



AMEY 1321 LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002

Company no 3087100

AMEY 1321 LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2002

Company registration number: 3087100

Registered office: 13/14 Margaret Street
London
W1W 8RN

Directors: R W Entwistle
C M Mogg
M Ewell

Secretary: C Hui

Auditors: Grant Thornton
Registered auditors
Chartered accountants
London

AMEY 1321 LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2002

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AMEY 1321 LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2002.

Principal activities

The company operates principally as tunneling contractors.

Business review

There was a profit for the year after taxation amounting to £21,000 (2001: £nil). The directors do not recommend payment of a dividend of £nil (2001: £nil).

Post balance sheet review

Post balance sheet events affecting this company are disclosed in note 13.

Directors

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

R W Entwistle

M Ewell

C M Mogg

R W Entwistle was appointed on 15 October 2002

M Ewell was appointed on 15 October 2002

C M Mogg was appointed on 15 October 2002

B L Staples resigned on 28 February 2003

M A Kayser was appointed on 11 September 2002 and resigned on 15 October 2002

D J Miller resigned on 10 September 2002

The interests of the directors, who are also directors of the parent undertaking, are disclosed in that company's financial statements.

AMEY 1321 LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditors

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

ON BEHALF OF THE BOARD

Director

M. EWE



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AMEY 1321 LIMITED

We have audited the financial statements of Amey 1321 Limited for the year ended 31 December 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the directors' assessment that it is appropriate to prepare the accounts on a going concern basis. Details of the circumstances relating to this uncertainty are described within Principal Accounting Policies. Our opinion is not qualified in this respect.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

AMEY 1321 LIMITED

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON

29th Aug 2003

AMEY 1321 LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

In determining that it is appropriate to prepare the accounts of the company on a going concern basis the directors considered the level of unencumbered assets in the Amey plc group (Amey Group), the level and terms of the Amey Group's borrowing facilities, discussions with principal bankers and the Amey Group's announced plans for improving its cash/debt position through the sale of certain PFI interests and other businesses

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

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

The company has also taken advantage of the exemption from disclosure of transactions with related parties on the grounds that it is a wholly owned subsidiary and the consolidated financial statements of its parent company are publicly available. Details of the ultimate parent undertaking are set out in note 14

STOCKS

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

Contract work in progress is stated at cost, which includes appropriate overheads but not interest, or at net realisable value, whichever is lower. Full provision is made for estimated losses to the completion of contracts.

Amounts recoverable on contracts represent the excess of work done including attributable profit over cumulative payments on account received. Payments on account in excess of work done are included within creditors.

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. Costs are not subsequently reinstated when a contract award is achieved.

TURNOVER

Turnover is the total amount receivable by the company for work done during the year, excluding VAT

AMEY 1321 LIMITED**PROFIT AND LOSS ACCOUNT**For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover		22	-
Cost of sales		-	-
Gross profit		22	-
Net Interest		(1)	-
Profit on ordinary activities before taxation	1	21	-
Tax on loss on ordinary activities	3	-	-
Profit transferred to reserves	8	21	-

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

AMEY 1321 LIMITED**BALANCE SHEET AT 31 DECEMBER 2002**

	Note	2002 £	2001 £
Current assets			
Debtors	5	1,444	121
Cash at bank and in hand		<u>2</u>	<u>1,219</u>
		1,446	1,340
Creditors: amounts falling due within one year	6	<u>(106)</u>	<u>(21)</u>
Net current assets		1,340	1,319
Total assets less current liabilities		<u>1,340</u>	<u>1,319</u>
Capital and reserves			
Called up share capital	7	1,975	1,975
Profit and loss account	8	<u>(635)</u>	<u>(656)</u>
Shareholders' funds	9	<u>1,340</u>	<u>1,319</u>
Equity shareholders' funds		(635)	(556)
Non-equity shareholders' funds		<u>1,975</u>	<u>1,875</u>
		<u>1,340</u>	<u>1,319</u>

The financial statements were approved by the Board of Directors on 28 May 2003

Director

M EWE

AMEY 1321 LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2002

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation are attributable to the continuing operations.

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

2 DIRECTORS AND EMPLOYEES

Wages and salaries costs have been met by another company within the group.

No directors (2001: none) were remunerated through this company.

3 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit represents:

	2002 £'000	2001 £'000
UK corporation tax at 30% (2001: 30%)	-	-
Group relief	-	-
Total current tax	-	-

The tax assessed for the period is different than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained as follows:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	21	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	6	-
Effect of:		
Adjustments in respect of prior years	-	-
Group relief	(6)	-
	-	-

AMEY 1321 LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2002

4 FIXED ASSETS INVESTMENTS

At 31 December 2002 the company held more than 10% of the allotted share capital of the following undertakings. The cost at 31 December 2001 was £nil.

	Country of registration	Class of share capital held	Proportion held	Nature of business
J F Donelon (Ireland) Limited	Republic of Ireland	Ordinary	100%	Tunnelling contractors

5 DEBTORS

	2002 £'000	2001 £'000
Amounts owed by subsidiary undertakings	1,388	121
Trade debtors	1	-
Amounts recoverable under contracts	-	-
Other debtors	55	-
	<u>1,444</u>	<u>121</u>

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	1	3
Social security and other taxes	-	-
VAT	105	-
Accruals and deferred income	-	18
	<u>106</u>	<u>21</u>

AMEY 1321 LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2002

7 SHARE CAPITAL

	2002 £	2001 £
Authorised		
25,000 ordinary shares of £1 each	25	25
100,000 'A' ordinary shares of £1 each	100	100
1,875,000 preference shares of £1 each	1,875	1,875
	<u>2,000</u>	<u>2,000</u>
 Allotted, called up and fully paid		
25,000 ordinary shares of £1 each	25	25
75,000 'A' ordinary shares of £1 each	75	75
1,875,000 preference shares of £1 each	1,875	1,875
	<u>1,975</u>	<u>1,975</u>

The preference shares are non-equity shares which carry an entitlement to a dividend at the rate of Barclays Bank plc base rate plus 2% per annum.

The ordinary shares and 'A' ordinary shares will have dividends paid (if any) as if they were shares of the same class.

8 PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2002	(656)
Loss for the financial year	21
At 31 December 2002	<u>(635)</u>

AMEY 1321 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£'000	£'000
Profit for the financial year	<u>21</u>	<u>-</u>
Net decrease in shareholders' funds	<u>21</u>	<u>-</u>
Shareholders' funds at 1 January 2002	<u>1,319</u>	<u>1,319</u>
Shareholders' funds at 31 December 2002	<u>1,340</u>	<u>1,319</u>

10 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2002 or 31 December 2001.

11 CONTINGENT LIABILITIES

The company has entered into a joint and several guarantee for £221.2 million (2001: £110 million), with certain of its fellow subsidiaries, to guarantee certain bank borrowings of its ultimate parent undertaking.

The company also has guaranteed performance bonds in the normal course of business. There were no other contingent liabilities at 31 December 2002 or 31 December 2001.

12 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, 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 £69,301,000 at the balance sheet date (2001: £1,900,000). 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 1321 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

13 POST BALANCE SHEET EVENT

Banking facilities

Following Amey plc's extraordinary general meeting on 14 March 2003 to approve the disposal of certain PFI investments, the Group was granted banking facilities totalling £221.2 million on a committed basis until 1 July 2004. The facilities are secured by a charge over the shares held by Amey plc in the company and certain other subsidiary undertakings and are guaranteed by the company and certain other subsidiary undertakings.

14 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking and controlling related party of this company is its parent company Amey plc.

The largest group of undertakings for which group accounts have been drawn up is that headed by Amey plc which is registered in England and Wales. Copies of the group accounts are available to the public from Amey plc, 13/14 Margaret Street, London W1W 8RN.