

Amey Construction Limited

Report and Financial Statements

Year ended

31 December 2006



Company no 2379472



BDO Stoy Hayward
Chartered Accountants

Amey Construction Limited

Annual report and financial statements for the year ended 31 December 2006

Contents

Directors

Page:

1	Report of the Directors
4	Report of the independent auditors
6	Profit and loss account
7	Balance sheet
8	Notes forming part of the financial statements

Directors

R G Bradbury
M Ewell
A L Nelson

Secretary and registered office

Sherard Secretariat Services Limited, The Sherard Building, Edmund Halley Road, Oxford,
OX4 4DQ

Company number

2379472

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Amey Construction Limited

Report of the Directors for the year ended 31 December 2006

The Directors present their report together with the audited financial statements for the year ended 31 December 2006

Principal activities

The Company is principally engaged in the activity of civil engineering and building works and highways maintenance. There have been no changes in the Company's activities in the year under review.

Business review and future developments

The profit and loss account is set out on page 6 and shows turnover for the year of £6,588,000 (2005 – £14,438,000) and profit of £2,173,000 (2005 – £2,104,000).

The two main contributors to turnover in 2006 were the highways maintenance contracts on the A19 and M6/M74.

The Metronet contract also contributed to a substantial share of turnover in 2005 and came to a natural close in 2006, with Metronet taking the work back in house. The final accounts and settlements were agreed in 2006.

The Directors believe turnover will fall in 2007 as the A19 contract finishes at the end of March 2007.

The Directors do not recommend payment of a dividend (2005 – £Nil).

There have been no events since the balance sheet date which materially affect the position of the Company.

Principle risks and uncertainties

The Company's risks and key performance indicators are only reported and managed on a Divisional basis. To gain a further understanding of this business, details of the Divisional reviews are disclosed on pages 2 to 6 in the financial statements of the intermediate parent company, Amey UK plc.

Directors

The Directors of the Company during the year were

R G Bradbury

M Ewell

A L Nelson (appointed 22 September 2006)

J Leo (resigned 22 September 2006)

No Director had any interest in the share capital of the Company.

Payment policy and practice

The Company recognises the importance of good relationships with its suppliers and subcontractors. Although the Company does not follow a particular code or standard on payment practice, its payment policy is to

- Agree payment terms in advance of any commitment being entered into
- Ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order or contract
- Make payments in accordance with the terms, wherever possible, providing that the documentation presented is complete and accurate

Trade creditors at the year-end amounted to 26 days (2005 – 10 days) of average supplies for the year.

Auditors

The Company has filed an elective resolution not to hold an annual general meeting and has therefore dispensed with the requirement to reappoint auditors annually

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those financial statements, 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 financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors confirm that these accounts comply with the above requirements

Directors' responsibilities for the financial statements *(continued)*

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 financial statements comply with the Companies Act 1985. The Directors also have a general responsibility in law for taking such steps that are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The Directors are responsible for ensuring that the Report of the Directors is prepared in accordance with company law in the United Kingdom.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'A L Nelson', with a horizontal line underneath.

A L Nelson
Director

29 March 2007

Amey Construction Limited

Report of the independent auditors

To the shareholders of Amey Construction Limited

We have audited the financial statements of Amey Construction Limited for the year ended 31 December 2006 which comprise the Company profit and loss account, the Company balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 financial statements 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 financial statements.

Amey Construction Limited

Report of the independent auditors (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

19 April 2007

Amey Construction Limited**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £'000	2005 £'000
Turnover	2	6,588	14,438
Cost of sales		(4,490)	(12,358)
Gross profit		2,098	2,080
Administrative expenses		(8)	(55)
Operating profit	5	2,090	2,025
Net interest receivable	6	83	79
Profit on ordinary activities before and after taxation		2,173	2,104

All transactions related to continuing operations

There were no recognised gains or losses other than the profit for the financial year

The notes on pages 8 to 13 form part of these financial statements

Amey Construction Limited**Balance sheet at 31 December 2006**

	Note	2006 £'000	2005 £'000
Current assets			
Debtors	8	14,357	19,535
Creditors: amounts falling due within one year	9	(11,484)	(21,835)
Net current liabilities		2,873	(2,300)
Capital and reserves			
Called up share capital	10	60,452	57,452
Profit and loss account	11	(57,579)	(59,752)
Shareholders' funds (deficit)	12	2,873	(2,300)

The financial statements on pages 6 to 13 were approved and authorised for issue by the Board of Directors on 29 March 2007 and signed on its behalf by



A L Nelson
Director

The notes on pages 8 to 13 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom Accounting Standards

The following principal accounting policies have been applied consistently

Turnover

Turnover represents the value of work done during the year calculated by reference to the value of contracts closed and the movement in work in progress during the year, excluding VAT

Amounts recoverable on contracts

Amounts recoverable on contracts represent the excess of work done including attributable profit over cumulative payments on account received. Payments on account in excess of work done are included within creditors.

Deferred taxation

Deferred tax is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Pension costs

Defined contribution scheme

The pension costs charged against profit represent the amount of the contributions payable to the scheme in respect of the accounting period. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Defined benefit scheme

The Company participates in a defined benefit scheme but is unable to identify its share of the underlying assets and liabilities. It has therefore taken advantage of the provision in FRS 17 (Retirement benefits), which allows the Company to account for it as a defined contribution scheme. As a result the pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period. Any deficits or surpluses in the schemes in which the Company participates, are disclosed in note 13 to the financial statements. The Company may be required to make contributions to, or receive the benefit of, any deficits or surpluses that may arise in these schemes over time.

1 Accounting policies (continued)

Pre-contract and certain other costs arising on contracts

The Company expenses all pre-contract costs and other costs where recovery is not specifically provided for in accordance with the contract terms. The Company recognises on the balance sheet bid costs where it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows with a present value greater than the amount recognised as an asset. Costs are not subsequently reinstated when a contract award is achieved.

2 Turnover

The turnover and loss on ordinary activities before taxation are attributable to the continuing operations and principal activity of civil engineering and surfacing. All turnover arises solely in the UK.

3 Employees

	2006	2005
	£'000	£'000
Staff costs consist of		
Wages and salaries	1,354	2,148
Social security costs	133	178
Other pension costs	28	82
	<hr/> 1,515 <hr/>	<hr/> 2,408 <hr/>

The Company had no direct employees in either of the above years. The above represents employees of Amey Services Limited, whose costs were recharged to the Company in direct support of its trade.

	2006	2005
	Number	Number
The average number of employees during the year was as follows		
Contract based employees	41	65
	<hr/> 41 <hr/>	<hr/> 65 <hr/>

4 Directors

Details of the remuneration of Directors who are also directors of the intermediate parent undertaking Amey UK plc, and of Amey Ventures Ltd or Amey Programme Management Limited are disclosed in those companies' financial statements.

No Directors were remunerated through the Company in 2006 or 2005.

5 Operating profit

The auditors' remuneration is borne by the Company's intermediate parent undertaking, Amey plc

6 Net interest receivable

	2006	2005
	£'000	£'000
Other interest receivable and similar income	<u>83</u>	<u>79</u>

7 Taxation on profit from ordinary activities

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	<u>2,173</u>	<u>2,104</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 – 30%)	652	631
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	3
Movement in other timing differences	(16)	67
Group relief	(25)	(24)
Brought forward losses utilised	(611)	(677)
	<u>-</u>	<u>-</u>
Current tax charge for year	<u>-</u>	<u>-</u>

The estimated value of the potential deferred tax asset not recognised of £1,957,000 (2005 – £2,545,000) was in respect of unutilised tax losses of £6,524,000 (2005 – £8,483,000), measured at the standard tax rate of 30%

Amey Construction Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (continued)****8 Debtors**

	2006	2005
	£'000	£'000
Amounts due within one year		
Trade debtors	57	6
Amounts owed by group undertakings	14,247	12,669
Amounts recoverable under contracts	44	1,690
Other debtors	4,232	5,170
Provision against other debtors	(4,230)	-
Prepayments and accrued income	7	-
	<u>14,357</u>	<u>19,535</u>

9 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Bank overdraft	7,694	7,871
Trade creditors	117	283
Amounts due to group undertakings	2,030	5,711
Other creditors & VAT	11	2
Accruals and deferred income	1,632	7,968
	<u>11,484</u>	<u>21,835</u>

10 Share capital

	2006	2005
	£'000	£'000
<i>Authorised</i>		
60,452,100 Ordinary shares of £1 each (2005 57,452,100)	60,452	57,452
<i>Allotted, called up and fully paid</i>		
60,452,002 Ordinary shares of £1 each (2005 57,452,002)	60,452	57,452

On 31 March 2006, the Ordinary share capital of the Company was increased to £60,452,100 by the creation and allotment of an additional 3,000,000 Ordinary shares of £1 each, all of which are identical and rank pari passu with the existing £1 Ordinary shares of the Company

11 Profit and loss account

	£'000
At 1 January 2006	(59,752)
Profit for the financial year	2,173
At 31 December 2006	<u>(57,579)</u>

12 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	2,173	2,104
Shares issued	3,000	-
Increase in shareholder funds	<u>5,173</u>	<u>2,104</u>
Shareholders' deficit at 1 January 2006	(2,300)	(4,404)
Shareholders' funds (deficit) at 31 December 2006	<u>2,873</u>	<u>(2,300)</u>

13 Pensions

Defined Benefit Scheme

The Company operates defined benefit pension schemes for the benefit of the employees. The assets of these schemes are administered by trustees in funds independent from the assets of the Company. The Company also provides post-retirement benefits other than pensions to the employees.

The Company pays contributions to defined benefit pension schemes where more than one employer participates and is therefore unable to identify its share of the underlying assets and liabilities of those schemes. Taking advantage of the provision in FRS 17 (Retirement benefits), which allows the Company to account for it as a defined contribution scheme, the pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period.

The net deficit in the schemes in which the Amey Group participates amounted to £108,679,000 at the balance sheet date (2005 – £109,316,000). The Company may be required to make proportionate contributions to, or receive the proportionate benefit of, any deficits or surpluses that may arise in these schemes over time. Full details of Amey Group pension schemes are disclosed in the financial statements of Amey UK plc.

14 Financial and capital commitments

The Company had no financial or capital commitments at 31 December 2006 or 31 December 2005.

15 Contingent liabilities

The Company has guaranteed performance bonds in the normal course of business

Losses for which no provision has been made in these financial statements which might arise from litigation in the normal course of business are not expected to be material in the context of these financial statements

Claims have been made against construction joint ventures of which Amey Construction Limited is a member. The claims are being defended vigorously

16 Related party transactions

The Company has taken advantage of the exemption conferred by FRS 8 (Related party disclosures) not to disclose transactions with members of the group headed by Grupo Ferrovial, S A on the grounds that at least 90% of the voting rights in the Company are controlled within that group and the Company is included in those consolidated financial statements

17 Cashflow statement

The Company has taken advantage of the exemption conferred by FRS 1 (Cashflow Statements) not to prepare a group cashflow statement on the basis that the Company's results are included in the consolidated financial statements of Grupo Ferrovial, S A, the Company's ultimate parent company, whose financial statements are publicly available

18 Ultimate parent undertaking

The ultimate parent company and controlling party is Grupo Ferrovial, S A, a company incorporated in Spain

Copies of the group financial statements of Grupo Ferrovial, S A, which is the parent of the largest group of which the Company is a member, can be obtained from

Grupo Ferrovial, S A
Principe de Vergara, 135
28002 Madrid
Spain

Copies of the group financial statements of Amey UK plc, the ultimate holding company in the UK and the parent of the smallest group for which group financial statements are prepared and of which the Company is a member, can be obtained from

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The Sherard Building
Edmund Halley Road
Oxford
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