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AMEC
THE BUSINESS OF SOLUTIONS

AMEC p.l.c.

ANNUAL REPORT
AND ACCOUNTS 1999

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AMEC IS A PROVIDER OF ENGINEERING AND SERVICE SOLUTIONS FOR THE WORLD'S MANUFACTURING, INFRASTRUCTURE AND PROCESS INDUSTRIES

WHAT WE DO

We conceive, design, construct, operate, service and maintain assets and infrastructure, enabling our clients to realise full value from their facilities. Our people are committed to excellence in every area of activity; in Europe and selected international markets.

OUR STRENGTHS

Intimate knowledge of our chosen industries, combined with unrivalled operational experience, allows our multi-disciplinary teams to unlock value for our clients through vision, innovation and operational excellence. In turn, this generates a higher quality return for our shareholders.

OUR ACTIVITIES

Capital Projects We harness in-house design capabilities, project management and construction skills to establish long-term relationships with major clients in the international manufacturing, infrastructure and process industries.

Services We access the rapidly increasing opportunities in outsourcing where our skills and technology deliver competitive advantage. Our activities cover oil and gas, rail maintenance, utilities, facilities management and electrical services.

Investments With a portfolio of projects in healthcare, government property and infrastructure, we are a significant player in public private partnerships. We also have extensive experience in non-speculative property development for the retail, leisure, commercial and industrial sectors in the United Kingdom.

OUR PHILOSOPHY
TOTAL 'LIFE OF ASSET' SUPPORT

Our innovative and experienced multi-disciplinary teams enable clients to improve business performance. More than 2,500 of our people are engineers and designers.

We work with our clients to identify business goals before implementing the strategy to achieve them.

Our strengths are based on an extensive knowledge of a range of industries, a full appreciation of environmental and safety issues and a high level of skill in engineering.

We offer value management, process engineering, systems integration, buildability and project finance support. We add value to our clients, from the earliest stages of a capital project or service, through delivery and commissioning, to aftercare.

A selection of key clients
Anglian Water
AstraZeneca
BAA
BNFL
BP Amoco
BT
Conoco
DuPont
Exxon/Esso
Hong Kong MTRC
ICI
Kowloon Canton Railway Corporation
London & Continental Railways
Merck
Ministry of Defence
Mobil
Pfizer
Phillips Petroleum
Railtrack
Saudi Aramco
Shell
SmithKline Beecham
Transco
Union Carbide
United Utilities
Vodafone Airtouch
Welsh Water

● Office locations

CREATE

We manage the entire process, from concept and detailed design through the construction process to hand over of new assets. We also carry out maintenance and operational services.

Our strengths are based on experienced managers, specialists and operatives working together with selected suppliers and sub-contractors to deliver successful projects on time, on budget and to quality, across a range of different sectors.

Our specialists are skilled in engineering and design, planning, the management of multi-disciplinary projects and leading edge technologies. We focus on adding *value through continuous improvement and innovation.*

SUPPORT

We work closely with our clients in their core business operations. We also specialise in major maintenance, enhancement or renewal activity during normal operations or shutdowns.

We appreciate our clients' needs to maintain and continuously improve their systems and asset performance.

Our people are skilled, experienced and eager to provide long-term solutions and effective ongoing support to operations. We strive constantly to improve our clients' businesses and our returns for shareholders.

	1999 £ million	1998 £ million
Turnover	**3,100.8**	3,392.8
Operating profit	**77.0**	72.4
Profit before exceptional items and taxation	**82.2**	71.4
Net assets	**258.8**	202.2
Earnings per ordinary share before exceptional items:		
Diluted	**21.2p**	17.3p
Basic	**24.5p**	18.9p
Dividends per ordinary share	**7.5p**	6.25p

Last year I told you we were re-thinking AMEC. In 1999, the results of this strategic review were implemented and the group is stronger in all respects. In this, my third year as chairman, I am also pleased to report a further set of excellent results.

Pretax profits before exceptional items increased 15 per cent to £82.2 million and fully diluted earnings per share, before exceptional items, rose 23 per cent to 21.2 pence. A 20 per cent increase in the final dividend is proposed, which will bring the total dividend for 1999 to 7.5 pence, also a 20 per cent increase.

Our ability to provide a fully integrated 'total life of asset' service to our international blue-chip client base continues to go from strength to strength and I am confident that our new management structure will provide a solid foundation for the group's future.

Over 40 per cent of our activity during the year was generated outside the United Kingdom and we have in place a cohesive network of operations in the Americas, continental Europe, South East Asia and Australia.

Future gains in profitability in all our markets will be driven by our continuing practice of being selective in the work we choose. AMEC has also led the drive towards collaborative styles of working with clients. To achieve this we have developed excellence in front end engineering, design and the utilisation of our specialist industry skills.

Our investment in SPIE continues to provide excellent financial returns and opportunities. We have enjoyed a number of notable successes working together in partnership.

As always, we are mindful of our responsibilities to AMEC's employees and to the many communities in which we operate. Thus, our commitment to the management of health, safety and environmental issues continues to be an area of priority.

There were also a number of changes to our board during the year. Malcolm Eckersall left the company after 25 years of service. Dr Keith Humphreys ceased to be a director, having served in a non-executive capacity for six years and, on behalf of the board, I thank him for his contribution. We also welcomed two new non-executive directors on to the board, Liz Airey and James Dallas.

Simon Batey, who had been finance director for the last eight years, accepted a new position with an FTSE 100 company at the end of March this year and, on behalf of the board, I thank him for his contribution. Julian Darley, who will have served almost four years as a non-executive, will be retiring at this year's Annual General Meeting and will not be seeking re-election. On behalf of the board I also thank him for his contribution.

I must also pay tribute to our employees for the vital contribution they have made and I have been particularly impressed by the way they have taken up the challenge of doing things differently.

1999 was a year of success, change and development for our group and we concluded it well positioned for the future. I look forward with confidence to further years of success for AMEC.

Sydney Gillibrand CBE
Chairman

EXCELLENT RESULTS OUR NEW MANAGEMENT STRUCTURE WILL PROVIDE A SOLID FOUNDATION FOR THE GROUP'S FUTURE

23 per cent increase in pre-exceptional fully diluted earnings per share to 21.2 pence.

7.5 pence dividend per ordinary share representing a 20 per cent increase.

£105.2 million net cash from positive cash flow after increased investment.

The overriding strategic focus in 1999 has been our continuing drive to maximise shareholder value through contractual relationships centred on an open book, partnering or alliance basis. We have also become increasingly selective and specialised in a chosen group of fewer industries. In furtherance of this strategy, we restructured our management and business portfolio to improve our multi-disciplinary response to clients from a more efficient and lower cost base.

This restructure emphasised our focus on three business sectors – Capital Projects, Services and Investments. Substantial progress was made in all areas:

In Capital Projects, average margins improved by around 50 per cent to nearly 1.5 per cent, as the benefits of focusing on negotiated work were realised and losses in Germany reduced. We expect to see further progress in the new year towards our 3 per cent target margin.

To this end, we again saw encouraging performances from our United Kingdom businesses. Overall, the order book has improved considerably. We secured new partnering contracts, including work on British Nuclear Fuel plc's multi billion pound capital expenditure programme, Anglian Water's asset management project, a major rail systems contract for the Channel Tunnel Rail Link and the Berri gas project in Saudi Arabia.

Progress in our Service activities, which continue to be our largest single source of profit, was also encouraging, with margins of 4.7 per cent and profit growth of 5 per cent. This was despite the predicted reduction in profits from rail maintenance. Exchange rate translation effects, caused by weakness in the Euro, also held back the real 6 per cent growth in Spie Trindel. Similarly there was no repetition of 'one-off' activity in our oil and gas business which restrained top line growth. However, our leading market position in oil and gas services delivered an increase in absolute profit.

Sales in our utilities service business grew strongly, due largely to new five year term contracts from Transco for gas maintenance and installation. This growth will continue into 2000 and, overall in Services, a significant improvement in revenue is expected this year.

As a key part of our strategy to sharpen our business focus, Fairclough Homes was sold from our Investments sector in April 1999 to the American housebuilder, Centex Corporation. The initial consideration was £108 million, a premium of 20 per cent to net assets, and we have a further participation in the profits of Fairclough until March 2001.

AMEC Developments had a busy year with project sales totalling £60 million. We anticipate another profitable year in 2000 from the 8 million sq ft of development currently in hand. AMEC Project Investments also had an encouraging year achieving preferred bidder status on the Ayrshire water treatment scheme in Scotland. Good progress was made on both the DSS scheme at Longbenton with the first buildings now handed over and the Cumberland Infirmary which is expected to open to patients, ahead of programme, in April 2000. Overall, the Investments sector delivered a five fold increase in profits at £10.3 million.

For the third consecutive year, SPIE S.A., has traded in line with its original business plan. At the year end, SPIE acquired the £150 million per annum turnover company, Laurent Bouillet S.A., which will increase SPIE's participation in electrical services and facilities management. With a focus on growing its service businesses in an expanding French economy, the outlook for SPIE continues to improve.

The last twelve months has been an important period for AMEC, both in pursuit of our strategic objectives and in the consequent repositioning which has been achieved.

The drive to develop our overall markets for services continues and, with increased order books in both AMEC and SPIE, this year should see marked growth in services revenue. After a number of years of deliberate focus on margin at the expense of volume, our strategy for partnering and alliancing in capital projects is also succeeding. We are again seeing growth in this sector through an increased order book. The group's total order book moved ahead by 10 per cent to £3.3 billion at the year end.

The outlook for AMEC, with excellent support from SPIE, remains very positive and we look forward to developing further the successful strategy embarked upon four years ago.

RESHAPING AMEC
COMPETING ON KNOWLEDGE AND VALUE

Our markets change, so must AMEC. Our blue-chip client base continues to consolidate, particularly in oil and gas, chemicals and drugs. Many clients are also reducing the number of their suppliers on an international basis and are seeking single point responsibility.

RESHAPING AMEC: CHANGING THE WAY WE DO BUSINESS

In 1999, more than half of our United Kingdom workload was secured through negotiation with clients. For this to continue and grow, it is essential to understand fully our clients' markets and business needs. With over 2,500 professional design and engineering staff in AMEC, we are already well equipped and experienced to provide the multi-disciplinary technical input required. However, in order to add further value to our clients' processes, we have, in the last year, embarked on a strategy to change the way we do business and deliver the total project process to clients. To this end several important initiatives were commenced:

Supply chain management
AMEC is an important link in many of its key clients' supply chains. To ensure that all parties are aligned to delivering maximum value, we have developed our own supply chain arrangements. Following an extensive prequalification exercise, an initial 21 suppliers and subcontractors have signed partnering protocols. This commits the parties to continuous improvement thereby enhancing AMEC's supply chain. This process is ongoing and will see further significant development in 2000.

Total risk management
AMEC has adopted a Total Risk Management (TRM) business process. TRM focuses on the need to embrace and manage uncertainty and is much more than a documented system or procedure; it is a way of working which requires culture change. Experienced professionals, utilising TRM, examine risk as a source of both opportunity and threat to the successful achievement of project and business objectives. TRM allows AMEC to recognise and manage risk proactively and to generate opportunities which can deliver extraordinary business benefits to all stakeholders.

1 Ruth Mallors
is expanding ASK (AMEC's Shared Knowledge) across the company. This array of knowledge management processes makes sharing knowledge part of every day working life.

2 Jose Castillo Bernaus and David Auty
are taking AMEC's already advanced computer aided design skills and linking them to the communication systems of tomorrow.

3 Sarah Browning, Sarah Templey and Steve Walden
are counselling the company to strengthen existing relationships and nurture new ones through Strategic Relationship Management.

4 Arnold Nestler
is helping over 200 project management staff explore the power of partnerships and alliances through the Strategic Teamwork and Relationship Skills Programme (STARS).

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STARS programme
The majority of AMEC's business is now undertaken through various forms of partnership or alliance with clients and suppliers. These relationships require all stakeholders to have a common interest in the project outcome enabling value to be added at all stages of project life. AMEC is at the forefront of this process having trained, initially, 200 project management staff using our Strategic Teamwork and Relationship Skills Programme (STARS).

Knowledge management
The breadth and depth of knowledge across AMEC's 20,000 people, together with more than 20,000 people in our associate company, SPIE S.A., is of critical importance in delivering value added solutions to our customers. To this end, AMEC has developed a knowledge management team. This focuses on delivering a culture of knowledge sharing, learning and best practice. The enabler of AMEC's knowledge management programme is AMEC's Shared Knowledge, ASK, an intranet housing access to centres of excellence, profiles and communities of best practice. ASK is already adding value to our processes and will be the subject of continuing development in the years ahead.

Strategic relationship management
AMEC's continued success depends on its business relationships. A systematic approach to managing these has been developed by a dedicated team. This process strengthens existing relationships and enhances our ability to nurture new ones. The implementation of this process across AMEC's businesses will be supported by the team during 2000.

Integrated computer aided design and communication systems
AMEC utilises engineering and design centres in most parts of its business. The production of integrated design using 3D modelling is now normal practice across our activities. However, AMEC has a particular expertise in communications – both land line and satellite linked. This enables the sourcing of input and transfer data between AMEC design centres and clients' offices on a worldwide basis using web linked communications systems.

The above are just some of the initiatives currently under way in AMEC – and there are many others including: the AMEC MBA at Cranfield, aimed at developing the general business skills of middle management; a specific project management development programme being introduced in collaboration with Rolls-Royce and UMIST; the development of a web enabled group-wide project management system; procurement aimed at single source supply; and participation in an industry initiative to develop a common web portal for the construction sector.

All of these initiatives signal changes in the way AMEC does business and relates to its clients and suppliers. In the very near term, this will reduce markedly the cost base of our business while improving efficiency and adding real value to our clients' business processes.

In turn, this is leading to improved and more predictable earnings for our shareholders which continue to differentiate AMEC from its peer group.

Peter Mason
Chief Executive

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5 Kate Boothroyd, Andy Sallis and Frank Millar are training AMEC staff with Total Risk Management, a programme which measures both the opportunities and threats of risk.

6 Malcolm O'Keeffe is our vital link in managing the company's extensive supply chain.

7 Ron Lee is overseeing AMEC's MBA programme at Cranfield. Developing the general business skills of middle management will enhance the company's overall business ability.

CAPITAL PROJECTS
INCREASING SELECTIVITY AND SPECIALISATION IN CHOSEN INDUSTRIES WHERE THE MAJORITY OF WORK IS NEGOTIATED WITH OUR CLIENTS

Capital Projects activity utilises AMEC's world class design, engineering and management skills to deliver demonstrable benefits to international manufacturing, infrastructure and process industry clients.

In AMEC's building services business unit, computer aided 3D modelling is increasingly used to improve buildability and eliminate potential clashes between adjacent services. Designing the services first on a computer model also allows for the maximum use of prefabrication, which brings considerable cost and time savings.

AMEC has undertaken an extensive contract for the engineering, procurement and construction supervision of a major new aromatics production facility for Sinopec's Luoyang petrochemical complex in China's Henan Province, 800 kilometres south west of Beijing.

INCREASED MARGINS DURING THE YEAR LED TO A 51 PER CENT RISE IN OPERATING PROFIT IN CAPITAL PROJECTS

	1999 £ million	1998 £ million
Turnover	**2,226.1**	2,172.5
Operating profit	**31.1**	20.6
Net assets	**(67.2)**	(53.4)

1999 saw a continued improvement in operating margins across Capital Projects as the group maintained its drive towards open-book, partnering and alliance relationships. This is the result of our focus on value management and value engineering throughout the project life cycle.

We work with a variety of different clients but we do not accept every commission. Ours is a specialist service which is best suited to markets where we can add value at an early stage. However, once we embark on a project, we are at our best when managing every stage of its life, from conception and design through construction to commissioning and handover.

Nuclear
During the year, we secured a strategic five year partnering agreement with BNFL. The arrangement covers a wide range of services for projects and asset support operations in the nuclear industry. It provides us with considerable opportunity to utilise our project and asset management and engineering skills.

Under this agreement we are already active on two capital projects. The first involves decommissioning a nuclear waste facility, with a capital cost exceeding £200 million. This project is of high market potential in light of similar nuclear decommissioning issues known to exist on other sites in the United Kingdom and globally. The second project is to design and construct the active area of BNFL's Technology Centre – containing some of the most advanced nuclear engineering research facilities in the world.

In addition, we are providing engineering and construction support to two of BNFL's assets at Sellafield, the Magnox fuel reprocessor and THORP (Thermal Oxide Reprocessing Plant). Safety, plant and project performance and reliability are the key drivers for this aspect of the business.

Work also progressed satisfactorily at Sellafield on a number of existing contracts, including BNFL's 'DryPac' plant and a second medium hazard waste plant. Decommissioning work at Berkley Power Station also progressed well during the year.

Water
This industry presents clear opportunities for us to provide integrated solutions and much of our work is undertaken on a partnering basis with major clients such as Southern Water, Anglian Water and North West Water.

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We were appointed as a capital works framework contractor for Anglian Water's asset management programme (AMP3). This activity is expected to be worth over £100 million across the next five years and covers a wide range of projects across the Anglian network. Several other large-scale projects progressed successfully during the year including an £80 million waste water treatment plant for Southern Water and a £50 million waste water scheme for Welsh Water (Dwr Cymru).

Scotland saw a high level of activity with a wide range of potential projects expected to come on-stream over the next two to three years. An AMEC joint venture has won nearly £100 million of work on private finance schemes in Ayrshire, where we are also a concession partner, and at Levenmouth. Elsewhere in Scotland, we undertook design development and value management on the first stage of a £12 million project for East of Scotland Water Authority.

Public Sector

We have continued to work closely with the government – and the Ministry of Defence in particular – in its development of 'best practice' procurement methods and prime contracting. To this end, we secured over £20 million of design and build contracts for the MoD at military airfields in East Anglia and North Yorkshire. In each case, the contracts were built upon the principles and methodology we have developed on the MoD's 'Building down Barriers' project. Based on enhanced teamwork, this project was recording significant benefits by the year end, including a 14 per cent saving in total life cycle costs.

We can report excellent progress on private finance projects, including the £60 million Cumberland Infirmary in Carlisle, due for completion in April 2000, and the £160 million Longbenton contract for the Inland Revenue in Newcastle.

In a £20 million scheme that involved the first-ever extensive use of aluminium bronze on a construction project, we completed a unique roof structure for Portcullis House, opposite the Houses of Parliament. This will provide new offices for members of parliament. We also completed the striking architectural steel frame of the Great Glasshouse for the National Botanic Garden of Wales.

In the United States, we secured further work in the prison sector with two construction management awards, worth £160 million, to deliver new facilities.

Commercial

We launched a new unit to provide single source design and construction solutions. Contracts undertaken during the year include fit outs for the Bank of Sienna in London and for Micron Technology Inc. of Bracknell.

We also secured over £20 million of steelwork orders in the buoyant London market which we fabricated at our factories in Bolton and Bristol.

Highlights of our building services work encompass a £42 million contract for the City Point redevelopment in London together with contracts for the ABN Amro Bank headquarters, also in London, and for Barclays Bank in locations across the south east. Our partnering relationship with Arlington Securities has expanded, with further contracts being awarded on several business parks.

A new integrated solutions service has been launched to offer clients high-tech building control systems. The unit specialises in open control systems which allow system controls in buildings to communicate with each other. Integrated solutions are already in place for clients such as Scottish Hydro and Bluewater, the retail park in north Kent.

Notable successes in the food sector include the agreement of a preferred contractor relationship with Nestlé, a partnering arrangement with Albright & Wilson and a major contract for a tuna cannery in Mauritius.

Retail and Leisure

Two key millennium projects contributed to our performance during 1999. We followed the completion of the £25 million steelwork contract for London's Millennium Dome with the award of a £70 million contract for the new Wales Millennium Centre.

The new leisure facility for the MoD at Aldershot progressed well and is a fine example of our collaborative approach. The project involves a fully integrated supply chain and our success has been widely recognised throughout the industry. Further long-term relationships which continued to produce work included those with De Vere group, Marks and Spencer and Malmaison Hotels.

In Glasgow, we completed the challenging refurbishment of the 103-year old sailing ship Glenlee. An important factor in this unusual contract was combining modern technology with the requirement to restore the ship to her original condition at the turn of the century.

1 Dave Bertenshaw, Senior CAD Technician and Valerie Evans, Director of Architecture
AMEC opened new multi-disciplinary design offices in London during 1999 to provide integrated design and build solutions for high quality commercial clients. The offices comprise up to 50 specialist designers, linked through sophisticated design communication systems to AMEC's other main design centres across the United Kingdom.

2 Baltic Bridge, Newcastle-upon-Tyne
The unique and innovative Baltic Bridge will span the River Tyne by AMEC's Quayside development. It involves complex geometry for both the arch and the deck. AMEC is fabricating the rotating footbridge structure at Bolton and has used extensive 3D modelling to detail the design.

3 Simon Jukes, Site Agent
Portsmouth and Havant Wastewater Recycling Scheme utilises a fully integrated team approach for the client, Southern Water. AMEC was appointed at concept stage and the subsequent detailed design development and value engineering exercises have involved all parties. Valued at around £100 million, the project is driven by the requirements of the new Urban Wastewater Treatment Regulations.

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Transport Infrastructure
This key market shows increasing signs of growth and considerable opportunity for AMEC, both in the United Kingdom and internationally.

Our Hong Kong order book, for example, was boosted substantially by several major contracts on the Kowloon-Canton Railway Corporation's West Rail project. Altogether, we won West Rail packages worth £360 million during the year and secured rail contracts worth £70 million from the MTR Corporation.

AMEC SPIE Rail Systems, although only formed recently, quickly became a major success. It secured nearly £300 million of rail infrastructure work in the United Kingdom including the first high-speed rail systems contract for the Channel Tunnel Rail Link (CTRL). Similar new work included £130 million of improvements on the West Coast Mainline, modernisation on the West Anglian route and signalling works between Nuneaton and Peterborough.

In London, work was completed successfully on the Westminster and Waterloo station contracts, which formed part of our joint venture contract on the Jubilee Line extension.

In the United States, we founded a new civil engineering business. It is well positioned to take advantage of the government's TEA 21 highway programme. The business has secured its first contract in New Jersey, worth approximately £30 million.

In the United Kingdom, we were awarded three significant road orders despite a flat market. These are a £30 million contract for construction of the Doncaster northern relief road, an £11 million contract on the M11 and a partnering contract on the Gatehurst Viaduct on the M6.

Airports
With increased traffic driving the demand for improved airport facilities, this is an area which offers considerable opportunity. During the year we launched an Airports business unit which draws together the skills of the group to deliver a comprehensive and integrated service.

A highlight of the year was winning the Supreme Award at the Quality in Construction Awards for 'best international performance' in leading the work on the new Hong Kong International Airport. Good performances were achieved on our framework agreements with BAA at Heathrow, Gatwick, Stansted and Southampton while our building services framework team has been appointed to join the design team for the proposed Terminal 5 at Heathrow.

Elsewhere in the United Kingdom, we won important contracts at Newcastle, Cardiff, Edinburgh and Glasgow Airports. We were also appointed main contractor for a £22 million new terminal building at Bristol and commissioned to review the airport's overall baggage handling facilities.

Capitalising on our past experience at Charles de Gaulle airport in Paris, we secured a high profile contract to supply the complex architectural steel roof structure on terminal T2E. This 4,000 tonne curved roof will involve a 400 metre-long structure with a span of 80 metres. Work will begin on site in October 2000 for completion in early 2003.

Oil and Gas
1999 proved a challenging year as a succession of mergers, divestments and acquisitions re-shaped our customer base.

However, there were a number of high spots such as in Saudi Arabia, where our business grew substantially and is now better placed than ever.

Our successes included a major contract from Saudi Aramco for the engineering and construction of a new ethane recovery unit for their gas processing plant near Al Jubail, on the Arabian Gulf Coast.

Earlier in the year, we secured a three year contract in the Kuwait oil fields to provide design, engineering, construction and field engineering support for the Partitioned Neutral Zone (PNZ) Group.

In the United Kingdom, we progressed a number of major projects including Coryton Refinery, where we are working with BP's management to improve performance and, at Grangemouth, through major alliance projects with BP Amoco and other partners. The latest alliance is to build a new synthetic ethanol plant, for which we will be carrying out the detailed engineering design during 2000.

The Grangemouth projects form part of a £500 million expansion programme to build new plants and improve the infrastructure. Situated at the terminus of the Forties Pipeline Transportation System, the site is among the most strategically placed in the BP Amoco group.

1 Peter Austin, Senior Architect and John Highan, Senior Designer
AMEC's multi-discipline design office at Sale specialises in design and engineering of process projects with an emphasis on alliancing and partnering. Integrated computer design systems are used for a range of industrial process clients including ICI, Polymer Latex and Associated Octel.

2 Steve Holmes, Piping Designer and Gary Clark, Stress Engineer
Engineering design and procurement for a major new ethane recovery project in Saudi Arabia is being undertaken by an integrated project team at AMEC's office in Crawley, outside London. The project, for Saudi Aramco, is at Al Jubail on the Arabian Gulf Coast. Fabrication and construction work will be undertaken from AMEC's Saudi Arabia office.

3 AstraZeneca, Loughborough
AMEC is designing and building a new process research and development laboratory for AstraZeneca at its Loughborough base. The facility includes a number of highly serviced laboratories and is the fifth major project that AMEC has recently undertaken at the Loughborough site.

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The shift towards outsourcing in the industrial business area continued throughout the year, evidenced by contracts from Union Carbide and AstraZeneca, among others.

On Tyneside, our fabrication of the integrated deck for Shell Expro's massive Shearwater platform received high praise from the client. However, despite excellent productivity and a skilled workforce, we have the challenge of securing follow-up work to replace Shearwater.

Pharmaceuticals and Fine Chemicals
We maintained our market leading position by focusing on successful long-term relationships, while also developing new sources of business.

Our total service approach has positioned us at the forefront of new procurement and partnering strategies for clients demanding a global service. We are also extending our alliance concept for minor works in the fine chemicals sector into other pharmaceutical manufacturing areas.

In the United Kingdom, milestones included the award of design and manage contracts for AstraZeneca. Work also continued on projects for Pfizer worth over £500 million and on a major laboratory development for Novartis.

Awards from outside the United Kingdom market provide clear evidence of our growing global capabilities with a range of excellent contracts including work for Merck Sharp & Dohme in the Netherlands, Procter and Gamble in France, Boehringer Ingelheim in Germany and Pharmacia & Upjohn in Sweden.

Industrial
Major achievements included the completion of a £12 million steelwork contract on Toyota's new plant in France and the provision of 680 tonnes of stiffened plate for the Ford Motor Company in the United Kingdom.

Australia saw considerable successes as we continued to refocus activities into higher margin industrial work and away from building services. Awards included maintenance support for Anaconda's Laterite Nickel facility together with additional work for Centaur Mining. An existing contract at Nabalco's Gove alumina refinery was extended along with a further contract win at Alcoa's alumina refinery.

OUR £120 MILLION CHANNEL TUNNEL RAIL LINK PARTNERSHIP CONTRACT DEMONSTRATES MEASURABLE PROGRESS FOR THE AMEC SPIE RELATIONSHIP

SERVICES
FOCUS ON BUSINESS AREAS REQUIRING DEMANDING LEVELS OF SKILL AND TECHNOLOGY WITH HIGH BARRIERS TO ENTRY

AMEC's services activities exploit the rapidly increasing opportunities in the outsourcing market. We have enjoyed considerable success in the offshore oil and gas, rail maintenance, utilities and facilities management markets.

Norman Holding, Facilities Manager

Paul Ridgway, Maintenance Team

Simon Calvert, Team Leader

AMEC is undertaking the front end engineering design, detailed engineering and procurement for Phillips Petroleum's Jade facility, a production platform in the central North Sea.

As a leading provider of solutions to the energy industry, AMEC is actively pursuing waste to energy and renewable energy projects. This is in line with the European commitment to reduce CO_2 and the United Kingdom government's target to meet 10 per cent of electricity demand from renewable energy sources by 2010.

John Pitkin, Contract Manager

Colin Kirby, Asset Focal Point

Lindsay Boswell, BP Amoco

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OUR SERVICES SECTOR REMAINS AMEC'S LARGEST SINGLE SOURCE OF PROFIT, GENERATING MARGINS OF 4.7 PER CENT

	1999 £ million	1998 £ million
Turnover	**850.4**	859.9
Operating profit	**40.3**	38.3
Net assets	**28.1**	6.0

1999 was another successful year for our Services sector, particularly in the utilities business.

Oil and Gas

Our oil and gas services business is the market leader in the United Kingdom. We are committed to maintaining our position while also developing a strong international presence. The objective is for overseas activity to form half of our oil and gas workload within five years. Target markets include the Atlantic rim, Asia Pacific, the Caspian and Canada.

To this end, we launched a strategic alliance with Fluor Daniel during 1999, to tackle major international deepwater development projects. With our experience in the development and operation of floating production systems and complex topsides complemented by Fluor Daniel's global reach, the alliance is strongly placed to secure major international orders.

We have had success in Australia, Indonesia and the Caspian, where our growing relationship with the Azerbaijan International Oil Company (AIOC) provided the momentum for an expansion of the Baku office. During the year AIOC awarded us an engineer, procure and construct contract for the Chirag 1 water injection project in the Caspian Sea. In Texas, we opened a new office in Houston which will help exploit the very considerable market opportunities in the Gulf of Mexico. In the North Sea we maintained our operation and maintenance activity and continue to benefit from long-term contracts with most leading operators. We provide services to more than 50 per cent of the offshore and onshore reception facilities. Clients include Marathon, Mobil, Shell, BP Amoco and Conoco.

1999 witnessed a significant increase in our work for BP Amoco with the signing of a major five-year contract covering support services across a range of onshore and offshore facilities. Similarly, our relationship with Phillips Petroleum was strengthened when we were selected to undertake the detailed engineering design and offshore modifications for the new Jade field topsides, which will be located in the central North Sea.

1 Martin Edwards, Team Leader and Pete Cooze, General Operative
AMEC has secured a total of three new gas engineering contracts worth over £280 million for Transco covering a range of projects associated with the replacement and maintenance of the gas distribution supply network. The five-year contracts cover the north London, East Anglian and South Wales regions.

2 Beryl Field, North Sea
AMEC extended, for a further five years, an existing contract with Mobil to optimise production and operating costs on the Beryl Field in the central North Sea. The contract will maintain the field's viability for a further 20 years and involves a range of modification work.

3 Brian Birch, Procurement Manager and Uwe Müller, MD Mannesmann Demag
AMEC works closely with its strategic partners to improve overall performance in terms of both delivery and technical excellence. Mannesmann Demag is one such partner who has worked with AMEC for many years in the manufacture of gas compressors, a major item of plant used in the offshore oil and gas industry.

In the year we also secured a strategic study with Scottish Power for an offshore wind project in the southern North Sea. This is an exciting development in an area of business which has great long-term potential.

Rail

As forecast, our rail maintenance business continued to experience a tightening of margins as existing contracts were re-bid. At the end of the year, the volume of secured work was lower than a year ago, which reflects our determination to accept work only at realistic margins. In practice this resulted in winning the West Anglian and North London line maintenance contract early in the year but losing the Wessex contract.

Among the year's highlights was the delivery of the first in a fleet of multi-purpose vehicles to Railtrack. This vehicle entered service during the autumn leaf-fall season and was followed by a further five before the end of the year. In addition 20 more vehicles will be delivered in 2000.

Our installation and testing skills were central to our close working relationship with Railtrack. This led to the implementation of one of the pilot schemes for the proposed new train protection warning systems. Further contracts and increased investment are anticipated during 2000.

Privatisation is now well under way in the Australian market, where we have identified major opportunities for rail maintenance activities.

Facilities Management

As one of the United Kingdom's leading providers of facilities management services, we possess a comprehensive understanding of the demands of the contemporary working environment. By forging partnership-style relationships with our clients, we are able to bring a new focus to the efficient management of their facilities.

The scope and magnitude of our facilities management activity increased considerably in 1999 as we targeted new sectors of the market. However, it is also rewarding to report that we enjoyed an overall contract renewal rate of over 90 per cent. Today, our portfolio covers an extensive range of facilities and includes data centres, commercial buildings, leisure complexes, exhibition facilities, retail outlets, hospitals and City institutions. New target areas of pharmaceuticals, leisure and telecommunications also produced success. We were awarded important contracts by many new clients including Eli Lilly & Company, Knoll BASF, Rhône Poulenc, BASF Microcheck, Telewest Communications, Tate Gallery, Warner Villages, Whitbread Inns, Liberty and Legal & General.

Utilities

This was a year of strong growth for our utilities business, which provides engineering and construction services to many of the country's largest utility companies. Our success was balanced equally across the gas and water industries.

Our chief activity in the gas sector is with Transco, the largest public gas transporter in the United Kingdom. During 1999, we were awarded three major partnership contracts with Transco worth £280 million over the next five years. This covers the replacement and maintenance of gas mains and services in north London, East Anglia and South Wales. These projects are based on an integrated management approach which draws on the best skills from each organisation. Additional Transco contracts, of a similar nature, should be awarded during 2000.

In the water sector we secured new work with Yorkshire Water, Severn Trent Water and East of Scotland Water. We maintained our operations for Thames Water, North West Water and West of Scotland Water and increased activity levels on other existing contracts.

We anticipate that regulatory pressure will accelerate the trend for water companies to outsource many activities which have traditionally been carried out in-house. Our strategy is to concentrate on developing the necessary skills and expertise to take on these activities.

INVESTMENTS
STRONG CONTRIBUTIONS FROM DEVELOPMENT AND PRIVATE FINANCE PROJECTS

With a portfolio of projects in healthcare, government property and infrastructure, AMEC is a significant player in Public Private Partnerships (PPP). Our strengths also include a successful track record in United Kingdom property development. This focuses on major land and property regeneration schemes where we work in partnership with government departments, local authorities and other public bodies.

Project Investments

We continued to perform well in this developing and increasingly important sector with United Kingdom government Public Private Partnership (PPP) projects particularly prominent during the year. This was despite frustration with the timescales of the decision-making process.

In the healthcare sector, the Cumberland Infirmary in Carlisle is scheduled to be handed over for commissioning ahead of programme at the beginning of April 2000. This will be the first District General Hospital to be completed under PPP. Financial close is also imminent on the major project to redevelop the University College London Hospitals (UCLH) site in the centre of London.

One of the year's most important developments was the handing over of the first phase buildings under the Newcastle Estates Partnership project. This scheme is providing new accommodation for the Inland Revenue and subsequent phases will be completed through 2000. Under the concession contract, we also have ongoing ownership and management responsibilities.

Preferred bidder status was secured during 1999 on the Ayrshire sewage treatment works project for the West of Scotland Water Authority. Financial close is scheduled for Spring 2000 followed by the construction and subsequent operation of three treatment plants which will help meet European clean water standards under a 30 year concession.

Our two existing private finance road schemes, the A1(M) and A419/A417, became operational in 1997 and 1998 and exceeded performance expectations during the year.

Many other countries are now developing similar models to PFI/PPP and this is producing an increasing range of major opportunities. We are currently evaluating a number of these and will target projects which complement and enhance our other activities.

Property Development

Property development continued to perform well and delivered a substantial increase in profits for the group.

Our extensive property portfolio covers developments in the south of England, midlands and north of England together with Scotland. Projects include mixed-use urban renewal schemes as well as large private and public partnership initiatives. In total over 1 million sq ft of space was developed and sold in 1999 with a further 8 million sq ft of development in hand for future years.

Wakefield Europort, our £200 million joint venture with Wakefield Metropolitan District Council, enjoyed considerable success in 1999, attracting major occupiers such as the Post Office and M&S Toiletries. A site disposal to Prologis Kingspark for speculative development at Europort was also concluded.

During the year, construction started on the Circus development in central Manchester. Forward sold, this project comprises a 225 room hotel and 50,000 sq ft retail and leisure scheme.

There was also good progress at Cheadle Royal Business Park in Manchester. Independent Insurance expanded its headquarters through the creation of a National Training Centre while there were also lettings to Umbro and Regus.

Construction of the first phase of the £35 million Guildway business park in Guildford was fully forward funded with half the total office space being let to UL International (UK) Ltd, a subsidiary of Underwriters Laboratories Inc.

In the North East, our Quayside development in Newcastle is renowned as an example of creative and successful urban renewal. 1999 saw more leading businesses move to Quayside including Merrill Lynch and Regus together with a further building for solicitors, Ward Hadaway.

Continuing operations	**1999 £ million**	1998 £ million
Turnover	**76.2**	217.5
Operating profit	**10.3**	2.2
Net assets	**95.7**	68.1

1 Newcastle Estates Development
One of the first office buildings on AMEC's Newcastle Estates Development project was handed over towards the end of 1999. This £160 million PPP project involves rationalising office accommodation for the Inland Revenue's Department of Social Security operations in the North East. By the first quarter of this year, approximately 2,800 staff had been successfully relocated.

2 Mike Appleton,
Development Director
AMEC's development teams are committed to delivering creative and long-term development solutions through a process of partnership and consultation. They work with the most dynamic designers, environmental experts and urban and landscape planners. In partnership with the public and private sectors they have transformed sites in Manchester, Newcastle, Scotland, Birmingham and London.

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SPIE S.A.
OUR PARTNERSHIP WITH SPIE, IN WHICH WE HOLD A 41.6 PER CENT INTEREST, CONTINUED TO FLOURISH

During 1999 SPIE embarked on a growth strategy. It developed its service activities in France and the rest of continental Europe, created value in capital projects and expanded its partnership with AMEC. It also won a succession of important contracts.

1

With its emphasis on disciplined business and financial management, SPIE's strategy has produced a sound financial performance and increased profitability in 1999.

SPIE's portfolio is divided into two strategic segments:

Services
The service activities enjoy a high level of repeat business. They also feature a diversified customer base delivering both short-term contracts with low risk, together with long-term maintenance contracts. This segment includes Spie Trindel's electrical engineering and services business. It is a market leader in France with more than 200 permanent locations and a growing network across Western Europe.

The services segment also includes the heating, ventilation and air conditioning (HVAC) contracting and multi-disciplinary industrial maintenance operations of Laurent Bouillet. SPIE acquired this business at the end of 1999 for FF344 million. It now positions SPIE as a leader in the growing French HVAC market and a strong number two in the Belgian electrical contracting market.

Spie Trindel is also expanding actively in the fast growing market for telecommunications and data transmission networks with the acquisitions during 1999 of Elona in France and EDS in Germany. In addition, SPIE has identified potential acquisition targets in France, Germany and Switzerland.

Spie Services Immobilier and Laurent Bouillet's subsidiary, SICE, operate in the buoyant facilities management market, while Spie Thermatome offers maintenance services to the nuclear power industry.

Capital Projects
The capital projects and specialised businesses include Spie Batignolles and Spie Enertrans. These organisations are re-aligning their strategies to develop less cyclical operations in their areas, such as logistics for

1 Cairo Metro, Egypt
As part of an international consortium, SPIE has undertaken engineering, civil engineering and electro-mechanical activities on the new second subway network in Cairo. Phase one was completed last year with phase two scheduled for completion in early 2001.

2 Shell Berre, France
Petrochemical facility in the south of France where Spie Trindel undertakes ongoing maintenance services on Shell's olefin/polyolefin plant.

2

the oil industry and maintenance for railway networks, civil engineering projects and industrial buildings.

In line with SPIE's strategy, the year saw a further re-balancing of the portfolio towards services activity and repeat business. The latter has increased from 40 per cent of the total in 1996 to 50 per cent in 1999.

SPIE's partnership with AMEC has created the critical mass and credibility to compete with the world's leading engineering and construction companies on international projects. We work together in many areas, notably through AMEC SPIE Rail Systems, which harnesses AMEC's United Kingdom skills and SPIE's expertise in rail networks and catenary. AMEC SPIE Rail Systems has secured close to FF3 billion in orders since early 1999.

At the end of January 2000, AMEC SPIE Rail Systems won the contract to build the rail link infrastructure between the Channel Tunnel and Swanley in Kent. This success followed SPIE's work on a section of the TGV Méditerranée high speed line between Piolenc, north of Avignon, and the do Prado tunnel outside Marseilles.

Elsewhere in the rail sector, SPIE was awarded a FF500 million contract to extend the Caracas subway system and a FF230 million contract to build a new 50 mile section of line between Sidi Kacem and Meknès in Morocco. The company's catenary expertise was central to the winning of a FF67 million project to renovate the overhead contact cables on Line 1 of the Cairo subway, which was built in the 1950s. SPIE also won a contract worth FF134 million on a new line for the Strasbourg tram network.

In Croatia, SPIE is working with Mediteran-Union Tunnel on a FF310 million project to build three motorway tunnels in the Rijeka region while the company's Spanish subsidiary has won a FF165 million contract to construct a 104 km gas pipeline. A further significant pipeline contract was won in Russia, where Spie Capag is playing a major role in the consortium which is building a pipeline to transport oil from the Caspian region to the Black Sea.

In France, SPIE was appointed by AstraZeneca subsidiary, ASP Dunkerque, to undertake two separate projects at its pharmaceutical manufacturing site and by NTN Transmissions Europe to install high and low-tension electrical systems at its new plant near Le Mans.

Elsewhere, the Palestine National Authority selected a consortium, which included Spie Batignolles, to build the Gaza commercial port under a contract worth some FF485 million.

AMEC share of:	1999 £ million	1998 £ million
Turnover	**655.1**	654.8
Operating profit	**15.1**	14.4
Net assets	**13.9**	4.5

Our reputation for health, safety and environmental management stands comparison with any of our peers, but we are not complacent. Indeed, the very fact that we continue to launch further safety initiatives is an indication of our concern that standards must be driven higher at every opportunity. Continuous improvement is fundamental to the AMEC approach and is emphasised in our latest Safety, Health and Environment (SHE) policy:

'AMEC considers successful safety, health and environmental management to be of prime importance to its business and is committed to continual improvement in safety, health and environmental standards.'

'It is AMEC's policy to pursue high standards of safety, health and environmental management as an integral part of efficient management of the business ensuring that other business decisions take proper account of safety, health and environmental requirements.'

After many years of reductions in the accident figures, the rate of decline has slowed. Improvements in physical control measures and management systems have already had a significant effect and the challenge now is to further emphasise the behavioural aspects of safe working. Accordingly, we have introduced a range of safety initiatives which address this challenge.

We are founder sponsors of the national Working Well Together Campaign which was launched by the government in May 1999 with a theme of continuous improvement through commitment, competence, communication and cooperation. We have produced an action plan to support the campaign and this will be rolled out across the group during 2000.

1 Marine Vapour Recovery Project, Scotland
AMEC undertook engineering design and construction on BP Amoco's major environmental project at Dalmeny on the Firth of Forth in Scotland. The Marine Vapour Recovery Project recovers and destroys volatile organic compounds that might be found during the loading of crude oil tankers. These compounds are a major contributor to ozone layer depletion.

2 Richard Gould, Agent
Safety is a vital factor on all AMEC projects. On AMEC's pavement framework agreement with BAA, in addition to cost, time and quality improvements, noticeable benefits have also been achieved in terms of safety standards. All parties, including the integrated supply chain, have contributed to achieving a reduction in the accident rate to under half the comparable industry norm.

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AMEC businesses have continued to gain accreditation under ISO 14001 for their environmental management systems. In December the civil engineering business received simultaneous accreditation under OHSAS 18001, ISO 14001 and ISO 9001 for its integrated health and safety, environmental and quality management system.

A highlight of the year was achieving one million man hours without a lost time accident on the vast Grangemouth PEX and PP3 projects. At the BNFL Sellafield site, the AMEC team recorded a similar success, notching up two million man hours without a single reportable accident on the complex Vitrification Plant Line 3.

The Royal Society for the Prevention of Accidents supported our achievements by awarding gold awards to a number of AMEC businesses plus the 'Order of Distinction for Occupational Safety' to AMEC BKW for achieving 15 consecutive years of Gold Awards. AMEC Tunnelling was also named 'Contractor of the Year' by Bechtel Water Technology in recognition of our outstanding safety performance on North West Water projects.

Issues affecting the wider community and the environment are equally essential to an effective SHE policy. For example, part of the huge project to build a second runway at Manchester Airport included extensive measures to conserve and enhance the environment. We have helped create over 100 acres of new woodland, providing or improving two ponds for every one lost, planting or restoring miles of hedgerow, creating large areas of new wild flower grassland and rescuing and relocating protected species such as bats, badgers and newts.

Significant achievements have been realised from careful control of waste by minimising waste production and improving opportunities for recycling. For example, one initiative looked at wastage from standard sized sheet materials and found that an agreement with the supplier to provide custom sized sheets resulted in far less waste for disposal and significant overall cost savings.

Occupational health continues to be of the greatest importance with a range of issues being considered. For example, a new procedure and improved surveillance has been developed for management of hand arm vibration.

High quality in-house SHE training programmes are a cornerstone of our approach. During 1999 the central SHE training department trained over 2,700 people in a range of subjects in more than 2,600 training days. Some 200 directors and senior managers attended the five-day Managing Safety course that is managed and presented by our SHE professionals and accredited by the Institution of Occupational Safety and Health.

CONTINUING COMMITMENT SETTING STANDARDS IN SAFETY, HEALTH AND THE ENVIRONMENT

As a major engineering and services group working in some of the most potentially hazardous situations, we have great responsibility for the health and safety of our employees, partners, neighbouring communities and the environment. It is a responsibility that we treat with the utmost respect and commitment.

EARNINGS PER SHARE IS THE MOST APPROPRIATE REFLECTION OF FINANCIAL PROGRESS

Earnings per share	1999	1998	increase
Before exceptional items:			
Diluted	**21.2p**	17.3p	+23%
Basic	**24.5p**	18.9p	+30%
After exceptional items:			
Diluted	**19.6p**	16.5p	+19%
Basic	**22.3p**	17.8p	+25%

A review of the trading of the group's businesses in 1999 is set out on pages 4 to 25. A review of the financial highlights of the results for the year is set out below.

Turnover and gross margins
AMEC's focus on improving the quality of the mix of its activities is reflected in a headline reduction in turnover of around 9 per cent. Over half this reduction, however, came from the disposal of Fairclough and much of the balance reflected the exceptional boost to 1998 turnover that came from the successful completion of the Longbenton PFI development sale.

Stripping out the effect of the Fairclough disposal, gross margins across the group have improved from 6.8 per cent to 7.7 per cent, reflecting the strong performance of the United Kingdom businesses.

Overheads and operating profit
Overheads in the business have been closely controlled, with administration costs in continuing activities actually falling by 3.4 per cent in the year. As a result, a 35.4 per cent increase in operating profit from continuing activities has been delivered, representing an overall margin of 2.5 per cent. This increase also reflects a further improvement in profit performance from SPIE, together with a first full year of profit contribution from the now fully operational Road Management Group PFI highway projects.

Exceptional items
Exceptional items totalled £2.2 million, of which £1.7 million was the net loss on the sale of Fairclough, after goodwill written off on disposal of £15.8 million. The balance represents the disposal of properties and investments.

Interest
Net interest receivable is boosted by the continuing income stream from Fairclough, deliverable in the form of a tax free dividend, over the two years ending 31 March 2001. This accrued dividend has been analysed to both discontinued and continuing businesses, by attributing an imputed interest credit to the zero coupon loan note from the purchaser, Centex Corporation, and reflecting this in continuing activities.

The interest credit is stated net of the share of interest costs derived from joint ventures, principally SPIE, and a number of PFI projects.

EXCELLENT RESULTS OPERATING PROFIT FROM CONTINUING ACTIVITIES ROSE 35 PER CENT

1999 has been a year of considerable progress, both in terms of financial performance, and in the achievement of strategic objectives. The strong order book that we now have should underpin further profit progress in 2000.

Net assets
The principal movements in the components of net assets have resulted from the Fairclough sale, the reduction of stocks reflecting the disposal of the housing land bank, and the increase in debtors being mainly the effect of the Centex loan note.

However, there has also been an increase in the book value of fixed asset investments, principally driven by higher retained profits both in SPIE and in the PFI projects.

Cashflow
Net cash inflow in the year was £8.0 million, taking the year end net cash balances up to £105.2 million. During the second half year, approximately £40 million of the Centex loan note was encashed, broadly matching the working capital locked into the Fairclough business at the time of sale, together with the profit subsequently earned.

In total, the group has year end liquidity of nearly £200 million which, together with the available banking facilities, represent ample resources to finance the recommended acquisition of AGRA.

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

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

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

The group has a policy of seeking an appropriate balance between certainty of funding and a flexible and efficient borrowing structure. The principal sources of finance remained unchanged in the year and are a revolving credit facility of £115 million maturing in January 2001 and one of £60 million maturing in March 2003. In addition the group has a number of uncommitted facilities available to it to maintain short-term flexibility.

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

Foreign exchange risk
The group only enters into one type of derivative transaction, namely forward currency contracts.

The group's policy is to match a reasonable proportion of its borrowings in the same currency as its net foreign currency assets and/or to enter into forward currency contracts.

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

Accounting standards
FRS 12 'Provisions, Contingent Liabilities and Contingent Assets' has been adopted, resulting in adjustments to the balance sheet at 31 December 1998.

Additional provisions of £7.5 million (net of tax) have been made, principally in respect of onerous property leases, and certain insurance provisions have been reclassified from creditors to provisions for liabilities and charges. Neither of these adjustments has any impact on the profit and loss account for the year ended 31 December 1998.

Simon Batey
Finance Director

Earnings per share
On a pre-exceptional basis, basic earnings per share have increased by 30 per cent, while fully diluted earnings are up by 23 per cent. These earnings per share results are the most appropriate measure of the progress in financial performance made by the group, because of the different tax treatments of the income stream from Fairclough in the two years.

Cash balances
Cash flow trends within the business continue to be reasonable.

Shareholders' funds
Shareholders' funds have grown sharply as a result of three principal factors. Higher dividend cover means that profit retention for reinvestment in the business is a significant factor. The Fairclough disposal resulted in a £15.8 million increase to reserves, as the goodwill written off to profit and loss account is matched by an equal and opposite credit to reserves. A property revaluation has been undertaken this year, resulting in a £5.5 million surplus over existing book values, credited to reserves.

Sydney Gillibrand CBE
Age 65, was appointed a non-executive director in August 1995 and became non-executive chairman in July 1997. He was previously vice-chairman of British Aerospace Plc. He is a non-executive director of PowerGen plc, Messier-Dowty International Limited, ICL Plc, Richaven Limited, TAG Aviation Group (UK) Limited and TAG Farnborough Airport Limited.

Peter Mason
Age 53, chief executive, was appointed to the board in March 1996. He was previously chairman and chief executive of Balfour Beatty Limited and a director of BICC plc.

Simon Batey
Age 46, was appointed finance director in June 1992. In December 1999 it was announced that he was resigning from the board with effect from 31 March 2000. He was previously assistant finance director.

David Robson
Age 54, was appointed an executive director in August 1991 and chief operating officer in January 1998.

John Early
Age 54, was appointed an executive director in March 1986. He is the development and investments director. He was previously the finance director.

Jean Monville
Age 55, was appointed an executive director in February 1997. He is the chairman and chief executive officer of SPIE S.A.

THE BOARD

Julian Darley

Sydney Gillibrand CBE

John Early

Peter Mason

James Dallas

George Payne
Age 52, was appointed an executive director in November 1994. He is the commercial director.

Jock Green-Armytage
Age 54, was appointed a non-executive director in June 1996. He is chairman of both JZ Equity Partners plc and the International Biotechnology Trust PLC. He is the chairman of the audit committee, chairman of the remuneration committee and the senior non-executive director.

Julian Darley
Age 62, was appointed a non-executive director in June 1996. He was previously head of engineering and research with British Petroleum plc and a business board member of BP Exploration, BP Oil and BP Chemicals.

James Dallas
Age 44, was appointed a non-executive director in October 1999. He is the chairman of Denton Wilde Sapte.

Liz Airey
Age 41, was appointed a non-executive director in May 1999. She was previously the finance director of Monument Oil and Gas plc and the finance director and company secretary of Nimex Resources Ltd. She is also a director of Crusaid Limited, Harrison Lovegrove & Co. Limited, the Fleming European Fledgling Investment Trust PLC and Telemetrix plc.

George Payne

Liz Airey

Jock Green-Armytage

Jean Monville

David Robson

The directors have pleasure in presenting the annual report and accounts for the year ended 31 December 1999.

Business review
Information on the businesses of the group, their development during the year and on the future outlook is contained on pages 1 to 27.

An analysis of the group's activities is given in note 2 on page 43.

The profit for the financial year available to shareholders, amounting to £57.0 million (1998 – £47.3 million), is shown in the consolidated profit and loss account on page 37. The directors recommend that a final dividend of 5.0p (1998 – 4.15p) per ordinary share be paid which, together with the interim dividend of 2.50p (1998 – 2.1p), makes a total ordinary dividend for the year of 7.5p (1998 – 6.25p) per share. Ordinary dividends amounted to £15.9 million (1998 – £13.0 million) and preference dividends amounted to £10.4 million (1998 – £10.5 million).

The final dividend will be payable on 3 July 2000 to ordinary shareholders on the register at the close of business on 19 May 2000.

In April 1999, the disposal of Fairclough Homes Group Limited to Centex Development Company UK Limited was completed. The consideration was £138.6 million, satisfied by the issue by Centex to AMEC of zero coupon loan notes redeemable on 30 March 2001 with a commitment from National Westminster Bank Plc to purchase a minimum of approximately £128 million of the loan notes (if required by AMEC) at any time prior to redemption. AMEC has also retained non-voting shares in Fairclough which allow, through dividends, for it to receive all of the profits of Fairclough for the two years ending 31 March 2001 up to pre-agreed levels, with amounts over such levels being apportioned between AMEC and Centex.

On 16 February 2000, the company announced a cash and share offer to effect a merger of the company and AGRA Inc., an international professional services group based in Canada (AGRA). The offer document to AGRA shareholders and a circular and listing particulars to the company's shareholders will be posted on 21 March 2000. An extraordinary general meeting of the shareholders of the company will be held on 13 April 2000 to consider, inter alia, a resolution to approve the merger.

Share capital
The present authorised and issued share capital of the company and movements during the year are set out in note 20 on page 51.

Authority was granted to the directors at last year's annual general meeting to allot up to £34,879,214 of ordinary share capital of which up to £5,222,005 can be allotted for cash, other than by way of a rights issue. This authority expires on 26 May 2004.

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 as may be required as consideration for the proposed merger with AGRA. No issue will be made which will effectively alter the control of the company without the prior approval of shareholders in general meeting.

Resolution 8 will be proposed at the 2000 annual general meeting to grant authority to the directors to make market purchases of the company's preference shares within prescribed limits.

Pursuant to the authority currently granted by shareholders, the directors purchased in the market, for a consideration of £810,000 (excluding charges and stamp duty), 750,000 preference shares since the authority was last granted. This represented 0.4 per cent of the issued preference share capital.

Resolution 9 will be proposed at the 2000 annual general meeting to grant authority to the directors to make market purchases of the company's ordinary shares within prescribed limits. No such purchases were made in 1999.

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

Substantial interests
Notifications have been received by the company of the following ordinary shareholdings, and the percentage interests which they represented as at the date of such notifications, in accordance with section 198 of the Companies Act 1985.

	Number	%
Schroder Investment Management Limited	30,220,697	14.07
Morley Fund Management Limited/CGU plc	13,296,436	6.16
FMR Corporation/Fidelity International Limited	12,872,228	5.97
Prudential Portfolio Managers Limited	12,321,445	5.86
Standard Life Assurance Company	7,782,630	3.81
Clerical Medical Investment Management Limited/Halifax Group plc	7,147,832	3.41

No notifications have been received in respect of the company's preference share capital

Directors
Details of the directors of the company at the date of this report are set out on pages 28 and 29. Mr M K Eckersall and Dr K W Humphreys resigned as directors on 30 July 1999 and 13 September 1999 respectively. In December 1999, Mr S G Batey tendered his resignation as a director, effective 31 March 2000. Ms E P Airey was appointed a director on 26 May 1999 and Mr J A Dallas was appointed a director on 28 October 1999. In accordance with article 90 of the articles of association of the company, Ms Airey and Mr Dallas will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Neither of them has an employment contract with the company.

If the merger of the company and AGRA is completed, it is proposed to appoint to the board of the company Mr P S Janson, AGRA's president and chief executive officer. In the event that this appointment is made, Mr Janson will, in accordance with article 90 of the articles of association of the company, retire from office and, being eligible, he will offer himself for re-election at the annual general meeting. Mr Janson has an employment contract with AGRA terminable by him on three months' notice and terminable by AGRA by payment of 36 months' salary in lieu of notice at 1.3 times his base salary. Following completion of the merger, it is intended to appoint a second director of AGRA to the board of the company.

Mr J M Green-Armytage, Mr J R Darley and Mr J A Monville retire in accordance with article 84 of the articles of association of the company. Being eligible, Mr Green-Armytage and Mr Monville offer themselves for re-election. Mr Darley, having completed almost four years as a non-executive director, will retire at the annual general meeting and will not seek re-election. None of them has an employment contract with the company.

The beneficial interests in the share capital of the company of the directors holding office at 31 December 1999 were as follows:

	As at 1 January 1999		As at 31 December 1999	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
S Gillibrand	31,472	–	32,334	–
P J Mason	46,926	–	64,752	–
J D Early	20,889	2,200	32,682	–
D Robson	15,000	–	26,286	–
S G Batey	51,667	–	105,950	–
G E Payne	29,229	–	46,749	–
J M Green-Armytage	–	–	–	–
J R Darley	17,161	–	17,161	–
J A Monville	–	–	–	–
E P Airey	–	–	–	–
J A Dallas	–	–	–	–

Except for interests under share option schemes and the long-term incentive plan, details of which are contained in the report on remuneration and related matters on pages 33 to 36, no director at 31 December 1999 had any other interests, beneficial or otherwise, in the share capital of the company or any of its subsidiaries.

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

On 4 January 2000, Mr S Gillibrand and Mr S G Batey acquired beneficial interests in 320 and 1,034 ordinary shares respectively, pursuant to the provisions of the dividend reinvestment plan, relating to the 1999 interim ordinary dividend. There were no other changes in the directors' interests in the share capital of the company between 31 December 1999 and 9 March 2000.

Employees
In 1999, AMEC employed on average 20,571 people worldwide. *Details are given in note 6 on page 44.*

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

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

Communication with employees is regarded by the group as an important ingredient in engendering the team spirit essential for success. Consultative procedures enable employees to discuss matters of mutual interest with management. Employees are informed about group affairs through various channels, including the group newspaper, *AMEC Times*. This publication is supplemented by newsletters produced by subsidiaries. The pensions consultative committee of the AMEC Staff Pension Scheme meets regularly and its meetings are reported in *Pension News*, which is distributed to all scheme members and pensioners.

The group is positive in its support of equal opportunities and seeks to ensure that the careers of all employees are determined solely on merit. This principle guides operations worldwide and is reinforced by policies and procedures which are regularly reviewed and monitored.

Corporate governance
The board is responsible to shareholders for the management of the company and for the protection of its assets. The board meets formally at least 10 times a year.

The company complied throughout the year with the relevant provisions of Section 1 of the Combined Code published in June 1998.

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

The Combined Code introduced a requirement that the directors review the effectiveness of the group's systems of internal controls. This extends the existing requirement, in respect of internal financial controls, to cover all controls, including financial, operational, compliance and risk management.

Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance) was published in September 1999. However, as permitted by the London Stock Exchange's transitional rules, the directors have continued to review and report upon internal financial controls in accordance with the ICAEW's 1994 guidance *Internal Control and Financial Reporting.*

Nevertheless, the board can confirm that it has established procedures which are necessary to implement the Turnbull guidance such that there can be full compliance for the year ending 31 December 2000.

Key elements of the group's systems of internal financial controls are as follows:

The group's strategic direction is determined by the board. Annual plans and performance targets for each subsidiary are reviewed by the board in the light of overall objectives. Within the objectives agreed by the board, the operational management of the group as a whole is delegated to the chief executive, supported by the executive directors.

Managing directors of subsidiaries are accountable for the conduct and performance of their businesses within their agreed short range plans. They have authority to act subject to the reserved powers and limits laid down by the board and to group policies and guidelines. Controls are designed to ensure that all activities operate efficiently and effectively.

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

The board receives monthly operating reports, together with a summary of financial results and forecasts, for each subsidiary.

The group's interim and annual accounts are based on a standardised reporting process.

The board has reviewed the effectiveness of the systems of internal financial controls for the group as a whole.

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

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

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

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

The remuneration committee, which comprises all of the non-executive directors, is chaired by Mr J M Green-Armytage. The committee advises the board on the annual remuneration, performance related payments and other aspects of the terms and conditions of employment of the executive directors.

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

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

The company had 40 days' purchases outstanding at 31 December 1999 based on the average daily amount invoiced by suppliers during the year.

Donations
Group donations to United Kingdom charities amounted to £93,000.

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

By order of the board

M J Bardsley
Secretary
9 March 2000

Notes:
(i) The company received notification on 20 March 2000 by FMR Corporation/Fidelity International Limited of a reduction in their holding of ordinary shares to 10,697,228, being 4.96per cent of the issued ordinary share capital.

(ii) There were no other changes in either the directors' interests or in the substantial interests in the share capital of the company between 9 March 2000 and 24 March 2000.

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

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

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

- to pay market competitive salaries having regard to those prevailing in the employment market generally for a director of similar status and experience, the size and complexity of the role and any other factors (such as special expertise or market requirements necessary to acquire a new recruit) in order to provide a competitive package to attract and retain a high calibre of director; and
- to link an executive director to the long-term success of the group through appropriate and demanding incentive arrangements.

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

In 1999, the executive directors, except for Mr J A Monville, participated in an executive directors' annual incentive scheme which generated bonus payments calculated by reference to growth in earnings per ordinary share, as defined under the rules of the scheme, and the achievement of specific business targets and individual performance objectives.

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

No elements of remuneration other than base salary are pensionable.

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

Mr P J Mason's benefits are restricted to take account of the earnings cap and he receives a taxable supplement to his salary in relation to earnings above the cap.

There are no funded or unfunded unapproved arrangements in force.

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

The committee considers that employment contracts with such notice periods are justified for the current executive directors to enable the company to retain its high quality executives but will review the position with regard to notice periods for any new executive directors.

It is the company's policy to ensure that any payments made to executive directors in the event of the early termination of an employment contract reflect the circumstances giving rise to termination and to an executive director's duty of mitigation. Compensation of £354,000 was made in respect of the termination of Mr M K Eckersall's employment contract.

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

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

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

The remuneration of the directors was as follows:

	Salary/ fee £000	Bonus £000	Benefits in kind £000	Total 1999 £000	Total 1998 £000
Executive					
P J Mason	402(i)	165	17	584	561(i)
J D Early	185	81	12	278	270
D Robson	230	106	10	346	329
S G Batey	210	101	14	325	309
M K Eckersall (to 30 July 1999)	110(ii)	70	6	186	267
G E Payne	185	87	13	285	270
J A Monville	26(iii)	–	–	26	25(iii)
Non-executive					
S Gillibrand	124	–	22	146	172(iv)
Dr K W Humphreys (to 13 September 1999)	23	–	–	23	30
J M Green-Armytage	32	–	–	32	30
J R Darley	37	–	–	37	30
E P Airey (from 26 May 1999)	20	–	–	20	–
J A Dallas (from 28 October 1999)	7	–	–	7	–

Notes:

(i) Mr Mason's salary includes a taxable supplement in relation to earnings above the earnings cap for pension purposes of £52,030 (1998 – £49,260).

(ii) Mr Eckersall ceased to be a director on 30 July 1999. He continued to be employed by the company until 31 December 1999. His remuneration for this latter period was £78,750 and the value of his benefits in kind amounted to £4,884.

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

(iv) Mr Gillibrand's fee for 1998 included an amount of £30,000 in respect of additional duties undertaken by him in that year.

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

(vi) Details of executive share options exercised during the year are set out on page 35.

Long-term incentive arrangements

The AMEC Savings Related Share Option Scheme, renewed in 1995, is open to all eligible employees, including the executive directors, and is linked to a monthly savings contract.

The AMEC Executive Share Option Scheme 1995, the successor to the AMEC Executive Share Option Scheme introduced in 1985, reflects the guidelines published by the bodies representing institutional investors and, in particular, before any options can be exercised, certain performance conditions have to be achieved. The current performance condition is that, over a three year period, the percentage growth in earnings per ordinary share of the company exceeds the percentage growth in the Retail Prices Index by at least six percentage points. The grant of options to executives by the remuneration committee is on a discretionary basis with emphasis on performance and job responsibilities.

The number of options held by directors under the Executive and Savings Related Share Option Schemes were as follows:

	As at 1 January 1999	Exercised during the year	Granted during the year	As at 31 December 1999	Option price (pence)	Market price on date of exercise (pence)	Exercise period
P J Mason	600,000			600,000	99.00		02/02/99 – 02/02/06
	451,388			451,388	144.00		02/04/00 – 02/04/07
J D Early	100,000			100,000	218.00		08/05/94 – 08/05/01
	7,000			7,000	160.00		01/05/95 – 01/05/02
	26,000			26,000	60.00		18/10/98 – 18/10/05
	50,000			50,000	144.00		02/04/00 – 02/04/07
	2,860*	2,860(i)*		–	90.00	273.00	01/09/99 – 29/02/00
			596*	596*	181.00		01/07/04 – 31/12/04
D Robson	10,440	10,440(ii)		–	222.22	260.00	05/05/92 – 05/05/99
	70,000	70,000(ii)		–	218.00	277.00	08/05/94 – 08/05/01
	86,000	86,000(ii)		–	160.00	277.00	01/05/95 – 01/05/02
	200,000	200,000(ii)		–	60.00	277.00	18/10/98 – 18/10/05
	1,308*			1,308*	58.00		01/09/00 – 28/02/01
	5,060*			5,060*	90.00		01/09/01 – 28/02/02
			342*	342*	181.00		01/07/02 – 31/12/02
S G Batey	10,440	10,440(iii)		–	222.22	259.50	05/05/92 – 05/05/99
	50,000	50,000(iii)		–	218.00	261.00	08/05/94 – 08/05/01
	50,000	50,000(iii)		–	160.00	261.00	01/05/95 – 01/05/02
	50,000	50,000(iii)		–	118.00	261.00	19/05/97 – 19/05/04
	200,000	200,000(iii)		–	60.00	261.00	18/10/98 – 18/10/05
	2,033*	2,033(iii)*		–	112.00	273.00	01/09/99 – 29/02/00
	1,308*			1,308*	58.00		01/09/00 – 28/02/01
	5,060*			5,060*	90.00		01/09/01 – 28/02/02
			342*	342*	181.00		01/07/02 – 31/12/02
G E Payne	20,880	20,880(iv)		–	185.34	268.00	11/05/93 – 11/05/00
	15,000			15,000	218.00		08/05/94 – 08/05/01
	175,000	175,000(iv)		–	60.00	266.00	18/10/98 – 18/10/05
	2,033*	2,033(iv)*		–	112.00	273.00	01/09/99 – 29/02/00
	1,308*			1,308*	58.00		01/09/00 – 28/02/01
	2,860*	2,860(iv)*		–	90.00	273.00	01/09/99 – 29/02/00
			342*	342*	181.00		01/07/02 – 31/12/02

* Savings Related Share Option Scheme

Notes:

(i) Gain on exercise £5,234 (1998 – £nil).
(ii) Aggregate gain on exercises £579,864 (1998 – £9,675).
(iii) Aggregate gain on exercises £552,665 (1998 – £1,198).
(iv) Aggregate gain on exercises £386,266 (1998 – £15,400).
(v) Mr Eckersall exercised an option over 10,440 shares at 222.22p, realising a gain of £3,839 (1998 – £9,300). He retains an interest in 327,000 shares with a weighted average exercise price of 111.25p exercisable until 31 December 2000.

No options lapsed during the year.

In 1998 shareholders approved the introduction of a long-term incentive plan. The design of the plan took account of the provisions of Schedule 'A' to the Combined Code. In 1999, further shares were purchased in the market at 269p each and awards were made to directors on 30 April 1999, as determined by the remuneration committee.

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

	As at 1 January 1999	Awarded on 30 April 1999	As at 31 December 1999
P J Mason	119,793	94,765	214,558
J D Early	64,628	49,274	113,902
D Robson	76,613	61,561	138,174
S G Batey	72,068	56,876	128,944
G E Payne	63,798	49,605	113,403

Notes:

(i) An award of restricted shares will only vest if pre-determined performance conditions are met. These performance conditions, which are measured over three years, require the total return to ordinary shareholders (share price growth plus re-invested dividends) to be ranked in the top quartile of a group of engineering, construction and building material comparator companies for an award to vest in full. If the company's performance is at the median, 25per cent of the award will vest. Between those two levels, the award will vest on a sliding scale. No awards will vest if the company's performance is below the median at the end of the measured period.

(ii) The total value of awards cannot exceed 75per cent of a participant's base annual salary in any year.

(iii) Participants in the long-term incentive plan will not receive further grants of options under the Executive Share Option Scheme.

(iv) Mr M K Eckersall, who resigned as a director on 30 July 1999, retains an interest in 30,258 restricted shares awarded to him under the plan in June 1998.

The mid market price of the ordinary shares at 31 December 1999 was 247p ex-dividend (1998 – 178p ex-dividend).

The range of the mid market quotations for the ordinary shares during the year was 154p to 278.5p.

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

Directors' pension benefits

Pension benefits earned by the directors for the year ended 31 December 1999 were as follows:

	Accrued entitlement as at 31 December 1998 £000	Increase in accrued pension for the year ended 31 December 1999 £000	Accrued entitlement as at 31 December 1999 £000	Transfer value of increase in benefits £000
P J Mason	8	3	12	61
J D Early	77	8	87	173
D Robson	128	8	137	167
S G Batey	59	8	68	83
M K Eckersall	90	5	96(ii)	138
G E Payne	63	8	71	146

Notes:

(i) The increase in accrued pension for the year ended 31 December 1999 excludes any increase for inflation.

(ii) The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year, save in respect of Mr Eckersall, who resigned as a director on 30 July 1999 and whose entitlement is shown as at that date.

(iii) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and is shown net of member contributions paid during the year.

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

By order of the board

M J Bardsley

M J Bardsley
Secretary
9 March 2000

Note:

Changes in directors' interests between 31 December 1999 and 24 March 2000 are detailed in the report of the directors.

	Notes	Continuing 1999 £ million	Discontinued 1999 £ million	Total 1999 £ million	Continuing 1998 £ million	Discontinued 1998 £ million	Total 1998 £ million
Turnover:							
Group and share of joint ventures	2	**3,062.5**	**38.3**	**3,100.8**	3,191.9	200.9	3,392.8
Share of joint ventures' turnover		**(673.3)**	**–**	**(673.3)**	(669.3)	(1.6)	(670.9)
Group turnover		**2,389.2**	**38.3**	**2,427.5**	2,522.6	199.3	2,721.9
Cost of sales		**(2,204.1)**	**(35.5)**	**(2,239.6)**	(2,350.4)	(172.1)	(2,522.5)
Gross profit		**185.1**	**2.8**	**187.9**	172.2	27.2	199.4
Administrative expenses		**(126.7)**	**(3.0)**	**(129.7)**	(131.2)	(11.3)	(142.5)
Group operating profit/(loss)		**58.4**	**(0.2)**	**58.2**	41.0	15.9	56.9
Share of operating profit/(loss) in:							
Joint ventures		**18.8**	**–**	**18.8**	15.7	(0.5)	15.2
Associates		**–**	**–**	**–**	0.3	–	0.3
		18.8	**–**	**18.8**	16.0	(0.5)	15.5
Total operating profit/(loss)	3	**77.2**	**(0.2)**	**77.0**	57.0	15.4	72.4
Profit/(loss) on disposal of operations:	4						
Profit/(loss) before goodwill		**2.5**	**14.1**	**16.6**	(0.1)	–	(0.1)
Goodwill previously written off to reserves		**–**	**(15.8)**	**(15.8)**	–	–	–
		2.5	**(1.7)**	**0.8**	(0.1)	–	(0.1)
Loss on disposal of fixed assets	4	**(3.0)**	**–**	**(3.0)**	(2.1)	–	(2.1)
Profit/(loss) on ordinary activities before interest		**76.7**	**(1.9)**	**74.8**	54.8	15.4	70.2
Net interest receivable/(payable):	7						
Group		**7.0**	**3.1**	**10.1**	2.6	–	2.6
Joint ventures		**(4.9)**	**–**	**(4.9)**	(3.5)	(0.1)	(3.6)
		2.1	**3.1**	**5.2**	(0.9)	(0.1)	(1.0)
Profit on ordinary activities before taxation	2	**78.8**	**1.2**	**80.0**	53.9	15.3	69.2
Taxation on profit on ordinary activities	8	**(20.6)**	**(2.4)**	**(23.0)**	(17.0)	(4.9)	(21.9)
Profit/(loss) on ordinary activities after taxation		**58.2**	**(1.2)**	**57.0**	36.9	10.4	47.3
Dividends on equity and non-equity shares	9			**(26.3)**			(23.5)
Retained profit for the year				**30.7**			23.8
Earnings per ordinary share:	10						
Before exceptional items:							
Basic		**25.1p**		**24.5p**	13.9p		18.9p
Diluted		**21.6p**		**21.2p**	13.6p		17.3p
After exceptional items:							
Basic		**22.9p**		**22.3p**	12.8p		17.8p
Diluted		**20.0p**		**19.6p**	12.9p		16.5p
Dividends per ordinary share	9			**7.50p**			6.25p

Consolidated balance sheet
As at 31 December 1999

	Notes	1999 £ million	1998 £ million
Fixed assets			
Tangible assets	11	**107.4**	114.6
Investments:	12		
Joint ventures:			
Share of gross assets		**733.5**	644.4
Share of gross liabilities		**(704.0)**	(634.7)
		29.5	9.7
Associates		**3.1**	3.0
Other		**4.5**	3.2
Total investments		**37.1**	15.9
Total fixed assets		**144.5**	130.5
Current assets			
Stocks	13	**69.3**	209.2
Debtors: amounts falling due within one year	14	**757.7**	697.5
Debtors: amounts falling due after one year	14	**97.8**	107.9
Cash at bank and in hand		**189.5**	192.5
		1,114.3	1,207.1
Creditors: amounts falling due within one year	15	**(870.5)**	(971.5)
Net current assets		**243.8**	235.6
Total assets less current liabilities		**388.3**	366.1
Creditors: amounts falling due after one year	16	**(95.5)**	(130.1)
Provisions for liabilities and charges	19	**(34.0)**	(33.8)
Net assets	2	**258.8**	202.2
Capital and reserves			
Called up share capital	20	**183.9**	181.0
Share premium	21	**10.3**	–
Revaluation reserve	21	**20.0**	13.6
Capital redemption reserve	21	**9.9**	9.5
Profit and loss account	21	**34.7**	(1.9)
Shareholders' funds		**258.8**	202.2
Attributable to:			
Equity shareholders' funds		**111.5**	54.5
Non-equity shareholders' funds		**147.3**	147.7
		258.8	202.2

The accounts on pages 37 to 55 were approved by the board of directors on 9 March 2000 and were signed on its behalf by:

P J Mason
Director

S G Batey
Director

	Notes	1999 £ million	1998 £ million
Fixed assets			
Tangible assets	11	**8.2**	9.2
Investments:	12		
Subsidiaries		**342.8**	321.2
Joint ventures		**10.6**	8.9
Associates		**3.1**	3.1
Other		**3.1**	1.9
Total investments		**359.6**	335.1
Total fixed assets		**367.8**	344.3
Current assets			
Debtors: amounts falling due within one year	14	**31.0**	17.2
Debtors: amounts falling due after one year	14	**31.6**	24.2
Cash at bank and in hand		**73.4**	99.6
		136.0	141.0
Creditors: amounts falling due within one year	15	**(69.7)**	(57.9)
Net current assets		***66.3***	83.1
Total assets less current liabilities		**434.1**	427.4
Creditors: amounts falling due after one year	16	**(46.8)**	(28.0)
Net assets		**387.3**	399.4
Capital and reserves			
Called up share capital	20	**183.9**	181.0
Share premium	21	**10.3**	–
Revaluation reserve	21	**–**	(0.7)
Capital redemption reserve	21	***9.9***	*9.5*
Special reserve	21	**127.9**	127.9
Profit and loss account	21	**55.3**	81.7
Shareholders' funds		**387.3**	399.4
Attributable to:			
Equity shareholders' funds		**240.0**	251.7
Non-equity shareholders' funds		**147.3**	147.7
		387.3	399.4

The accounts on pages 37 to 55 were approved by the board of directors on 9 March 2000 and were signed on its behalf by:

P J Mason
Director

S G Batey
Director

	Notes	1999 £ million	1998 £ million
Net cash flow from operating activities	22	**9.6**	68.5
Dividends from joint ventures and associates		**0.7**	1.1
Returns on investments and servicing of finance			
Interest received		**8.2**	9.6
Interest paid		**(7.5)**	(6.9)
Dividends paid to non-equity shareholders		**(10.0)**	(9.9)
		(9.3)	(7.2)
Taxation		**(6.5)**	(10.6)
Capital expenditure			
Purchase of tangible fixed assets		**(21.1)**	(23.1)
Disposal of tangible fixed assets		**9.3**	9.6
		(11.8)	(13.5)
Acquisitions and disposals	25		
Acquisition of subsidiaries		**–**	(1.8)
Acquisition of joint ventures, associates and other investments		**(5.2)**	(16.3)
Disposal of subsidiaries		**32.8**	–
Disposal of joint ventures and associates		**–**	0.9
		27.6	(17.2)
Dividends paid to equity shareholders		**(13.0)**	(6.7)
Net cash flow before use of liquid resources and financing		**(2.7)**	14.4
Management of liquid resources		**(1.2)**	5.6
Financing			
Ordinary shares issued		**4.9**	1.3
Purchase and cancellation of preference shares		**(0.8)**	(11.1)
Net movement in loans		**0.6**	(0.6)
		4.7	(10.4)
Movement in cash	23	**0.8**	9.6

For the year ended 31 December 1999

	1999 £ million	1998 £ million
Profit for the financial year	**57.0**	47.3
Surplus on property revaluation	**5.5**	–
Exchange and other movements	**0.5**	(2.7)
Total gains and losses recognised relating to the year	**63.0**	44.6
Prior year adjustment (see note 1 to the accounts)	**(7.5)**	–
Total gains and losses recognised since last annual report	**55.5**	44.6

Note of historical cost profits and losses
for the year ended 31 December 1999

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

Reconciliation of movements in consolidated shareholders' funds
for the year ended 31 December 1999

	1999 £ million	1998 £ million
Profit for the financial year	**57.0**	47.3
Dividends on equity and non-equity shares	**(26.3)**	(23.5)
	30.7	23.8
Goodwill on acquisitions and disposals	**15.8**	(0.3)
Ordinary shares issued	**4.9**	5.2
Purchase and cancellation of preference shares	**(0.8)**	(11.1)
Surplus on property revaluation	**5.5**	–
Exchange and other movements	**0.5**	(2.7)
Net addition to shareholders' funds	**56.6**	14.9
Shareholders' funds at beginning of year	**209.7**	194.8
Prior year adjustment	**(7.5)**	(7.5)
	202.2	187.3
Shareholders' funds at end of year	***258.8***	*202.2*

1 Accounting policies

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

In order to conform with the requirements of FRS 12 'Provisions, Contingent Liabilities and Contingent Assets', the balance sheet at 31 December 1998 has been adjusted. Additional provisions of £7.5 million (net of tax) have been made principally in respect of onerous property leases. These changes have no impact on the profit and loss account for the year ended 31 December 1998. FRS 12 has also necessitated the reclassification of certain insurance provisions from creditors to provisions for liabilities and charges.

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

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

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

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

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

Goodwill
Following the introduction of FRS 10 'Goodwill and Intangible Assets', goodwill arising on acquisitions made post 1 January 1998, representing the excess of the fair value of purchase consideration over the fair value of net assets acquired, is capitalised and amortised over its estimated useful life.

Goodwill arising on acquisitions made prior to 1 January 1998 has been charged to reserves.

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

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

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

Leases
Operating lease costs are charged to the profit and loss account in the year in which they are incurred.

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

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

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

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

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

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

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

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

2 Analysis of total turnover, total results and net assets

	Total turnover 1999 £ million	Total turnover 1998 £ million	**Total profit/(loss) 1999 £ million**	Total profit/(loss) 1998 £ million	**Net assets/ (liabilities) 1999 £ million**	Net assets/ (liabilities) 1998 £ million
Class of business:						
Continuing activities						
Capital projects	**2,226.1**	2,172.5	**31.1**	20.6	**(67.2)**	(53.4)
Services	**850.4**	859.9	**40.3**	38.3	**28.1**	6.0
Investments	**76.2**	217.5	**10.3**	2.2	**95.7**	68.1
Internal trading	**(90.2)**	(58.0)	–	–	–	–
	3,062.5	3,191.9	**81.7**	61.1	**56.6**	20.7
Corporate costs	–	–	**(4.5)**	(4.1)	–	–
	3,062.5	3,191.9	**77.2**	57.0	**56.6**	20.7
Discontinued activities						
Investments	**38.3**	200.9	**(0.2)**	15.4	–	90.8
	3,100.8	3,392.8	**77.0**	72.4	**56.6**	111.5
Profit/(loss) on disposal of operations	–	–	**0.8**	(0.1)	–	–
Loss on disposal of fixed assets	–	–	**(3.0)**	(2.1)	–	–
Net interest receivable/(payable)	–	–	**5.2**	(1.0)	–	–
Net cash	–	–	–	–	**105.2**	97.2
Unallocated net assets/(liabilities)	–	–	–	–	**97.0**	(6.5)
	3,100.8	3,392.8	**80.0**	69.2	**258.8**	202.2
Geographical origin:						
Continuing activities						
United Kingdom	**1,700.5**	1,865.3	**81.4**	54.2	**58.1**	2.5
Rest of Europe	**584.3**	600.5	**5.6**	1.7	**27.0**	39.2
Americas	**576.2**	501.7	**(4.2)**	2.0	**(24.4)**	(24.0)
Rest of the world	**201.5**	224.4	**(1.1)**	3.2	**(4.1)**	3.0
	3,062.5	3,191.9	**81.7**	61.1	**56.6**	20.7
Corporate costs	–	–	**(4.5)**	(4.1)	–	–
	3,062.5	3,191.9	**77.2**	57.0	**56.6**	20.7
Discontinued activities						
United Kingdom	**38.3**	200.9	**(0.2)**	15.4	–	90.8
	3,100.8	3,392.8	**77.0**	72.4	**56.6**	111.5
Profit/(loss) on disposal of operations	–	–	**0.8**	(0.1)	–	–
Loss on disposal of fixed assets	–	–	**(3.0)**	(2.1)	–	–
Net interest receivable/(payable)	–	–	**5.2**	(1.0)	–	–
Net cash	–	–	–	–	**105.2**	97.2
Unallocated net assets/(liabilities)	–	–	–	–	**97.0**	(6.5)
	3,100.8	3,392.8	**80.0**	69.2	**258.8**	202.2

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

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

	SPIE S.A. 1999 £ million	SPIE S.A. 1998 £ million	**Others 1999 £ million**	Others 1998 £ million	**Total 1999 £ million**	Total 1998 £ million
Turnover:						
Capital projects	**319.8**	324.8	**1.8**	4.0	**321.6**	328.8
Services	**335.3**	330.0	–	1.3	**335.3**	331.3
Investments	–	–	**16.4**	10.8	**16.4**	10.8
	655.1	654.8	**18.2**	16.1	**673.3**	670.9
Operating profit/(loss):						
Capital projects	**7.1**	7.0	**(1.2)**	(0.3)	**5.9**	6.7
Services	**8.0**	7.4	–	(0.6)	**8.0**	6.8
Investments	–	–	**4.9**	1.7	**4.9**	1.7
	15.1	14.4	**3.7**	0.8	**18.8**	15.2
Net interest payable	**(2.5)**	(2.4)	**(2.4)**	(1.2)	**(4.9)**	(3.6)
Profit/(loss) on ordinary activities before taxation	**12.6**	12.0	**1.3**	(0.4)	**13.9**	11.6
Taxation on profit/(loss) on ordinary activities	**(3.6)**	(3.8)	**1.5**	1.8	**(2.1)**	(2.0)
Profit for the financial year	**9.0**	8.2	**2.8**	1.4	**11.8**	9.6

3 Total operating profit/(loss)

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

	1999 £ million	1998 £ million
Depreciation	**20.1**	15.9
Operating lease payments:		
Land and buildings	**12.0**	12.0
Plant and equipment	**66.9**	69.9
Fees paid to auditors and their associates:		
Audit fees:		
KPMG Audit Plc	**0.8**	0.8
Other auditors	**0.1**	0.1
Non-audit fees:		
KPMG Audit Plc (taxation – £0.6 million and other services – £0.2 million)	**0.8**	0.7
Other auditors	**0.2**	0.1

4 Non-operating exceptional items

	1999 £ million	1998 £ million
Profit/(loss) on disposal of operations:		
Capital projects	**2.5**	–
Services	–	(0.1)
Investments	**(1.7)**	–
	0.8	(0.1)
Loss on disposal of fixed assets	**(3.0)**	(2.1)
	(2.2)	(2.2)

5 Directors' remuneration and related matters

	1999 £000	1998 £000
Directors' emoluments	**2,295**	2,293
Gains on exercise of share options	**1,528**	36

The aggregate emoluments of the highest paid director were £583,670 (1998 – £561,287). He had no gains on the exercise of share options in 1999 or 1998.

More detailed information concerning directors' remuneration, including their pension benefits and long-term incentive arrangements, is set out in the report on remuneration and related matters on pages 33 to 36.

6 Staff costs

	1999 £ million	1998 £ million
Wages and salaries	**527.2**	532.1
Social security costs	**46.7**	48.1
Other pension costs	**9.4**	12.4
	583.3	592.6

The average number of people employed was as follows:

	1999 Number	1998 Number
Capital projects	**13,796**	14,460
Services	**6,551**	6,918
Investments	**96**	116
Continuing operations	**20,443**	21,494
Discontinued operations	**128**	537
	20,571	22,031

7 Net interest receivable/(payable)

	1999 £ million	1998 £ million
Interest payable and similar charges:		
Group:		
Bank loans and overdrafts	**(6.1)**	(7.3)
Other loans	**–**	(0.1)
Other charges	**(0.3)**	(0.4)
	(6.4)	(7.8)
Joint ventures	**(4.9)**	(3.7)
	(11.3)	(11.5)
Interest receivable and similar income:		
Group:		
Bank and short-term deposits	**2.7**	7.0
Other income	**13.8**	3.4
	16.5	10.4
Joint ventures	**–**	0.1
	16.5	10.5
Net interest receivable/(payable)	**5.2**	(1.0)

The group's share of interest capitalised by joint ventures on private finance initiative long-term projects amounted to £4.8 million (1998 – £4.6 million).

8 Taxation on profit on ordinary activities

	1999 £ million	1998 £ million
Corporation tax at 30.25% (1998 – 31.0%)	**20.7**	21.3
Double taxation relief	**(0.5)**	(0.7)
Joint ventures	**2.1**	2.0
Overseas' taxation	**0.9**	0.8
	23.2	23.4
Taxation over provided in previous years	**(0.2)**	(1.5)
	23.0	21.9

The group and company have no potential liability for deferred tax.

The overall tax charge is £23.0 million, representing a rate of 28.8 per cent. However, the total is distorted by the £2.4 million charge on the Fairclough disposal, and the underlying rate is around 25.0 per cent, lower than the standard rate mainly because of the tax free nature of the Fairclough dividend.

9 Dividends on equity and non-equity shares

	1999 pence per share	1998 pence per share	1999 £ million	1998 £ million
Equity shares:				
Ordinary shares:				
Interim paid 4 January 2000	**2.50**	2.10	**5.3**	4.4
Final proposed payable 3 July 2000	**5.00**	4.15	**10.6**	8.6
	7.50	6.25	**15.9**	13.0
Non-equity shares:				
Convertible redeemable preference shares:				
Paid 1 May 1999	**3.25**	3.25	**5.0**	5.2
Paid 1 November 1999	**3.25**	3.25	**5.0**	5.0
FRS 4 finance cost	**–**	–	**0.4**	0.3
	6.50	6.50	**10.4**	10.5
Dividends on equity and non-equity shares			**26.3**	23.5

The amount waived and to be waived by the Trustees of the long-term incentive plan in respect of the interim and final ordinary dividends is £154,000 (1998 final dividend – £46,500).

The amount waived and to be waived by the Trustees of the qualifying employee share ownership trust in respect of the interim and final ordinary dividends is £187,000 (1998 – £nil).

10 Earnings per ordinary share

Earnings per ordinary share are calculated on the following bases. In order to appreciate the effect of exceptional items on the reported earnings additional calculations have been presented.

	Earnings 1999 £ million	Ordinary shares 1999 million	Earnings per share 1999 pence	Earnings 1998 £ million	Ordinary shares 1998 million	Earnings per share 1998 pence
Basic earnings before exceptional items	51.2	209.1	24.5	39.0	206.4	18.9
Exceptional items	(2.2)	–		(2.2)	–	
Attributable tax on exceptional items	(2.4)	–		–	–	
Basic earnings after exceptional items	46.6	209.1	22.3	36.8	206.4	17.8
Basic earnings before exceptional items	51.2	209.1	24.5	39.0	206.4	18.9
Share options	–	3.3		–	3.1	
Employee share and incentive schemes	–	3.3		–	2.5	
Preference shares	10.4	74.3		10.5	74.7	
Diluted earnings before exceptional items	61.6	290.0	21.2	49.5	286.7	17.3
Exceptional items	(2.2)	–		(2.2)	–	
Attributable tax on exceptional items	(2.4)	–		–	–	
Diluted earnings after exceptional items	57.0	290.0	19.6	47.3	286.7	16.5

11 Tangible assets

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Group:			
Cost or valuation:			
At 1 January 1999	81.4	168.6	250.0
Exchange and other movements	(0.8)	(0.1)	(0.9)
Additions and transfers	1.2	18.7	19.9
Disposals and transfers	(6.0)	(26.4)	(32.4)
Disposal of subsidiaries	(2.3)	(1.9)	(4.2)
Property revaluation	(4.6)	–	(4.6)
At 31 December 1999	68.9	158.9	227.8
Depreciation:			
At 1 January 1999	8.8	126.6	135.4
Exchange and other movements	0.2	–	0.2
Provided during the year	5.1	15.0	20.1
Disposals and transfers	(0.4)	(23.1)	(23.5)
Disposal of subsidiaries	(0.2)	(1.5)	(1.7)
Property revaluation	(10.1)	–	(10.1)
At 31 December 1999	3.4	117.0	120.4
Net book value:			
At 31 December 1999	65.5	41.9	107.4
At 31 December 1998	72.6	42.0	114.6

11 Tangible assets continued

	Land and buildings £ million	Plant and equipment £ million	Total £ million
Company:			
Cost or valuation:			
At 1 January 1999	**9.1**	**2.6**	**11.7**
Additions and transfers	**0.9**	**0.2**	**1.1**
Disposals and transfers	**(1.8)**	**(0.4)**	**(2.2)**
Property revaluation	**(0.2)**	**–**	**(0.2)**
At 31 December 1999	**8.0**	**2.4**	**10.4**
Depreciation:			
At 1 January 1999	**1.1**	**1.4**	**2.5**
Provided during the year	**0.2**	**0.2**	**0.4**
Disposals and transfers	**(0.1)**	**(0.2)**	**(0.3)**
Property revaluation	**(0.4)**	**–**	**(0.4)**
At 31 December 1999	**0.8**	**1.4**	**2.2**
Net book value:			
At 31 December 1999	**7.2**	**1.0**	**8.2**
At 31 December 1998	8.0	1.2	9.2

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
The net book value of land and buildings comprised:				
Freehold	**60.4**	65.5	**5.6**	6.4
Long leasehold	**1.7**	3.6	**–**	–
Short leasehold	**3.4**	3.5	**1.6**	1.6
	65.5	72.6	**7.2**	8.0
The cost or valuation of land and buildings comprised:				
Cost	**17.8**	22.6	**2.4**	1.9
Valuation 1989	**–**	0.9	**–**	0.4
Valuation 1994	**–**	57.9	**–**	6.8
Valuation 1999	**51.1**	–	**5.6**	–
	68.9	81.4	**8.0**	9.1

All freehold and long leasehold properties were externally valued at 31 December 1999 by Insignia Richard Ellis Limited in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors save for a property in Australia which was externally valued by a local firm at an amount of £0.1 million.

The basis of revaluation was existing use for properties occupied by group companies and open market value for those properties without group occupancy.

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

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

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Cost	**47.7**	55.3	**9.1**	9.8
Depreciation	**(16.6)**	(16.5)	**(4.5)**	(4.8)
Net book value	**31.1**	38.8	**4.6**	5.0

Freehold land held by the group amounting to £19.3 million (1998 – £20.0 million) (company – £1.9 million (1998 – £2.2 million)) has not been depreciated.

12 Investments (held as fixed assets)

	1999 £ million	1998 £ million
Company:		
Investments in subsidiaries:		
Shares at cost less amounts written off	**592.4**	646.1
Amounts owed by subsidiaries	**107.7**	94.3
Amounts owed to subsidiaries	**(357.3)**	(419.2)
	342.8	321.2

	Joint ventures £ million	Associates £ million	Other investments £ million	Total £ million
Group:				
Net book value:				
At 1 January 1999	**9.7**	**3.0**	**3.2**	**15.9**
Exchange and other movements	**(0.5)**	**–**	**0.1**	**(0.4)**
Additions and transfers	**2.7**	**–**	**2.6**	**5.3**
Net movement in share of reserves	**11.8**	**0.1**	**–**	**11.9**
Amounts written off	**–**	**–**	**(1.4)**	**(1.4)**
Dividends received	**(0.7)**	**–**	**–**	**(0.7)**
Disposals and transfers	**6.5**	**–**	**–**	**6.5**
At 31 December 1999	**29.5**	**3.1**	**4.5**	**37.1**
Represented by:				
Shares at cost less amounts written off	**47.7**	**3.1**	**4.5**	**55.3**
Share of post acquisition reserves	**(18.2)**	**–**	**–**	**(18.2)**
	29.5	**3.1**	**4.5**	**37.1**
Company:				
Cost:				
At 1 January 1999	**8.9**	**3.1**	**1.9**	**13.9**
Additions and transfers	**1.7**	**–**	**2.6**	**4.3**
Amounts written off	**–**	**–**	**(1.4)**	**(1.4)**
At 31 December 1999	**10.6**	**3.1**	**3.1**	**16.8**

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

	SPIE S.A. 1999 £ million	SPIE S.A. 1998 £ million	Others 1999 £ million	Others 1998 £ million	Total 1999 £ million	Total 1998 £ million
Fixed assets	**77.3**	74.6	**172.4**	24.5	**249.7**	99.1
Current assets	**411.0**	406.1	**81.8**	146.8	**492.8**	552.9
Share of gross assets	**488.3**	480.7	**254.2**	171.3	**742.5**	652.0
Loans to group companies	**–**	–	**(9.0)**	(7.6)	**(9.0)**	(7.6)
Group share of gross assets	**488.3**	480.7	**245.2**	163.7	**733.5**	644.4
Liabilities due within one year or less	**(432.7)**	(424.0)	**(62.9)**	(44.0)	**(495.6)**	(468.0)
Liabilities due after more than one year	**(41.7)**	(52.2)	**(170.5)**	(123.8)	**(212.2)**	(176.0)
Share of gross liabilities	**(474.4)**	(476.2)	**(233.4)**	(167.8)	**(707.8)**	(644.0)
Loans from group companies	**–**	–	**3.8**	9.3	**3.8**	9.3
Group share of gross liabilities	**(474.4)**	(476.2)	**(229.6)**	(158.5)	**(704.0)**	(634.7)
Share of net assets (liabilities)	**13.9**	4.5	**15.6**	5.2	**29.5**	9.7

Principal group companies are listed on page 59.

There is a commitment to invest a total of £28.0 million (1998 – £19.3 million) in various PFI projects of which £1.3 million (1998 – £0.4 million) will be equity investment and £26.7 million (1998 – £18.9 million) will be subordinated debt.

Included within other investments is £3.1 million (1998 – £1.9 million) in respect of 2,055,379 (1998 – 1,121,663) ordinary shares of 50p each in the company, held by the trustees of the long-term incentive plan. The cost of these shares is being written off to the profit and loss account over the period between the dates of the awards and the vesting of the shares. The market value of these shares at 31 December 1999 was £5.1 million (1998 – £2.0 million).

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

At 31 December 1999 the Quest held 2,497,321 ordinary shares and these are included within investments at £nil.

13 Stocks

	1999 £ million	1998 £ million
Group:		
Development land and work in progress	**52.9**	193.0
Raw materials and consumables	**10.3**	8.0
Other work in progress	**1.8**	3.7
Finished goods and goods for resale	**4.3**	4.5
	69.3	209.2

14 Debtors

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Debtors: amounts falling due within one year				
Amounts recoverable on contracts	**202.5**	231.2	**–**	–
Trade debtors	**387.8**	425.0	**0.5**	0.2
Amounts owed by subsidiaries	**–**	–	**4.0**	10.3
Amounts owed by joint ventures and associates	**22.2**	3.2	**24.2**	–
Other debtors	**130.9**	24.0	**0.9**	4.6
Prepayments and accrued income	**14.3**	14.1	**1.4**	2.1
	757.7	697.5	**31.0**	17.2
Debtors: amounts falling due after one year				
Trade debtors	**65.0**	80.2	**–**	–
Other debtors	**0.1**	3.8	**–**	1.1
Prepayments and accrued income	**32.7**	23.9	**31.6**	23.1
	97.8	107.9	**31.6**	24.2
Total debtors	**855.5**	805.4	**62.6**	41.4

15 Creditors: amounts falling due within one year

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Bank loans and overdrafts	**37.6**	47.0	**1.1**	4.4
Payments on account	**92.1**	114.4	**–**	–
Trade creditors	**586.9**	668.5	**4.1**	2.8
Amounts owed to joint ventures and associates	**2.3**	0.9	**–**	–
Corporation tax	**21.7**	8.5	**21.1**	15.4
Other taxation and social security costs	**35.0**	30.1	**11.2**	5.7
Other creditors	**24.0**	29.2	**10.5**	10.9
Accruals and deferred income	**53.5**	58.4	**4.3**	4.2
Dividends	**17.4**	14.5	**17.4**	14.5
	870.5	971.5	**69.7**	57.9

16 Creditors: amounts falling due after one year

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Bank loans	46.9	48.3	46.8	28.0
Trade creditors	44.8	78.0	–	–
Amounts owed to joint ventures and associates	–	0.1	–	–
Other creditors	0.3	0.5	–	–
Accruals and deferred income	3.5	3.2	–	–
	95.5	130.1	46.8	28.0

17 Analysis of borrowings and banking facilities

The maturity of borrowings was as follows:

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Due:				
In one year or less, or on demand	37.6	47.0	1.1	4.4
Between one and two years	46.9	0.3	46.8	–
Between two and five years	–	48.0	–	28.0
	84.5	95.3	47.9	32.4

The available undrawn committed bank facilities were as follows:

	1999 £ million
Group:	
Expiring in:	
More than one year but not more than two years	75.9
More than two years	60.0
	135.9

18 Financial instruments

Details of the group's policies on the use of financial instruments are provided in the Finance Director's review on pages 26 and 27. As permitted by FRS 13 'Derivatives and other financial instruments: Disclosures', short-term debtors and creditors and prior year comparatives have been excluded from the following analyses.

The interest rate risk currency profile of financial assets and liabilities as at 31 December 1999 was as follows:

Currency	Non interest bearing £ million	Floating rate £ million	Fixed rate £ million	Total £ million
Group:				
Financial assets:				
Sterling	75.5	109.4	–	184.9
US dollar	2.8	32.3	–	35.1
German mark	4.3	0.9	–	5.2
Hong Kong dollar	2.4	16.8	–	19.2
Other	3.3	8.7	–	12.0
	88.3	168.1	–	256.4
Group:				
Financial liabilities:				
Sterling	47.1	4.9	147.3	199.3
US dollar	–	26.7	–	26.7
German mark	5.9	46.9	–	52.8
Hong Kong dollar	0.1	2.1	–	2.2
Other	0.5	3.9	–	4.4
	53.6	84.5	147.3	285.4

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

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

The fixed rate financial liabilities relate to the preference shares in issue which have a right to a fixed annual dividend of 6.5p (net) per share until conversion or redemption. Further details in respect of the rights of these shares is given in note 20.

18 Financial instruments continued

The maturity of the financial liabilities was as follows:

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

There is no material difference between the book and fair value of financial assets and liabilities save for the preference shares which have a book value of £147.3 million and a market value of £188.8 million as at 31 December 1999.

The group had no material currency exposures as at 31 December 1999 after taking into account the effects of forward foreign currency exchange contracts.

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

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

19 Provisions for liabilities and charges

	Insurance £ million	Onerous property contracts £ million	Total £ million
Group:			
As at 1 January 1999	25.2	8.6	33.8
Utilised in the year	(4.5)	(1.8)	(6.3)
Charged to the profit and loss account	6.1	0.4	6.5
As at 31 December 1999	26.8	7.2	34.0

20 Share capital

The authorised share capital of the company is £250.0 million (1998 – £250.0 million).

	1999 £ million	1998 £ million
Group and company:		
Allotted, called up and fully paid:		
Equity share capital:		
Ordinary shares of 50p each	107.8	104.4
Non-equity share capital:		
6.5p (net) cumulative convertible redeemable preference shares of 50p each	76.1	76.6
	183.9	181.0

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

	Ordinary shares Number	Ordinary shares £ million	Preference shares Number	Preference shares £ million
Group and company:				
As at 1 January 1999	208,880,212	104.4	153,091,040	76.6
Conversion of preference shares to ordinary shares	53,240	–	(109,145)	(0.1)
Qualifying employee share ownership trust allotments	4,342,827	2.2	–	–
Exercise of savings related share options	165,367	0.1	–	–
Exercise of executive share options	2,080,980	1.1	–	–
Purchase and cancellation of preference shares	–	–	(750,000)	(0.4)
As at 31 December 1999	215,522,626	107.8	152,231,895	76.1

20 Share capital continued

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

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

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

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

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

Redemption
Subject to the provisions of the Companies Act 1985, the company shall redeem on 1 May 2009 any preference shares which remain in issue and are outstanding on that date. The preference shares so redeemed will be redeemed at 100p per share together with any arrears and accruals of dividend to the date of redemption.

Share options:
During the year, options were granted in respect of 1,574,419 ordinary shares under the terms of the AMEC Savings Related Share Option Scheme and in respect of 50,000 ordinary shares under the terms of the AMEC Executive Share Option Scheme 1995.

The number of share options outstanding as at 31 December 1999 was as follows:

	Option price per ordinary share (pence)	Number of shares
Savings Related Share Option Scheme		
Normally exercisable in the period between:		
September 1999 and February 2000	**112.00**	**166,947**
September 1999 and February 2000	**90.00**	**65,940**
September 2000 and February 2001	**58.00**	**1,280,766**
September 2001 and February 2002	**90.00**	**2,798,164**
July 2002 and December 2002	**181.00**	**499,916**
July 2004 and December 2004	**181.00**	**1,026,592**
Executive Share Option Schemes		
Normally exercisable in the period between:		
May 1994 and May 2001	**218.00**	**490,000**
May 1995 and May 2002	**160.00**	**324,000**
May 1997 and May 2004	**118.00**	**45,000**
October 1998 and October 2005	**60.00**	**436,000**
February 1999 and February 2006	**99.00**	**600,000**
June 1999 and June 2006	**114.00**	**94,000**
September 1999 and September 2006	**98.00**	**124,000**
April 2000 and April 2007	**144.00**	**1,051,388**
September 2000 and September 2007	**140.50**	**50,000**
March 2001 and March 2008	**153.50**	**75,439**
June 2002 and June 2009	**259.50**	**50,000**

As at 31 December 1999 there were 3,414 participants in the Savings Related Scheme and 56 participants in the Executive Schemes.

During the year, under the provisions of the Savings Related Scheme, 165,367 ordinary shares were allotted for a total consideration of £149,885. A further 1,845,506 shares were transferred from the qualifying employee share ownership trust (Quest) for a total consideration of £1,931,913. Under the provisions of the Executive Schemes, 2,080,980 shares were allotted for a total consideration of £2,724,695.

The market value of the ordinary shares at 31 December 1999 was 247p ex-dividend (1998 – 178p ex-dividend).

During the year the company received £10.3 million in respect of shares allotted to the Quest. Employees paid £0.4 million and group companies contributed £9.9 million in respect of these shares to the Quest.

21 Reserves

	Share premium account £ million	Revaluation reserve £ million	Capital redemption reserve £ million	Special reserve £ million	Profit and loss account £ million	Total reserves £ million
Group:						
As at 1 January 1999 as previously stated	–	13.6	9.5	–	5.6	28.7
Prior year adjustment	–	–	–	–	(7.5)	(7.5)
As at 1 January 1999 as restated	–	13.6	9.5	–	(1.9)	21.2
Exchange and other movements	(1.2)	0.9	–	–	0.8	0.5
Ordinary shares issued	11.5	–	–	–	–	11.5
Purchase and cancellation of preference shares	–	–	0.4	–	(0.8)	(0.4)
Surplus on property revaluation	–	5.5	–	–	–	5.5
Goodwill on acquisitions and disposals	–	–	–	–	15.8	15.8
Charge in respect of shares issued to the qualifying employee share trust	–	–	–	–	(9.9)	(9.9)
Retained profit for the year	–	–	–	–	30.7	30.7
As at 31 December 1999	10.3	20.0	9.9	–	34.7	74.9
Company:						
As at 1 January 1999 as previously stated	–	(0.7)	9.5	127.9	82.4	219.1
Prior year adjustment	–	–	–	–	(0.7)	(0.7)
As at 1 January 1999 as restated	–	(0.7)	9.5	127.9	81.7	218.4
Exchange and other movements	(1.2)	0.5	–	–	0.6	(0.1)
Ordinary shares issued	11.5	–	–	–	–	11.5
Purchase and cancellation of preference shares	–	–	0.4	–	(0.8)	(0.4)
Surplus on property revaluation	–	0.2	–	–	–	0.2
Charge in respect of shares issued to the qualifying employee share trust	–	–	–	–	(9.9)	(9.9)
Retained profit for the year	–	–	–	–	(16.3)	(16.3)
As at 31 December 1999	10.3	–	9.9	127.9	55.3	203.4

Cumulative goodwill (at historic exchange rates) written off to reserves amounts to £204.3 million (1998 – £220.1 million). Of these amounts, £40.5 million related to joint ventures, associates and unincorporated businesses (1998 – £40.5 million).

22 Reconciliation of total operating profit to net cash flow from operating activities

	1999 £ million	1998 £ million
Group operating profit	58.2	56.9
Depreciation of fixed assets	20.1	15.9
Increase in stocks	(15.8)	(8.8)
Decrease/(increase) in debtors	49.3	(125.2)
(Decrease)/increase in creditors	(98.5)	129.7
Exchange and other movements	(3.7)	–
Net cash flow from operating activities	9.6	68.5

23 Reconciliation of net cash flow to movement in net cash

	1999 £ million	1998 £ million
Movement in cash	0.8	9.6
Cash flow from movement in debt	(0.5)	0.6
Cash flow from movement in liquid resources	1.2	(5.6)
Change in cash resulting from cash flows	1.5	4.6
Exchange and other movements	6.5	(1.7)
Movement in net cash in the year	8.0	2.9
Net cash as at 1 January	97.2	94.3
Net cash as at 31 December	105.2	97.2

24 Analysis of net cash

	As at 1 January 1999 £ million	Cash flow £ million	Other non-cash movements £ million	Exchange and other movements £ million	As at 31 December 1999 £ million
Cash at bank and in hand	128.6	(5.2)	–	0.9	124.3
Overdrafts	(15.0)	6.0	–	1.2	(7.8)
		0.8			
Debt due within one year	(32.0)	1.2	0.9	0.2	(29.7)
Debt due after one year	(48.3)	(1.7)	(0.9)	4.1	(46.8)
		(0.5)			
Liquid financial instruments	63.9	1.2	–	0.1	65.2
	97.2	1.5	–	6.5	105.2

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

25 Acquisitions and disposals

The acquisition of joint ventures, associates and other investments principally relates to investments in various joint ventures and shares in the company acquired for the purposes of the long-term incentive plan.

The group disposed of Fairclough Homes Group Limited during the year. The net assets disposed of and the related sales proceeds were as follows:

	£ million
Tangible fixed assets	2.5
Stocks	155.7
Debtors	11.1
Cash	2.1
Creditors	(49.7)
Net assets	121.7
Attributable goodwill	15.8
Loss on disposal	(1.7)
	135.8
Satisfied by:	
Loan notes	137.1
Deferred consideration	1.5
	138.6
Costs of disposal	(2.8)
	135.8

Loan notes with a value of £41.0 million were encashed prior to the year end.

In 1998, the cash flow in respect of the purchase of subsidiaries related to contingent consideration paid in respect of a prior year acquisition and the cashflow in respect of the disposal of joint ventures and associates related to deferred consideration in respect of a prior year disposal.

Goodwill of £0.3 million arose in 1998 as a result of additional contingent consideration becoming payable on an acquisition.

26 Capital commitments

	Group 1999 £ million	Group 1998 £ million	Company 1999 £ million	Company 1998 £ million
Contracted but not provided in accounts	1.3	4.1	–	–

27 Lease commitments

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

	Land and buildings 1999 £ million	Land and buildings 1998 £ million	**Plant and equipment 1999 £ million**	Plant and equipment 1998 £ million
Group:				
Expiring:				
In one year or less	**0.8**	2.2	**4.4**	4.1
Between two and five years	**5.5**	5.3	**6.6**	6.1
Over five years	**4.5**	4.8	**–**	–
	10.8	12.3	**11.0**	10.2
Company:				
Expiring:				
Between two and five years	**0.8**	1.7	**–**	–
Over five years	**0.1**	0.1	**–**	–
	0.9	1.8	**–**	–

28 Contingent liabilities

	Group 1999 £ million	Group 1998 £ million	**Company 1999 £ million**	Company 1998 £ million
Guarantees given in respect of borrowings of group companies	**0.7**	1.1	**45.8**	91.2

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

29 Pension arrangements

The group operates a number of pension schemes for United Kingdom and overseas employees. All United Kingdom members are in defined benefit schemes. Contributions paid by employees and employers are in accordance with a qualified actuary's advice and are held in funds that are separate from the group's finances and which are administered by trustees. The total pension cost for the group was £9.4 million (1998 – £12.4 million) and reflects the results of the revaluation of both the major schemes during the year. A prepayment of pension costs of £30.4 million (1998 – £23.1 million) is included in note 14 – Debtors: amounts falling due after one year – on page 49. The projected unit method has been used to assess liabilities and future funding rates for the two major schemes which cover approximately 90 per cent of United Kingdom members. The latest actuarial valuations of these schemes were undertaken as at 31 December 1998 and 1 April 1999. These showed that the market value of the assets was £922 million with the actuarial value of assets being sufficient to cover 114 per cent of the accrued benefits. The principal assumptions were based upon future investment returns of 6.7 to 6.75 per cent, future pensionable salary increases of 3.6 to 4.5 per cent, future pension increases of 2.6 to 3.0 per cent and valuation rates of interest of 3.0 to 4.5 per cent.

30 Related party transactions

During the year, the value of services rendered, goods sold and sales of fixed assets to joint ventures, associates and joint arrangements amounted to £22.9 million, £0.7 million and £2.8 million respectively (1998 – £24.8 million, £1.5 million and £146.5 million respectively).

At 31 December 1999, the amounts owed by joint ventures, associates and joint arrangements for services rendered and goods sold amounted to £1.2 million and £0.1 million respectively (1998 – £4.5 million and £0.7 million respectively).

The following statement should be read in conjunction with the report of the auditor set out on page 57.

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

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

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

We have audited the accounts on pages 37 to 55.

Respective responsibilities of directors and auditor
The directors are responsible for preparing the Annual Report. As described on page 56 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as an independent auditor, are established in the United Kingdom by Statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

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

We review whether the statement on page 32 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

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

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

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

Opinion
In our opinion, the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered accountants
Registered auditor
Manchester
9 March 2000

KPMG Audit Plc

	1999 £ million	1998 £ million	1997 £ million	1996 £ million	1995 £ million
Summarised consolidated results					
Continuing operations	**3,062.5**	3,191.9	3,186.5	2,736.3	2,517.9
Discontinued operations	**38.3**	200.9	184.4	175.4	127.6
Total turnover	**3,100.8**	3,392.8	3,370.9	2,911.7	2,645.5
Continuing operations	**79.3**	56.1	31.4	30.5	23.0
Discontinued operations	**2.9**	15.3	16.1	7.2	1.7
Profit on ordinary activities before exceptional items and taxation	**82.2**	71.4	47.5	37.7	24.7
Exceptional items	**(2.2)**	(2.2)	20.9	(10.5)	(8.8)
Profit on ordinary activities before taxation	**80.0**	69.2	68.4	27.2	15.9
Taxation on profit on ordinary activities	**(23.0)**	(21.9)	(23.7)	(6.0)	(2.0)
Profit for the financial year	**57.0**	47.3	44.7	21.2	13.9
Dividends on equity and non-equity shares	**(26.3)**	(23.5)	(21.3)	(19.7)	(17.7)
Retained profit (loss) for the year	**30.7**	23.8	23.4	1.5	(3.8)
Basic earnings per ordinary share	**22.3p**	17.8p	16.5p	4.7p	1.1p
Dividends per ordinary share	**7.50p**	6.25p	5.0p	4.0p	3.0p
Summarised consolidated balance sheets					
Assets employed:					
Fixed assets	**144.5**	130.5	115.7	137.7	151.1
Net current assets	**243.8**	235.6	189.8	172.6	228.3
	388.3	366.1	305.5	310.3	379.4
Financed by:					
Share capital	**183.9**	181.0	184.6	188.3	188.2
Reserves	**74.9**	21.2	2.7	22.4	23.6
Shareholders' funds	**258.8**	202.2	187.3	210.7	211.8
Loans	**46.9**	48.3	69.1	49.3	112.0
Other creditors and provisions	**82.6**	115.6	49.1	50.3	55.6
	388.3	366.1	305.5	310.3	379.4

The figures are stated in accordance with the accounting policies set out on page 42.

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

Subsidiaries
AMEC Australia Pty Limited (Australia) (note 1)
AMEC BKW Limited
*AMEC Capital Projects Limited
AMEC Civil Engineering Limited
AMEC Construction Limited
AMEC Developments Limited
AMEC Electrical and Mechanical Engineers Limited (Hong Kong) (note 2)
AMEC Facilities Limited
*AMEC Finance Limited
AMEC Group Singapore Pte Limited (Singapore)
*AMEC Infrastructure Services Limited
AMEC Ingenieurbau GmbH (Germany)
AMEC International Construction Limited (operating outside the United Kingdom)
*AMEC Investments Limited
*AMEC Manufacturing and Services Limited
AMEC Mechanical and Electrical Services Limited
*AMEC Mining Limited
AMEC Offshore Services Limited
AMEC Plant & Transport Limited
AMEC Power Limited
AMEC Process and Energy A/S (Norway)
AMEC Project Investments Limited
*AMEC Property and Overseas Investments Limited
AMEC Rail Limited
AMEC S.A. (France)
*AMEC Services Limited
AMEC Utilities Limited
Atlantic Services Limited (Bermuda)
CV Buchan Limited
Denco Limited
James Scott Limited
Matthew Hall Limited
Morse Diesel International Inc. (USA)
Morse Diesel Civil LLC (USA) (80%) (note 3)
Watson Steel Limited

Joint ventures and associates
*AMEC SPIE Rail Systems Limited (50%) (note 4)
Gulliver Consolidated Limited (Zimbabwe) (34.8%) (note 5)
*Health Management (Carlisle) plc (50%) (note 6)
KIG Immobilien Beteiligungsgesellschaft mbH (Germany) (50%) (note 7)
Newcastle Estate Partnership Holdings Limited (50%) (note 8)
*Northern Integrated Services Limited (50% – B Shares) (note 9)
*Ringway Developments plc (21% – B shares) (note 10)
*Road Management Group Limited (25%) (note 11)
SPIE S.A. (France) (41.6%) (note 12)

Notes:
1 The issued share capital of AMEC Australia Pty Limited is 62,930,001 ordinary shares of A$1 each and 2,500 non-cumulative redeemable preference shares of A$1 each.
2 The issued share capital of AMEC Electrical and Mechanical Engineers Limited is 41,000,000 ordinary shares of HK$1 each, 1,035,000 cumulative redeemable preference shares of US$1 each and 150,000 B preference shares of HK$10 each.
3 The issued share capital of Morse Diesel Civil LLC is 1,000 common shares of US$1 each.
4 The issued share capital of AMEC SPIE Rail Systems Limited is 2,000,000 ordinary shares of £1 each.
5 The issued share capital of Gulliver Consolidated Limited is 9,694,253 shares of 50 Zimbabwean cents each.
6 The issued share capital of Health Management (Carlisle) plc is 50,000 ordinary shares of £1 each.
7 KIG Immobilien Beteiligungsgesellschaft mbH is a limited liability partnership.
8 The issued share capital of Newcastle Estate Partnership Holdings Limited is 1,000,000 ordinary shares of £1 each.
9 The issued share capital of Northern Integrated Services Limited is 12,500 A ordinary shares of £1 each and 12,500 B ordinary shares of £1 each.
10 The issued share capital of Ringway Developments plc is 4,226,971 A shares of £1 each and 4,399,673 B shares of £1 each.
11 The issued share capital of Road Management Group Limited is 25,335,004 ordinary shares of £1 each.
12 The issued share capital of SPIE S.A. is 9,127,501 ordinary shares of FF100 each.
13 The company has representation on the board of each principal group company.

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

Stockbroking commission will be payable at the following rate:

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

Minimum commission £9.50.

Further information may be obtained from:

NatWest Stockbrokers Limited
Corporate and Employee Services
AMEC information
55 Mansell Street
FREEPOST
London E1 8BR
Telephone: 020 7895 5448

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

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

Financial calendar

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

Interim report for the half year ended 30 June	September
Preliminary announcement for the year ended 31 December	March
Annual report and accounts for the year ended 31 December	April

Copies of the interim reports and preliminary announcements notified to the London Stock Exchange are available on the Internet at www.amec.co.uk. They, and copies of the annual report and accounts, are also available upon written request from:
AMEC p.l.c., Group Communications Department, 1 Golden Lane, London EC1Y 0RR. A mailing list is maintained for those who wish to register for copies of future preliminary announcements to be sent to them.

Annual general meeting	May
Payment of dividends Interim ordinary dividend	January
Final ordinary dividend	July
Convertible preference dividends	1 May and 1 November

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

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

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

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 020 8639 2000

Registered office
AMEC p.l.c.
Sandiway House
Hartford
Northwich
Cheshire CW8 2YA

Registered in England No 1675285

Notice is hereby given that the 2000 annual general meeting of AMEC p.l.c. will be held at the Greater Manchester Exhibition and Event (G-MEX) Seminar Centre, Manchester M2 3GX on Thursday 11 May 2000 at 12 noon, for the following purposes:

1 To receive the accounts and the reports of the directors and the auditor for the year ended 31 December 1999 and to declare a final dividend of 5.0p per Ordinary share (Resolution 1).

2 To re-elect directors:

Ms E P Airey, Mr J A Dallas and Mr P S Janson who retire in accordance with article 90 of the articles of association of the company (Resolutions 2, 3, and 4).

Mr J M Green-Armytage and Mr J A Monville who retire in accordance with article 84 of the articles of association of the company (Resolutions 5 and 6).

3 To consider and, if thought fit, to pass the following resolution:

That KPMG Audit Plc be and is hereby re-appointed auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company at a remuneration to be determined by the directors (Resolution 7).

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

(i) As a special resolution (Resolution 8):

That the company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of that Act) of preference shares in the capital of the company provided that:

(a) the maximum number of preference shares which may be purchased is 13,843,189;

(b) the minimum price which may be paid for a preference share (exclusive of expenses) is 50p;

(c) the maximum price which may be paid for a preference share is an amount (exclusive of expenses) not exceeding 105 per cent of the average of the middle market quotations of the preference shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such preference share is contracted to be purchased; and

(d) this authority shall expire at the conclusion of the annual general meeting of the company held in 2001 or, if earlier, on 11 August 2001 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed, wholly or partly, after such expiry) unless such authority is renewed prior to such time.

(ii) As a special resolution (Resolution 9):

That the company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of that Act) of ordinary shares in the capital of the company provided that:

(a) the maximum number of ordinary shares which may be purchased is 21,569,448;

(b) the minimum price which may be paid for an ordinary share (exclusive of expenses) is 50p;

(c) the maximum price which may be paid for an ordinary share is an amount (exclusive of expenses) not exceeding 105 per cent of the average of the middle market quotations of the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such ordinary share is contracted to be purchased; and

(d) this authority shall expire at the conclusion of the annual general meeting of the company held in 2001 or, if earlier, 11 August 2001 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed, wholly or partly, after such expiry) unless such authority is renewed prior to such time.

By order of the board

M J Bardsley
Secretary
10 April 2000

Notes:

1 Resolution 4, relating to Mr P S Janson, will only be put to the meeting in the event that Mr Janson has been appointed as a director of the company as a consequence of the merger with AGRA having been completed.

2 Resolution 8, which is a special resolution, renews the authority given to the directors at last year's annual general meeting and enables the company to purchase up to 10 per cent of the preference shares of the company in issue as at 24 March 2000.

3 Resolution 9, which is a special resolution, renews the authority given to the directors at last year's annual general meeting and enables the company to purchase up to 10 per cent of the ordinary shares of the company in issue as at 24 March 2000.

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