Limited	*Commercial and residential property development*
AMEC Developments Limited	*Commercial property development*
Fairclough Homes Limited	*Residential property development*

Manufacturing and services sector

AMEC Manufacturing and Services Limited	*Manufacturing and services*
AMEC Services Limited	*Plant, transport and inspection services*
CV Buchan Limited	*Precast concrete*
Denco Limited	*Building services equipment*
Watson Steel Limited	*Fabricated steelwork*
Franklin Hodge Industries Limited	*Storage vessels*
Travel Places (International) Limited	*Travel services*

Mechanical and electrical sector

AMEC Mechanical and Electrical Services Limited	*Mechanical and electrical services*
AMEC Power Limited (Scotland)	*Power transmission and distribution*
AMEC Utilities Limited	*Ducting and pipeline installation and maintenance*
James Scott Limited (Scotland)	*Mechanical and electrical engineering*
Matthew Hall Limited	*Mechanical and electrical engineering and facilities management*
*AMEC Construction Pty Limited (Australia) (note 1)	*Mechanical and electrical engineering*
*Fisk Electric Company (USA)	*Electrical engineering*
*AMEC Electrical and Mechanical Engineers Limited (Hong Kong)	*Mechanical and electrical engineering*
*AMEC Mechanical and Electrical Engineers Pte Limited (Singapore)	*Mechanical and electrical engineering*

Process and energy sector

AMEC Process and Energy Limited	*Engineering, construction and fabrication for the offshore and onshore process and energy sectors*
*AMEC NE A/S (Norway)	*Engineering for the energy sector*
*AMEC Engineering Nederland b.v. (Nederlands)	*Engineering, construction and project management*

Group services

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

Principal group undertakings at 31 December 1994

Associated undertakings

* Morse Diesel International (USA) (50%)(note 2)	*Construction management*
Building and Property Management Services Limited (50%) (note 3)	*Property and facilities management*
Ringway Developments PLC (21% - B shares partly paid 50p)(note 4)	*Commercial property development*
* Gulliver Consolidated Limited (Zimbabwe) (35%) (note 5)	*Civil engineering and transport contracting*
* Christiani - AMEC Asia Limited (Thailand) (49% - B shares)(note 6)	*Civil engineering, power transmission and distribution*
Greater Manchester Metro Limited (28.6%) (note 7)	*Operation and maintenance of a light rapid transit system*

Notes

1 The issued share capital of AMEC Construction Pty Limited is 53,930,001 ordinary shares of A$1 each and 2,500 cumulative preference shares of A$1 each.

2 The outstanding 50 per cent interest in this partnership was acquired on 31 January 1995 and the business has now been incorporated as Morse Diesel International Inc.

3 The issued share capital of Building and Property Management Services Limited is two shares of £1 each.

4 The issued share capital of Ringway Developments PLC is 50,000 fully paid A shares of £1 each, 6,950,000 partly paid (50p) A shares of £1 each and 7,286,000 partly paid (50p) B shares of £1 each.

5 The issued share capital of Gulliver Consolidated Limited is 9,585,753 shares of Zimbabwean 50 cents each.

6 The issued share capital of Christiani-AMEC Asia Limited is 1,020,000 A ordinary shares of baht 10 each and 980,000 B ordinary shares of baht 10 each.

7 The issued share capital of Greater Manchester Metro Limited is 10,000 ordinary shares of 10p each and 10,000 preference shares of 10p each.

8 AMEC p.l.c. has representation on the board of each group undertaking.

Notice of annual general meeting

Notice is hereby given that the 13th annual general meeting of AMEC p.l.c. will be held at the Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester, on Wednesday 7 June 1995, at 12 noon for the following purposes:

1 To consider the accounts and the reports of the directors and the auditors for the year ended 31 December 1994 and to approve a final dividend of 1.5p per ordinary share (Resolution 1).

2 To re-elect directors:

Resolution 2 - Mr G E Payne, who retires in accordance with article 91 of the articles of association of the company.

Resolutions 3 to 5 - Mr R H Peet, Mr R Kisjes and Mr D Robson, who retire by rotation in accordance with article 85 of the articles of association of the company.

3 To re-appoint KPMG as auditors and to authorise the directors to fix their remuneration (Resolution 6).

4 As special business, to consider and, if thought fit, pass the following resolutions:

As a special resolution (Resolution 7):

That the authority conferred on the directors by paragraph (i) and the power conferred on the directors by paragraph (ii) of article 12(B) of the company's articles of association be renewed for the period ending on the date of the annual general meeting in 1996 or on 7 September 1996, whichever is the earlier, and for such period:

(a) the section 80 amount should be £33,728,260; and

(b) the section 89 amount should be £5,059,239.

As an ordinary resolution (Resolution 8):

That the directors be and they are hereby authorised to amend and renew the AMEC Savings Related Share Option Scheme in the form presented to the meeting and, for the purposes of identification, initialled by the chairman, or such other form as may be required by the Commissioners of Inland Revenue.

As an ordinary resolution (Resolution 9):

That the AMEC Executive Share Option Scheme 1995, the provisions of which are summarised in appendix II to the letter to members of the company dated 11 May 1995, and to be constituted by the rules produced in draft to the meeting and for the purposes of identification initialled by the chairman, be and is hereby approved and the directors be and are hereby authorised to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the same.

M J Bardsley

By order of the board
M J Bardsley
Secretary
11 May 1995

Notes

1 Resolution 7, which is a special resolution proposed in accordance with the provisions of sections 80 and 89 of the Companies Act 1985, renews the authority given to the directors at last year's annual general meeting to issue shares in the company, up to a nominal amount of £33,728,260, until the earlier of next year's annual general meeting or 7 September 1996 and also renews the power given to the directors at last year's annual general meeting to allot further shares for cash, other than by way of a rights issue, up to a nominal amount of £5,059,239.

2 A circular is enclosed with the annual report and accounts setting out the detailed proposals relating to resolutions 8 and 9.

3 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member.

4 There will be available for inspection at the registered office of the company during business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until the date of the annual general meeting and at the Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester, from 11.45am on 7 June 1995 until the conclusion of the meeting, copies of all service contracts of the directors with the company or any of its subsidiary undertakings not expiring or terminable within one year without payment of compensation and a copy of the rules of both the Savings Related Share Option Scheme and the Executive Share Option Scheme in their proposed forms.

Shareholder information

Financial calendar

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

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

Payment of dividends

Recent changes in legislation now permit companies paying dividends into shareholders' bank or building society accounts to send the corresponding tax information direct to shareholders' registered addresses. Previously, tax details had to be included with the dividend payment warrant and were forwarded to shareholders by their bank or building society after their accounts had been credited. That arrangement has proved inconvenient for many shareholders, particularly those who are charged for this service.
Because tax information can now be dealt with separately from the dividend payment, dividends can be paid through the Bankers Automatic Clearing System (BACS), a computerised clearing process acknowledged as the safest means of making all kinds of business payments, with the tax vouchers being sent direct to shareholders' registered addresses.
The company is, therefore, proposing to introduce BACS for the final ordinary dividend payment due on 3 July 1995 and for the preference dividend in November 1995. Those shareholders who have not mandated dividend payments to their bank or building society accounts, but who wish to do so, will receive, along with the dividend warrant, an appropriate request form.

Annual statements of tax

For the tax year 1996/97, the company will be able to issue shareholders with an annual tax statement. This will be sent to shareholders shortly after payment of the interim dividend each year, usually during January. The statement will identify the amounts, dates and tax credits of each dividend paid to shareholders by the company during that fiscal year.
Replacing individual tax vouchers with one annual tax statement will be more convenient for many shareholders. However, if shareholders would prefer to receive tax vouchers at the time of each dividend payment, or if they have any queries concerning this arrangement, they may contact Barclays Registrars direct.
The company believes this is a positive step in improving the quality of service provided to its shareholders.

Share dealing service

A share dealing service is provided by the company's stockbroker exclusively for the investment in and sale of AMEC p.l.c. ordinary shares and 6.5p (net) cumulative convertible redeemable preference shares. It is an execution only service and no financial or taxation advice is provided.

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

Further information may be obtained from:

NatWest Stockbrokers Limited
AMEC information
FREEPOST
London E1 8BR
Telephone: (0171) 895 5454

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