

**Amey LUL 2 Limited**

Report and Financial Statements

Year ended

31 December 2006



Company no 4602504



**BDO Stoy Hayward**  
Chartered Accountants

# **Amey LUL 2 Limited**

## **Annual report and financial statements for the year ended 31 December 2006**

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Directors

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### **Directors**

K Cottrell  
M Ewell  
A L Nelson

### **Secretary and registered office**

Sherard Secretariat Services Limited, The Sherard Building, Edmund Halley Road, Oxford,  
OX4 4DQ

### **Company number**

4602504

### **Auditors**

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

## **Amey LUL 2 Limited**

### **Report of the Directors for the year ended 31 December 2006**

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The Directors present their report together with the audited financial statements for the year ended 31 December 2006

#### **Principal activities**

The Company is engaged in the activity of providing management services to Tube Lines (Holdings) Limited and Tube Lines Limited ("The Tube Lines Group") The Tube Lines Group is responsible for the maintenance, renewal and upgrade of the infrastructure of the Jubilee, Northern and Piccadilly lines of the London Underground There have been no changes in the Company's activities in the year under review

#### **Business review and future developments**

The profit and loss account is set out on page 6 and shows turnover for the year of £37,802,000 (2005 - £30,074,000) and profit for the year of £9,775,000 (2005 - £512,000) Turnover has increased by 25.7% through additional secondee revenues reflecting an increase in requirements for management services and management fees, resulting from improved performance in The Tube Lines Group

Operating profit before tax increased during the year by 24.2%, mainly due to the improvement in turnover Cost of sales were up by 12.2% due to an increase in staff, reflecting an increased demand for the Company's management services, whilst administration expenses were down 23.9%, due to changes in the management fee recharging methodology As a consequence of an increase in demand for management services, staff numbers were increased to an average of 38 in 2006

The Directors believe that there will be a reduction in turnover in 2007, as requirements for management services reduce

The Directors do not recommend the payment of a dividend (2005 - £nil)

There have been no events since the balance sheet date which materially affect the position of the Company

#### **Principal risks and uncertainties**

The Company's risks and key performance indicators are only reported and managed on a Divisional basis To gain a further understanding of this business, details of the Divisional reviews are disclosed on pages 2 to 6 in the financial statements of the intermediate parent company, Amey UK plc

#### **Directors**

The Directors of the Company during the year were

K Cottrell

M Ewell

A L Nelson

J Leo (resigned 22 September 2006)

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

## **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 Company 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 the Amey Group ("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 Group Chief Executive when there is urgent and important news to be communicated. "The Hub", 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 Company 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

Trade creditors at the year-end amounted to 15 days (2005 – 32 days) of average supplies for the year

## **Auditors**

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

**Directors' responsibilities for the financial statements**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. 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 confirm that these financial statements 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. 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 Company and to prevent and detect fraud and other irregularities

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware

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

**On behalf of the Board**



A L Nelson  
**Director**

29 March 2007

## **Amey LUL 2 Limited**

### **Report of the independent auditors**

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#### **To the shareholders of Amey LUL 2 Limited**

We have audited the financial statements of Amey LUL 2 Limited for the year ended 31 December 2006 which comprise the Company profit and loss account, 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*

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

4 April 2007

**Amey LUL 2 Limited****Profit and loss account for the year ended 31 December 2006**

		<b>2006</b>	2005
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	2	<b>37,802</b>	30,074
Cost of sales		<u><b>(13,322)</b></u>	<u>(11,869)</u>
<b>Gross profit</b>		<b>24,480</b>	18,205
Administrative expenses		<u><b>(10,572)</b></u>	<u>(13,811)</u>
<b>Operating profit</b>	5	<b>13,908</b>	4,394
Net interest payable	6	<u><b>(4,133)</b></u>	<u>(3,882)</u>
<b>Profit on ordinary activities before taxation</b>		<b>9,775</b>	512
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
<b>Profit transferred to reserves</b>	12	<u><b>9,775</b></u>	<u>512</u>

All transactions related to continuing operations

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

The notes on pages 8 to 14 form part of these financial statements



**Amey LUL 2 Limited****Balance sheet at 31 December 2006**

		<b>2006</b>	<b>2005</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Intangible assets	8	<u>62,238</u>	<u>67,853</u>
<b>Current assets</b>			
Debtors	9	11,535	4,961
Cash at bank and in hand		<u>3,065</u>	<u>25</u>
		<b>14,600</b>	<b>4,986</b>
<b>Creditors: amounts falling due within one year</b>	10	<u>(66,551)</u>	<u>(72,327)</u>
<b>Net current (liabilities) assets</b>		<u>(51,951)</u>	<u>(67,341)</u>
<b>Total assets less current liabilities</b>		<u>10,287</u>	<u>512</u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account		<u>10,287</u>	<u>512</u>
<b>Shareholders' funds</b>	12	<u>10,287</u>	<u>512</u>

The financial statements on pages 6 to 14 were approved and authorised for issue by the Board of Directors on 29 March 2007 and signed on its behalf by



A L Nelson  
**Director**

The notes on pages 8 to 14 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

The following principal accounting policies have been applied consistently during the period

### *Intangible fixed assets*

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

The Company 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 represents the value of work done during the period calculated by reference to the value of contracts closed and the movement in work in progress during the period, excluding VAT.

### *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:

- Deferred tax is not recognised on timing differences arising on revalued properties unless the Company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief.
- The recognition of deferred tax assets is limited to the extent that the Company anticipates making 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 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 13 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.

### *Pension costs – defined contribution scheme*

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

**2 Turnover**

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom

**3 Employees**

	2006	2005
	£'000	£'000
Staff costs during the year were as follows		
Wages and salaries	4,835	3,727
Social security costs	414	302
Other pension costs	273	205
	<u>5,522</u>	<u>4,234</u>

The Company had 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.

	2006	2005
The average number of employees during the year was as follows		
Contract based	<u>38</u>	<u>30</u>

**4 Directors**

Details of the remuneration of Directors, who are also directors of the intermediate parent undertaking, Amey UK plc, and of Amey Ventures Limited or JNP Ventures Limited are disclosed in those companies' financial statements.

No Directors were remunerated through the Company in 2006 or 2005.

**5 Operating profit**

	2006	2005
	£'000	£'000
Operating profit is stated after charging		
Amortisation of intangible asset	5,615	5,147
Lease rentals – land and buildings	-	469
	<u></u>	<u></u>

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

**6 Net interest payable**

	2006 £'000	2005 £'000
Interest payable	<u>4,133</u>	<u>3,882</u>

**7 Taxation on profit on ordinary activities**

	2006 £'000	2005 £'000
<i>Current tax</i>		
UK corporation tax at 30% (2005 – 30%)	-	-
Total current tax	<u>-</u>	<u>-</u>

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

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	<u>9,775</u>	<u>513</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 – 30%)	2,932	154
<i>Effects of</i>		
Movement in deferred capital allowances	1	-
Other timing differences	5	316
Group relief	(2,938)	(470)
Current tax charge for year	<u>-</u>	<u>-</u>

**8 Intangible fixed assets**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<i>Cost</i>		
At 1 January 2006	<b>73,000</b>	-
Additions	-	73,000
<b>At 31 December 2006</b>	<b>73,000</b>	<b>73,000</b>
<i>Amortisation</i>		
At 1 January 2006	<b>5,147</b>	-
Provided in year	<b>5,615</b>	5,147
<b>At 31 December 2006</b>	<b>10,762</b>	<b>5,147</b>
<i>Net book value</i>		
<b>At 31 December 2006</b>	<b>62,238</b>	<b>67,853</b>

The intangible fixed asset relates 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.

**9 Debtors**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year		
Trade debtors	<b>2,663</b>	995
Amounts recoverable on contracts	<b>7,912</b>	-
Other debtors	<b>712</b>	1,050
Amounts owed by group undertakings	<b>207</b>	-
Prepayments and accrued income	<b>41</b>	2,916
	<b>11,535</b>	<b>4,961</b>

**10 Creditors**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year		
Trade creditors	<b>33</b>	245
Accruals and deferred income	<b>1,942</b>	1,958
Amounts owed to group undertaking	<b>61,134</b>	70,084
Accruals	<b>1,707</b>	40
Other creditors	<b>312</b>	-
VAT	<b>1,423</b>	-
	<b>66,551</b>	72,327

**11 Share capital**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	<b>1,000</b>	1,000
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	<b>2</b>	2

**12 Reconciliation of movements in shareholders' funds**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>9,775</b>	512
Shareholders' funds at 1 January 2006	<b>512</b>	-
<b>Shareholders' funds at 31 December 2006</b>	<b>10,287</b>	512

**13 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 Amey Group participates amounted to £108,679,000 at the balance sheet date (2005 – £109,316,000). 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. Full details of Amey Group pension schemes are disclosed in the financial statements of Amey UK plc.

**14 Capital commitments**

The Company had no capital commitments at 31 December 2006 or 31 December 2005.

As at 31 December 2006, the Company had no non-cancellable operating lease commitments that expire.

	<b>Land and Buildings 2006 £'000</b>	<b>Land and buildings 2005 £'000</b>
Within one year	<u>-</u>	<u>469</u>

**15 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.

**16 Cashflow statement**

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

**17 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 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