

CITY GREENWICH LEWISHAM RAIL LINK PLC



**ACCOUNTS AND DIRECTORS'
REPORT FOR THE YEAR
ENDED
31 DECEMBER 2001**



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 2001.

Review of the Period

The profit before taxation for the year was £3,360,000 (2000: £3,050,000). There was no tax charge and the reserves of the company are £3,360,000 (2000: £nil).

The principal activity of the company is the concession from Docklands Light Railway Limited ("DLR") to design, construct, finance and maintain the "Lewisham Extension" to the existing DLR system. The concession length is 24 $\frac{1}{2}$ years. 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.

Dividends

The directors do not propose a dividend for the year (2000: £3,110,000).

Charitable and political contributions

The company made no charitable or political contributions during the year.

Directors

The directors during the year were:

<u>Director</u>	<u>Status</u>	
A H Moore	Non-Executive Chairman	
S J Bott	Non-Executive Director	
M Okamura	Non-Executive Director	
J W Ward	Non-Executive Director	
A C Hogg	Non-Executive Director	(Appointed 07-08-2001)
D Potts	Non-Executive Director	(Appointed 07-08-2001)
W N Kenrick	Alternate Director	
N Nakamura	Alternate Director	
A Friend	Alternate Director	(Appointed 07-08-2001)
A R McColl	Finance Director	(Appointed 03-04-2001)
C Dennis	Managing Director	
M A Hearn	Director	
J Whittington	Non-Executive Director	(Resigned 03-04-2001)
D G Lewis	Finance Director	(Resigned 31-03-2001)
S N Jones	Alternate Director	(Resigned 03-04-2001)
J M James	Non-Executive Director	(Resigned 07-08-2001)
T Masood	Non-Executive Director	(Appointed 03-04-2001, resigned 07-08-2001)

CITY GREENWICH LEWISHAM RAIL LINK PLC

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 29 (2000: 42).

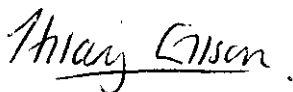
Directors' Shareholdings

The directors have no interests in the shares of the company.

Auditors

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

By Order of the Board



H. Ellson
Company Secretary

18th April 2002

CITY GREENWICH LEWISHAM RAIL LINK PLC

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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 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 SHAREHOLDERS OF CITY GREENWICH LEWISHAM RAIL LINK PLC

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Companies Act 1985. We also report to you 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 the law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of Audit 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 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 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

18 April 2002

CITY GREENWICH LEWISHAM RAIL LINK PLC

PROFIT AND LOSS ACCOUNT for the Year Ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	5,047	4,941
Cost of Sales:			
Operating expenses		(4,363)	(4,765)
Net interest for year	5	2,676	2,874
		<hr/>	<hr/>
Operating profit and profit from ordinary activities before and after taxation	3, 6	3,360	3,050
Proposed dividends		-	(3,110)
		<hr/>	<hr/>
Retained profit/(loss) for the year		3,360	(60)
		<hr/>	<hr/>

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 2001

	Notes	2001 £'000	£'000	2000 £'000	£'000
FIXED ASSETS					
Tangible assets	10		401		437
CURRENT ASSETS					
Stock		170		161	
Debtors - due within one year	11	5,368		4,288	
Debtors - due after more than one year	11	170,460		170,286	
		175,828		174,574	
Investments	12	13,761		19,518	
Cash at bank and in hand		340		140	
		190,099		194,393	
CREDITORS					
Amounts falling due within one year	13	(5,680)		(11,964)	
NET CURRENT ASSETS			184,419		182,429
TOTAL ASSETS LESS CURRENT LIABILITIES			184,820		182,866
CREDITORS					
Amounts falling due after more than one year	14		(179,960)		(181,366)
NET ASSETS			4,860		1,500
CAPITAL AND RESERVES					
Called up share capital	15		1,500		1,500
Profit and loss account	16		3,360		-
EQUITY SHAREHOLDERS' FUNDS			4,860		1,500

For and on behalf of the Board

A R McColl
Director

18 April 2002

CITY GREENWICH LEWISHAM RAIL LINK PLC

CASH FLOW STATEMENTS

For the Year ended 31 December 2001

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2001 £'000	2000 £'000
Operating profit		3,360	3,050
Net interest for year		(2,676)	(2,874)
Depreciation		68	60
Increase in stock		(9)	(93)
Increase in debtors and prepayments		(1,309)	(1,564)
(Decrease)/Increase in accruals and creditors		(3,175)	3,176
Net cash (outflow)/inflow from operating activities		<u>(3,741)</u>	<u>1,755</u>

CASH FLOW STATEMENT

Net cash (outflow)/inflow from operating activities		(3,741)	1,755
Returns on investments and servicing of finance			
Interest received		18,796	19,329
Interest paid		(15,470)	(15,754)
Capital expenditure		(32)	(33)
		<u>(447)</u>	<u>5,297</u>
Management of liquid resources	7	5,757	3,197
Financing	8	(2,000)	(7,700)
Dividends Paid		(3,110)	-
		<u>200</u>	<u>794</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase in cash in the period		200	794
Cash movements in respect of decrease in liquid resources		(5,757)	(3,197)
Amortisation of bond net issue costs		(91)	(90)
Cash outflow from decrease in loans and loan stock financing		2,000	7,700
Movement in net debt	9	<u>(3,648)</u>	<u>5,207</u>

CITY GREENWICH LEWISHAM RAIL LINK PLC

1. ACCOUNTING POLICIES

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, computers and office equipment and are depreciated at appropriate rates on a straight line basis to write down the cost or valuation of assets to residual value over their estimated useful economic lives, making due allowance for obsolescence in addition to normal wear and tear.

Motor Vehicles	3 years
Computers and Office Equipment	3 years
Depot Building	22 years

c) Investments are stated at the lower of cost and market value.

d) The calculation of the charge for taxation takes into account taxation deferred because of timing differences in the treatment of certain items for taxation and accounting purposes. A deferred liability is recognised to the extent that it is expected to reverse in the foreseeable future.

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

f) 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 other debtors.

Payments received over the life of the concession are apportioned between principal repayments, finance income and service income.

2. TURNOVER

	2001 £'000	2000 £'000
Service fee	1,721	130
Other income	2,826	3,867
Construction turnover	<u>500</u>	<u>944</u>
	5,047	4,941

Other income relates to revenue received from third party contracts and from DLR in relation to work completed by the Concessionaire at Cutty Sark station.

CITY GREENWICH LEWISHAM RAIL LINK PLC

3. PROFIT AND LOSS ACCOUNT

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging:		
Fee paid to the auditor for : audit services	10	10
non-audit services	95	89
Depreciation	68	60
Related parties:		
LRG Contractors for construction of Railway	500	802
London Electricity Services for electrical power	-	142

4. STAFF COSTS

The average number of persons employed during the year was 20 (2000 – 18).

	2001 £'000	2000 £'000
Wages and Salaries	689	558
Social Security costs	62	60
Pension costs	21	30
	<u>772</u>	<u>648</u>

Only one director received remuneration from CGL Rail during the year totalling £67,500 (2000: £66,650). Pension contributions made by CGL Rail on behalf of the director totalled £4,125 (2000: £3,656). Included in the accounts and detailed below, are charges made by the shareholder companies for the services of Directors as follows:

	2001		2000	
	Executive	Non-Executive	Executive	Non-Executive
	£'000	£'000	£'000	£'000
Hyder Investments Limited	23	22	47	22
John Mowlem & Company PLC	92	22	65	22
MBK Rail Link Finance Limited	-	11	-	11
London Electricity Enterprises Limited	-	11	-	11
Laing Investments Limited	-	-	-	-

CITY GREENWICH LEWISHAM RAIL LINK PLC

5. INTEREST

	2001 £'000	2000 £'000
Interest receivable from bank deposits	717	1,179
Interest payable on Eurobond	(15,469)	(15,469)
Bank loan interest payable	(1)	(285)
Other interest payable to related parties	(504)	(517)
Premium on issue of Eurobond amortised in period	24	24
Issue costs of Eurobond amortised in period	(115)	(114)
Other interest receivable	18,024	18,056
Net interest credited to profit and loss	<u>2,676</u>	<u>2,874</u>

The other interest payable to related parties is in respect of the mezzanine loan facility provided by Mitsui & Co UK PLC and London Electricity PLC. Other interest receivable relates to financing income due on the DLR debtor as defined in Note 11.

6. TAXATION

Tax losses have been carried forward and will be used to shelter future trading profits.

7. MANAGEMENT OF LIQUID RESOURCES

	2001 £'000	2000 £'000
Receipt from fixed term and call deposits	<u>5,757</u>	<u>3,197</u>

8. FINANCING

Repayment of Bank Loan	-	(7,700)
Repayment of Convertible Redeemable Unsecured Loan Stock	(2,000)	-
	<u>(2,000)</u>	<u>(7,700)</u>

CITY GREENWICH LEWISHAM RAIL LINK PLC

9. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2001 £'000	Cash Flows £'000	Other Changes £'000	At 31 Dec 2001 £'000
Cash at bank	140	200	-	340
Debt due after 1 year	(180,218)	2,000	(91)	(178,309)
Current asset investments	19,518	(5,757)	-	13,761
	<u>(160,560)</u>	<u>(3,557)</u>	<u>(91)</u>	<u>(164,208)</u>

10. TANGIBLE FIXED ASSETS

	Freehold Building £'000	Other Fixed Assets £'000	Total Fixed Assets £'000
Cost			
At the beginning of the year	410	176	586
Additions: Purchased from other parties	-	32	32
At the end of the year	<u>410</u>	<u>208</u>	<u>618</u>
Depreciation			
At the beginning of the year	35	114	149
Charge for the year	20	48	68
At the end of the year	<u>55</u>	<u>162</u>	<u>217</u>
Net Book Value			
At 31 December 2001	<u>355</u>	<u>46</u>	<u>401</u>
At 31 December 2000	<u>375</u>	<u>62</u>	<u>437</u>

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11. DEBTORS

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade debtors	1,963	1,331
Interest receivable	4	59
Prepayments	473	244
Other debtors	2,928	2,654
	<u>5,368</u>	<u>4,288</u>
Amounts falling due after more than one year:		
Other debtors	<u>170,460</u>	<u>170,286</u>

Other 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 of operation 20th November 1999.

12. CURRENT ASSET INVESTMENTS

	2001 £'000	2000 £'000
Fixed term and call deposits	<u>13,761</u>	<u>19,518</u>
	2001 £'000	2000 £'000
Original maturity dates are as follows:		
Within three months	13,761	19,518
Over three months	-	-
	<u>13,761</u>	<u>19,518</u>

All investments within three months at the 2001 Year End had a maturity date of 2 January 2002.

CITY GREENWICH LEWISHAM RAIL LINK PLC

13. CREDITORS - Amounts falling due within one year

	2001 £'000	2000 £'000
VAT payable	518	67
Trade creditors - amounts owing to related parties	15	3,242
- amounts owing to other parties	289	915
Proposed dividends	-	3,110
Deferred Income	99	97
Interest payable on Eurobonds	3,475	3,475
Accruals	1,284	1,058
	<u>5,680</u>	<u>11,964</u>

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

	2001 £'000	2000 £'000
Eurobonds (see below)	163,309	163,218
Deferred income - other	57	57
Redeemable Unsecured Loan Stock	1,500	1,500
Convertible Redeemable Unsecured Loan Stock	9,000	11,000
Mezzanine Loan	4,500	4,500
Interest payable on mezzanine loan	1,594	1,091
	<u>179,960</u>	<u>181,366</u>

The Bonds were issued in 1996 and are repayable on a scheduled basis from 2006 to 2020. Interest is payable half yearly in April and October.

	Interest Rate %	Net proceeds £'000	Original Net issue costs £'000	Nominal value £'000
Eurobonds 2020	9.375	162,835	2,165	165,000

Included within original net issue costs are issue costs of £2,748,669 net of premium received on issue of £584,100.

CITY GREENWICH LEWISHAM RAIL LINK PLC

	2001 £'000	2000 £'000
Eurobonds at beginning of year	163,218	163,128
Amortisation of issue costs	115	114
Amortisation of premium received on issue	(24)	(24)
Eurobonds at end of year	<u>163,309</u>	<u>163,218</u>

The net issue costs are amortised at a constant rate, over the total life of the Bond. 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 18 April 2002 was £197 million.

Redeemable unsecured loan stock issued to the shareholders does not bear interest and is repayable only after the convertible redeemable unsecured loan stock has been redeemed in full and certain financial tests are met.

Convertible redeemable unsecured loan stock issued to the shareholders does not bear interest and is convertible into ordinary shares at the rate of £1 of nominal value for each £1 ordinary share. It is repayable in whole or in part only when certain financial tests are met. During the year part of the Loan was repaid.

The mezzanine loans bear interest at LIBOR plus 3.5% and are repayable in 16 equal, annual instalments commencing from 2 years after the Operating date, subject to certain financial tests being met.

During the year a loan of £7.7million drawn under a £29.94million credit facility agreement with HSBC Bank was repaid, and part of the loan facility cancelled.

At 31 December 2001, the company had a Working Capital facility of £2 million which is available until 30 August 2002 or such later date as HSBC Bank agree.

In addition, the company had a Guarantee facility of £5.8million in respect of a grant from the London Borough of Lewisham which is returnable if certain events occur.

The company had no drawings under either of these facilities at 31 December 2001.

15. 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

CITY GREENWICH LEWISHAM RAIL LINK PLC

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Profit & Loss account £'000	Share Capital £'000	Total £'000
As at beginning of year	-	1,500	1,500
Profit for the year	3,360	-	3,360
As at end of year	<u>3,360</u>	<u>1,500</u>	<u>4,860</u>

17. 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.

Trade creditors are analysed between related parties and other parties in note 13. Amounts payable under the Construction Contract, being amounts invoiced, are similarly analysed in note 3.

Note 4 details the amounts charged by related parties for the services of the directors.

Note 5 details the amount of interest payable on Mezzanine facilities made available by London Electricity plc and Mitsui & Co. UK plc.

There were no other material transactions with related parties.