



Amey UK plc

Report and Financial Statements

Year ended
31 December 2005

Service is our passion. People, our strength



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Directors

Sir Patrick Brown	Chairman
I Meirás	Vice Chairman
J Aguirre	
M Ewell	
C Hui	
J Leo	
S Olivares	
J Romero	
N Villén	
C C Webster	

Secretary and registered office

C Hui, The Sherard Building, Edmund Halley Road, Oxford OX4 4DQ

Company number

4736639

Company address

Serrano Galvache, 56 Edificio Madroño, 28033 Madrid, Spain

Auditors

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



The Directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The Group profit and loss account is set out on page 11 and shows a profit for the year after tax amounting to £41.237 million (2004: £15.505 million).

The Directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

Amey UK plc (“Amey”) is owned by Ferrovial Servicios, S.A., a wholly owned subsidiary of Grupo Ferrovial, S.A. which is a leading construction and services company based in Spain and listed on the Madrid stock exchange.

The profit before tax of £52.435 million (2004: £21.255 million) after charging goodwill amortisation of £20.124 million (2004: £18.656 million) was made on turnover of £1,208.8 million (2004: £960.7 million).

This robust profit performance was supported by strong cashflows and resulted in a net debt reduction (including amounts owed to Ferrovial Servicios, S.A.) of £22.9 million before the £95.5 million cost of financing the Group’s additional investment in Tube Lines. Shareholder funds at 31 December 2005 amounted to £218.3 million with net external debt of £21.605 million.

In January 2005, the Group completed the purchase from Jarvis JNP Limited of a further 33.3% stake in Tube Lines (Holdings) Limited, a company whose principal activity is the infrastructure maintenance and enhancement of the Jubilee, Northern and Piccadilly lines of the London Underground. Amey now has a 66.67% stake in this important infrastructure project. Amey also purchased the entire business of Jarvis LUL Limited which provides services to Tube Lines Limited under a secondment agreement. The initial purchase consideration of £95.5 million was financed by external debt of £40 million and by a loan from Ferrovial Servicios, S.A. of £55.5 million.

Following the year-end, Amey was pleased to announce the purchase of Owen Williams Group Limited (“Owen Williams”), a Birmingham-based professional and technical services consultancy. Owen Williams offers an excellent strategic fit with Amey Infrastructure Services, having complementary capabilities in the highways, rail, local government and property management markets.

Amey continues to benefit from the strong support and capabilities of Ferrovial. The recently announced new contracts outlined below and the co-operation with Ferrovial will strengthen the Group’s future performance.

Amey UK plc is a holding company for the Amey Group whose principal activities are:

- Amey Infrastructure Services – addressing the Rail, Local Government and Strategic Highways markets and for the purposes of segmental analysis in note 2 incorporates the Group’s activities with Tube Lines
- Tube Lines – manages three of London Underground’s lines, Jubilee, Northern and Piccadilly and is responsible for the maintenance, renewal and upgrade of their infrastructure
- Amey Business Services – undertakes business process outsourcing (BPO) contracts and provides accommodation and facilities management services

- Amey Ventures – a bidding unit supporting Amey Infrastructure Services and Amey Business Services specialising in complex structured finance projects

Amey Infrastructure Services

Amey Infrastructure Services provides a range of service capabilities to clients in the Rail, Local Government and Strategic Highways markets.

In 2005, Amey Infrastructure Services performed well given the fundamental changes in the rail market which saw maintenance activities taken back in-house by Network Rail in 2004.

Performance highlights:

- In Local Government, the Bedfordshire County Council contract award represented a significant strategic step in securing access to the Managing Agent Contractor market as a single organisation. The Cumbria County Council contract involved the transfer of the Council's contract service staff into Amey bringing new commercially transferable capabilities.
- In Rail, the geographic footprint of our market presence has been broadened through successes which include the award of a £20 million contract to regenerate the line at Ebbw Vale, a £15 million contract in Port Talbot and a national Electrical and Plant (E&P) framework. A greater share of the On Track Machines market has been achieved with a successful bid to supply tampers to Network Rail.

Amey Infrastructure Services was ranked among Network Rail's top ten performers out of its 3,919 suppliers.

- In Strategic Highways, the Scottish Executive South West Trunk Unit Operating Company contract was secured for a further five years, reaffirming the credibility of Amey's single organisation approach. The increased market turnover also reflected Amey's role in helping clients to secure budgets by developing robust cases for maintenance and improvement programmes. Additional professional services projects were won to develop GIS inventories and improve road safety.
- The 'C' Vehicles contract with the Ministry of Defence marked the start of services to the Defence market.

Amey Infrastructure Services is demonstrating its ability to further strengthen relationships with clients by offering collaborative cross discipline solutions. For example, addressing Network Rail's strategic objectives sees a combined input from Rail, Professional Services and Operational Services.

Although the Rail market turnover for 2005 is less than 2004, percentage margins are improving and the strategy to pursue long term contracts and widen geographic footprint is paying dividends.

There is an aim to extend service offering to Local Government and deliver a wider range of capabilities. The climate for growth is supported by the government's 'Gershon' agenda demanding procurement efficiencies by central and local government bodies.

In the year, the number of professional service staff increased to around 550. The growth in professional services capability is a key development strategy to deliver greater client support and market penetration. This has been enhanced by the acquisition following the year end of Owen Williams with an additional 650 professional services staff.



Tube Lines

Tube Lines is managing three of London Underground's busiest lines, Jubilee, Northern and Piccadilly and is responsible for the maintenance, renewal and upgrade of their infrastructure.

2005 saw Tube Lines completing its third calendar year of operations with performance targets being met and in most areas exceeded. All of its capital investment projects are running on time and to budget.

Performance highlights:

- The addition of an extra carriage to every Jubilee line train, completed on time, over Christmas 2005, allowing an extra 60,000 people to use the line every day
- Performance on the Piccadilly line excelled, with a 50% reduction in asset failures since transfer and targets hit every period over the past year
- Halving the time taken to refurbish a substantial proportion of escalators
- Rapid acceleration in the track renewal rate
- Ten stations upgraded and capacity at Wembley Park was expanded by 70% to accommodate the demands of the new national stadium.

The acceleration of investment into the network by Tube Lines is continuing. The business is now spending £36 million per month, in excess of three times the amount historically spent by London Underground.

The Northern Line remains the greatest challenge and extra investments are being made to accelerate the programme of improvements.

Amey Business Services

Amey Business Services provides total facilities management and business process outsourcing services to a wide range of clients, both in the public and private sectors.

In 2005, Amey Business Services made significant progress, rationalising its contract portfolio and gaining several important contract wins in target markets.

Performance highlights:

- The long term relationship with QinetiQ was strengthened with the signing of a further five year contract to 2010.
- In December, Amey secured and commenced a long term PFI contract to provide facilities management services to Northampton Schools.
- Amey was announced as preferred bidder for the Bradford Building Schools for the Future project.
- Strong performance in the EduAction joint venture with Nord Anglia led to the extension of that contract to 2008.

Report of the Directors for the year ended 31 December 2005

A major restructuring programme has been undertaken that now sees the business focused around three strategic market segments – Central Government, Education and Health and Private Sector.

A major focus on productivity, working methods and operational performance delivered excellent levels of client satisfaction as well as significant and consistent improvement in operating margins across virtually all contracts.

Amey Ventures

Amey Ventures is a specialist bidding unit supporting Amey Infrastructure Services and Amey Business Services. It leads the Group in the development and acquisition of PPP (Public Private Partnership) and PFI (Private Finance Initiative) projects that deliver high quality long-term operational revenues, requiring cross-disciplinary teams, structured finance or a combination of both.

During 2005, Amey Ventures pursued new opportunities in four strategic sectors: Health (large hospitals), Education (schools), Defence (asset management and accommodation), and Transport Infrastructure (roads and street lighting).

Performance highlights:

- Amey Ventures continued the expansion of its portfolio of PFI investments with the financial close of the “Renfrewshire Schools” and “C Vehicles” contracts. These projects are now in their operational phase, with Amey Ventures involved in the management of their special purpose vehicles.
- A consortium led by Amey Ventures was selected as preferred bidder for the “Bradford Building Schools for the Future” contract, and financial close is expected in the first half of 2006. This is one of the pathfinder contracts for a 15 year, £75 billion programme to rejuvenate all 3,500 secondary schools in England.
- Amey Ventures is currently leading a number of different consortia bidding two Scottish schools projects, one schools project in Northern Ireland, two “Building Schools for the Future” projects, and two major roads projects. One of these is for the widening of the M25 London orbital, which is a project valued at over £4 billion.
- In addition, Amey Ventures is leading bids for two street lighting and highways maintenance contracts.

On a number of the projects mentioned above, the Amey Group is working with the international division of Ferrovial Agromán - the construction services division of Grupo Ferrovial.



Directors

The present membership of the Board is set out below. All Directors served throughout the period, except as noted:

Sir Patrick Brown	Chairman
I Meirás	Vice Chairman
J Aguirre	
M Ewell	
C Hui	
J Leo	
S Olivares	
J Romero	
N Villén	
C C Webster	(appointed 26 January 2006)
R W Entwistle	(resigned 30 June 2005)
J-M Pérez Tremps	(resigned 13 July 2005)

Directors' interests

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

Charitable and political contributions

During the year, the Group made the following contributions:	2005	2004
	£	£
Charitable	3,788	14,554
Political donations	-	-

Employment policy

Diversity

Our aim is to ensure that no job applicant, employee or former employee receives less favourable treatment on the grounds of colour, race, nationality, ethnic or national origin, religious belief, sex, sexual orientation, marital status, age or as a consequence of unlawful discrimination relating to disability.

Disabled employees

The Group gives consideration to applications for employment from disabled persons where the disabled person may adequately cover the requirements of the job.

Disabled persons are employed under the normal contract terms and conditions. Career development and promotion is provided wherever appropriate.

Employee involvement

It is Group policy to communicate with and involve all employees, subject to commercial and practical limitation, in matters affecting their interests at work and to inform them of the performance of their Group. Employees are provided with information about the Group, which is supplemented by frequent emails from the Chief Executive when there is urgent and important news to be communicated. "Amey News", the Group's newsletter, is sent in hard copy and by email and provides useful business updates across the Group. The Group makes full use of its intranet to provide current information to its employees. Members of the Amey Pension schemes also receive regular reports on matters relating to their pensions.

Payment policy and practice

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

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

The average number of days that the Group's major subsidiary undertakings took to pay trade creditors can be found in their individual financial statements. The Company had no trade creditors at the year-end.

Auditors

Resolutions to reappoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

Post balance sheet event

On 7 February 2006, the Group purchased Owen Williams Group Limited, a professional services consultancy providing design, project management and outsourcing solutions to local government and transportation clients.

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the Directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those accounts, 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 Group will continue in business.



The Directors confirm that these accounts comply with the above requirements.

The Directors are also responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. The Directors also have a general responsibility in law for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

By order of the Board

A handwritten signature in black ink, appearing to be 'Carol Hui', written over a horizontal line.

Carol Hui, Director

Amey UK plc

9 March 2006

To the shareholders of Amey UK plc

We have audited the financial statements of Amey UK plc for the year ended 31 December 2005 which comprise of the group profit and loss account, the group statement of total recognised gains and losses, the group balance sheet, the company balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and 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 other transactions is not disclosed.

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

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the company's affairs as at 31 December 2005 and of its profit 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

9 March 2006

Group profit and loss account for the year ended 31 December 2005

	Note	Pre-Exceptional items and intangible asset amortisation 2005 £'000	Exceptional items and intangible asset amortisation (note 4) 2005 £'000	Total 2005 £'000	Pre-Exceptional items and intangible asset amortisation 2004 £'000	Exceptional items and intangible asset amortisation (note 4) 2004 £'000	Total 2004 £'000
Turnover							
Group turnover from continuing operations		643,942	-	643,942	667,553	9,125	676,678
Share of joint ventures		564,821	-	564,821	284,034	-	284,034
Group and share of joint ventures		<u>1,208,763</u>	<u>-</u>	<u>1,208,763</u>	<u>951,587</u>	<u>9,125</u>	<u>960,712</u>
Operating profit (loss)							
Group operating profit (loss) from continuing operations	3	38,486	(25,592)	12,894	23,211	(16,398)	6,813
Share of joint ventures profit		47,504	-	47,504	41,036	-	41,036
Group and share of joint ventures	2	<u>85,990</u>	<u>(25,592)</u>	<u>60,398</u>	<u>64,247</u>	<u>(16,398)</u>	<u>47,849</u>
Profit on sale of fixed assets		-	294	294	-	1,328	1,328
Profit (loss) on ordinary activities before interest		<u>85,990</u>	<u>(25,298)</u>	<u>60,692</u>	<u>64,247</u>	<u>(15,070)</u>	<u>49,177</u>
Net group interest payable		(7,719)	-	(7,719)	(3,949)	-	(3,949)
Share of net interest payable by joint ventures		(324)	-	(324)	(23,701)	-	(23,701)
Net interest payable	7	<u>(8,043)</u>	<u>-</u>	<u>(8,043)</u>	<u>(27,650)</u>	<u>-</u>	<u>(27,650)</u>
Other finance income		(283)	-	(283)	14	-	14
Share of other finance costs of joint ventures		69	-	69	(286)	-	(286)
		<u>(8,257)</u>	<u>-</u>	<u>(8,257)</u>	<u>(27,922)</u>	<u>-</u>	<u>(27,922)</u>
Profit (loss) on ordinary activities before taxation		<u>77,733</u>	<u>(25,298)</u>	<u>52,435</u>	<u>36,325</u>	<u>(15,070)</u>	<u>21,255</u>
Group taxation		(6,731)	6,970	239	(5,900)	5,346	(554)
Share of tax payable by joint ventures		(11,437)	-	(11,437)	(5,196)	-	(5,196)
Taxation	9	<u>(18,168)</u>	<u>6,970</u>	<u>(11,198)</u>	<u>(11,096)</u>	<u>5,346</u>	<u>(5,750)</u>
Profit (loss) on ordinary activities after taxation		<u>59,565</u>	<u>(18,328)</u>	<u>41,237</u>	<u>25,229</u>	<u>(9,724)</u>	<u>15,505</u>
Equity minority interests				(527)			(280)
Profit retained for the financial year				<u><u>40,710</u></u>			<u><u>15,225</u></u>

All amounts relate to continuing activities.

The notes on pages 14 to 41 form part of these financial statements.



	Note	2005 £'000	2004 £'000
Profit for the financial year		40,710	15,225
Actuarial loss recognised in the pension schemes	22	(32,499)	(12,257)
Deferred tax thereon		9,750	3,677
Share of actuarial net loss recognised in pension schemes by joint venture		(32,853)	(3,350)
Deferred tax thereon		9,856	1,005
		<hr/>	<hr/>
Total gains and losses recognised since last financial statements		(5,036)	4,300
		<hr/>	<hr/>

The notes on pages 14 to 41 form part of these financial statements.

Balance sheets at 31 December 2005

		Restated (note 18)		Restated (notes 16,18)	
		Group	Group	Company	Company
		2005	2004	2005	2004
Note		£'000	£'000	£'000	£'000
Fixed assets					
	10	335,807	354,463	-	-
	10	70,532	-	-	-
	11	23,318	23,338	-	-
	14	-	-	156,761	156,761
		429,657	377,801	156,761	156,761
Investments in joint ventures:					
		1,297,661	541,157	-	-
		(1,295,128)	(540,040)	-	-
		30,269	-	-	-
	13	32,802	1,117	-	-
		462,459	378,918	156,761	156,761
Current assets					
	15	5,253	5,473	-	-
Debtors:					
	16	127,075	131,785	21,701	11,324
	16	2,964	2,603	180,743	105,243
		130,039	134,388	202,444	116,567
		29,188	23,923	50	50
		164,480	163,784	202,494	116,617
	17	(192,479)	(192,919)	(2,587)	(939)
Net current (liabilities) assets					
		(27,999)	(29,135)	199,907	115,678
Total assets less current liabilities					
		434,460	349,783	356,668	272,439
Creditors - amounts falling due after more than one year					
	18	(126,942)	(48,311)	(120,970)	(45,334)
Provisions for liabilities and charges					
Investments in joint ventures:					
		25,005	7,009	-	-
		(29,330)	(10,318)	-	-
	13	(4,325)	(3,309)	-	-
		(8,341)	(16,552)	(13,060)	(6,530)
	19	(12,666)	(19,861)	(13,060)	(6,530)
Net assets excluding pension liability					
		294,852	281,611	222,638	220,575
	22	(76,521)	(58,421)	-	-
Net assets including pension liability					
		218,331	223,190	222,638	220,575
Capital and reserves					
	20	3,677	3,677	3,677	3,677
	21	153,134	153,134	153,134	153,134
	21	61,887	61,887	61,887	61,887
	21	(736)	4,300	3,940	1,877
Equity shareholders' funds					
	21	217,962	222,998	222,638	220,575
		369	192	-	-
Capital employed					
		218,331	223,190	222,638	220,575

The financial statements on pages 11 to 41 were approved by the Board of Directors on 9 March 2006 and signed on its behalf by:



Mel Ewell
Chief Executive Officer

The notes on pages 14 to 41 form part of these financial statements.



1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The principle accounting policies, which have been applied consistently, are set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of Amey UK plc and its subsidiary undertakings and exclude all intra-group transactions. The results of subsidiary undertakings acquired during the year are consolidated from the date on which control in the subsidiary passes to the Group. Acquisitions of subsidiaries and joint ventures are dealt with by the acquisition method of accounting. The results and cash flows of subsidiaries and joint ventures which have been disposed of are consolidated up to the date of sale. The profit attributable to members of the Company is stated after deducting the proportion attributable to minority shareholders.

Joint ventures

In accordance with FRS 9 (Associates and joint ventures), joint ventures are included in the financial statements under the gross equity method of accounting. The results of stakes in joint ventures acquired are included from the date on which the Group acquires joint control in the joint venture.

In line with FRS 9, where there is sufficient evidence that an event has irrevocably changed the relationship between the Group and the joint venture such that the Group's ability to exercise significant influence is removed, the carrying amount at the date of that event is reported as an investment and no account is taken of subsequent changes in the venture's assets and liabilities.

The results and assets and liabilities of joint ventures are stated in accordance with Group accounting policies. Where joint ventures do not adopt Group accounting policies, their reported results and assets and liabilities are restated to comply with Group accounting policies. Where joint ventures do not adopt accounting periods that are co-terminus with the Group's, their results and net assets are based on accounts drawn up to the Group's accounting reference date.

Tube Lines (Holdings) Limited, one of the Group's joint ventures, has entered into a long-term contract with London Underground Limited for the maintenance, renewal and upgrade of the infrastructure of the Jubilee, Northern and Piccadilly lines. Turnover and attributable profit are included in the profit and loss account as contract activity progresses. Turnover is calculated by reference to the valuation of work completed to date. In accordance with FRS 5 (Reporting the substance of transactions) Application Note G, Tube Lines (Holdings) Limited allocates an element of interest received, representing the notional cost of finance on the average balance of amounts recoverable on long-term contracts.

Where the Group has an interest in a joint venture that amounts to a Joint Arrangement that is Not an Entity ('JANE'), the Group accounts directly for its part of the results, assets, liabilities and cash flow held within the structure.

Investment in subsidiary undertakings

Investments by the Company in the shares of subsidiary undertakings are stated at cost less any provision, where in the opinion of the Directors, there has been an impairment in the value of any such investment.

1 Accounting policies (continued)

Intangible fixed assets

Goodwill, being the excess of the fair value of the purchase consideration over the fair value of the identifiable net assets of a subsidiary, associated undertaking or a joint venture acquired, is capitalised in the year of acquisition and amortised over its useful economic life and not normally over a period exceeding 20 years.

Other acquired intangible fixed assets are included in the balance sheet at cost and amortised over their useful economic finite lives. The Group has no other intangible fixed assets with indefinite lives.

The Group reviews the carrying value of intangible fixed assets in the light of developments in its business and makes provision for any impairment in value as the need arises.

Turnover

Turnover from long-term project contract activities represents the value of work done during the year calculated by reference to total sales value and the stage of completion of these contracts including the movement in work in progress during the year. Estimates are included in respect of amounts not invoiced at the balance sheet date.

Turnover from other contract activities represents fee income receivable in respect of services provided during the year. Estimates are included of amounts not yet invoiced. The Group manages customer expenditure and charges customers for goods purchased from suppliers and services performed by contractors. These amounts are included in turnover and cost of sales.

The Group defers fees receivable in connection with PFI projects and similar activities on financial close. Such fees are deferred and brought into turnover and profit over the period in which the project achieves stable operating conditions. This is normally taken to be the period over which the principal assets are delivered under the PFI project agreements, where relevant.

The Group defers other fees receivable and brings these fees into income in line with the degree of completion of the service delivery.

All turnover excludes value added tax.



1 Accounting policies (continued)

Fixed assets, maintenance and depreciation

The cost of fixed assets is determined in accordance with FRS 15 (Tangible fixed assets) and includes only those costs that are directly attributable to bringing the asset into working condition for its intended use.

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

Buildings	-	2% - 2.5% per annum
Plant, machinery and vehicles	-	5% - 33% per annum
Leasehold improvements	-	Remaining lease period

The interest of joint ventures in assets supplied under PFI contracts is assessed in accordance with FRS 5 (Reporting the substance of transactions) Application note F. Where the interest in the asset is determined to be essentially one of economic ownership, the cost of assets is determined in accordance with FRS 15 and depreciation is charged over the shorter of the useful lives of the asset or the contract period.

In certain PFI contracts the Group or its joint ventures are responsible for maintaining the operating capability of assets, which have been capitalised in the Group's balance sheet, in accordance with predefined standards. Where the expenditure comprises a major overhaul of the asset concerned and the asset has previously been depreciated, these costs are included within fixed assets and depreciated over their remaining economic life.

The Group reviews the carrying value of tangible fixed assets in the light of developments in its business and makes provision for any impairment in value as the need arises.

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.

Pre-contract and certain other costs arising on contracts

The Group expenses all pre-contract costs and other costs where recovery is not specifically provided for in accordance with the contract terms. The Group 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 and where recovery is specifically provided for in accordance with the contract terms. For PFI contracts, virtual certainty is generally achieved on the award of preferred bidder status. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

1 Accounting policies (continued)

Deferred taxation

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

Leasing and hire purchase contracts

Assets held under finance leases and hire purchase contracts are included in tangible fixed assets and are depreciated over the shorter of the contract term or their useful life. The net obligation relating to finance leases and hire purchase contracts is included as a liability. 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. Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease period.

Pension costs – defined benefit schemes

The Group accounts for pension costs in accordance with FRS 17 (Retirement benefits).

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Pension costs – defined contribution schemes

The amount recognised in the profit and loss account is equal to the contributions payable to the schemes during the year.

Financial instruments

The Group states financial assets at the lower of cost and net realisable value. Interest payable is stated net of any amounts payable or receivable under related hedging transactions. Capital instruments are stated net of issue costs in accordance with FRS 4 (Capital instruments). Finance costs are allocated to periods so as to produce a constant rate of return or charge on the net amount outstanding on the instrument.



2 Segmental analysis

	Pre- Exceptional items and intangible asset amortisation 2005	Exceptional items and intangible asset amortisation 2005	Total 2005	Pre- exceptional items and intangible asset amortisation 2004	Exceptional items and intangible asset amortisation 2004	Total 2004
	£'000	£'000	£'000	£'000	£'000	£'000
Operating profit (loss)						
Infrastructure Services	90,261	(5,468)	84,793	65,630	8,655	74,285
Business Services	(4,380)	-	(4,380)	(1,147)	-	(1,147)
Ventures	(6,885)	-	(6,885)	(2,445)	-	(2,445)
Central	7,540	-	7,540	2,598	(6,397)	(3,799)
Core continuing activities	86,536	(5,468)	81,068	64,636	2,258	66,894
Activities being discontinued	(546)	-	(546)	(389)	-	(389)
Continuing operations	85,990	(5,468)	80,522	64,247	2,258	66,505
Goodwill amortisation	-	(20,124)	(20,124)	-	(18,656)	(18,656)
Group and share of joint ventures	85,990	(25,592)	60,398	64,247	(16,398)	47,849

The operating profit arises from trade in the UK.

	Turnover 2005 £'000	Assets 2005 £'000	Turnover 2004 £'000	Assets 2004 £'000
Infrastructure Services	987,392	104,970	717,307	12,889
Business Services	201,482	(21,082)	224,946	(28,279)
Ventures	15,825	(8,238)	14,174	184
Central	1,487	(5,768)	1,763	(5,224)
Net debt	-	(106,721)	-	(34,137)
Pension liability	-	(76,521)	-	(58,421)
Goodwill	-	335,807	-	354,463
Core continuing activities	1,206,186	222,447	958,190	241,475
Activities being discontinued	2,577	(4,116)	2,522	(18,285)
Group and share of joint ventures	1,208,763	218,331	960,712	223,190

3 Group operating profit – excluding share of joint venture

	Pre- exceptional items and intangible asset amortisation 2005 £'000	Exceptional items and intangible asset amortisation 2005 £'000	Total 2005 £'000	Pre- exceptional items and intangible asset amortisation 2004 £'000	Exceptional items and intangible asset amortisation 2004 £'000	Total 2004 £'000
Turnover	643,942	-	643,942	667,553	9,125	676,678
Cost of sales	(540,636)	(5,468)	(546,104)	(566,259)	(470)	(566,729)
Gross profit	103,306	(5,468)	97,838	101,294	8,655	109,949
Administrative expenses						
- goodwill amortisation	-	(20,124)	(20,124)	-	(18,656)	(18,656)
- other	(64,820)	-	(64,820)	(78,083)	(6,397)	(84,480)
Total administrative costs	(64,820)	(20,124)	(84,944)	(78,083)	(25,053)	(103,136)
Operating profit before share of joint ventures profit	38,486	(25,592)	12,894	23,211	(16,398)	6,813

This is stated after charging or crediting:

		2005 £'000	2004 £'000
Goodwill amortisation	- subsidiary undertakings	18,656	18,656
	- joint ventures	1,468	-
Amortisation	- other intangible assets	5,468	-
Depreciation	- owned assets	6,815	5,822
	- leased assets	1,286	1,692
Lease rentals	- land and buildings	3,942	3,917
	- hire of plant and machinery	41,412	66,486
Auditors' remuneration	- audit services	390	320
	- non-audit services	55	80

Included in auditors' remuneration is £30,000 (2004: £30,000) in respect of the parent Company audit fee. Non-audit services in 2005 comprise mainly non-statutory reporting in connection with International Financial Reporting Standards (IFRS). The disclosure of lease rental costs charged to operating profit has been corrected in respect of land and buildings and the comparative figure has been amended accordingly.

**4 Exceptional items and intangible asset amortisation**

	2005	2004
	£'000	£'000
Fixed asset write down	-	(1,687)
Provision for onerous lease	-	(1,458)
Lease settlement	-	(3,252)
Exceptional contract income	-	8,655
	-	2,258
Intangible asset amortisation	(25,592)	(18,656)
	(25,592)	(16,398)
Profit on sale of fixed assets	294	1,328
	(25,298)	(15,070)
Taxation	6,970	5,346
	(18,328)	(9,724)

5 Employees

	2005	2004
	£'000	£'000
Staff costs during the year consist of:		
Wages and salaries	166,218	177,595
Social security costs	14,207	15,426
Other pension costs (note 22)	11,645	14,260
	192,070	207,281
		Restated
	2005	2004
	Number	Number
The average number of employees during the year was as follows:		
Contract based employees	6,042	6,004
Management and administration	450	549
	6,493	6,552

6 Directors

	2005	2004
	£'000	£'000
Remuneration in respect of Directors was as follows:		
Emoluments	1,413	1,620
Compensation for loss of office	597	-

There were three Directors in the Company's defined benefit pension scheme and no Directors in the defined contribution pension scheme.

	2005	2004
	£'000	£'000
Highest paid Director:		
Emoluments	517	598
Accrued pension at 31 December	30	22

7 Net interest payable

	2005	2004
	£'000	£'000
Interest payable:		
Bank loans repayable within five years	(3,512)	(3,188)
Interest payable to Ferrovial Servicios, S.A.	(4,463)	(1,196)
Other interest and similar charges	(651)	(735)
Finance lease interest	(144)	(253)
	(8,770)	(5,372)
Other interest receivable and similar income	1,051	1,423
Net Group interest payable	(7,719)	(3,949)
Share of interest payable by joint ventures	(57,142)	(41,950)
Share of interest receivable by joint ventures	56,818	18,249
Net joint venture interest payable	(324)	(23,701)
Total net interest payable	(8,043)	(27,650)

**8 Other finance income**

	2005	2004
	£'000	£'000
Expected return on pension scheme assets	12,892	13,669
Interest on pension scheme liabilities	(13,175)	(13,655)
	<u>(283)</u>	<u>14</u>

9 Taxation on loss on ordinary activities

	2005	2004
	£'000	£'000
Analysis of charge in the year:		
<i>Current taxation:</i>		
UK corporation tax at 30% - on profits for the year	3,733	546
Adjustment in respect of prior years -Group	(15)	3
-Share of joint ventures	(3,546)	-
Share of joint ventures current tax	15,169	5,361
Overseas corporation tax	(5,378)	(5,509)
Total current taxation	<u>9,963</u>	<u>401</u>
<i>Deferred tax:</i>		
Asset recognised on acquisition of subsidiary	-	8,000
Transfer to deferred tax provision	-	110
Transfer from deferred tax provision	(211)	-
Transfer to deferred tax asset	(2,964)	(2,603)
Transfer from deferred tax asset	2,603	-
Deferred tax related to pension liability		
- Group	1,993	7
- Share of joint ventures	(186)	(165)
Total deferred tax	<u>1,235</u>	<u>5,349</u>
Total taxation charge	<u><u>11,198</u></u>	<u><u>5,750</u></u>

9 Taxation on loss on ordinary activities (continued)

	2005	2004
	£'000	£'000
Reconciliation of variances from standard rate of UK corporation tax at 30%		
Profit on ordinary activities before tax	52,435	21,255
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	15,731	6,376
<i>Adjusted for:</i>		
Permanent differences:		
-overseas rate differences	(827)	(799)
-other permanent differences (including asset write downs)	3,470	327
Adjustment in respect of prior years	(3,561)	3
Tax losses utilised in current year	(884)	(4,335)
Movement in deferred capital allowances	(1,445)	(1,070)
Movement in other timing differences	(2,521)	(101)
Current tax charge for year	9,963	401

The Group has tax losses arising in the UK of £57 million that are available indefinitely for offset against future taxable profits of Group companies together with further timing differences of £11.0 million and deferred capital allowances of £15 million. A deferred tax asset of £2.964 million has been recognised in respect of the probable recovery of these timing differences.

	2005	2004
	£'000	£'000
Deferred taxation is included in the balance sheet as follows:		
Included in debtors (note 16)	2,964	2,603
Included in provisions for liabilities and charges (note 19)	(426)	(637)
	2,538	1,966

**10 Intangible fixed assets**

Group	Goodwill		Other	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
<i>Cost</i>				
At 1 January 2005	373,119	373,119	-	-
Additions	-	-	76,000	-
At 31 December 2005	373,119	373,119	76,000	-
<i>Amortisation</i>				
At 1 January 2005	18,656	-	-	-
Provided in year	18,656	18,656	5,468	-
At 31 December 2005	37,312	18,656	5,468	-
<i>Net book value</i>				
At 31 December 2005	335,807	354,463	70,532	-

Goodwill is being amortised over 20 years.

The other intangible fixed assets relate primarily to contractual rights acquired with the purchase of the entire business of Jarvis LUL Limited, which provides key operational management and technical staff to Tube Lines Limited under a secondment agreement. The contractual rights have been capitalised at their cost of £73 million and are being amortised over 13 years, the remaining life of the contract to which it relates. No other assets or liabilities were acquired.

11 Tangible fixed assets

Group	Freehold £'000	Short Leasehold £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>				
At 1 January 2005	636	4,267	63,331	68,234
Additions	-	48	7,885	7,933
Reclassifications	-	-	1,087	1,087
Disposals	-	(44)	(6,392)	(6,436)
At 31 December 2005	636	4,271	65,911	70,818
<i>Depreciation</i>				
At 1 January 2005	114	2,587	42,195	44,896
Provided in year	10	292	7,799	8,101
Reclassifications	-	-	591	591
Disposals	-	(44)	(6,044)	(6,088)
At 31 December 2005	124	2,835	44,541	47,500
<i>Net book value</i>				
At 31 December 2005	512	1,436	21,370	23,318
At 31 December 2004	522	1,680	21,136	23,338

The cost of freehold land included above which is not depreciated is £250,000 (2004: £250,000).

The net book value of plant and machinery held under finance lease and similar hire purchase contracts amounted to £4,090,000 (2004: £6,327,000), on which depreciation charged in the year was £1,286,000 (2004: £1,692,000).

Reclassifications of assets include transfers between cost and depreciation of plant and machinery of £591,000 and a transfer from debtors of £496,000 at cost.

**12 Investment in subsidiary undertaking**

Company	Cost £'000
At 1 January 2005 and 31 December 2005	<u>156,761</u>

The principal subsidiary undertaking, Amey plc, and its subsidiary undertakings are listed in note 14. Their activities are described in the Report of the Directors.

13 Investment in joint ventures

Group	Investment 2005 £'000	Provision 2005 £'000	Investment 2004 £'000	Provision 2004 £'000
Share of assets:				
- fixed assets	48,996	13,480	21,998	293
- current assets	636,307	11,525	300,613	6,716
- current assets due after more than one year	612,358	-	218,546	-
	<u>1,297,661</u>	<u>25,005</u>	<u>541,157</u>	<u>7,009</u>
Share of liabilities:				
- current liabilities within one year	(194,149)	(11,499)	(87,376)	(7,239)
- current assets due after more than one year	(1,042,273)	(14,550)	(441,044)	-
- pension scheme with a net deficit	(58,706)	(3,281)	(11,620)	(3,079)
	<u>(1,295,128)</u>	<u>(29,330)</u>	<u>(540,040)</u>	<u>(10,318)</u>
Share of net assets (liabilities)	<u>2,533</u>	<u>(4,325)</u>	<u>1,117</u>	<u>(3,309)</u>
Goodwill arising on acquisition of joint ventures:				
- At 1 January 2005	-	-	-	-
- Additions	31,737	-	-	-
- Amortisation	(1,468)	-	-	-
At 31 December 2005	<u>30,269</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>32,802</u>	<u>(4,325)</u>	<u>1,117</u>	<u>(3,309)</u>

13 Investment in joint ventures (continued)

Group	Investment	Provision	Investment	Provision
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
At 1 January 2005	1,117	(3,309)	-	(3,185)
Reclassification	-	-	(3,813)	3,813
Additions to investments and loans	22,517	5	1,027	-
Goodwill amortisation	(1,468)	-	-	-
Share of profit (loss) after tax of joint ventures	36,797	(985)	11,897	(43)
Share of dividends received from joint ventures	(3,200)	-	(8,647)	-
Actuarial (loss) gain recognised in the pension schemes of the joint ventures	(32,802)	(51)	933	(4,283)
Deferred tax thereon	9,841	15	(280)	1,285
Loss provided on acquisition of Amey plc	-	-	-	(896)
At 31 December 2005	32,802	(4,325)	1,117	(3,309)

Investments in joint ventures with net liabilities are disclosed within provisions for liabilities and charges note 19.

On 31 January 2005, the Group acquired an additional one third stake in the ordinary share capital of Tube Lines (Holdings) Limited bringing the group's total interest to two thirds of the ordinary share capital. The fair value of the purchase consideration was £22.5 million and the provisional fair value of the net liabilities acquired was £9.237 million giving rise to goodwill of £31.737 million. The goodwill is being amortised over its useful remaining economic life of 27 years, the residual period of the PPP contract. No fair value adjustments were considered necessary. The Group's interest in Tube Lines (Holdings) Limited continues to be accounted for as a joint venture using the gross equity method on the basis of joint control.

**13 Investment in joint ventures (continued)**

Certain Group subsidiary undertakings are participants in contracts to design, build and in certain instances maintain and supply other services in relation to PFI projects for the joint ventures. The Group had the following trading balances with the joint ventures at 31 December 2005:

Trading balance owing to Group	Proportion of shares held at 31 December		Turnover		Trading balance owing to Amey	
	2005 %	2004 %	2005 £'000	2004 £'000	2005 £'000	2004 £'000
AHL Holdings (Wakefield) Limited	50.0	50.0	7,794	4,752	157	633
AHL Holdings (Manchester) Limited	50.0	50.0	10,419	5,544	193	461
ALC (Superholdco) Limited	50.0	-	10,660	-	137	-
BCN Data Systems Limited	50.0	50.0	-	-	-	-
EduAction (Waltham Forest) Limited	50.0	50.0	-	75	-	96
RSP (Holdings) Limited	35.0	-	6,209	-	-	-
Services Support (Avon and Somerset) Holdings Limited	20.0	20.0	277	10,136	-	-
Tube Lines (Holdings) Limited	66.7	33.3	32,667	16,952	995	762
			68,026	37,459	1,482	1,952

Group	2005 £'000	2004 £'000
Amounts outstanding with joint ventures		
Loans to joint ventures:		
Tramtrack Croydon Limited	3,842	3,842
Provision against receivable from Tramtrack Croydon Limited	(3,842)	(3,842)
	-	-

The Group's share of Tramtrack Croydon Limited's net liabilities has not been brought into account as it is considered that the company is in the control of its bankers following the prolonged banking standstill arrangements between Tramtrack Croydon Limited, its bankers and Transport for London.

13 Investment in joint ventures (continued)

Additional disclosures are given in respect of certain joint ventures, which exceed certain thresholds under FRS 9 (Associates and joint ventures) as follows:

Tube Lines (Holdings) Limited

Amey share of:	2005 £'000	2004 £'000
Turnover	564,793	269,647
Profit before taxation	48,320	17,434
Taxation	(11,524)	(5,537)
Profit after taxation	36,796	11,897
Dividends	(3,200)	(8,647)
Retained profit	33,596	3,250
Amounts (charged) credited to statement of total recognised gains and losses	(22,961)	653
	10,635	3,903

Tube Lines (Holdings) Limited

Amey share of:	2005 £'000	2004 £'000
Fixed assets	48,996	21,998
Current assets due within one year	602,802	294,624
Current assets due after more than one year	612,358	218,546
Liabilities due within one year	(189,526)	(86,625)
Liabilities due after more than one year	(1,013,459)	(435,856)
Pension schemes with a net deficit	(58,706)	(11,620)
	2,465	1,067



14 Principal subsidiary and joint venture undertakings

Unless otherwise stated, all subsidiary undertakings are incorporated and operate in Great Britain and voting rights and interests in their Ordinary shares are 100% held through another subsidiary undertaking. A full list of subsidiary undertakings will be filed with the next annual return. All subsidiaries have been consolidated.

Subsidiary undertaking	Nature of business
Amey plc*	Holding company
Amey BPO Services Limited	Building support services
Amey Building Limited	Building contractors
Amey Construction Limited	Civil engineering
Amey Datel Limited	Advanced passenger information systems
Amey Fleet Services Limited	Specialist fleet support services
Amey Group Information Services Limited	Group IT services
Amey Group Services Limited	Group central services
Amey Information Services Limited	Information services to utilities market
Amey Infrastructure Services Limited	Highway management and maintenance
Amey Insurance Company PCC Limited**	Captive insurance company
Amey IT Services Limited	IT consultancy
Amey LUL 2 Limited	Sub-surface rail management services
Amey Programme Management Limited	Asset and whole-life availability
Amey Projects Limited	Building contractors
Amey Properties Limited	Group property investment
Amey Rail Limited	Rail services, management and maintenance
Amey Roads (North Lanarkshire) Limited (67%)	Highway management and maintenance
Amey Services Limited	Payroll services
Amey Ventures Limited	Bid management
Amey Ventures Investments Limited	Investment management
Comax Services Limited	Business support services
Crown Business Communications Limited (51%)	Business communications agency
JNP Ventures Limited	Sub-surface rail management services
JNP Ventures 2 Limited	Sub-surface rail management services
Sherard Secretariat Services Limited	Company secretarial services

* Investment held directly by the Company.

** Incorporated and operates solely in Guernsey.

14 Principal subsidiary and joint venture undertakings (Continued)

Joint venture undertaking	Nature of business	%
AHL Holdings (Manchester) Limited	Operation of PFI street lighting concession	50.0
AHL Holdings (Wakefield) Limited	Operation of PFI street lighting concession	50.0
ALC (Superholdco) Limited	Operation of PFI asset management concession for the MOD	50.0
BCN Data Systems Limited	Data collection and management	50.0
EduAction (Waltham Forest) Limited	Education support services outsourcing	50.0
RSP (Holdings) Limited	Operation of PFI schools concession in Renfrewshire	35.0
Tube Lines (Holdings) Limited	Infrastructure maintenance and enhancement of the Jubilee, Northern and Piccadilly lines of the London Underground	66.7

All joint venture interests operate within Great Britain and are incorporated in Great Britain. They are all held through another subsidiary undertaking. With the exception of EduAction (Waltham Forest) Limited (31 March), Tube Lines (Holdings) Limited (31 March) and BCN Data Systems Limited (30 June), they all have financial periods ending on 31 December. The Group has gross equity accounted for its share of those joint ventures for the 12-month period ended 31 December 2005.

Joint arrangement that is not an entity ("JANE")	Address of principal place of business	%
Amey Lafarge	Sherard Building, Edmund Halley Road, Oxford	70.0
Amey Lafarge (Newham)	Sherard Building, Edmund Halley Road, Oxford	50.0
Amey-Miller Edinburgh Schools design and build	Pitreavie Bernard Street, Dunfermline	50.0
Amey-Miller Glasgow Schools design and build	Newton House, Sauchiehall Street, Glasgow	50.0
Amey-Miller Glasgow Schools lifecycle	Newton House, Sauchiehall Street, Glasgow	50.0
AmeyMouchel – Area 1	Sherard Building, Edmund Halley Road, Oxford	75.0
AmeyMouchel – Area 6	Sherard Building, Edmund Halley Road, Oxford	75.0
AmeyMouchel – Area 9	Sherard Building, Edmund Halley Road, Oxford	75.0
AmeyMouchel – Area 10	Sherard Building, Edmund Halley Road, Oxford	75.0
AmeyMouchel – Area 13	Sherard Building, Edmund Halley Road, Oxford	75.0
Amey-Robert McAlpine-Taylor Woodrow A19 joint venture	Taylor Woodrow, Watford, Hertfordshire	33.0
Amey-Robert McAlpine-Taylor Woodrow Barr M6 joint venture	Taylor Woodrow, Watford, Hertfordshire	30.0
Amey SECO	Albert House, Victoria Street, Bristol	50.0
Enhance Communications joint venture	Sherard Building, Edmund Halley Road, Oxford	40.0
Mouchel Amey Area 19 joint venture	Sherard Building, Edmund Halley Road, Oxford	50.0
Rail Structures Midlands	Warwick Chambers, Corporation Street, Birmingham	50.0

All JANES operate within Great Britain. They are all held through another subsidiary undertaking. The factors on which joint management of the JANES is based include voting rights and the ability to veto key operating and strategic decisions.

**15 Stocks and work in progress**

	2005	2004
	£'000	£'000
Raw materials and consumable stocks	5,253	5,473

There is no material difference between the amounts included above and replacement cost.

16 Debtors

	Group	Group	Company	Restated
	2005	2004	2005	Company
	£'000	£'000	£'000	2004
				£'000
Amounts falling due within one year				
Trade debtors	51,076	46,324	-	-
Amounts recoverable on contracts	17,499	23,183	-	-
Amounts owed by subsidiary undertakings	-	-	16,406	5,790
Corporation tax	5,280	6,005	-	-
VAT	481	1,242	15	15
Other debtors	14,748	19,640	5,280	5,519
Prepayments and accrued income	37,991	35,391	-	-
	127,075	131,785	21,701	11,324
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	180,743	105,243
Deferred tax asset:				
- unutilised tax losses carried forward	-	300	-	-
- other reversing timing differences	2,964	2,303	-	-
	2,964	2,603	180,743	105,243

At 31 December 2004, amounts owed by subsidiary undertakings to the Company were shown as due within one year. These amounts are due after more than one year and the comparatives have been restated accordingly.

17 Creditors - amounts falling due within one year

	Group	Restated	Company	Restated
	2005	Group	2005	Company
	£'000	2004	£'000	2004
		£'000		£'000
Finance leases	939	1,736	-	-
Trade creditors	39,204	44,180	-	-
Payments received on account	14,512	18,398	-	-
Amounts due to parent undertaking	13,462	9,513	2,475	726
Corporation tax	1,301	-	-	-
Social security and other taxes	15,812	9,137	-	-
Other creditors	9,287	4,836	14	14
Accruals	91,429	102,800	98	199
Deferred income	6,533	2,319	-	-
	192,479	192,919	2,587	939

18 Creditors - amounts falling due after more than one year

	Group	Restated	Company	Restated
	2005	Group	2005	Company
	£'000	2004	£'000	2004
		£'000		£'000
<i>Bank loans repayable:</i>				
- in more than two years but not more than five years.	49,316	29,180	49,316	29,180
<i>Finance leases repayable:</i>				
- in more than one year but not more than two years.	326	897	-	-
- in more than two years but not more than five years.	212	580	-	-
<i>Other creditors:</i>				
- in more than one year but not more than two years.	214	214	-	-
- in more than two years but not more than five years.	644	644	-	-
- in more than five years.	428	642	-	-
<i>Deferred income:</i>				
- in more than one year but not more than two years.	849	-	-	-
- in more than two years but not more than five years.	3,299	-	-	-
<i>Amounts due to parent undertaking:</i>				
- in more than two years but not more than five years.	71,654	16,154	71,654	16,154
	126,942	48,311	120,970	45,334

The bank loans are secured by a fixed and floating charge over the assets of the Group. Other creditors due in more than five years of £428,000 (2004: £642,000) are repayable in two annual instalments of £214,000 from April 2011 to April 2012. No interest is payable. At 31 December 2004, amounts owed to the parent undertaking by the Group and Company were shown as due for payment within one year. These amounts fall due for payment in more than two years but not more than five. The comparatives have been restated accordingly.

**19 Provisions for liabilities and charges**

Group	Deferred taxation £'000	Onerous lease provision £'000	Provision against joint ventures £'000	Insurance reserve £'000	Contract loss provision £'000	Total £'000
At 1 January 2005	(637)	(6,597)	(3,309)	(1,252)	(8,066)	(19,861)
Amount charged to the profit and loss account	-	(1,092)	(1,016)	(955)	-	(3,063)
Amounts credited to the profit and loss account	211	1,981	-	-	8,066	10,258
Other movements	-	-	-	-	-	-
At 31 December 2005	(426)	(5,708)	(4,325)	(2,207)	-	(12,666)

The deferred tax provision relates to timing differences and the onerous lease provision is in respect of property leases. See note 13 for details of the provision against joint ventures. The insurance reserve represents claims made for which Amey Insurance Company PCC Limited is considered liable while the contract loss provision represented estimated future contract losses.

Company	Deferred taxation £'000
At 1 January 2005	(6,530)
Amount charged to the profit and loss account	(6,530)
At 31 December 2005	(13,060)

The deferred tax provision in the Company relates to timing differences which are reversed on consolidation.

20 Share capital

Ordinary shares of £1 each	2005 Number	2004 Number	2005 £'000	2004 £'000
Authorised	4,000,000	4,000,000	4,000	4,000
Allotted, called up and fully paid				
At 1 January 2005 and 31 December 2005	3,676,768	3,676,768	3,677	3,677

21 Reconciliation of movements in shareholders' funds

Group	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total 2005 £'000	Total 2004 £'000
At 1 January 2005	3,677	153,134	61,887	4,300	222,998	218,698
Profit on ordinary activities after taxation after minority interests	-	-	-	40,710	40,710	15,225
Actuarial loss recognised in the pension schemes	-	-	-	(32,499)	(32,499)	(12,257)
Deferred tax thereon	-	-	-	9,750	9,750	3,677
Actuarial losses recognised in the pension schemes by joint ventures	-	-	-	(32,853)	(32,853)	(3,350)
Deferred tax thereon	-	-	-	9,856	9,856	1,005
At 31 December 2005	3,677	153,134	61,887	(736)	217,962	222,998

Company	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total 2005 £'000	Total 2004 £'000
At 1 January 2005	3,677	153,134	61,887	1,877	220,575	218,698
Retained profit	-	-	-	2,063	2,063	1,877
At 31 December 2005	3,677	153,134	61,887	3,940	222,638	220,575

The Company is not publishing a separate profit and loss account as permitted by Section 230 of the Companies Act 1985. The profit for the financial year dealt within the accounts of the parent undertaking was £2,063,000 (2004: £1,877,000).



22 Pension schemes

The Group operates a number of pension schemes for the benefit of employees and Directors. Trustees administer the assets of the funded schemes in funds independent from those of the Group. Pension costs in respect of schemes offering defined benefits are assessed in accordance with the advice of qualified actuaries. An external company of professional pension administrators normally conducts the administration of those schemes.

In addition, the Group provides unfunded unapproved retirement benefits to certain eligible employees to provide for pension commitments in excess of the Inland Revenue Pensionable Earnings limit.

The principal defined contribution schemes are as follows:

Amey Pension - Saver Scheme, offered to new eligible staff from October 2004 who had not been transferred into the Group via acquisition or outsourcing.

Amey Irish Facility Managers Pension Scheme, a personal pension scheme available to all existing and new employees of Amey Irish Facility Managers Limited.

Comax Money Purchase Scheme, previously offered to new recruits within Comax Services Limited. This scheme is now closed to new entrants.

Crown Communications Pension Scheme, a group personal pension scheme available to all existing and new employees of Crown Business Communications Limited.

Datel Pension Scheme, a group personal pension scheme available to all existing and new employees of Amey Datel Limited.

The B&CE Easy Build Stakeholder Pension Scheme, a stakeholder scheme for all existing and new employees who are covered by the construction industry 'Working Rule Agreement'.

Friends Provident Stakeholder Pension Scheme, available to those employees wishing to enter. The Group does not contribute to this scheme.

The defined benefit schemes are as follows:

Amey Pension Scheme, previously offered to eligible staff who had not been transferred into the Group via acquisition or outsourcing. This scheme is now closed to new entrants.

Amey OS Pension Scheme, offered to former principal civil servants and local government employees who have transferred into the Group under its facilities management and term maintenance contracts.

Amey Rail Pension Scheme, this is a section of The Railways Pension Scheme providing for those eligible employees who are working within Amey Rail Limited and elsewhere in the Group. The Group accounts for its share of the separately identified assets and liabilities of this scheme. The cost of providing benefits is split between the member and the employers in the ratio 40:60.

Comax Final Salary Pension Scheme, staff who transferred out of the Ministry of Defence at the time the Comax business separated from the Defence Evaluation and Research Agency have remained within this scheme. This scheme is now closed to new entrants.

22 Pension schemes (continued)

**Bedfordshire Pension Fund*, Amey has admitted body status into this scheme for former Bedfordshire Council employees who transferred into Amey under TUPE transfer arrangements.

**Cumbria Pension Fund*, Amey has admitted body status into this scheme for former Cumbria Council employees who transferred into Amey under TUPE transfer arrangements.

**Greater Manchester Pension Fund*, Amey has admitted body status into this scheme for former Greater Manchester Council employees who transferred into Amey under TUPE transfer arrangements.

**Northamptonshire Pension Fund*, Amey has admitted body status into this scheme for former Northamptonshire Council employees who transferred into Amey under TUPE transfer arrangements.

**West Midlands Metropolitan Authorities Pension Fund*, Amey has admitted body status into this scheme for former West Midlands Council employees who have transferred into Amey under TUPE transfer arrangements.

**West Yorkshire Pension Fund*, Amey has admitted body status into this scheme for former West Yorkshire Council employees who transferred into Amey under TUPE transfer arrangements.

The Group is unable to identify its share of underlying assets and liabilities of the schemes marked with an asterisk above and it has therefore taken advantage of the provision in FRS 17 (Retirement benefits), which allows the Group to account for them as defined contribution schemes. The aggregate deficit on these schemes was £3,950 million at 31 March 2004, the last formal actuarial valuation date for which reports have been published.

For schemes that are closed to new entrants, the current service costs is expected to rise significantly as members approach retirement.

The dates of the latest full published actuarial valuations of the defined benefit schemes were carried out on the dates indicated below and were updated to 31 December 2005 by qualified independent actuaries.

	Date of latest valuation
Amey Pension Scheme	5 April 2002
Amey OS Pension Scheme	5 April 2002
Amey Rail Pension Scheme	31 December 2003
Comax Final Salary Pension Scheme	31 March 2004

The Group accounts for pension costs in accordance with FRS 17 (Retirement benefits). The major assumptions used by the actuaries for the schemes were as follows:

	2005	2004	2003
Rate of increase in salaries	4.1%	4.1%	4.0%
Rate of increase in pensions in payment	2.6%	2.6%	2.5%
Discount rate	4.85%	5.4%	5.6%
Inflation assumption	2.6%	2.6%	2.5%

**22 Pension schemes (continued)**

The assets in the scheme and the weighted average of the long-term expected rates of return at the balance sheet dates were:

	Long-term rate of expected return %	2005 £'000	Long-term rate of expected return %	2004 £'000	Long-term rate of expected return %	2003 £'000
Equities	8.10	188,654	8.20	186,856	8.10	191,125
Bonds and gilts	4.33	53,092	4.88	33,765	4.92	20,294
Property	6.20	8,400	6.50	18,075	6.60	8,654
Cash and other	5.00	1,098	5.00	13,652	3.50	1,357
		<hr/>		<hr/>		<hr/>
Total market value of assets		251,244		252,348		221,430
Present value of scheme liabilities		(373,860)		(346,226)		(302,664)
		<hr/>		<hr/>		<hr/>
Deficit in the schemes		(122,616)		(93,878)		(81,234)
Members' share of deficit		13,300		10,420		10,010
		<hr/>		<hr/>		<hr/>
Net deficit in the schemes		(109,316)		(83,458)		(71,224)
Related deferred tax asset		32,795		25,037		21,367
		<hr/>		<hr/>		<hr/>
Net pension liability		(76,521)		(58,421)		(49,857)
		<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>

	2005 £'000	2004 £'000
The movements in the schemes' deficits were:		
At 1 January 2005	(83,458)	(71,224)
Current service costs	(12,851)	(13,991)
Contributions	16,129	13,600
Gain on settlements or curtailments	3,646	400
Other finance income (cost)	(283)	14
Actuarial loss	(32,499)	(12,257)
	<hr/>	<hr/>
At 31 December 2005	(109,316)	(83,458)
	<hr/> <hr/>	<hr/> <hr/>

22 Pension schemes (continued)**Analysis of the amount charged to operating profit**

	2005	2004
	£'000	£'000
Current service costs	12,851	13,991
Gain on settlements or curtailments	(3,646)	(400)
Cost of defined contribution scheme	2,440	669
	<hr/>	<hr/>
Charged to operating profit	11,645	14,260
Other finance costs (income)	283	(14)
	<hr/>	<hr/>
Net charge to profit on ordinary activities before tax	11,928	14,246
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amounts recognised in the statement of total recognised gains and losses

	2005	2004
	£'000	£'000
Actual return less expected return on pension scheme assets	23,029	5,068
Experience gains and losses arising on the scheme liabilities	4,095	715
Changes in assumptions underlying the present value of the scheme	(59,623)	(18,040)
	<hr/>	<hr/>
Actuarial loss recognised in statement of total recognised gains and losses	(32,499)	(12,257)
	<hr/> <hr/>	<hr/> <hr/>

History of experience gains and losses

	2005	2004
	£'000	£'000
Actual return less expected return on pension scheme assets	23,029	5,068
- Expressed as a percentage of scheme assets	9%	2%
Experience gains and losses arising on the scheme liabilities	4,095	715
- Expressed as a percentage of scheme liabilities	1.1%	0.2%
Actuarial loss recognised in statement of total recognised gains and losses	(32,499)	(12,257)
- Expressed as a percentage of scheme liabilities	(8.7%)	(3.5%)

**23 Financial and capital commitments**

Group	2005	2004		
	£'000	£'000		
Capital expenditure contracted for but not provided - Group	566	960		
- Joint ventures	4,027	-		
	<hr/> 104,473 <hr/>	<hr/> 49,613 <hr/>		
Equity and subordinated debt commitments to joint ventures	104,473	49,613		
	<hr/> 104,473 <hr/>	<hr/> 49,613 <hr/>		
Group	Land and buildings	Other	Land and buildings	Other
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Operating leases - amounts payable in the next year in respect of commitments expiring:				
- Within one year	598	8,064	558	8,484
- In second to fifth year inclusive	1,412	8,562	2,120	9,971
- After five years	2,634	18	3,146	-
	<hr/> 4,644 <hr/>	<hr/> 16,644 <hr/>	<hr/> 5,824 <hr/>	<hr/> 18,455 <hr/>

None of the commitments relate to the Company.

24 Contingent liabilities

The Company has guaranteed certain performance bonds and borrowings of certain subsidiary undertakings.

Under the terms of the contracts with Tube Lines (Holdings) Limited and Tube Lines Limited and their lender, the Group has an obligation to repay monies received for certain services provided by the Group in the event that the Group's operating performance is unsatisfactory. The Group is currently performing within expectations and the directors do not expect that any repayment will be required. However, under the terms of the contracts, Group Ferrovial, S.A. and the Group have provided irrevocable standby letters of credit of £7.5 million and £13.1 million respectively to cover a proportion of these obligations.

Claims have been made against a construction joint venture of which Amey Construction Limited is a member. A claim has also been made by London Underground Limited against Tube Lines (Holdings) Limited for a performance abatement relating to a three day suspension of the Northern Line in October 2005. These claims are being defended vigorously.

Except as detailed above, losses, for which no provision has been made in these accounts, which might arise from litigation in the normal course of business, are not expected to be material in the context of these accounts.

25 Post balance sheet event

On 7 February 2006, the Company purchased the entire share capital of Owen Williams Group Limited, a professional and technical services consultancy, for a net consideration of £23.8 million.

26 Related party transactions

The Company and Group 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 Group is included in those consolidated financial statements.

27 Cashflow statement

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

28 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. can be obtained from:

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



Amey UK plc

Company information

Company Secretary
Carol Hui

Registered number
4736639

Registered UK Office
The Sherard Building
Edmund Halley Road
Oxford OX4 4DQ

Company Address
Serrano Galvache, 56
Edificio Madroño
28033 Madrid
Spain

Principal Bankers
The Royal Bank of Scotland
Corporate & Institutional Banking
135 Bishopsgate
London EC2M 3UR

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

Website www.amey.co.uk



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Amey UK plc. Registered office address:
The Sherard Building, Edmund Halley Road, Oxford OX4 4DQ

Head office and principal place of business:
Serrano Galvache, 56 Edificio Madroño, 28033 Madrid, Spain
Company No. 4736639, registered in England and Wales.

01.1-01-06-05

Service is our passion. People, our strength

