



**AMEY CONSTRUCTION
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1999

AMEY CONSTRUCTION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1999

Company registration number: 2379472

Registered office: Sutton Courtenay
Abingdon
Oxfordshire
OX14 4PP

Directors: B L Staples
D J Miller
G Barnett
N C Butters
F M Coldwell
M F J McCarry

Secretary: J R Tetlow

Auditors: Grant Thornton
Registered auditors
Chartered accountants

AMEY CONSTRUCTION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1999

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AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1999.

Principal activities

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

Business review

There was a loss for the year after taxation amounting to £5,286,000 (1998: profit £4,409,000). The directors recommend payment of dividends of £Nil (1998: £3,400,000) and a retained loss of £5,286,000 (1998: retained profit £1,009,000) has been transferred from reserves.

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
G Barnett
N C Butters
F M Coldwell
M F J McCarry

R C Clapperton and M J Peat resigned from the Board on 4 March 1999 and 30 June 1999 respectively. W A Lucas and M W Evelyn-Wood retired from the Board on 31 January 2000.

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 1999	1 January 1999
G Barnett	9,351	-
N C Butters	5,113	2,500
F M Coldwell	5,512	4,270
M F J McCarry	-	-
M W Evelyn-Wood	26,420	36,420

The above directors hold options to purchase shares in the parent company. These are set out in note 15 to the financial statements. None of the directors had any other interests in the shares of group undertakings.

Year 2000

The company review of its computer systems for the impact of the Year 2000 date change, prepared an action to address the issue and carried out all necessary measures. All systems have continued to operate properly over the Year 2000 date change and through any roll-over procedures that occurred at a later date.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. As all businesses are dependent on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the company's business to a greater or lesser extent.

AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS

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.

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 70 (1998: 42) days of average supplies for the year.

AMEY CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS

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 handwritten signature in black ink, appearing to read 'J R Tetlow'.

J R Tetlow
Secretary

31 May 2000

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

We have audited the financial statements on pages 5 to 17 which have been prepared under the accounting policies set out on pages 5 to 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

OXFORD
/ June 2000

AMEY CONSTRUCTION LIMITED

PRINCIPAL ACCOUNTING POLICIES

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 22.

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

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.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

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 1999

	Note	1999 £'000	1998 £'000
Turnover	1	94,238	173,152
Cost of sales		(85,940)	(162,118)
Gross profit		8,298	11,034
Administrative expenses		(13,723)	(5,652)
Operating loss		(5,425)	5,382
Net interest	2	409	1,394
Loss on ordinary activities before taxation	1	(5,016)	6,776
Tax on loss on ordinary activities	4	(270)	(2,367)
Loss for the financial year	17	(5,286)	4,409
Dividends	5	-	(3,400)
Equity			
Loss transferred from reserves	16	(5,286)	1,009

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

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

AMEY CONSTRUCTION LIMITED

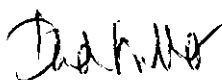
BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £'000	1999 £'000	1998 £'000	1998 £'000
Fixed assets					
Tangible assets	6		7,253		643
Current assets					
Stocks	8	331		615	
Debtors	9	48,111		42,637	
Cash at bank and in hand		6,084		25,703	
		<u>54,526</u>		<u>68,955</u>	
Creditors: amounts falling due within one year	10	<u>(60,716)</u>		<u>(64,425)</u>	
Net current liabilities			<u>(6,190)</u>		<u>4,530</u>
Total assets less current liabilities			<u>1,063</u>		<u>5,173</u>
Creditors: amounts falling due after more than one year	11		<u>(906)</u>		-
Provisions for liabilities and charges	12		<u>(270)</u>		-
			<u>(113)</u>		<u>5,173</u>
Capital and reserves					
Called up share capital			-		-
Profit and loss account	16		<u>(113)</u>		<u>5,173</u>
Shareholders' funds	17		<u>(113)</u>		<u>5,173</u>

The financial statements were approved by the Board of Directors on 31 May 2000.

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 1999

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and loss 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:

	1999 £'000	1998 £'000
United Kingdom	94,238	172,056
Europe	-	1,096
	<u>94,238</u>	<u>173,152</u>

The loss on ordinary activities is stated after:

	1999 £'000	1998 £'000
Auditors' remuneration	30	47
Depreciation and amortisation:		
Tangible fixed assets, owned	377	312
Tangible fixed assets, held under finance leases and hire purchase contracts	295	-
Hire of plant and machinery	187	76
Other operating lease rentals	38	49
	<u>1,027</u>	<u>484</u>

Included within administrative expenses are contributions of £6,712,000 to the Amey plc Qualifying Employee Share Ownership Trust.

2 NET INTEREST

	1999 £'000	1998 £'000
Interest receivable and similar income	<u>(409)</u>	<u>(1,394)</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1999 £'000	1998 £'000
Wages and salaries	12,888	19,046
Social security costs	971	1,489
Other pension costs	728	988
	<u>14,587</u>	<u>21,523</u>

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

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

	1999 Number	1998 Number
Operatives	226	326
Management and administration	351	467
	<u>577</u>	<u>793</u>

Remuneration in respect of directors was as follows:

	1999 £'000	1998 £'000
Emoluments	620	659
Pension contributions to money purchase pension schemes	28	27
	<u>648</u>	<u>686</u>

During the year 7 directors (1998: 6) participated in defined benefit pension schemes and 1 director (1998:1) 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 5 directors including the highest paid director (1998: 2 directors not including the highest paid director) exercised share options (see note 15).

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.

One director, not the highest paid director (1998: 3 directors, including the highest paid director), received shares under the Amey Group deferred annual bonus scheme, details of which can be found in the financial statements of Amey plc.

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

	1999 £'000	1998 £'000
Emoluments	162	150
Pension contributions to money purchase pension schemes	28	27

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge represents:

	1999 £'000	1998 £'000
UK Corporation tax at 30.25% (1998: 31%)	-	2,367
Deferred taxation	<u>270</u>	<u>-</u>

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

5 DIVIDENDS

	1999 £'000	1998 £'000
Ordinary shares - final dividend of £Nil (1998: £1,700,000) per share	-	3,400

6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Office equipment £'000	Total £'000
Cost or valuation			
At 1 January 1999	212	1,130	1,342
Additions	-	8,781	8,781
Disposals	-	(1,528)	(1,528)
At 31 December 1999	212	8,383	8,595
Depreciation			
At 1 January 1999	31	668	699
Provided in the year	12	660	672
Eliminated on disposals	-	(29)	(29)
At 31 December 1999	43	1,299	1,342
Net book amount at 31 December 1999	169	7,084	7,253
Net book amount at 31 December 1998	181	462	643

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Plant and machinery £'000
Net book amount at 31 December 1999	1,597
Net book amount at 31 December 1998	-
Depreciation provided during year	295

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

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.

8 STOCKS

	1999 £'000	1998 £'000
Raw materials and consumable stores	-	203
Work in progress	331	412
	<u>331</u>	<u>615</u>

9 DEBTORS

	1999 £'000	1998 £'000
Trade debtors	1,265	-
Amounts owed by group undertakings	9,689	12,239
Amounts recoverable on contracts	33,415	27,850
Other debtors	1,164	699
Prepayments and accrued income	2,578	1,849
	<u>48,111</u>	<u>42,637</u>

Amounts recoverable on contracts include retentions of £679,000 (1998: £2,238,000) which are due after more than one year.

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Payments received on account	6,739	6,878
Trade creditors	10,058	10,035
Amounts owed to group undertakings	18,007	4,555
Corporation tax	1,484	2,299
Social security and other taxes	4,056	3,720
Other creditors	216	27
Accruals and deferred income	19,551	36,911
Amounts due under finance leases	605	-
	<u>60,716</u>	<u>64,425</u>

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £'000	1998 £'000
Amounts due under finance leases	<u>906</u>	<u>-</u>
Borrowings are repayable as follows:		
	1999 £'000	1998 £'000
Within one year		
Finance leases	605	-
After one and within two years		
Finance leases	906	-
	<u>1,511</u>	<u>-</u>

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
Provided during the year	270
At 31 December 1999	<u>270</u>

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

13 DEFERRED TAXATION

Deferred taxation provided for and not provided for in the financial statements is set out below.

	Amount provided		Amount unprovided	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Accelerated capital allowances	270	-	-	-

14 SHARE CAPITAL

	£'000 1999	£'000 1998
Authorised Ordinary shares of £1 each	100	100
Allotted, called up and fully paid Ordinary shares of £1 each	2	2

15 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 1/1/99	Options granted / (exercised)* /(lapsed)*	At 31/12/99	Exercise price	Date from which exercisable	Expiry date
G Barnett *	11,742	(11,742)	-	£1.18	01/08/99	31/07/01
G Barnett	-	6,698	6,698	£6.15	30/03/02	29/03/09
G Barnett	-	8,636	8,636	£9.35	29/10/02	28/10/09
N C Butters *	5,871	(5,871)	-	£1.18	01/08/99	31/07/01
N C Butters	1,161	-	1,161	£2.55	01/12/01	30/11/03
N C Butters	-	5,297	5,297	£6.15	30/03/02	29/03/09
N C Butters	-	9,345	9,345	£9.35	29/10/02	28/10/09
R C Clapperton *	14,677	(14,677)	-	£1.18	01/08/99	31/07/01
F M Coldwell *	5,871	(5,871)	-	£1.18	01/08/99	31/07/01
F M Coldwell	1,728	-	1,728	£2.55	01/12/01	30/11/03
F M Coldwell	-	7,186	7,186	£6.15	30/03/02	29/03/09

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

F M Coldwell	-	8,956	8,956	£9.35	29/10/02	28/10/09
M W Evelyn-Wood *	10,960	(10,960)	-	£1.61	09/06/97	08/06/04
M W Evelyn-Wood	-	1,432	1,432	£6.15	30/03/02	29/03/09
M W Evelyn-Wood	-	15,527	15,527	£9.35	29/10/02	28/10/09
M F J McCarry	-	12,158	12,158	£6.15	30/03/02	29/03/09
M J Peat *	295	(295)	-	£2.80	01/12/01	30/11/03
M J Peat	-	6,024	6,024	£9.35	29/10/02	28/10/09
M J Peat	-	12,089	-	£6.75	30/03/02	29/03/09

The number and exercise price of options held at 1 January 1999 and granted during the year, which were unexercised at the date of the Amey plc rights issue, have been restated accordingly.

*Options exercised and lapsed

G Barnett exercised options in shares totalling 11,742 during the year. The market price at the date exercised was £9.17.
N C Butters exercised options in shares totalling 5,871 during the year. The market price at the date exercised was £9.17.

R C Clapperton exercised options in shares totalling 14,677 during the year. The market price at the date exercised was £9.17.

F M Coldwell exercised options in shares totalling 5,871 during the year. The market price at the date exercised was £9.17.

M W Evelyn-Wood exercised options in shares totalling 10,960 during the year. The market price at the date exercised was £6.75.

M J Peat exercised options in shares of 151 during the year. The market price at the date exercised was £8.60. 144 options in shares lapsed unexercised during the year. In addition, during the year M J Peat was granted a further 12,089 options in shares, exercisable at the price of £6.75. These options were exercised during the year, when the market price was £8.60. These options were normally exercisable between 30/3/02 and 29/03/09.

16 PROFIT AND LOSS ACCOUNT

	Profit and loss account £'000
At 1 January 1999	5,173
Retained loss for the year	(5,286)
At 31 December 1999	(113)

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Loss for the financial year	(5,286)	4,409
Dividends	-	(3,400)
Net decrease in shareholders' funds	(5,286)	1,009
Shareholders' funds at 1 January 1999	5,173	4,164
Shareholders' funds at 31 December 1999	(113)	5,173

18 LEASING COMMITMENTS

Operating lease payments amounting to £229,000 (1998: £173,000) are due within one year. The leases to which these amounts relate expire as follows:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	11	1	15	1
Between one and five years	-	190	10	120
In five years or more	27	-	27	-
	38	191	52	121

19 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1999 or 31 December 1998.

20 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 £86.6 million (1998: £0.5 million), with certain of its fellow subsidiaries, to guarantee certain bank borrowings of its ultimate parent undertaking.

There were no other contingent liabilities at 31 December 1999 or 31 December 1998.

AMEY CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

21 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 5 April 1999. The assumptions which have the most significant effect on the results of the valuation are a rate of interest of 8% per annum and a rate of general salary increase of 5.5% per annum.

The valuation showed that the market value of the scheme's assets at that date amounted to £40,010,000 and the actuarial value of the scheme's assets of £29,978,000 was sufficient to cover 106% of the benefits that had accrued to members.

22 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.