

Company Registration No. 2999303

YORKSHIRE LINK LIMITED

REPORT AND STATEMENT OF ACCOUNTS

30th September 1996



# YORKSHIRE LINK LIMITED

## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Statement of Accounts for the year ended 30th September 1996.

### **Principal Activities and Business Review**

On 26th March 1996 the Company entered into a 30 year Concession Agreement with the Secretary of State for Transport (the "D.B.F.O.Contract") to design, build, finance and operate the M1-A1 Link Road (Lofthouse to Bramham) under the Government's Private Finance Initiative. On the same day the Company entered into a number of associated contracts with various parties for the financing, construction and operation of the project.

The M1-A1 Link Road is a motorway link of almost 30km in length which will provide a strategic connection between the M1 and M62 motorways south of Leeds and the A1 Trunk Road south of Wetherby. In addition to constructing the M1-A1 Link Road the Company is responsible under the terms of the D.B.F.O. Contract for undertaking improvement works to the M62 east of junction 28 to the Lofthouse Interchange, the M1 from near junction 42 to near Belle Isle, and the A1(M) from Hook Moor to Bramham.

The Company has an obligation to maintain and operate these existing lengths of road during the construction of the M1-A1 Link Road, and must maintain and operate the new and existing roads for the duration of the Concession thereafter.

The Company has arranged finance to fund its obligations under the D.B.F.O. Contract, and will receive revenue from the Secretary of State for Transport in the form of shadow tolls from the date of opening of the M1-A1 Link Road to the end of the Concession.

Construction work commenced in April 1996 and the Company assumed responsibility for maintenance and operation of the existing roads in July 1996. Construction work is expected to last three years and the new road should open to traffic in April 1999. In the opinion of the Directors the works are progressing satisfactorily.

**YORKSHIRE LINK LIMITED**  
**DIRECTORS' REPORT (cont.)**

**Share Capital**

By Resolution of the Company dated 26th March 1996 the authorised share capital of the Company was increased from 100 to 10,000,000 ordinary shares of £1. On 26th March 1996 3,000,000 ordinary shares in the Company were allotted to Yorkshire Link (Holdings) Limited. On 26th March 1996 the Company also issued £12,000,000 secured subordinated loan stock divided equally between BICC plc and Kvaerner Corporate Development Limited.

**Dividends**

The directors do not propose to pay any dividend on the issued ordinary share capital of the Company in respect of the year ended 30th September 1996.

**Directors**

The following persons were directors of the Company during the year :-

Alnery Incorporations No. 1 Limited	(Resigned 25th March 1996)
Alnery Incorporations No. 2 Limited	(Resigned 25th March 1996)
P.J.L.Zinkin	(Appointed 25th March 1996)
J.L.Cohen	(Appointed 25th March 1996)
J.A.Watkins	(Appointed 25th March 1996, resigned 12th June 1996)
Sir Gordon Manzie	(Appointed 18th June 1996)
Dr P.Dyer	(Appointed 25th March 1996)
C.King	(Appointed 25th March 1996)

**Directors' Share Interests**

No director had at 30th September 1996, or at 30th September 1995 or date of subsequent appointment, any interest in the issued share capital of the Company.

YORKSHIRE LINK LIMITED

DIRECTORS' REPORT (cont.)

**Auditors**

KPMG were appointed auditors of the Company on 25th March 1996.

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed on 27th June 1996.

By Order of the Board,

*Rufus Laycock*

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Rufus Laycock  
Secretary

17th December 1996

## YORKSHIRE LINK LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial year which 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 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;
- \* prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **YORKSHIRE LINK LIMITED**

### **AUDITORS' REPORT**

#### **To the Members of Yorkshire Link Limited**

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 7.

#### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with 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 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 of the state of the company's affairs at 30th September 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants & Registered Auditors  
8 Salisbury Square  
London  
EC4Y 8BB

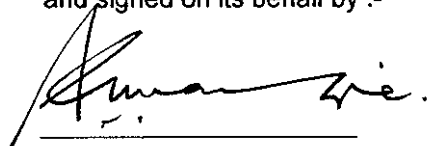
23rd December 1996

YORKSHIRE LINK LIMITED

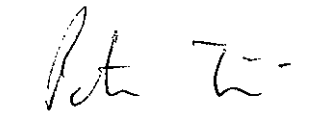
BALANCE SHEET AS AT 30TH SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
<u>FIXED ASSETS</u>			
Tangible assets	5	48,063	-
<u>CURRENT ASSETS</u>			
Stocks	6	142	-
Debtors	7	2,165	-
Cash at bank and in hand		960	-
		<u>3,267</u>	<u>-</u>
<u>CREDITORS : amounts falling due</u> <u>within one year</u>	8	<u>(8,388)</u>	<u>-</u>
<u>NET CURRENT LIABILITIES</u>		<u>(5,121)</u>	<u>-</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>42,942</u>	<u>-</u>
<u>CREDITORS : amounts falling due</u> <u>after more than one year</u>			
Borrowings	9	(39,618)	-
Creditors	8	(324)	-
<u>TOTAL NET ASSETS</u>		<u><u>3,000</u></u>	<u><u>-</u></u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	10	3,000	-
<u>SHAREHOLDERS' FUNDS</u>		<u><u>3,000</u></u>	<u><u>-</u></u>

These financial statements were approved by the Board of Directors on 17th December 1996 and signed on its behalf by :-



Director



Director

YORKSHIRE LINK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH SEPTEMBER 1996

1) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. They include the result of the activities described in the Directors' Report all of which are continuing.

b) Asset in course of construction

The Company's policy is to match the construction costs of the M1-A1 Link Road with related revenues, and accordingly such costs have been capitalised. Amortisation of these costs will be over the period of the concession to operate the road and will commence when the road comes into use and shadow toll revenue is received from the Secretary of State for Transport. The carrying value of this tangible fixed asset is reviewed annually by the Directors to determine whether there has been any permanent impairment to its value.

c) Capitalised interest

The interest cost of financing the Company's obligations under the D.B.F.O. Contract has been capitalised, and is included in the value of assets in course of construction or stocks as appropriate.

d) Other fixed assets

Depreciation on plant and equipment is provided by the straight line method based on anticipated lives of between 3 and 5 years.

e) Stocks

The Company's policy is to match the cost of discharging its operating and maintenance obligations under the D.B.F.O. Contract with related revenues and accordingly such costs will be carried forward as work in progress until shadow toll payments are received. Work in progress is stated at the lower of cost and net realisable value. Cost includes the value of work done by contractors, supervisory overheads and the interest cost of financing the works.

f) Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a small company as defined by the Companies Act 1985.

YORKSHIRE LINK LIMITED

NOTES TO THE ACCOUNTS (Cont.)

YEAR ENDED 30TH SEPTEMBER 1996

2) Analysis by class of business and geographical area

The Company's sole business activity is that described in the Directors' Report. Accordingly all of the Company's net assets are U.K. based.

3) Profit and loss account

The Company made neither profit nor loss and has no other recognised gains or losses for the financial year, accordingly no profit and loss account or statement of total recognised gains or losses has been prepared.

The following costs were incurred during the financial year and have been capitalised in assets in course of construction :-

	Year Ended 30th September 1996 £000's	Year Ended 30th September 1995 £000's
Depreciation of tangible fixed assets	1	-
Hire of plant and machinery	2	-
Auditors' remuneration	8	-
	<u>          </u>	<u>          </u>
<u>Directors' Emoluments</u>		
Directors' fees	87	-
	<u>          </u>	<u>          </u>
Chairman		
25th March 1996 - 12th June 1996	9	-
18th June 1996 - 30th September 1996	13	-
	<u>          </u>	<u>          </u>
Highest paid director	22	-
	<u>          </u>	<u>          </u>
	<u>Number</u>	<u>Number</u>
Other directors		
£0 - £5,000	3	2
£20,001 - £25,000	2	-
	<u>          </u>	<u>          </u>

The Company had no employees during the financial year.

There were no pension contributions paid to the directors during the financial year.

**YORKSHIRE LINK LIMITED**

**NOTES TO THE ACCOUNTS (cont.)**

**YEAR ENDED 30TH SEPTEMBER 1996**

**4) Net interest payable**

	Year Ended 30th September 1996 £000's	Year Ended 30th September 1995 £000's
Subordinated loan stock 2020	928	-
Subordinated bank loans	571	-
Other bank loans	830	-
	<u>2,329</u>	<u>-</u>
Interest receivable	(74)	-
Net interest payable	<u>2,255</u>	<u>-</u>

Net interest payable has been dealt with as follows :-

Interest capitalised (see note 5 )	2,252	-
Interest added to work in progress ( see note 6 )	3	-
	<u>2,255</u>	<u>-</u>

All loans are repayable in whole or in part after 5 years.

Interest payable includes commitment fees and interest payable under interest rate swap arrangements.

**YORKSHIRE LINK LIMITED**  
**NOTES TO THE ACCOUNTS (cont.)**  
**YEAR ENDED 30TH SEPTEMBER 1996**

**5) Tangible fixed assets**

<u>Cost or valuation</u>	Asset in course of construction <u>£000's</u>	Fixtures, fittings tools and equipment <u>£000's</u>	Total  <u>£000's</u>
As at 1st October 1995	-	-	-
Additions at cost	48,055	9	48,064
As at 30th September 1996	<u>48,055</u>	<u>9</u>	<u>48,064</u>

Accumulated depreciation

As at 1st October 1995	-	-	-
Provided in the year	-	1	1
As at 30th September 1996	<u>-</u>	<u>1</u>	<u>1</u>

Book value

30th September 1995	<u>-</u>	<u>-</u>	<u>-</u>
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Book value

30th September 1996	<u>48,055</u>	<u>8</u>	<u>48,063</u>
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Asset in course of construction comprises the cost of construction of the M1-A1 Link Road, and includes capitalised interest of £2,252,000 (1995 : nil).

Fixtures, fittings tools and equipment comprises computer equipment.

**YORKSHIRE LINK LIMITED**  
**NOTES TO THE ACCOUNTS (cont.)**  
**YEAR ENDED 30TH SEPTEMBER 1996**

	Year Ended 30th September 1996 £000's	Year Ended 30th September 1995 £000's
<b>6) <u>Stocks</u></b>		
Work in progress	<u>142</u>	<u>-</u>

Work in progress includes interest of £3,000 (1995 : nil ).

<b>7) <u>Debtors</u></b>		
Trade debtors	190	-
Other debtors	1,110	-
Prepayments and accrued income		
Due within one year	391	-
Due after more than one year	<u>474</u>	<u>-</u>
	<u>2,165</u>	<u>-</u>

Other debtors comprises Value Added Tax recoverable from H.M.Customs & Excise.

<b>8) <u>Creditors : amounts falling due within one year</u></b>		
Trade creditors	8,063	-
Accruals and deferred income	<u>325</u>	<u>-</u>
	<u>8,388</u>	<u>-</u>

**Amounts falling due after more than one year**

Trade creditors	176	-
Accruals and deferred income	<u>148</u>	<u>-</u>
	<u>324</u>	<u>-</u>

# YORKSHIRE LINK LIMITED

## NOTES TO THE ACCOUNTS (cont.)

### YEAR ENDED 30TH SEPTEMBER 1996

	Year Ended 30th September 1996 £000's	Year Ended 30th September 1995 £000's
9) <b><u>Borrowings</u></b>		
Secured subordinated loan stock 2020	12,907	-
Subordinated bank loan	12,511	-
Senior bank loan	14,200	-
	<u>39,618</u>	<u>-</u>

£12m secured subordinated loan stock 2020 was issued during the year. The stock bears interest at 15% per annum which, if not paid, is compounded each March and September.

The subordinated bank loan bears interest at 12.08% per annum and is repayable in instalments between 2015 and 2016.

The senior bank loan bears interest at a margin over LIBOR and is repayable in instalments between 2000 and 2014.

The Company has entered into interest rate swap agreements in order to hedge certain borrowings under the senior bank loan.

The Company's borrowings are secured by fixed and floating charges over the undertaking, property, assets and rights of the Company.

	Year Ended 30th September 1996 Number	Year Ended 30th September 1995 Number
10) <b><u>Share capital</u></b>		
Authorised Ordinary shares of £1	<u>10,000,000</u>	<u>100</u>
	£'s	£'s
Allotted, called up and fully paid Ordinary shares of £1	<u>3,000,001</u>	<u>1</u>

During the year the Company allotted three million shares with a total nominal value of £3million for cash which was received during the year.

**YORKSHIRE LINK LIMITED**  
**NOTES TO THE ACCOUNTS (cont.)**  
**YEAR ENDED 30TH SEPTEMBER 1996**

**11) Reconciliation of movement in shareholders' funds**

	Share Capital £	Total £
As at 1st October 1995	1	1
Shares issued net of expenses	3,000,000	3,000,000
As at 30th September 1996	<u>3,000,001</u>	<u>3,000,001</u>

**12) Capital commitments**

	30th September 1996 £000's	30th September 1995 £000's
Contracted but not provided for	<u>208,250</u>	<u>-</u>

**13) Contingent liabilities**

The Company has granted fixed and floating charges over the whole of its undertaking, property, assets and rights in order to secure its borrowings.

The Company has a contingent liability in respect of a performance guarantee in the sum of £20m given to the Secretary of State for Transport in connection with the Company's obligations under the D.B.F.O. Contract.

Other contingent liabilities totalling £3m exist in respect of undertakings given by the shareholders of Yorkshire Link (Holdings) Limited in relation to the project.

**YORKSHIRE LINK LIMITED**

**NOTES TO THE ACCOUNTS (cont.)**

**YEAR ENDED 30TH SEPTEMBER 1996**

**14) Related party transactions**

The Company's parent company is Yorkshire Link (Holdings) Limited which is owned jointly by BICC plc and Kvaerner Corporate Development Limited. BICC and Kvaerner group companies have interests in contracts placed by the Company for the financing, construction and management of the project.

On 26th March 1996 the Company issued £12,000,000 Secured Subordinated Loan Stock 2020 divided equally between BICC plc and Kvaerner Corporate Development Limited.

On 26th March 1996 the Company entered into a contract with the Trafalgar House Balfour Beatty Joint Venture for the construction of the M1-A1 Link Road. The Trafalgar House Balfour Beatty Joint Venture is a joint venture formed from Trafalgar House Construction Special Projects Limited and Balfour Beatty Civil Engineering Limited who are members of the Kvaerner and BICC groups respectively.