

Amey LUL 2 Limited

Report and Financial Statements

Year ended

31 December 2010



Company no 04602504

Amey LUL 2 Limited

Annual report and financial statements for the year ended 31 December 2010

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Directors

K Cottrell
M Ewell
A L Milner
A L Nelson

Secretary and registered office

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

Company number

04602504

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Report of the Directors for the year ended 31 December 2010

The Directors present their report together with the audited financial statements for the year ended 31 December 2010

Principal activities

The Company is engaged in the activity of providing management services to Tube Lines Limited ("Tube Lines") which 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 for the year is set out on page 7 and shows turnover of £20,603,000 (2009 - £24,083,000) and loss after tax of £5,129,000 (2009 - £440,000 loss). Turnover has decreased by 14% which in the most part is due to a reduction in management fees arising from the Amey seconding party which provides services into the Tube Lines.

The Company was successful in renewing the contract to provide the services to Tube Lines for a further seven years. This renewed contract commenced in July 2010.

The profit in 2010 was lower than for 2009 and this was in most part attributable to a reduction in management fee turnover. Based on the results to date in the 2010 financial year, the Directors believe that there will be an improvement in turnover and profit in 2011 as revenues from management services provided to the Tube Lines increases.

On 16 November 2010, the Company increased its share capital by 6,000,000 Ordinary shares of £1 each which were issued at par, raising £6,000,000 to repay intercompany debt.

Dividends of £nil (2009 - £24,000,000) representing £nil per Ordinary share (2009 - £12,000,000) were paid during the year.

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 profitability is in the most part driven by the performance of Tube Lines and the quantity of management services required. The Company seeks to manage the risk of adverse performance by ensuring that the management secondees provided to Tube Lines have the appropriate skills required by Tube Lines and that the directors and management secondees gain appropriate understanding of the ongoing operational and financial performance of Tube Lines.

The Company's credit risk is primarily attributable to Tube Lines. Credit risk is managed by ensuring that the directors have a thorough understanding of Tube Lines financial performance and position.

The Company monitors cash flow as part of its day-to-day control procedures. The Board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

Directors

The Directors of the Company during the year, and up to the date of this report, were

K Cottrell
M Ewell
A L Nelson
A L Milner (appointed 1 September 2010)
C V Fenton (resigned 1 September 2010)

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 Amey Group ("Group") policy to communicate with and involve all employees, subject to commercial and practical limitations, in all matters affecting their interests at work and to inform them of the performance of their Group. Employees are provided with information about the Group through 'Hub', the employee magazine, 'Time to Talk', the line managers monthly cascade briefing process, and email, all of which provide useful business updates across the business. In recognition of our diverse workforce, the Group has introduced a number of other channels of communication this year, including new on-line channels to increase two-way feedback. The Group has made significant changes and updates to its intranet site, AmeyWorld, which is now seen as the primary source of business information and news. Members of the Group pension schemes also receive regular reports and communications 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, and
- make payments in accordance with the terms, wherever possible, providing that the documentation presented is complete and accurate

Trade creditors of the Company at the year end amounted to 2 days (2009 – 7 days) of average supplies for the financial 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

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Amey LUL 2 Limited

Report of the Directors for the year ended 31 December 2010 *(continued)*

Directors' responsibilities for the financial statements *(continued)*

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.

On behalf of the Board

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Mel Ewell
Director

27 April 2011

Amey LUL 2 Limited

Report of the independent auditors

Independent auditor's report to the members of Amey LUL 2 Limited

We have audited the financial statements of Amey LUL 2 Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Amey LUL 2 Limited

Report of the independent auditors (*continued*)

Independent auditor's report to the members of Amey LUL 2 Limited (*continued*)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

*Douglas Lowson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

27 April 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Amey LUL 2 Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	2	20,603	24,083
Cost of sales		<u>(11,668)</u>	<u>(11,893)</u>
Gross profit		8,935	12,190
Administrative expenses		<u>(12,068)</u>	<u>(10,065)</u>
Operating (loss) profit	5	(3,133)	2,125
Net interest payable	6	<u>(1,996)</u>	<u>(2,565)</u>
Loss on ordinary activities before tax		(5,129)	(440)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Loss after tax and retained for the financial year	13	<u>(5,129)</u>	<u>(440)</u>

All transactions related to continuing operations

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

The notes on pages 9 to 16 form part of these financial statements

Balance sheet at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	9	<u>39,776</u>	<u>45,393</u>
Current assets			
Debtors	10	<u>37,846</u>	<u>27,297</u>
Cash at bank and in hand		<u>1,406</u>	<u>792</u>
Total current assets		<u>39,252</u>	<u>28,089</u>
Creditors: amounts falling due within one year	11	<u>(77,895)</u>	<u>(73,220)</u>
Net current liabilities		<u>(38,643)</u>	<u>(45,131)</u>
Total assets less current liabilities		<u>1,133</u>	<u>262</u>
Net assets		<u>1,133</u>	<u>262</u>
Capital and reserves			
Called up share capital	12	<u>6,000</u>	<u>-</u>
Profit and loss account	13	<u>(4,867)</u>	<u>262</u>
Equity shareholders' funds	14	<u>1,133</u>	<u>262</u>

The financial statements on pages 7 to 16 were approved and authorised for issue by the Board of Directors on 27 April 2011 and signed on its behalf by



Mel Ewell
Director

The notes on pages 9 to 16 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom Accounting Standards

The following principal accounting policies have been applied consistently in the current and prior year

Going concern

The Company is a subsidiary of Amey UK plc and its financial resources are managed on a group basis. Amey UK plc has a revolving committed syndicated credit facility of £92 million maturing on 2 April 2012 and other committed credit facilities of £40 million maturing between April 2011 and December 2011.

After making enquiries, the Directors have no reason to believe that amounts remaining to be drawn down under the existing bank loan facilities will not be forthcoming and that the group will be able to renew these medium term facilities in advance of their expiry. The Directors believe that the group is well placed to manage its business risks successfully despite the current macro-economic market conditions.

Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing these financial statements.

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 fee income receivable in respect of services provided during the year, excluding VAT.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

1 Accounting policies (*continued*)*Pension costs – defined benefit scheme*

The Company participates in defined benefit schemes 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 them as defined contribution schemes. As a result the pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period. Any deficits or surpluses in the schemes in which the Company participates, are disclosed in note 15 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 and loss on ordinary activities before tax are attributable to the principal activity of providing management services to Tube Lines. All turnover arises solely within the UK.

3 Employees (including Directors)

	2010	2009
	£'000	£'000
Staff costs during the year were as follows		
Wages and salaries	3,619	4,402
Social security costs	421	470
Pension costs		
- in respect of defined benefit schemes	210	252
- in respect of defined contribution schemes	73	67
Total staff costs	<u>4,323</u>	<u>5,191</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.

	2010	2009
	Number	Number
The average number of employees during the year was as follows		
Operations	<u>26</u>	<u>31</u>

Amey LUL 2 Limited

Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

4 Directors

Details of the remuneration of the Directors, who are also directors of the Company's intermediate parent undertakings, Amey UK plc, or of its fellow Group undertakings, Amey LG Limited, Amey Ventures Limited or Amey OW Limited, are disclosed in those companies' financial statements

No Directors were remunerated through the Company in 2010 or 2009

5 Operating (loss) profit

	2010 £'000	2009 £'000
Operating (loss) profit is stated after charging		
Amortisation of intangible fixed assets	<u>5,617</u>	<u>5,615</u>

The auditors' remuneration is borne by Amey Group Services Limited, a fellow subsidiary undertaking of the Company

6 Net interest payable

	2010 £'000	2009 £'000
Interest payable to Group undertakings	1,902	2,462
Other interest and similar charges	<u>94</u>	<u>103</u>
Net interest payable	<u>1,996</u>	<u>2,565</u>

Amey LUL 2 Limited

Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

7 Tax on loss on ordinary activities

	2010 £'000	2009 £'000
<i>Current tax</i>		
UK corporation tax at 28% (2009 – 28%)	<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		
	2010 £'000	2009 £'000
Loss on ordinary activities before tax	<u>(5,129)</u>	<u>(440)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(1,436)	(123)
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	118
Group relief surrendered	<u>1,436</u>	<u>5</u>
Current tax charge for year	<u>-</u>	<u>-</u>

8 Dividends

	2010 £'000	2009 £'000
Interim dividend of £nil per Ordinary share (2009 - £12,000,000 per Ordinary share)	<u>-</u>	<u>24,000</u>

Amey LUL 2 Limited

Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

9 Intangible fixed assets

	2010 £'000	2009 £'000
<i>Cost</i>		
At 1 January and at 31 December	<u>73,000</u>	<u>73,000</u>
<i>Amortisation</i>		
At 1 January	27,607	21,992
Provided in year	<u>5,617</u>	<u>5,615</u>
At 31 December	<u>33,224</u>	<u>27,607</u>
<i>Net book value</i>		
At 31 December	<u>39,776</u>	<u>45,393</u>

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 life of the contract to which it relates. No other assets or liabilities were acquired.

10 Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	173	20,313
Other debtors	-	623
Amounts owed by group undertakings	37,532	6,351
Prepayments and accrued income	3	10
Amounts recoverable on contracts	<u>138</u>	<u>-</u>
Total debtors	<u>37,846</u>	<u>27,297</u>

Amey LUL 2 Limited

Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

11 Creditors – amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	12	26
Accruals and deferred income	12,755	3,707
Amounts owed to group undertaking	60,503	61,222
Accruals	832	935
Other creditors	224	4,678
Other taxes and social security	3,569	2,652
Total creditors	<u>77,895</u>	<u>73,220</u>

12 Share capital

	2010 £	2009 £
<i>Issued, called up and fully paid</i>		
6,000,002 Ordinary shares of £1 each	<u>6,000,002</u>	<u>2</u>

On 16 November 2010, the Company increased its share capital by 6,000,000 Ordinary shares of £1 each which were issued at par, raising £6,000,000 to repay intercompany debt

13 Profit and loss account

	£'000
At 1 January 2010	262
Retained loss for the financial year	<u>(5,129)</u>
At 31 December 2010	<u>(4,867)</u>

14 Reconciliation of movements in equity shareholders' funds

	2010 £'000	2009 £'000
Retained loss for the financial year	(5,129)	(440)
Shares issued during the year	6,000	-
Dividends paid	-	(24,000)
Net movement in shareholders' funds	871	(24,440)
Equity shareholders' funds at 1 January	262	24,702
Equity shareholders' funds at 31 December	1,133	262

15 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 £63,786,000 at the balance sheet date (2009 – £143,550,000). 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.

16 Financial and capital commitments

The Company had no financial or capital commitments at 31 December 2010 or at 31 December 2009.

17 Contingent liabilities

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

Losses, for which no provision has been made in these financial statements, which might arise from litigation in the normal course of business are not expected to be material in the context of these financial statements.

There were no other contingent liabilities as at 31 December 2010 or at 31 December 2009.

18 Related party transactions

The Company is a wholly owned subsidiary undertaking of the group headed by Ferrovial, S A and has taken advantage of the exemption conferred by FRS 8 (Related Party Disclosures) not to disclose transactions with Ferrovial, S A or other wholly owned subsidiary undertakings within the Ferrovial, S A group

19 Cash flow statement

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

20 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Ferrovial, S A, a company incorporated in Spain

Copies of the group financial statements of Ferrovial, S A, which is the parent of the largest group of which the Company is a member, can be obtained from

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