

REGISTER OF COMPANIES

ROAD LINK (A69) LIMITED

Report and Financial Statements

31 March 2003

**Deloitte & Touche LLP
Cardiff**



REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

V Alocco
D Greaves
J K Fowler
M Smith
M Villa

SECRETARY

C R Franklin

REGISTERED OFFICE

Stocksfield Hall
Stocksfield
Northumberland
NE43 7TN

BANKERS

Lloyds TSB Bank Plc

SOLICITORS

McGrigor Donald

AUDITORS

Deloitte & Touche LLP
Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

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 year are set out in detail on page 5. The financial position of the company at 31 March 2003 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 interim dividends of £1,500,000 (2002 - £1,500,000) and propose a final dividend of £1,000,000 (2002 - £750,000) for the year.

DIRECTORS AND THEIR INTERESTS

The current directors of the company are shown on page 1. On 25 September 2002, R Fullerton resigned as a director and M Smith was appointed as a director. On 12 December 2002, R Balme resigned as a director and D Greaves was appointed as a director. All other directors served throughout the year. No director held any interests in the shares of the company or its parent company, Road Link (A69) Holdings Limited.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



C R Franklin

Secretary

Date: 18/09/03

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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; 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 proper accounting records which 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 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROAD LINK (A69) LIMITED**

We have audited the financial statements of Road Link (A69) Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. 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 auditors' 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

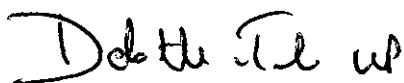
Basis of audit opinion

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 as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff

Date: 19 September 2003.

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2003

	Note	2003 £	2002 £
TURNOVER: continuing operations	2	8,724,366	8,105,440
Cost of sales		(3,340,232)	(2,630,057)
Gross profit		5,384,134	5,475,383
Administrative expenses		(733,512)	(813,249)
Other operating income		-	3,589
OPERATING PROFIT: continuing operations	4	4,650,622	4,665,723
Interest receivable and similar income		169,188	229,961
Interest payable and similar charges	5	(1,155,933)	(1,190,217)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,663,877	3,705,467
Tax on profit on ordinary activities	6	(1,166,468)	(1,288,254)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,497,409	2,417,213
Dividends	7	(2,500,000)	(2,250,000)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(2,591)	167,213
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		2,317,048	2,149,835
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		2,314,457	2,317,048

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

BALANCE SHEET
31 March 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	14,351,979	14,783,991
CURRENT ASSETS			
Debtors	9	1,460,499	1,060,470
Cash at bank and in hand		5,290,656	5,527,977
		6,751,155	6,588,447
CREDITORS: amounts falling due within one year	10	(5,136,779)	(4,677,728)
NET CURRENT ASSETS		1,614,376	1,910,719
TOTAL ASSETS LESS CURRENT LIABILITIES		15,966,355	16,694,710
CREDITORS: amounts falling due after more than one year	11	(12,787,896)	(13,513,660)
		3,178,459	3,181,050
Capital contributions	15	864,000	864,000
CAPITAL AND RESERVES			
Called up share capital	17	2	2
Profit and loss account		2,314,457	2,317,048
TOTAL EQUITY SHAREHOLDERS' FUNDS		2,314,459	2,317,050
		3,178,459	3,181,050

These financial statements were approved by the Board of Directors on 18/09/03

Signed on behalf of the Board of Directors



J K Fowler

Director

CASH FLOW STATEMENT
Year ended 31 March 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	16	<u>5,689,303</u>	<u>5,420,230</u>
Returns on investments and servicing of finance			
Interest received		169,188	229,961
Interest paid		<u>(1,217,504)</u>	<u>(1,149,937)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(1,048,316)</u>	<u>(919,976)</u>
Taxation paid		<u>(1,408,684)</u>	<u>(1,277,354)</u>
Investing activities			
Payments to acquire tangible fixed assets		<u>(549,587)</u>	<u>(783,086)</u>
Net cash outflow from investing activities		<u>(549,587)</u>	<u>(783,086)</u>
Equity dividends paid		<u>(2,250,000)</u>	<u>(2,250,000)</u>
Net cash inflow before financing		<u>432,615</u>	<u>189,814</u>
Financing			
Bank loan repaid	18	<u>(669,936)</u>	<u>(622,318)</u>
Net cash outflow from financing		<u>(669,936)</u>	<u>(622,318)</u>
Decrease in cash in the year	17,18	<u><u>(237,321)</u></u>	<u><u>(432,504)</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**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% per annum
Plant and equipment:	
Traffic counting equipment	10% per annum
Office furniture and equipment	20% per annum
Computer equipment	33 $\frac{1}{3}$ % per annum

Road and structure maintenance work

Maintenance work carried out on the A69 road, by-pass 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 in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

No directors received remuneration during the current or prior period.

	2003 No.	2002 No.
Average number of persons employed		
Directors	5	5
Company secretary	1	1
Administration	7	7
	<u>13</u>	<u>13</u>
	£	£
Staff costs		
Wages and salaries	203,902	191,865
Social security costs	19,838	18,964
	<u>223,740</u>	<u>210,829</u>

4. OPERATING PROFIT

	2003 £	2002 £
Operating profit is after charging		
Depreciation		
Owned assets	981,597	959,716
Loss on sale of fixed assets	2	3,065
Auditors' remuneration – audit	5,350	5,250
	<u></u>	<u></u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Bank loan commission and fees	20,131	20,131
Bank loan repayable partly after five years	1,092,526	1,064,221
Unsecured loan stock interest	43,276	105,865
	<u>1,155,933</u>	<u>1,190,217</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Analysis of tax charge on ordinary activities:		
United Kingdom corporation tax at 30% (2002 – 30%)	1,176,038	1,288,254
Adjustment in respect of prior years	(9,570)	-
	<u>1,166,468</u>	<u>1,288,254</u>
Deferred tax		
Timing differences, origination and reversal	-	(207,260)
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	207,260
	<u>1,166,468</u>	<u>1,288,254</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge of the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	£	£
Profit on ordinary activities before tax	<u>3,663,877</u>	<u>3,705,467</u>
Tax at 30% thereon	(1,099,163)	(1,111,640)
Factors affecting tax charge for the year		
Expenses not deductible for tax purposes	(1,500)	(801)
Capital allowances in excess of depreciation	(47,330)	(47,988)
Movement in short-term timing differences	9,930	(88,895)
Capitalised revenue expenditure	(37,975)	(38,930)
Prior period adjustments	9,570	-
	<u>(1,166,468)</u>	<u>(1,288,254)</u>

Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of depreciation in excess of capital allowances of £293,140 and provisions of £79,283. These would be recognised if it were reasonably certain that they could be recovered.

7. DIVIDENDS

	2003 £	2002 £
Interim paid - £750,000 per share (2002 - £750,000)	1,500,000	1,500,000
Final proposed - £500,000 per share (2002 - £375,000)	<u>1,000,000</u>	<u>750,000</u>
	<u>2,500,000</u>	<u>2,250,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

8. TANGIBLE FIXED ASSETS

	Haltwhistle by-pass £	A69 improve- ments £	Plant and equipment £	Total £
Cost				
At 1 April 2002	16,983,000	1,941,379	182,376	19,106,755
Additions	-	546,029	3,558	549,587
Disposals	-	-	(2,532)	(2,532)
At 31 March 2003	16,983,000	2,487,408	183,402	19,653,810
Accumulated depreciation				
At 1 April 2002	4,033,462	179,704	109,598	4,322,764
Charge for the year	849,150	112,841	19,605	981,597
Released on disposal	-	-	(2,530)	(2,530)
At 31 March 2003	4,882,612	292,545	126,674	5,301,831
Net book value				
At 31 March 2003	12,100,388	2,194,863	56,729	14,351,979
At 31 March 2002	12,949,538	1,761,675	72,778	14,783,991

9. DEBTORS

	2003 £	2002 £
Trade debtors	1,287,097	980,138
Prepayments and accrued income	173,402	80,332
	<u>1,460,499</u>	<u>1,060,470</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade creditors	673,918	444,341
Amounts due to related parties	6,072	93,659
Accruals and deferred income	1,827,724	1,584,408
Bank loans	725,764	669,936
Other creditors including taxation and social security	257,263	247,130
Proposed dividend	1,000,000	750,000
Corporation tax	646,038	888,254
	<u>5,136,779</u>	<u>4,677,728</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

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

	2003 £	2002 £
Bank loan	12,787,896	13,513,660

12. BORROWINGS

	2003 £	2002 £
Analysis of bank loan repayments:		
Within one year or on demand	725,764	669,936
Between one and two years	1,162,536	725,764
Between two and five years	3,487,608	4,650,144
After five years	8,137,752	8,137,752
	<u>13,513,660</u>	<u>14,183,596</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loan		
Total amount	13,513,660	14,183,596
Instalments due after five years	<u>8,137,752</u>	<u>8,137,752</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 2003

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit attributable to members of the company	2,497,409	2,417,213
Dividends	(2,500,000)	(2,250,000)
Net (reductions in)/additions to shareholders' funds	(2,591)	167,213
Opening shareholders' funds	2,317,050	2,149,837
Closing shareholders' funds	2,314,459	2,317,050

14. CALLED UP SHARE CAPITAL

	2003 £	2002 £
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

15. CAPITAL CONTRIBUTIONS

This amount 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 £43,276 (2002 - £105,865). Interest is charged at 2% per annum above the bank base rate.

Variable loan stock issued at 31 March 2003 amounted to £864,000 (2002 - £864,000) and will not exceed £2,240,110 in total.

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	4,650,622	4,665,723
Depreciation	981,597	959,716
Loss on sale of fixed assets	2	3,065
(Increase)/decrease in debtors	(400,029)	46,563
Increase/(decrease) in creditors	457,010	(254,837)
Net cash inflow from operating activities	5,689,202	5,420,230

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

17. ANALYSIS OF NET DEBT

	At 1 April 2002 £	Cash flow £	At 31 March 2003 £
Cash at bank and in hand	5,527,977	(237,321)	5,290,656
Debt due within one year	(669,936)	(55,828)	(725,764)
Debt due after one year	(13,513,660)	725,764	(12,787,896)
	<u>(8,655,619)</u>	<u>432,615</u>	<u>(8,223,004)</u>

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

	2003 £	2002 £
Decrease in cash in the year	(237,321)	(432,504)
Cash outflow from decrease in debt	<u>669,936</u>	<u>622,318</u>
Movement in net debt in the year	432,615	189,814
Net debt brought forward	<u>(8,655,619)</u>	<u>(8,845,433)</u>
Net debt carried forward	<u>(8,223,004)</u>	<u>(8,655,619)</u>

19. 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, Maindy, Cardiff CF14 3UZ.

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

20. 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 31/3/03 £
Henry Boot Construction (UK) Limited	85,720	2,970
Impregilo UK Limited	123,600	-
AWG Project Investments Limited	38,400	-
Pell Frischman Consultants Limited	59,867	3,102
Pell Frischman Concessionaires Limited	75,200	-
Autostrada Torino Milano SpA	36,126	-
	<u>418,913</u>	<u>6,072</u>

During the period ended 31 March 2003, the company was recharged costs of £180,214 (2002 - £175,671) by related companies and at 31 March 2003 owed £93,659 (2002 - £52,859) to these companies.