



ROAD LINK (A69) LIMITED

Report and Financial Statements

31 March 2000

**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF24 0TS**



REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A T Crane (resigned 20 June 2000)
P Bagnati (resigned 27 October 1999)
J F McFadzean (resigned 1 April 2000)
J P Burbidge (resigned 1 April 2000)
V Alocco
J K Fowler
C Morello (appointed 27 October 1999)
R S Fullerton (appointed 1 April 2000)
R Balme (appointed 1 April 2000)

SECRETARY

C R Franklin

REGISTERED OFFICE

Stocksfield Hall
Stocksfield
Northumberland
NE43 7TN

BANKERS

Lloyds TSB Bank plc

SOLICITORS

McGrigor Donald

AUDITORS

Deloitte & Touche
Chartered Accountants
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF24 0TS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

ACTIVITIES

On 12 January 1996 the company signed a Design, Build, Finance and Operate (DBFO) contract to maintain the A69 trunk road from Carlisle to Newcastle for 30 years from 1 April 1996 under the government's Private Finance Initiative. The company's principal activity is to maintain the A69 road on behalf of the Secretary of State for Transport and the Highways Agency.

REVIEW OF DEVELOPMENTS

The results for the period are set out in detail on page 5. The financial position of the company at 31 March 2000 is shown on page 6.

The directors are satisfied with the results for the year and are confident of continued profitable trading in future years given favourable economic conditions.

DIVIDENDS

The directors have paid an interim dividend of £750,000 (1999 - £nil) and propose a final dividend of £750,000 (1999 - £nil) for the year.

DIRECTORS AND THEIR INTERESTS

The directors of the company, together with changes during the year, are shown on page 1. No director held an interest in the shares of the company or its parent company, Road Link (A69) Holdings Limited.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on
and signed on behalf of the Board



C R Franklin

Secretary

Date 25/5/00

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law 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 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;
- 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 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. 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.

AUDITORS' REPORT TO THE MEMBERS OF

ROAD LINK (A69) LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with United Kingdom Law and Accounting Standards. 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants and
Registered Auditors

Date 2 October 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2000

	Note	2000 £	1999 £
TURNOVER: continuing operations	2	7,914,246	8,014,894
Cost of sales		(3,577,176)	(2,671,524)
Gross profit		4,337,070	5,343,370
Administrative expenses		(722,497)	(931,145)
Other operating income		10,737	9,757
OPERATING PROFIT: continuing operations	4	3,625,310	4,421,982
Interest receivable and similar income		325,077	317,520
Interest payable and similar charges	5	(1,292,384)	(1,867,744)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,658,003	2,871,758
Tax on profit on ordinary activities	6	(860,400)	(887,453)
Dividends	7	1,797,603 (1,500,000)	1,984,305 -
RETAINED PROFIT FOR THE FINANCIAL PERIOD		297,603	1,984,305
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		2,408,875	424,570
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		2,706,478	2,408,875

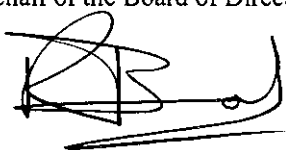
There are no recognised gains or losses for the current and prior years other than as stated above.

BALANCE SHEET
31 March 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	15,295,417	15,816,754
CURRENT ASSETS			
Debtors	9	1,166,174	701,691
Cash at bank and in hand		6,225,928	5,747,676
		7,392,102	6,449,367
CREDITORS: amounts falling due within one year	10	(4,255,908)	(3,462,060)
NET CURRENT ASSETS		3,136,194	2,987,307
TOTAL ASSETS LESS CURRENT LIABILITIES		18,431,611	18,804,061
CREDITORS: amounts falling due after more than one year	11	(14,861,131)	(15,444,401)
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	(86,783)
		3,570,480	3,272,877
Capital contributions	16	864,000	864,000
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Profit and loss account		2,706,478	2,408,875
TOTAL EQUITY SHAREHOLDERS' FUNDS		2,706,480	2,408,877
		3,570,480	3,272,877

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

Director



R. BALME

CASH FLOW STATEMENT
Year ended 31 March 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	17	4,389,300	5,157,830
Returns on investments and servicing of finance			
Interest received		325,077	317,520
Interest paid		(1,336,074)	(1,811,839)
Net cash outflow from returns on investments and servicing of finance		(1,010,997)	(1,494,319)
Taxation		(1,243,233)	(51,099)
Investing activities			
Payments to acquire tangible fixed assets		(368,339)	-
Net cash outflow from investing activities		(368,339)	-
Equity dividends paid		(750,000)	-
Net cash inflow before financing		1,016,731	3,612,412
Financing			
Capital contributions paid		-	(945,200)
Bank loan (repaid)/received	19	(535,292)	619,190
Net cash outflow from financing		(535,292)	(326,010)
Increase in cash	19	481,439	3,286,402

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Roads	5%
Plant and equipment:	
Traffic counting equipment	10%
Office furniture and equipment	20%
Computer equipment	33 $\frac{1}{3}$ % per annum

Road and structure maintenance work

Maintenance work carried out on the A69 road, bypass road and structures on the roads is assessed, for each particular case, as to the elements of capital and revenue expenditure. Where work of a capital nature is identified the costs associated with that work are capitalised and written off over a period of 20 years. Work of a revenue nature is written off in the year incurred.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

2. TURNOVER

Turnover represents revenue due from the Highways Agency as calculated by the DBFO contract. The calculation of 'shadow tolls' is based on vehicle usage of the A69 in the period of account.

The turnover and pre-tax profit, which arise in the United Kingdom, are attributable to the company's principal activity.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

No directors received remuneration during the period.

	2000 No.	1999 No.
Average number of persons employed		
Directors	6	6
Company secretary	1	1
	<u>7</u>	<u>7</u>

Staff costs during the year

The company has no direct employees other than the directors.

4. OPERATING PROFIT

	2000 £	1999 £
Operating profit is after charging:		
Depreciation		
Owned assets	888,355	903,350
Loss on sale of fixed assets	1,321	-
Auditors' remuneration	4,500	4,250
	<u>894,176</u>	<u>907,600</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank loan commission and fees	20,132	392,290
Bank loan repayable partly after five years	1,208,352	1,367,864
Unsecured loan stock interest	63,900	107,590
	<u>1,292,384</u>	<u>1,867,744</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
United Kingdom corporation tax at 30% (1999 – 31%)	885,183	963,234
Deferred taxation	(86,783)	(75,781)
	<u>798,400</u>	<u>887,453</u>
Adjustment in respect of prior years	62,000	-
	<u>860,400</u>	<u>887,453</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

7. DIVIDENDS

	2000 £	1999 £
Interim paid - £375,000 per share (1999 - £nil)	750,000	-
Final proposed - £375,000 per share (1999 - £nil)	750,000	-
	<u>1,500,000</u>	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Haltwhistle by-pass £	A69 Improve- ments £	Plant and equipment £	Total £
Cost				
At 1 April 1999	16,983,000	236,398	179,963	17,399,361
Additions	-	358,934	9,405	368,339
Disposals	-	-	(14,512)	(14,512)
	<u>16,983,000</u>	<u>595,332</u>	<u>174,856</u>	<u>17,753,188</u>
At 31 March 2000	16,983,000	595,332	174,856	17,753,188
Accumulated depreciation				
At 1 April 1999	1,486,012	20,685	75,910	1,582,607
Charge for the year	849,150	19,215	19,990	888,355
Released on disposal	-	-	(13,191)	(13,191)
	<u>2,335,162</u>	<u>39,900</u>	<u>82,709</u>	<u>2,457,771</u>
At 31 March 2000	2,335,162	39,900	82,709	2,457,771
Net book value				
At 31 March 2000	<u>14,647,828</u>	<u>555,432</u>	<u>92,147</u>	<u>15,295,417</u>
At 31 March 1999	<u>15,496,988</u>	<u>215,713</u>	<u>104,053</u>	<u>15,816,754</u>

9. DEBTORS

	2000 £	1999 £
Trade debtors	1,071,741	622,261
Prepayments and accrued income	94,433	79,430
	<u>1,166,174</u>	<u>701,691</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £	1999 £
Trade creditors	161,961	111,334
Amounts due to related parties	35,921	30,968
Accruals and deferred income	1,759,796	1,480,574
Bank loans and overdraft	577,984	538,479
Other creditors including taxation		
social security	273,062	307,471
Proposed dividend	750,000	-
Corporation tax	697,184	993,234
	<u>4,255,908</u>	<u>3,462,060</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Bank loan	14,805,914	15,383,898
Trade creditors	55,217	60,503
	<u>14,861,131</u>	<u>15,444,401</u>

12. BORROWINGS

	2000 £	1999 £
Analysis of bank loan repayments:		
Within one year or on demand	577,984	535,292
Between one and two years	622,318	577,984
Between two and five years	2,558,236	2,018,018
After five years	11,625,360	12,787,896
	<u>15,383,898</u>	<u>15,919,190</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loan		
Total amount	15,383,898	15,919,190
Instalments due after five years	<u>11,625,360</u>	<u>12,787,896</u>

The bank loan is secured by a specific equitable charge over the freehold and leasehold properties of the company and fixed and floating charges over the assets of the company.

Interest is charged at a mix of fixed and variable rates.

The loan is repayable in six monthly instalments that commenced in the year ended 31 March 1999 and is repayable by 31 March 2015.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
Opening balance	86,783
Current year credit	(86,783)
Closing balance	-

The amount of deferred tax provided in the financial statements and the potential amounts not provided are:

	Provided 2000 £	Unprovided 2000 £	Provided 1999 £	Unprovided 1999 £
Capital allowances in excess of depreciation	-	-	86,783	-

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit attributable to members of the company	1,797,603	1,984,305
Dividends	(1,500,000)	-
Opening shareholders' funds	297,603	1,984,305
	2,408,877	424,572
Closing shareholders' funds	2,706,480	2,408,877

15. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
2 ordinary shares of £1 each	2	2

16. CAPITAL CONTRIBUTIONS

This amounts relates to long term funding from the shareholders of Road Link (A69) Holdings Limited in the same proportion as their shareholdings in the holding company.

The company has made commitments to issue variable rate unsecured loan stock to the member companies of its parent company, Road Link (A69) Holdings Limited, in line with the Facilities Agreement with the bank. Interest accrued during the year amounted to £63,900 (1999 - £107,590). Interest is charged at 2% per annum above the bank base rate.

Variable loan stock issued at 31 March 2000 amounted to £864,000 (1999 - £864,000) and will not exceed £2,240,110 in total.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**17. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2000 £	1999 £
Operating profit	3,625,310	4,421,982
Depreciation	888,355	903,350
Loss on sale of fixed asset	1,321	-
Increase in debtors	(464,483)	(383,878)
Increase in creditors	338,797	216,376
Net cash inflow from operating activities	<u><u>4,389,300</u></u>	<u><u>5,157,830</u></u>

18. ANALYSIS OF NET DEBT

	At 1 April 1999 £	Cash Flow £	At 31 March 2000 £
Cash at bank and in hand	5,744,489	481,439	6,225,928
Debt due within 1 year	(535,292)	(42,692)	(577,984)
Debt due after 1 year	(15,383,898)	577,984	(14,805,914)
	<u><u>(10,174,701)</u></u>	<u><u>1,016,731</u></u>	<u><u>(9,157,970)</u></u>

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
Increase in cash in the period	481,439	3,286,402
Cash inflow/(outflow) from increase in debt	535,292	(619,190)
Movement in net debt in the period	<u>1,016,731</u>	<u>2,667,212</u>
Net debt brought forward	<u>(10,174,701)</u>	<u>(12,841,913)</u>
Net debt carried forward	<u><u>(9,157,970)</u></u>	<u><u>(10,174,701)</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**20. CAPITAL COMMITMENTS**

	2000 £	1999 £
Contracted for but not provided	-	-

21. PARENT COMPANY AND CONTROLLING PARTY

The company is wholly owned by Road Link (A69) Holdings Limited, a company incorporated in England and Wales. Copies of this company's accounts may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

There is no overall controlling party of Road Link (A69) Holdings Limited.

22. RELATED PARTY TRANSACTIONS

During the year the company has been recharged costs (including VAT), incurred by the following companies. These companies are either shareholders of the parent company or companies controlled by those companies:

	Costs £	Balance owed at 31/3/00 £
Christiani & Nielsen Limited	453,249	26,925
Henry Boot Construction (UK) Limited	117,097	1,918
Impregilo UK Limited	107,727	1,197
Morrison Construction Group Limited	122,955	1,015
Pell Frischman Consultants Limited	119,631	4,866
Sina	4,500	-
Autostrada Torino Milano Spa	72,500	-
	<u>997,659</u>	<u>35,921</u>

During the period ended 31 March 1999 the company was recharged costs of £850,395 by related companies and at 31 March 1999 was owed £30,960 by these companies.