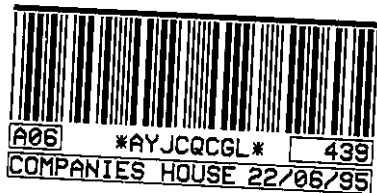


COMPANY NUMBER: 2379472

AMEY CONSTRUCTION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1994



GRANT THORNTON
CHARTERED ACCOUNTANTS
1 WESTMINSTER WAY
OXFORD

AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1994.

Principal activity

The principal activity of the company during the year was that of civil engineering and surfacing.

Results and dividends

There was a profit for the year after taxation amounting to £2,225,808 (1993 £2,249,434). The directors recommend a final ordinary dividend amounting to £1,250,000 (1993 £5,000,000) and £975,808 has been transferred to reserves.

Review of the business

The company again had a successful year on both existing and new contracts which continue to be carried out across the private and public sectors, in the maintenance and new building of Roads, Water, Civil Aviation, Defence, Energy and Specialist markets.

Road construction continued to be the principal market in which the company operates where it advanced to fourth from sixth position in the league table of national road builders in the year and an increasing amount of turnover is now generated from repairs and widening of existing roads.

Major road contracts worked on during the year included the A46 Batheaston/Swainswick Bypass, the M4 Brynglass Tunnels and A4042 Malpas Road Relief Scheme at Newport. A start was made on the £12m resurfacing of the M25 Junctions 7-8 and the M40 reconstruction between Junctions 5-6 was successfully completed.

Other notable road contracts awarded in 1994 included the A40 Witney Bypass reconstruction, the £8m reconstruction of the A3 between Abbotswood and Hogs Back in Surrey and the A27 Patching junction improvement.

The management and maintenance of trunk roads, which includes some 700 kilometres and 800 structures on behalf of West Yorkshire, West London and Berkshire has proved successful. This resulted in a record level of contracts being bid and success will help compensate for the likely reduction of opportunities in new road building from changed Government policy.

AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS

Review of the business (continued)

There have been several successes resulting from the strategy of combining with partners for larger contracts being the £40m Joint Venture for the Bedford Bypass awarded in 1994, followed by the £29m Al Tranent-Haddington design and build contract. Further opportunities will be made available to the company through the Amey plc Joint Venture membership of Autolink Concessionaires Limited formed in response to the Government's private finance initiative for concessions to finance, build and operate roads.

The company continued to operate successfully in the Industrial Power and Water markets, including notable completion of a £14m contract in the year for British Gas, Morecombe. Several energy and water contracts have been awarded including contracts for National Power and Water Authorities.

The award of a £75m project to install 4,000 kilometres of ducting for cable television marked the company's diversification into a new market.

The European operation centred in Gibraltar continued to perform well and is currently executing general building and civil engineering works.

Sport-Tec our synthetic sports surfaces specialist had a very successful year confirming its position as a major player in an expanding market.

Amey Construction Limited continues to hold its position in the market with some 70% of the 1995 budgeted turnover having been secured.

AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors

The directors of the company in office are listed below. All served as directors throughout the year except as noted.

N Ashley (Chairman)
 E A King
 D A Cawthorne
 M W Evelyn-Wood
 M L Kitchenham
 R C Clapperton
 W A Lucas
 J T Snook (resigned 23 March 1994)
 D A Holland (resigned 23 March 1994)
 R C Douglas (resigned 23 March 1994)
 F Coldwell (appointed 15 February 1995)

The interests of the directors, who are also directors of the parent company, are disclosed in the parent company's financial statements. The interests of other directors, who were in office at the year end, in the shares of the parent company were as follows :

Options

	At 1/1/94	Granted	Exercised	At 31/12/94	Exercise price	Date from which exercisable	Expiry date
M W Evelyn-Wood	-	10,960	-	10,960	£1.61	9/6/97	8/6/04
" "	-	446,420	-	446,420	£0.11	28/2/94	27/2/01
" "	-	8,036	-	8,036	£1.29	1/8/99	31/7/01
M L Kitchenham	-	9,380	-	9,380	£1.61	9/6/97	8/6/04
M L Kitchenham	-	8,035	-	8,035	£1.29	1/8/99	31/7/01
R C Clapperton	-	11,380	-	11,380	£1.61	9/6/97	8/6/04
R C Clapperton	-	13,392	-	13,392	£1.29	1/8/99	31/7/01

Shares

	At 31/12/94 5p Ordinary shares	At 1/1/94 5p Ordinary shares
M W Evelyn-Wood	417,820	468,000
M L Kitchenham	442,312	468,000
R C Clapperton	442,312	468,000

These interests have been restated to reflect the subdivision of shares and capitalisation issue prior to the flotation of the group. None of the directors had any other interests in the shares of group undertakings.

AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors' responsibilities for the financial year

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insurance effected for directors and officers

The company has maintained insurance for directors and officers of the company against liability for any wrongful act committed in relation to their capacity as a director or officer of the company as permitted under Section 310 of the Companies Act 1985.

Disabled persons

The company gives consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

Disabled employees are employed under normal terms and conditions. It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Employee involvement

During the year there has been a policy of providing employees with information about the company and employees have been encouraged to present their own suggestions and views.

AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD


Secretary

Sutton Courtenay
Abingdon
Oxon
OX14 4PP

20 March 1995

AUDITORS' REPORT TO THE MEMBERS OF

AMEY CONSTRUCTION LIMITED

We have audited the financial statements on pages 7 to 17 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
OXFORD

20 March 1995

AMEY CONSTRUCTION LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 1994

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

The principal accounting policies which remain unchanged from the previous year are set out below.

Accounting basis

No group accounts have been presented as the company is a wholly owned subsidiary undertaking of a company registered in England and Wales.

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.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Freehold buildings	50 years
Office equipment	3 - 10 years

Stock and work in progress

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

Contracting work in progress is stated at cost, which includes appropriate overheads but not interest, or at net realisable value, whichever is lower. Full provision is made for estimated losses to the completion of 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 taxation is the taxation attributable to timing differences between profits or losses computed for taxation purposes and results as stated in the financial statements.

Deferred tax is provided for to the extent that it is probable that a liability or asset will crystallise. Deferred tax not provided is disclosed as a contingent liability.

Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.

AMEY CONSTRUCTION LIMITED

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1994

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

Leased assets

Assets financed by hire purchase contract are initially recorded as a purchase of fixed assets with a hire purchase liability equal to the value of the assets. The interest element of hire purchase instalments is a constant rate calculated on the balance outstanding and is charged to profit and loss account over the period of the contract.

Finance leasing agreements which in essence transfer to the lessee the risks and rewards of ownership and the majority of the value on resale are accounted for as though the finance lease were a hire purchase contract.

All other leasing agreements are regarded as operating leases and the payments to lessors are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The pension costs charged against profits are based on an actuarial method. The actuarial assumptions are designed to spread the anticipated pension costs over the service lives of the employees in the scheme in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

AMEY CONSTRUCTION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	1994 £	1993 £
Turnover	1	139,057,910	142,201,430
Cost of sales		130,719,121	134,875,209
Gross profit		8,338,789	7,326,221
Administrative expenses		5,412,725	4,559,884
Operating profit		2,926,064	2,766,337
Net interest	2	(46,415)	18,718
Profit on ordinary activities before taxation	1	2,879,649	2,785,055
Taxation	4	653,841	535,621
Profit on ordinary activities after taxation		2,225,808	2,249,434
Dividends	5	1,250,000	5,000,000
Profit/(loss) retained	12	975,808	(2,750,566)

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

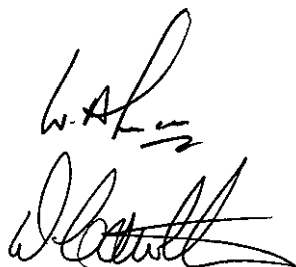
The accompanying accounting policies and notes form an integral part of these financial statements.

AMEY CONSTRUCTION LIMITED

BALANCE SHEET AT 31 DECEMBER 1994

	Note	£	1994 £	£	1993 £
Fixed assets					
Tangible assets	6		572,375		387,237
Current assets					
Stocks	8	1,689,530		1,628,038	
Debtors	9	45,350,930		43,804,370	
Cash at bank and in hand		6,040,213		4,222,444	
		53,080,673		49,654,852	
Creditors due within one year	10	51,014,827		48,379,676	
Net current assets			2,065,846		1,275,176
Total assets less current liabilities			<u>2,638,221</u>		<u>1,662,413</u>
Capital and reserves					
Called up share capital	11		2		2
Profit and loss account	12		2,638,219		1,662,411
Shareholders' funds	13		<u>2,638,221</u>		<u>1,662,413</u>

These financial statements were approved by the Board of Directors on 20 March 1995



)
)
) DIRECTORS
)

The accompanying accounting policies and notes form an integral part of these financial statements.

AMEY CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 1994

1 Turnover and profit on ordinary activities before taxation

An analysis of turnover by geographical market is given below.

	1994 £	1993 £
United Kingdom	136,806,382	138,478,107
Europe	2,251,528	3,723,323
	<u>139,057,910</u>	<u>142,201,430</u>

The profit on ordinary activities is stated after:

	1994 £	1993 £
Auditors' remuneration - audit services	36,000	35,000
- non audit services	-	2,000
Depreciation	209,799	216,464
Lease rentals - land and buildings	86,929	71,375
- plant and machinery	94,797	94,944
	<u>327,525</u>	<u>329,783</u>

2 Net interest

	1994 £	1993 £
Bank loans and overdrafts	(41,374)	-
Other interest payable	(5,041)	(30,136)
Finance charges in respect of finance leases	-	(1,709)
Other interest receivable	-	50,563
	<u>(46,415)</u>	<u>18,718</u>

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1994

3 Directors and employees

	1994 £	1993 £
Staff costs during the year were as follows:		
Wages and salaries	14,997,595	16,754,659
Social security costs	1,140,796	1,289,681
Other pension costs	630,454	527,285
	<u>16,768,845</u>	<u>18,571,625</u>

The average number of employees during the year was as follows:

	1994 Number	1993 Number
Management and clerical	427	454
Operatives	296	274
	<u>723</u>	<u>728</u>

Remuneration in respect of the directors was as follows:

	1994 £	1993 £
Management remuneration	<u>277,854</u>	<u>318,375</u>

The emoluments of the directors, excluding pension contributions, were as follows:

	1994 £	1993 £
Chairman	Nil	Nil
Highest paid director	<u>89,795</u>	<u>96,924</u>

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

	Number	Number
£ 0 to £ 5,000	6	6
£50,001 to £55,000	-	1
£55,001 to £60,000	1	-
£60,001 to £65,000	1	-
£65,001 to £70,000	1	2
£85,001 to £90,000	1	-
£95,001 to £100,000	-	1
	<u>10</u>	<u>10</u>

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1994

4 Taxation

The tax charge is based on the profit for the year and comprises:

	1994 £	1993 £
United Kingdom taxation at 33% (1993 33%)	947,224	990,700
Group relief	(293,383)	(386,602)
Adjustment in respect of prior years	-	(68,477)
	<u>653,841</u>	<u>535,621</u>

5 Dividends

	1994 £	1993 £
Final dividend of £625,000 per ordinary share (1993 £2,500,000 per ordinary share)	<u>1,250,000</u>	<u>5,000,000</u>

6 Tangible fixed assets

	Total £	Freehold building £	Office equipment £
Cost			
At 1 January 1994	1,422,359	77,476	1,344,883
Additions	394,937	-	394,937
	<u>1,817,296</u>	<u>77,476</u>	<u>1,739,820</u>
At 31 December 1994			
Depreciation			
At 1 January 1994	1,035,122	7,151	1,027,971
Provided in the year	209,799	2,072	207,727
	<u>1,244,921</u>	<u>9,223</u>	<u>1,235,698</u>
At 31 December 1994			
Net book amount at 31 December 1994	<u>572,375</u>	<u>68,253</u>	<u>504,122</u>
Net book amount at 31 December 1993	<u>387,237</u>	<u>70,325</u>	<u>316,912</u>

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1994

7 Fixed asset investments

	£
Cost	1,200
Provision	(1,200)
	<u> </u>

At 1 January 1994 and 31 December 1994

-

At 31 December 1994 the company held 100% of the allotted ordinary share capital of the following company:

	Country of incorporation	Business
Compactors Engineering (Guernsey) Limited	Channel Islands	Administration

8 Stocks

	1994 £	1993 £
Raw materials and consumable stores	161,508	120,703
Work in progress	1,528,022	1,507,335
	<u> </u>	<u> </u>
	<u>1,689,530</u>	<u>1,628,038</u>

9 Debtors

	1994 £	1993 £
Amounts recoverable on contracts	41,679,919	31,795,712
Amounts owed by parent undertaking	1,602,973	9,878,293
Amounts owed by group undertakings	652,454	956,300
Other debtors	17,564	19,350
Prepayments and accrued income	1,398,020	1,154,715
	<u> </u>	<u> </u>
	<u>45,350,930</u>	<u>43,804,370</u>

Amounts recoverable on contracts include retentions of £2,299,907 which are due after more than one year.

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1994

10 Creditors due within one year

	1994 £	1993 £
Payments received on account	5,032,636	6,614,687
Trade creditors	14,092,664	7,506,165
Amounts owed to group undertakings	1,027,650	5,693,965
Current taxation	885,237	893,481
Social security and other taxes	2,183,305	3,162,221
Other creditors	911,099	1,064,028
Accruals and deferred income	26,882,236	23,445,129
	<u>51,014,827</u>	<u>48,379,676</u>

11 Called up share capital

	1994 and 1993 £
Authorised Ordinary shares of £1 each	<u>100</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>2</u>

12 Profit and loss account

	£
At 1 January 1994	1,662,411
Retained profit	<u>975,808</u>
At 31 December 1994	<u>2,638,219</u>

13 Reconciliation of movements in shareholders' funds

	1994 £	1993 £
Profit for the financial year	2,225,808	2,249,434
Dividends	1,250,000	5,000,000
	<u>975,808</u>	<u>(2,750,566)</u>
Net increase/(decrease) in shareholders' funds	1,662,413	4,412,979
Shareholders' funds at 1 January 1994	<u>1,662,413</u>	<u>1,662,413</u>
Shareholders' funds at 31 December 1994	<u>2,638,221</u>	<u>1,662,413</u>

AMEY CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 1994

14 Leasing commitments

Operating lease payments amounting to £176,608 (1993 £174,615) are due within one year. The commitments to make the payments included in this sum expire as follows:

	1994		1993	
	Land and buildings £	Plant and machinery £	Land and buildings £	Plant and machinery £
In one year or less	-	9,408	-	11,053
Between one and five years	-	80,304	-	80,287
In more than five years	86,896	-	83,275	-
	<u>86,896</u>	<u>89,712</u>	<u>83,275</u>	<u>91,340</u>

15 Capital commitments

	1994 £	1993 £
Contracted	37,164	17,753
Authorised but not contracted	-	-
	<u>37,164</u>	<u>17,753</u>

16 Contingent liabilities

The company has guaranteed performance bonds entered into in the normal course of business. There were no other contingent liabilities at 31 December 1994 or 31 December 1993.

17 Pension commitments

The company is eligible to participate in a pension scheme operated by the group for the benefit of employees and directors. The assets of the scheme are administered by trustees in funds independent from those of the group.

Pension costs in respect of final salary benefits are assessed in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation was conducted as at 6 April 1993. The assumptions which have the most significant effect on the results of the valuation are a rate of interest of 9% per annum and a rate of general salary increase of 7% per annum.

The valuation showed that the market value of the scheme's assets at that date amounted to £11,732,000 and the actuarial value of the scheme's assets of £10,495,000 was sufficient to cover 109% of the benefits that had accrued to members.

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1994

18 Ultimate parent undertaking

The ultimate parent undertaking of this company is Amey Plc, a company registered in England and Wales. The group of undertakings for which group accounts have been drawn up is that headed by Amey Plc. Copies of the group accounts are available to the public from Amey Plc, Sutton Courtenay, Abingdon, Oxon OX14 4PP.