

Amey Construction Limited

Report and Financial Statements

Year Ended

31 December 2003



Company no. 2379472



BDO Stoy Hayward
Chartered Accountants

Amey Construction Limited

Annual report and financial statements for the year ended 31 December 2003

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Directors

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Directors

M Ewell
R W Entwistle
J Leo
R G Bradbury

Secretary and registered office

C Hui, 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 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year after taxation amounting to £3,155,000 (2002 - £52,226,000).

The directors do not recommend payment of a dividend (2002 - £Nil).

Principal activities

The company is principally engaged in the activity of civil engineering and building works.

Post balance sheet event

The post balance sheet event affecting this company is disclosed in note 20.

Directors

The directors of the company during the year were:

R W Entwistle	
M Ewell	(appointed 28 February 2003)
R G Bradbury	(appointed 28 February 2003)
J Leo	(appointed 3 September 2003)
C M Mogg	(resigned 23 June 2003)
B L Staples	(resigned 28 February 2003)

The interests of the directors, who are also directors of the intermediate parent undertaking, Amey plc, are disclosed in that company's financial statements. The interests of the other director, Mr R G Bradbury, who was in office at 31 December 2003 and his family in the shares of Amey plc, as at 31 December 2003 and 28 February 2003 being the date of his appointment, were as follows:

	31 December 2003	28 February 2003
	Ordinary Shares	Ordinary Shares
R G Bradbury	-	-

None of the directors had any other interests in shares of other group undertakings.

R G Bradbury held options to purchase shares in the intermediate parent company, Amey plc. These are set out in note 13 to the financial statements.

Amey Construction Limited

Report of the directors for the year ended 31 December 2003 (*Continued*)

Directors' responsibilities

Company law in the United Kingdom requires the directors to prepare financial statements for each financial period 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; and
- 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.

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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors report is prepared in accordance with company law in the United Kingdom.

Payment policy and practice

The company recognises the importance of good relationships with its suppliers and subcontractors. Although the company does not follow any particular code or standard on payment practice, its established 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; and
- 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 11 days (2002 - 8 days) of average supplies for the year.

Amey Construction Limited

Report of the directors for the year ended 31 December 2003 (*Continued*)

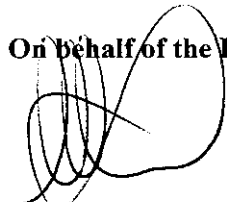
Auditors

During the year, Grant Thornton resigned as the company's auditors. Following this, BDO Stoy Hayward were appointed as auditors by the directors.

On 31 December 2003, BDO Stoy Hayward transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly, BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor.

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.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'M Ewell', written over the printed name.

**M Ewell
Director**

30 July 2004

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 2003 on pages 6 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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

Amey Construction Limited

Report of the independent auditors (*Continued*)

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

30 July 2004

Amey Construction Limited

Profit and loss account for the year ended 31 December 2003

	Note	Pre Exceptional items 2003 £'000	Exceptional items (note 5) 2003 £'000	Total 2003 £'000	Total 2002 £'000
Turnover	2	4,582	-	4,582	4,857
Cost of sales		(3,618)	(760)	(4,378)	(50,688)
Gross profit (loss)		964	(760)	204	(45,831)
Administrative expenses		(431)	(2,905)	(3,336)	(6,445)
Operating profit (loss)	5	533	(3,665)	(3,132)	(52,276)
Net interest	6		-	-	50
Profit (loss) on ordinary activities before taxation		533	(3,665)	(3,132)	(52,226)
Tax on profit (loss) on ordinary activities	7	(23)	-	(23)	-
Profit (loss) for the financial year	14	510	(3,665)	(3,155)	(52,226)

All transactions related to continuing operations.

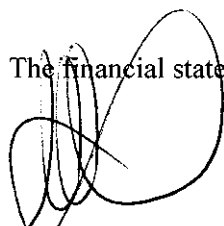
All recognised gains and losses are included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

Amey Construction Limited**Balance sheet at 31 December 2003**

	Note	2003 £'000	2002 £'000
Current assets			
Debtors	9	13,247	30,611
Cash at bank and in hand		-	1
		<hr/>	<hr/>
		13,247	30,612
Creditors: amounts falling due within one year	10	(18,588)	(90,250)
		<hr/>	<hr/>
Net current liabilities		(5,341)	(59,638)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	57,452	-
Profit and loss account	14	(62,793)	(59,638)
		<hr/>	<hr/>
Equity shareholders' deficit	15	(5,341)	(59,638)
		<hr/>	<hr/>

The financial statements were approved by the Board on 30 July 2004



M. Ewell
Director

The notes on pages 8 to 16 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.

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements.

The company's balance sheet shows net liabilities at 31 December 2003 and in these circumstances the company's trading activities are supported by the company's intermediate parent undertaking, Amey plc. The directors have no reason to believe that this support will not continue and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of one year from the date of approval of the financial statements.

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.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost includes direct material costs, direct labour costs and appropriate overheads, but not interest. Costs incurred on long-term contracts are included in work in progress to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses.

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.

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

1 Accounting policies (*Continued*)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that: the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

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 18 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.

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.

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

2 Turnover

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

3 Employees

	2003 £'000	2002 £'000
Staff costs during the year were as follows:		
Wages and salaries	90	2,136
Social security costs	12	160
Other pension costs	8	132
	<u>110</u>	<u>2,428</u>

The company has 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.

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

	2003 Number	2002 Number
Management and administration	1	40
Operations	-	10
	<u>1</u>	<u>50</u>

4 Directors

	2003 £'000	2002 £'000
Directors remuneration, which is also the remuneration of the highest paid director, was as follows:		
Emoluments	<u>177</u>	<u>-</u>

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

4 Directors (Continued)

During the year 1 director (2002 - None) participated in defined benefit pension schemes and no director (2002 - None) participated in money purchase pension schemes. No 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 above disclosure of directors' remuneration, pensions and the Amey Group Annual Bonus Scheme 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 no director (2002 - None) exercised share options (see note 13). Details of share options exercised by directors who are also directors of the intermediate parent company, Amey plc, are disclosed in that company's financial statements.

5 Operating loss

	2003 £'000	2002 £'000
The operating loss is stated after:		
Exceptional items		
-current asset write-down	2,905	
-onerous contract losses	760	-
	<u> </u>	<u> </u>

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

6 Net interest

	2003 £'000	2002 £'000
Other interest receivable and similar income	-	50
	<u> </u>	<u> </u>

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

7 Taxation on profit from ordinary activities

	2003 £'000	2002 £'000
<i>Current tax</i>		
UK corporation tax at 30% (2002 - 30%)	-	-
Adjustment in respect of prior years	23	-
	<hr/>	<hr/>
Total current tax	23	-
	<hr/>	<hr/>

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

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(3,132)	(52,226)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	(940)	(15,668)
Effects of:		
Expenses not deductible for tax purposes	18	11,550
Movement in other timing differences	-	660
Group relief	922	3,458
Adjustment in respect of prior years	23	-
	<hr/>	<hr/>
Current tax charge for year	23	-
	<hr/>	<hr/>

8 Fixed assets investments

At 31 December 2002, the company held an investment in Compactors Engineering (Guernsey) Limited at a cost of £2.

On 6 August 2003, Compactors Engineering (Guernsey) Limited, a 100% owned company engaged in administration and services and registered in Guernsey, was struck off by the Registrar of Companies.

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

9 Debtors

	2003 £'000	2002 £'000
Trade debtors	356	635
Amounts owed by subsidiary undertakings	12,083	27,054
Amounts recoverable under contracts	375	2,594
Other debtors	112	-
VAT	321	294
Corporation tax recoverable	-	34
	<hr/>	<hr/>
	13,247	30,611
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Bank overdraft	1,381	11,685
Payments received on account	261	216
Trade creditors	383	1,163
Amounts owed to subsidiary undertakings	7,840	65,488
Social security and other taxes	-	3
Other creditors	52	2,333
Accruals and deferred income	8,671	9,362
	<hr/>	<hr/>
	18,588	90,250
	<hr/>	<hr/>

The bank overdraft is secured by a fixed and floating charge over all of the company's assets.

11 Deferred taxation

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

	2003 £'000	2002 £'000
Short term timing differences	-	690
	<hr/>	<hr/>

The estimated value of the deferred tax asset not recognised, measured at a standard rate of 30%, is £Nil (2002 : £690,000) and relates to office equipment being expensed for accounting purposes but capitalised for taxation purposes.

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

12 Share capital

	2003 £'000	2002 £'000
<i>Authorised</i>		
57,452,100 ordinary shares of £1 each	57,452	-
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
57,452,002 ordinary shares of £1 each	57,452	-
	<hr/>	<hr/>

On 13 March 2003, the company issued 57,452,000 ordinary shares of £1 each at par. These shares rank pari passu with existing ordinary shares.

13 Share options

The interests of the directors, who are not directors of the intermediate parent company Amey plc, in options for shares in Amey plc were as follows:

	At 1 January 2003	Options granted (lapsed) ¹ during year	At 31 December 2003
R G Bradbury	35,073	(35,073)	-
R G Bradbury	11,029	(11,029)	-

(1) The 1994 Executive Share Option Scheme and the 1998 Executive Share Option Scheme were terminated on 31 October 2003.

14 Profit and loss account

	£'000
At 1 January 2003	(59,638)
Loss for the financial year	(3,155)
	<hr/>
At 31 December 2003	(62,793)
	<hr/>

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

15 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Loss for the financial year	(3,155)	(52,226)
Shares issued in financial year	57,452	-
	<hr/>	<hr/>
Net decrease (increase) in shareholders' deficit	54,297	(52,226)
Shareholders' deficit at 1 January 2003	(59,638)	(7,412)
	<hr/>	<hr/>
Shareholders' deficit at 31 December 2003	<u>(5,341)</u>	<u>(59,638)</u>

16 Capital commitments

The company had no capital commitments at 31 December 2003 or 31 December 2002.

17 Contingent liabilities

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

A claim has been made against a construction joint venture of which Amey Construction Limited is a member. The claim is being defended vigorously and the Directors consider that no further liability will accrue to the company.

At 31 December 2002, the company had entered into a joint and several guarantee for £221.2 million with certain of its fellow subsidiaries, to guarantee certain bank borrowings of its parent undertaking, Amey plc.

There were no other contingent liabilities at 31 December 2003 or 31 December 2002.

18 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 company participates, amounted to £71,224,000 at the balance sheet date (2002 - £69,301,000). 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.

Amey Construction Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

19 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.

20 Post balance sheet event

On 18 March 2004, Amey plc cancelled its existing bank facilities and its parent undertaking, Amey UK plc, entered into a five-year agreement with a new banking syndicate.

In addition to the new five-year facility of £95 million, a £20 million one-year facility has also been agreed.

21 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 Amey plc, which is 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:

Head Office
The Sherard Building
Edmund Halley Road
Oxford
OX4 4DQ