



**ACCOUNTS AND DIRECTORS'
REPORT FOR THE YEAR ENDED
31 DECEMBER 2007**

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COMPANY REGISTRATION NUMBER 3169276

CITY GREENWICH LEWISHAM RAIL LINK PLC

DIRECTORS' REPORT

The Directors submit their Report and the financial statements for the year ended 31 December 2007

Business Review

The principal activity of the Company is the execution of a concession from Docklands Light Railway Limited ("DLR") to design, construct, finance and maintain the "Lewisham Extension" to the DLR system. The concession length is 24 ½ years and was financed in the main through the issue of a bond in 1996 by the Company of £165m. The "Lewisham Extension" takes the DLR System under the River Thames from its previous terminus at Island Gardens on the Isle of Dogs, via Greenwich and onto Lewisham. The operating phase commenced on 20 November 1999.

The financial performance for the year ended 2007 was in line with the Board's expectations and the business plan. Turnover remained static in the year at £8.8m (2006: £8.8m) as a result of continued strong performance against operational performance targets and additional concession variations.

The Concession agreement envisaged that a toll would be charged to cross the River Thames through the tunnel. This is known as the "Cross River Toll". DLR had previously expressed its intention to CGL not to charge a Toll to the public for using the tunnel and therefore negotiations had been on-going between the Company and DLR for the Company to receive "Toll Compensation". Negotiations were concluded in October 2007 in line with the Company's expectations.

DLR has a strategy for increasing the capacity of the DLR network to meet the forecast increase in passenger demand for the DLR network. Principally this strategy is achieved through DLR making changes to the DLR network infrastructure to allow trains of 3 car length (compared to the current trains which are two cars in length) to operate. This is known as the "3 Car Capacity Enhancement project". During the year the Company agreed a concession variation with DLR to enable DLR to make the required changes to the Lewisham Extension, the "3 Car Project".

Profit on ordinary activities before taxation decreased by 14% to £4.0m (2006: £4.6m) as a result of costs incurred in negotiating a settlement for Toll Compensation and the concession variation for the 3 Car Project.

Profit on ordinary activities after taxation increased by 65% to £5.1m (2006: £3.1m) as a result of the reduction in the deferred tax liability following the abolition of Industrial Building Allowances.

The financial covenants in place under the funding agreements for the company have all been met. Payment of Bond principal, in accordance with the repayment profile, totalling £6.5m were made in 2007 (2006: £6.0m). No dividends were paid during 2007 (2006: £1.4m).

The Company will transfer from the current "fixed" Availability Fee payments, subject to operational performance and RPI index, to passenger based revenue streams in 2010. The key risk that the business faces over the medium term is that actual passenger numbers do not meet or exceed the passenger forecast used as a basis for the Financial Model. Based on the latest passenger forecasts for the Lewisham Extension the Board does not currently expect either risk to have a materially adverse effect on the Company.

The Company has a low environmental impact and therefore environmental information has not been disclosed.

CITY GREENWICH LEWISHAM RAIL LINK PLC

Charitable and political contributions

During the year ended 31 December 2007 the Company contributed £267 (2006 £1,050) for charitable purposes. No contributions were made for political purposes (2006 £nil)

Directors

The Directors during the year were

<u>Director</u>	<u>Status</u>	
N W Middleton	Non-Executive Chairman	
D Potts	Non-Executive Director	
N H Scott-Barrett	Non-Executive Director	
N Sumiyoshi	Non-Executive Director	
R E Lane	Non-Executive Director	
A S Pearson	Non-Executive Director	
C W H Chan	Alternate Director	(Resigned 16 th October 2007)
A Dixon	Alternate Director	(Appointed 16 th October 2007)
K Nishikiori	Alternate Director	
I Walters	Alternate Director	
C Dennis	Managing Director	
A Reynolds	Engineering Director	
M Knight	Finance & Commercial Director	

Financial Instruments

The Company's principal financial instruments comprise of short term bank deposits and fixed rate bonds. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the Concession Agreement.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument and are subject to financial covenants under existing funding agreements.

Exposure to liquidity, credit and interest rate risk arise in the normal course of the Company's business. Further details relating to these risks are given in note 14 to the accounts.

Policy On Payment Of Creditors

The Company has a policy of paying creditors within the terms of the contract agreed with such creditors. The average number of days creditors outstanding at 31 December was 49 (2006 21).

Directors' Shareholdings

The Directors have no interests in the shares of the Company.

CITY GREENWICH LEWISHAM RAIL LINK PLC

Share Capital

There were no changes in the year

Internal Control

The directors are responsible for the Company's system of internal control and for reviewing its effectiveness. They recognise the importance of a robust control environment to mitigate the key risks of the company and while they consider that the material risks are managed adequately they adopt some of the key features of the Combined Code of Corporate Governance. Responsibility for overseeing the adoption of this rests with the Audit Committee whose terms of reference have been amended accordingly.

Baker Tilly has been appointed as the company's internal audit resource and report to the Audit Committee. An internal audit plan has been agreed by the Audit Committee. As at the date of approval of this directors' report Baker Tilly have reviewed the effectiveness of the following control environments:

- The financial systems
- Asset management systems
- Budgeting and management information systems

The Board has designed the Company's system of internal control in order to provide the directors with assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

There are no significant issues for the year ended 31 December 2007 that have required the Board to deal with any related material internal control issues.

The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period and confirms that the systems and controls that are currently in place are considered sufficient to be satisfied that all key risks to the business are adequately managed and mitigated.

Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to reappoint KPMG Audit Plc, as auditor will be put to the forthcoming annual general meeting.

By Order of the Board

Director

April 2008



CITY GREENWICH LEWISHAM RAIL LINK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

CITY GREENWICH LEWISHAM RAIL LINK PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITY GREENWICH LEWISHAM RAIL LINK PLC

We have audited the financial statements of City Greenwich Lewisham Rail Link Plc for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we 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.

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.

CITY GREENWICH LEWISHAM RAIL LINK PLC

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 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

KPMG Audit Ac

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

29th April 2008

CITY GREENWICH LEWISHAM RAIL LINK PLC

PROFIT AND LOSS ACCOUNT for the Year Ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	1	8,830	8,825
Cost of Sales			
Operating expenses		(6,928)	(6,056)
Net interest for the year	5	2,096	1,803
Operating Profit and Profit on ordinary activities before taxation	2	3,998	4,572
Taxation on profit on ordinary activities	6	1,105	(1,463)
Profit on ordinary activities after taxation and Profit for the financial year		5,103	3,109

All gains and losses are recognised in the profit and loss account

All items in the profit and loss account relate to continuing operations in one geographic sector

CITY GREENWICH LEWISHAM RAIL LINK PLC

BALANCE SHEET At 31 December 2007

	Notes	2007	2006
		£'000	£'000
FIXED ASSETS			
Tangible assets	10	376	338
CURRENT ASSETS			
Stock		184	151
Debtors - due within one year	11	11,357	11,371
Debtors - due after more than one year	11	145,941	151,923
		157,298	163,294
Investments	12	18,343	13,227
Cash at bank and in hand		647	1,050
		<u>176,472</u>	<u>177,722</u>
CREDITORS			
Amounts falling due within one year	13	(6,078)	(5,196)
NET CURRENT ASSETS		<u>170,394</u>	<u>172,526</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>170,770</u>	<u>172,864</u>
CREDITORS			
Amounts falling due after more than one year	14	(153,610)	(159,827)
Provision for liabilities and charges	15	(8,717)	(9,697)
NET ASSETS		<u>8,443</u>	<u>3,340</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,500	1,500
Profit and loss account	17	6,943	1,840
SHAREHOLDERS' FUNDS		<u>8,443</u>	<u>3,340</u>

For and on behalf of the Board

Director

24th April 2008



CITY GREENWICH LEWISHAM RAIL LINK PLC

CASH FLOW STATEMENTS

For the Year ended 31 December 2007

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2007 £'000	2006 £'000
Operating profit		3,998	4,572
Exceptional other income		-	-
Net interest for year		(2,096)	(1,803)
Depreciation		50	38
(Increase)/Decrease in stock		(33)	55
Decrease in debtors and prepayments		5,879	1,245
Increase/(Decrease) in provisions and creditors		1,142	(702)
Net cash inflow from operating activities		<u>8,940</u>	<u>3,405</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		8,940	3,405
Returns on investments and servicing of finance			
Interest received		17,115	17,227
Interest paid		(14,754)	(15,710)
Capital expenditure		(88)	(33)
		<u>11,213</u>	<u>4,889</u>
Management of liquid resources	7	(5,116)	5,822
Financing	8	(6,500)	(6,843)
Dividends		-	(3,200)
Increase / (Decrease) in cash		<u>(403)</u>	<u>668</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase / (Decrease) in cash in the period		(403)	668
Cash movements in respect of increase in liquid resources		5,116	(5,822)
Amortisation of bond net issue costs		(90)	(90)
Cash outflow from decrease in loans and loan stock financing		6,500	6,843
Movement in net debt	9	<u>11,123</u>	<u>1,599</u>

CITY GREENWICH LEWISHAM RAIL LINK PLC

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 of accounts

These accounts have been prepared under the historical cost accounting rules in accordance with the reporting requirements of the Companies Act 1985, together with applicable accounting standards

b) Fixed assets and depreciation

Tangible fixed assets are stated at historic cost. These consist of freehold properties, plant & machinery and computers and office equipment and are depreciated at appropriate rates on a straight line basis to write down the cost of assets to residual value over their estimated useful economic lives, making due allowance for obsolescence in addition to normal wear and tear. The period over which assets are depreciated are as follows

Motor Vehicles	3 years
Computers and Office Equipment	3 years
Plant & Machinery	5 years
Depot Building	22 years

c) Deferred taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. In accordance with FRS 19 'Deferred Tax' deferred taxation is provided fully and on a non-discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes

d) Stock

Stock is stated at the lower of cost and net realisable value

e) Debtors

On commencement of operations, the construction costs of the Lewisham Extension were treated as being due from DLR and the amounts recoverable over the life of the concession in relation to this are shown as FRS5 debtors. Payments received over the life of the concession are apportioned between principal repayments, finance income and service income

f) Heavy maintenance provision

The Company is obliged by its Concession Agreement inter alia, to repair and maintain the Lewisham Extension and to hand back the Lewisham Extension to DLR Limited on termination in a specified condition. A provision is therefore made, on a discounted basis, for heavy maintenance costs other than regular maintenance and repairs expenditure, based upon a specific maintenance programme. The unwinding of the discount is included in other finance costs and interest

CITY GREENWICH LEWISHAM RAIL LINK PLC

g) Financial Instruments

Financial instrument are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows

Trade debtors

Trade receivables are initially recognised at fair value and then are stated at amortised cost

Cash at Bank and Investments

Cash at Bank are carried in the balance sheet at nominal value

Investments are readily convertible into known amount of cash at or close to their carrying values and are classified as cash. They are treated as held-to-maturity instruments as defined in paragraph 9 of FRS 26, which are initially recognised at fair value and then are stated at amortised cost

Trade creditors

Trade payables are initially recognised at fair value and then are stated at amortised cost

Fixed Rate Bond and Subordinated Debt

Fixed Rate Bond and subordinated Debt are recognised initially at fair value. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and value at maturity recognised in the profit and loss account over the period to maturity

Finance debtor

The finance debtor is classified as loans and receivables as defined in paragraph 9 of FRS 26, which are initially recognised at fair value and then are stated at amortised cost

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS

1. TURNOVER

	2007 £'000	2006 £'000
Amount receivable under Concession Agreement	28,574	28,187
Interest and capital repayment	(20,959)	(20,954)
Maintenance service fee	7,615	7,233
Other income	1,215	1,592
Total Turnover	<u>8,830</u>	<u>8,825</u>

Other income relates to revenue received from third party contracts and from DLR in relation to work completed by the Company as enhancement to the infrastructure

2. PROFIT AND LOSS ACCOUNT

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation is stated after charging		
Fee paid to the auditor for		
audit services	15	21
non-audit services in respect of taxation and financial modelling services	90	21
Depreciation	50	38

3. EMPLOYEES

The average number of persons employed during the year was 36 (2006 32)

	2007 £'000	2006 £'000
The aggregate payroll cost was		
Wages and salaries	1,618	1,306
Social Security costs	152	133
Pension costs	50	30
	<u>1,820</u>	<u>1,469</u>

The Company contributes to a defined contribution pension scheme for its employees. The total cost in the year was £50,141 (2006 £37,112). At the year end a £17,760 contribution was owing to the scheme administrator.

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

4. DIRECTORS' REMUNERATION

	2007 £'000	2006 £'000
Salaries and Benefits	367	304
Pension contributions	22	13
	<u>389</u>	<u>317</u>

The highest paid director received £156,525 (2006 £122,543), including pension contributions of £10,060 (2006 £5,227)

Included in the accounts and detailed below, are charges made by the shareholder companies for the services of Directors as follows

	2007		2006	
	Executive	Non-Executive	Executive	Non-Executive
	£'000	£'000	£'000	£'000
Duchesspark Limited	-	26	-	23
MBK Rail Link Finance Limited	-	13	-	12
EDF Energy (Enterprises) Limited	-	13	-	12
Laing Investments Limited	-	26	-	23
	<u>-</u>	<u>78</u>	<u>-</u>	<u>70</u>

5. INTEREST

	2007 £'000	2006 £'000
Interest receivable from bank deposits	1,084	885
Interest payable on Eurobond	(14,619)	(15,161)
Other interest payable to related parties	(193)	(221)
Premium on issue of Eurobond amortised in period	24	24
Issue costs of Eurobond amortised in period	(114)	(114)
Other interest receivable	15,914	16,390
	<u>2,096</u>	<u>1,803</u>
Net interest credited to profit and loss		

The other interest payable to related parties is in respect of the mezzanine loan facility provided by Mitsui & Co UK PLC and EDF Energy plc (formerly known as London Electricity plc) Other interest receivable relates to financing income due on the DLR debtor as described in note 11

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the period

	2007 £'000	2006 £'000
<i>UK Corporation Tax</i>		
Current tax on income for the year	-	-
Total current tax	-	-
<i>Deferred tax (see note 15)</i>		
Adjustment in respect of previous years	(2,075)	-
Reversal of deferred tax liability on abolition of Industrial Building Allowances	3,706	-
Effect of decreased tax rate from 30% to 28%	446	-
Origination/reversal of timing differences	(972)	(1,463)
Total deferred tax	1,105	(1,463)
 Tax on profit on ordinary activities	 1,105	 (1,463)

Factors affecting the tax charge for the current period

The current tax assessed differs from the application of the standard rate of corporation tax in the UK (28%, 2006 30%) to the Company's profit before taxation. The differences are explained below

Current tax reconciliation

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	3,998	4,572
Current tax at 28% (2006 30%)	1,119	1,372
<i>Effects of</i>		
Consumption of brought forward losses	(1,188)	(1,149)
Capital allowances for period in excess of amortisation/depreciation	-	(223)
Amortisation/depreciation for period in excess of capital allowances	69	-
Total current tax charge (see above)	-	-

Factors that may affect future current and total tax charges

The Company is not aware of any factors that may affect future tax charges

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

7. MANAGEMENT OF LIQUID RESOURCES

	2007 £'000	2006 £'000
Net receipt from / (payment to) fixed term and call deposits	(5,116)	5,822

8. FINANCING

	2007 £'000	2006 £'000
Repayment of Mezzanine Loan	-	(843)
Repayment of Bond Capital	(6,500)	(6,000)
	<u>(6,500)</u>	<u>(6,843)</u>

9. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2007 £'000	Cash Flows £'000	Other Changes £'000	At 31 Dec 2007 £'000
Cash at bank	1,050	(403)	-	647
Debt due after more than one year	(159,729)	6,500	(90)	(153,319)
Current asset investments	13,227	5,116	-	18,343
	<u>(145,452)</u>	<u>11,213</u>	<u>(90)</u>	<u>(134,329)</u>

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

10. TANGIBLE FIXED ASSETS

	Freehold Building £'000	Plant & Machinery £'000	Other Fixed Assets £'000	Total Fixed Assets £'000
Cost				
At the beginning of the year	433	-	242	675
Additions	30	46	12	88
Disposals	-	-	(12)	(12)
At the end of the year	<u>463</u>	<u>46</u>	<u>242</u>	<u>751</u>
Depreciation				
At the beginning of the year	157	-	180	337
Charge for the year	20	3	27	50
Disposals	-	-	(12)	(12)
At the end of the year	<u>177</u>	<u>3</u>	<u>195</u>	<u>375</u>
Net Book Value				
At 31 December 2007	<u>286</u>	<u>43</u>	<u>47</u>	<u>376</u>
At 31 December 2006	<u>276</u>	<u>-</u>	<u>62</u>	<u>338</u>

11. DEBTORS

	2007 £'000	2006 £'000
Amounts falling due within one year		
Trade debtors	4,917	5,460
Interest receivable	5	122
Prepayments	679	1,011
FRS5 Debtor	5,580	4,564
Other Debtors	176	214
	<u>11,357</u>	<u>11,371</u>
Amounts falling due after more than one year		
FRS5 debtors	<u>145,941</u>	<u>151,923</u>

FRS5 debtors represent payments due from DLR in respect of the Concession Agreement. These payments are recoverable over the remaining life of the Concession Agreement starting from the date operation commenced, 20 November 1999. The debtor can be analysed as follows:

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

11. DEBTORS (continued)

	2007 £'000	2006 £'000
FRS5 debtors due within one year	5,580	4,564
FRS5 debtor due after more than one year	145,941	151,923
Total DLR debtor	<u>151,521</u>	<u>156,487</u>
At beginning of year	156,487	161,009
Interest receivable	15,914	16,390
Interest and capital repayments	(20,959)	(20,954)
Capitalised expenditure	79	42
At end of year	<u>151,521</u>	<u>156,487</u>

12. CURRENT ASSET INVESTMENTS

	2007 £'000	2006 £'000
Fixed term and call deposits	18,343	13,227
Original maturity dates are as follows		
Within three months	18,343	8,164
Over three months	-	5,063
	<u>18,343</u>	<u>13,227</u>

All investments within three month and over three months can be drawn down immediately

13. CREDITORS - Amounts falling due within one year

	2007 £'000	2006 £'000
VAT payable	498	453
Trade creditors	767	427
Deferred income	490	289
Interest payable on Eurobonds	3,173	3,308
Accruals	1,150	719
	<u>6,078</u>	<u>5,196</u>

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

14. CREDITORS - Amounts falling due after more than one year

	2007 £'000	2006 £'000
Eurobonds (see below)	151,350	157,760
Mezzanine Loan	1,969	1,969
Interest payable on mezzanine loan	291	98
	<u>153,610</u>	<u>159,827</u>

At 31 December 2007 the bond of £151,350,000 (2006 £157,760,000) is stated net of unamortised issue costs and premium of £1,150,000 (2006 £1,240,000)

	2007 £'000	2006 £'000
Eurobonds at beginning of year	157,760	163,669
Redemption of Eurobond	(6,500)	(6,000)
Amortisation of issue costs	114	115
Amortisation of premium received on issue	(24)	(24)
Eurobonds at end of year	<u>151,350</u>	<u>157,760</u>

The net issue costs are amortised at a constant rate over the total life of the Bonds. The Bonds are secured by first priority charges over the whole of the Company's undertaking, property and assets. The market value of the bonds at 31 December 2007 was £188 million.

Financial Instruments

An explanation of the Company's objectives, policies and strategies for the role of financial instruments in creating and changing the risks of the Company in its activities can be found in the directors' report. The details relating to credit, liquidity and interest rate risks are explained below.

Credit Risk

DLR is the main customer of the Company and the directors are satisfied that it will be able to fulfil its obligations under the PFI contract.

Liquidity Risk

Liquidity risk is minimal as the repayment profile on the fixed rate bond and subordinated debt has been designed to match the cash receipt profile from DLR Limited.

Interest Rate Risk

Interest rate risk is minimal as the company is not exposed to interest rate fluctuation as interest bearing assets and liabilities with the exception of cash on deposit, are at fixed rate of interest.

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

Effective Interest rates and maturity profile

In respect of income earning financial assets and interest-bearing financial liabilities, the following tables indicate their respective interest rates at balance sheet date and the periods in which they mature, or, if earlier, are repriced

2006

	Effective Interest rate	Total	One or less years	One – two Years	Two – Five Years	Five years and over
		£'000	£'000	£'000	£'000	£'000
Mezzanine Loan	Libor + 3.5%	(1,969)	(563)	(563)	(843)	-
Bond	9.375%	(159,000)	(6,500)	(7,500)	(18,000)	(127,000)
Trade creditors	-	(427)	(427)	-	-	-
Finance Debtor	10.25%	156,487	5,045	5,576	12,972	132,894
Bank Balance*	-	1,050	1,050	-	-	-
Investments*	4.95% to 5.31%	13,227	13,227	-	-	-
Trade Debtor	-	5,460	5,460	-	-	-
At 31 December 2006		14,828	17,292	(2,487)	(5,871)	5,894

2007

	Effective Interest rate	Total	One or less years	One – two Years	Two – Five Years	Five years and over
		£'000	£'000	£'000	£'000	£'000
Mezzanine Loan	Libor + 3.5%	(1,969)	-	(844)	(1,125)	-
Bond	9.375%	(152,500)	(7,500)	(9,000)	(19,500)	(116,500)
Trade creditors	-	(767)	(767)	-	-	-
Finance Debtor	10.25%	151,521	5,580	6,617	14,348	124,976
Bank Balance*	-	647	647	-	-	-
Investments*	5.38% to 5.80%	18,343	18,343	-	-	-
Trade Debtor	-	4,917	4,917	-	-	-
At 31 December 2007		20,192	21,220	(3,227)	(6,277)	8,476

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

Set out below is a comparison by category of book values and fair values of all the company's financial assets and financial liabilities as at 31 December 2007

	Book Value 2007 £'000	Fair Value 2007 £'000	Book Value 2006 £'000	Fair Value 2006 £'000
Mezzanine Loan	(1,969)	(2,255)	(1,969)	(2,104)
Bond	(152,500)	(180,530)	(159,000)	(189,642)
Trade creditors	(767)	(767)	(427)	(427)
Finance Debtor	151,521	185,240	156,487	200,077
Bank Balance*	647	647	1,050	1,050
Investments*	18,343	18,343	13,227	13,227
Trade Debtor	4,917	4,917	5,460	5,460
At 31 December	<u>20,192</u>	<u>25,595</u>	<u>14,828</u>	<u>27,641</u>

*Floating rate for cash at bank, fixed rate for investments

Fair values

Fixed rate bonds are valued based on quotes received from the banks

Fair value of the finance debtor is calculated by discounting the future cash flows at an appropriate discount rate. The future cashflows are defined by apportioning the revenue received from DLR under the concession agreement between principal repayments, finance income and service income at an effective interest rate of 10.25%.

The discount rate that has been applied to the finance debt is 6.44% (2006: 5.93%) and is calculated by adding a premium at 0.5% (2006: 0.5%) to the 6 month Libor at 31st December 2007 of 5.94% (2006: 5.43%).

15. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax £000's	Heavy Maintenance £000's	Total £000's
At beginning of the year	8,764	933	9,697
Charge in the year	(1,105)	744	(361)
Utilised in the year	-	(619)	(619)
At end of year	<u>7,659</u>	<u>1,058</u>	<u>8,717</u>

Analysis of Deferred Tax Provision

	2007 £000's	2006 £000's
Accelerated Capital Allowances	19,916	23,202
Utilisation of losses	<u>(12,257)</u>	<u>(14,438)</u>
At end of year	<u>7,659</u>	<u>8,764</u>

CITY GREENWICH LEWISHAM RAIL LINK PLC

NOTES TO THE ACCOUNTS (continued)

16. SHARE CAPITAL

Authorised share capital at beginning and end of year

12,500,000 ordinary shares of £1 each

Allotted, called up and fully paid	Number of shares	£'000
As at beginning and end of year		
Ordinary shares of £1 each fully paid	1,500,000	1,500

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Profit & Loss Account £'000	Share Capital £'000	Total £'000
As at beginning of year	1,840	1,500	3,340
Profit for the year	5,103	-	5,103
As at end of year	6,943	1,500	8,443

18. RELATED PARTIES

The main construction contract for the Lewisham Extension was placed with LRG Contractors, an unincorporated joint venture set up between John Mowlem Construction plc, Nishimatsu Construction Co Limited and MBK Rail Link Construction Limited, the latter being a company owned by Mitsui and Co UK PLC and Mitsui and Co Limited

Note 5 details the amount of interest payable on Mezzanine facilities made available by EDF Energy plc and Mitsui & Co UK plc. The Mezzanine principal of £197m and Interest accrued of £291,000 were outstanding as at 31 December 2007

There were no other material transactions with related parties