

**AMEY CONSTRUCTION  
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1998





# AMEY CONSTRUCTION LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 December 1998

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Company registration number: 2379472

Registered office: Sutton Courtenay  
Abingdon  
Oxfordshire  
OX14 4PP

Directors: B L Staples  
D J Miller  
W A Lucas  
G Barnett  
N C Butters  
R C Clapperton  
F M Coldwell  
M W Evelyn-Wood  
M F J McCarry  
M J Peat

Secretary: Mrs A E Mantz

Auditors: Grant Thornton  
Registered auditors  
Chartered accountants



# AMEY CONSTRUCTION LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 December 1998

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# **AMEY CONSTRUCTION LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors present their report together with financial statements for the year ended 31 December 1998.

### **Principal activities**

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

### **Business review**

The company has continued to perform well in a changing market place during the past 12 months. Satisfactory margins were generated across the divisions.

To take account of the changing market place the company has been restructured creating three new divisions namely, Amey Highways, Amey Civil Engineering and Amey Special Projects. This review of the business also identified two divisions namely, Sports-Tec and our Gibraltar activities which were considered to be none core, and these were sold during the year.

Amey Highways continues to be one of the leading UK highways management and maintenance contractor for motorways and trunk roads. The company is now involved in the management and maintenance of over 5700 km of carriageway and some 6700 associated structures on major roads and motorways throughout Great Britain. We have now been awarded seven super area contracts with a total value of £220 million. At the present time Amey Highways has a future workload of £254 million. 1998 also saw Amey Highways enter into the County Council market with the £16.4 million contract to maintain the roads of North Somerset.

Amey Civil Engineering focuses primarily on transport infrastructure, particularly in the road, airfield and utility sectors. The company gives turnkey design and build services to its clients, its specialist tunnelling arm is recognised as one of the prime tunnelling contractors in the United Kingdom, operating particularly in the water industry.

Amey Special Projects takes responsibility for the Group's existing PFI funded construction projects, A19 in Yorkshire and Durham, the A74(M)/M6 in Scotland and the £180 million Croydon Tramlink. It takes delivery responsibility for all major projects including those using cross group skills. Target markets include complex high profile rail road, building and PFI projects requiring a seamless integration of the full range of Amey skills.

The company goes into 1999 with secured turnover of £403 million, standing it in good stead for the future.

There was a profit for the year after taxation amounting to £4,409,040 (1997: profit £3,875,949). The directors recommend dividends absorbing £3,400,000 (1997: £3,207,000) and £1,009,040 (1997: £668,949) has been transferred to reserves.



# AMEY CONSTRUCTION LIMITED

## REPORT OF THE DIRECTORS

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### Directors

The present membership of the Board is set out below. All directors served throughout the year except as noted.

B L Staples  
D J Miller  
W A Lucas  
G Barnett  
N C Butters  
R C Clapperton  
F M Coldwell  
M W Evelyn-Wood  
M F J McCarry  
M J Peat

M F J McCarry, D J Miller and M J Peat were appointed 5 January 1998, 2 November 1998 and 4 December 1998 respectively. M L Kitchenham and N Ashley resigned from the Board on 30 June 1998 and 6 October 1998 respectively.

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

	Ordinary shares	
	31 December 1998	1 January 1998
G Barnett	-	-
N C Butters	2,500	2,500
R C Clapperton	-	46,102
F M Coldwell	4,270	-
M W Evelyn-Wood	36,420	46,420
M F J McCarry	-	-
M J Peat	-	-

The above directors hold options to purchase shares in the parent company. These are set out in note 12 to the financial statements. None of the directors had any other interests in the shares of group undertakings.



# AMEY CONSTRUCTION LIMITED

## REPORT OF THE DIRECTORS

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### Year 2000

The Group, headed by Amey plc, has established a Year 2000 Steering Committee chaired by the Group Finance Director. The Year 2000 Steering Committee has led a Group-wide review of contracts and assets and is carrying out a carefully planned programme for the Year 2000 compliance of its business critical systems. The Group wide Year 2000 programme involves a combination of modifying and testing systems so that they will function properly in 2000. Where possible the Group has taken advantage of the detailed systems examinations to standardise procedures and replace systems approaching the end of their useful lives. The Year 2000 issue does create risk from third parties with whom the Group deals on financial and business transactions. To address the risk, the Group has an evaluation process designed to monitor the Year 2000 status of key suppliers and customers. In addition contingency plans are being developed to minimise risk of business interruption. No issues have emerged to date which are of significant concern in relation to current and on-going business. The Group's insurers have been kept apprised on the process and have not, to date, imposed any Year 2000 exclusions or conditions. The Year 2000 review process is on-going and will continue during the course of 1999 to minimise the Group's exposure.

The cost directly associated with Year 2000 compliance is £175,000 in 1998. It is envisaged that directly attributable revenue expenditure will not exceed £295,000 in total through to 2000. This projection excludes investment in capital cost for new systems which are deemed necessary and which eliminate the need to test and modify existing systems.

### Employment policy

#### Disabled employees

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. Career development and promotion is provided wherever appropriate.

#### Employee involvement

It is company policy to communicate with and involve all employees, subject to commercial and practical limitations, in matters affecting their interests at work and to inform them of the performance of their company and the Group. Employees are provided with information about the company and are encouraged to present their own suggestions and views. This is complemented by the publication of Amey News, the Group newspaper which provides information on commercial, technical and social events across the Group and by an annual report which is issued to members of the Amey Pension Scheme.

### Directors' responsibilities for the financial statements

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 maintaining 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.



# AMEY CONSTRUCTION LIMITED

## REPORT OF THE DIRECTORS

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### Payment policy and practice

The company recognises the importance of good relationships with its suppliers and subcontractors, therefore its established payment policy is to:

- a) agree payment terms in advance of any commitment being entered into;
- b) ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order or contract;
- c) ensure that payments are made in accordance with the terms of the contract or order providing that the presented documentation is complete and accurate.

Trade creditors at the year end amount to 42 (1997: 34) days of average supplies for the year.

### Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



A E Mantz  
Secretary  
22 March 1999



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
AMEY CONSTRUCTION LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on pages 6 to 7.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the 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.

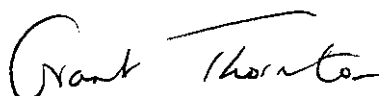
**Basis of opinion**

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 as at 31 December 1998 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  
22 March 1999



# **AMEY CONSTRUCTION LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

The company is exempt from preparing consolidated financial statements under section 228 of the Companies Act 1985 on the grounds that it is itself a wholly owned subsidiary of a company registered in England and Wales.

The company has also taken advantage of the exemption from disclosure of transactions with related parties on the grounds that it is a wholly owned subsidiary and the consolidated financial statements of its parent company are publicly available. Details of the ultimate parent undertaking are set out in note 19.

### **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**

Depreciation is provided on all tangible 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	2%
Office equipment	10%-33%

### **STOCKS**

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

Contract 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 tax purposes and results as stated in the financial statements.

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

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

### **FOREIGN CURRENCIES**

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



## **AMEY CONSTRUCTION LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **PENSION COSTS**

##### **Defined benefit scheme**

The pension costs charged against profits are based on an actuarial method. The 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.

#### **LEASING AND HIRE PURCHASE COMMITMENTS**

Assets financed by hire purchase contracts 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 calculated at a constant rate on the balance outstanding and is charged to the 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 arrangements 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.



**AMEY CONSTRUCTION LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1998

	Note	1998 £	1997 £
<b>Turnover</b>	1	<b>173,151,910</b>	120,337,225
Cost of sales		<b>(162,118,054)</b>	(110,188,793)
Gross profit		<b>11,033,856</b>	10,148,432
Administrative expenses		<b>(5,651,913)</b>	(5,626,929)
<b>Operating profit</b>		<b>5,381,943</b>	4,521,503
Net interest	2	<b>1,394,097</b>	1,109,101
<b>Profit on ordinary activities before taxation</b>	1	<b>6,776,040</b>	5,630,604
Tax on profit on ordinary activities	4	<b>(2,367,000)</b>	(1,754,655)
<b>Profit for the financial year</b>	14	<b>4,409,040</b>	3,875,949
Dividends	5		
Equity		<b>(3,400,000)</b>	(3,207,000)
<b>Profit transferred to reserves</b>	13	<b>1,009,040</b>	668,949

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.

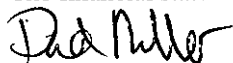


# AMEY CONSTRUCTION LIMITED

## BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £	1998 £	1997 £	1997 £
<b>Fixed assets</b>					
Tangible assets	6		643,034		675,825
<b>Current assets</b>					
Stocks	8	615,366		1,056,280	
Debtors	9	42,637,288		35,339,118	
Cash at bank and in hand		25,702,765		18,871,614	
		68,955,419		55,267,012	
<b>Creditors: amounts falling due within one year</b>	10	(64,425,845)		(51,779,269)	
<b>Net current assets</b>			4,529,574		3,487,743
<b>Total assets less current liabilities</b>			5,172,608		4,163,568
<b>Capital and reserves</b>					
Called up share capital	11		2		2
Profit and loss account	13		5,172,606		4,163,566
<b>Shareholders' funds</b>	14		5,172,608		4,163,568

The financial statements were approved by the Board of Directors on 22 March 1999.



David Miller

Director

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 1998

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities before taxation are attributable to the principal activity of civil engineering and surfacing.

An analysis of turnover by geographical market is given below:

	1998 £	1997 £
United Kingdom	172,055,732	117,826,809
Europe	1,096,178	2,510,416
	<u>173,151,910</u>	<u>120,337,225</u>

The profit on ordinary activities is stated after:

	1998 £	1997 £
Auditors' remuneration	47,500	37,500
Depreciation and amortisation: Tangible fixed assets, owned	311,484	318,068
Hire of plant and machinery	76,247	41,145
Other operating lease rentals	<u>49,022</u>	<u>76,770</u>

### 2 NET INTEREST

	1998 £	1997 £
Interest payable and similar charges	-	11,648
Interest receivable and similar income	<u>(1,394,097)</u>	<u>(1,120,749)</u>
	<u>(1,394,097)</u>	<u>(1,109,101)</u>

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1998 £	1997 £
Wages and salaries	19,045,428	13,994,323
Social security costs	1,489,275	1,089,233
Other pension costs	988,307	739,347
	<u>21,523,010</u>	<u>15,822,903</u>



# AMEY CONSTRUCTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

The average number of employees of the company during the year were as follows:

	1998 Number	1997 Number
Operatives	326	265
Management and administration	467	395
	<u>793</u>	<u>660</u>

Remuneration in respect of directors was as follows:

	1998 £	1997 £
Emoluments	658,921	529,184
Pension contributions to money purchase pension schemes	26,875	24,375
	<u>685,796</u>	<u>553,559</u>

During the year 6 directors (1997: 6) participated in defined benefit pension schemes and 1 director (1997:1) participated in money purchase pension schemes.

The above disclosure of directors' remuneration and pensions includes only those directors who were remunerated through this company. Details of the remuneration of directors who are also directors of the parent company, Amey plc, are disclosed in that company's financial statements.

During the year 2 directors not including the highest paid director (1997: 3 directors including the highest paid director) exercised share options (see note 12).

Details of share options exercised by directors who are also directors of the parent company, Amey plc, are disclosed in that company's financial statements.

The amounts set out above include remuneration in respect of the highest paid directors as follows:

	1998 £	1997 £
Emoluments	150,108	139,236
Pension contributions to money purchase pension schemes	26,875	24,375
	<u>176,983</u>	<u>163,611</u>

#### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1998 £	1997 £
UK Corporation tax at 31% (1997: 31.5%)	2,367,000	1,771,000
Adjustments in respect of prior periods:		
Corporation tax	-	(16,345)
	<u>2,367,000</u>	<u>1,754,655</u>



# AMEY CONSTRUCTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

### 5 DIVIDENDS

	1998 £	1997 £
Ordinary shares - interim dividend of £nil (1997: £578,500) per share	-	1,157,000
Ordinary shares - final dividend of £1,700,000 (1997: £1,025,000) per share	3,400,000	2,050,000
	<u>3,400,000</u>	<u>3,207,000</u>

### 6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 1998	213,217	2,574,934	2,788,151
Additions	-	301,189	301,189
Reclassifications	(1,063)	1,063	-
Disposals	-	(1,747,299)	(1,747,299)
At 31 December 1998	<u>212,154</u>	<u>1,129,887</u>	<u>1,342,041</u>
Depreciation			
At 1 January 1998	18,155	2,094,171	2,112,326
Provided in the year	12,603	298,881	311,484
Reclassifications	(206)	206	-
Eliminated on disposals	-	(1,724,803)	(1,724,803)
At 31 December 1998	<u>30,552</u>	<u>668,455</u>	<u>699,007</u>
Net book amount at 31 December 1998	<u>181,602</u>	<u>461,432</u>	<u>643,034</u>
Net book amount at 31 December 1997	<u>195,062</u>	<u>480,763</u>	<u>675,825</u>

### 7 FIXED ASSETS INVESTMENTS

	Country of registration	Class of share capital held	Proportion held
Compactors Engineering (Guernsey) Limited	Channel Islands	Ordinary	100%

The nature of the above company's business is that of administration and payroll services.



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

For the year ended 31 December 1998

**8 STOCKS**

	1998 £	1997 £
Raw materials and consumable stores	203,169	173,201
Work in progress	412,197	883,079
	<u>615,366</u>	<u>1,056,280</u>

**9 DEBTORS**

	1998 £	1997 £
Amounts owed by group undertakings	12,239,311	12,954,525
Amounts recoverable on contracts	27,849,824	20,107,911
Other debtors	698,562	20,261
Prepayments and accrued income	1,849,591	2,256,421
	<u>42,637,288</u>	<u>35,339,118</u>

Amounts recoverable on contracts include retentions of £2,237,830 (1997: £1,459,392) which are due after more than one year.

**10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £	1997 £
Payments received on account	6,878,046	10,637,438
Trade creditors	10,034,940	6,733,750
Amounts owed to group undertakings	4,554,610	3,161,994
Corporation tax	2,299,972	1,771,200
Social security and other taxes	3,720,285	3,451,262
Other creditors	27,023	1,397,082
Accruals and deferred income	36,910,969	24,626,543
	<u>64,425,845</u>	<u>51,779,269</u>



# AMEY CONSTRUCTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

### 11 SHARE CAPITAL

	1998 £	1997 £
Authorised Ordinary shares of £1 each	100	100
Allotted, called up and fully paid Ordinary shares of £1 each	2	2

### 12 SHARE OPTIONS

The interests of the directors who are not also directors of the parent company in options for shares in the parent company were as follows:

	At 1/1/98	Number of options exercised	At 31/12/98	Exercise price	Date from which exercisable	Expiry date
G Barnett	10,714	-	10,714	£1.29	01/08/99	31/07/01
N C Butters	5,357	-	5,357	£1.29	01/08/99	31/07/01
N C Butters	1,059	-	1,059	£2.80	01/01/02	31/12/04
R C Clapperton	13,392	-	13,392	£1.29	01/08/99	31/07/01
R C Clapperton	11,380	11,380	-	£1.61	09/06/97	08/06/04
F M Coldwell	4,270	4,270	-	£1.61	09/06/97	08/06/04
F M Coldwell	1,577	-	1,577	£2.80	01/01/02	31/12/04
F M Coldwell	5,357	-	5,357	£1.29	01/08/99	31/07/01
M W Evelyn-Wood	10,960	-	10,960	£1.61	09/06/97	08/06/04
M L Kitchenham	8,035	5,931	2,104	£1.29	31/06/98	31/12/98
M J Peat	295	-	295	£2.80	01/01/02	31/12/04

### 13 PROFIT AND LOSS ACCOUNT

	Profit and loss account £
At 1 January 1998	4,163,566
Retained profit for the year	1,009,040
At 31 December 1998	5,172,606



# AMEY CONSTRUCTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

### 14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	4,409,040	3,875,949
Dividends	(3,400,000)	(3,207,000)
Net increase in shareholders' funds	1,009,040	668,949
Shareholders' funds at 1 January 1998	4,163,568	3,494,619
Shareholders' funds at 31 December 1998	5,172,608	4,163,568

### 15 LEASING COMMITMENTS

Operating lease payments amounting to £173,135 (1997: £108,892) are due within one year. The leases to which these amounts relate expire as follows:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	15,000	291	-	11,540
Between one and five years	10,724	120,120	10,725	29,377
In five years or more	27,000	-	56,556	694
	52,724	120,411	67,281	41,611

### 16 CAPITAL COMMITMENTS

	1998 £	1997 £
Contracted for but not provided in these statements	-	23,240

### 17 CONTINGENT LIABILITIES

The company has guaranteed performance bonds entered into in the normal course of business.

The company has entered into a joint and several guarantee for £0.5 million (1997: £2.5 million), with certain of its fellow subsidiaries, to guarantee certain bank borrowings of a fellow subsidiary company.

There were no other contingent liabilities at 31 December 1998 or 31 December 1997.



# AMEY CONSTRUCTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

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### 18 PENSIONS

#### Defined Benefit Scheme

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 a fund 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 actuarial valuation was as at 6 April 1996. 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 £19,621,000 and the actuarial value of the scheme's assets of £16,558,000 was sufficient to cover 115% of the benefits that had accrued to members.

### 19 ULTIMATE PARENT UNDERTAKING

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