



**ACCOUNTS AND DIRECTORS'  
REPORT FOR THE YEAR ENDING  
31 DECEMBER 2002**



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 2002.

### Review of the Period

The profit before taxation for the year was £8.04m (2001: £3.36m). There has been a deferred taxation provision charge in the year of £2.57m (2001: nil) and the profit and loss reserves of the Company are £7.8m (2001: £3.36m).

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 DLR system. The concession length is 24½ 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 Company paid an interim dividend of £1.0m in the year (2001: Nil).

### Charitable and political contributions

During the year ended 31 December 2002 the Company contributed £2,425 (2001: £700) for charitable purposes. No contributions were made for political purposes (2001: £nil).

### 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	
D Potts	Non-Executive Director	
W N Kenrick	Alternate Director	
M Nakamura	Alternate Director	(Resigned 01.05.2001)
S Takaku	Alternate Director	(Appointed 01.05.2001)
A Friend	Alternate Director	
A R McColl	Finance Director	
C Dennis	Managing Director	
M A Hearn	Director	(Resigned 01-05-2002)
J W Linkin	Engineering Director	(Appointed 18-11-2002)

## **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 28 (2001: 29).

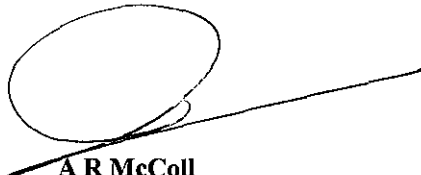
### **Directors' Shareholdings**

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**

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by 'R' and 'McColl'. The signature is written over a horizontal line.

**A R McColl**  
**Director**

9 June 2003

## **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 16.

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 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Me*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London  
9 June 2003

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## PROFIT AND LOSS ACCOUNT for the Year Ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	4,874	5,047
Cost of Sales:			
Operating expenses		(4,346)	(4,363)
Net interest for year	6	2,261	2,676
Exceptional other income	3	5,249	-
Operating profit and profit on ordinary activities before taxation	2	8,038	3,360
Taxation on profit on ordinary activities before taxation	7	(2,572)	-
Profit on ordinary activities after taxation		5,466	3,360
Equity dividends:			
Interim dividend paid		(1,000)	-
Retained profit for the year		4,466	3,360

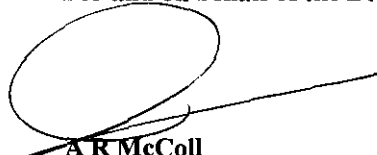
All gains and losses are recognised in the profit and loss account. All items in the profit and loss account relate to continuing operations in one geographic sector.

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## BALANCE SHEET At 31 December 2002

	Notes	2002 £'000	£'000	2001 £'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	11		362		401
<b>CURRENT ASSETS</b>					
Stock		200		170	
Debtors - due within one year	12	5,151		5,368	
Debtors - due after more than one year	12	168,092		170,460	
		173,243		175,828	
Investments	13	16,735		13,761	
Cash at bank and in hand		875		340	
		191,053		190,099	
<b>CREDITORS</b>					
Amounts falling due within one year	14	(6,984)		(5,680)	
<b>NET CURRENT ASSETS</b>					
			184,069		184,419
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			184,431		184,820
<b>CREDITORS</b>					
Amounts falling due after more than one year	15		(172,347)		(179,960)
Provision for liabilities and charges	16		(2,758)		-
<b>NET ASSETS</b>					
			9,326		4,860
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		1,500		1,500
Profit and loss account	18		7,826		3,360
<b>EQUITY SHAREHOLDERS' FUNDS</b>					
			9,326		4,860

For and on behalf of the Board

  
A R McColl  
Director  
9 June 2003

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## CASH FLOW STATEMENTS

For the Year ended 31 December 2002

### RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2002 £'000	2001 £'000
Operating profit		8,038	3,360
Net interest for year		(2,261)	(2,676)
Depreciation		46	68
Increase in stock		(30)	(9)
Decrease/(Increase) in debtors and prepayments		2,589	(1,309)
Increase/(Decrease) in accruals and creditors		1,490	(3,175)
Net cash inflow/(outflow) from operating activities		<u>9,872</u>	<u>(3,741)</u>

### CASH FLOW STATEMENT

Net cash inflow/(outflow) from operating activities		9,872	(3,741)
Returns on investments and servicing of finance:			
Interest received		18,230	18,796
Interest paid		(17,305)	(15,470)
Capital expenditure		(7)	(32)
		<u>10,790</u>	<u>(447)</u>
Management of liquid resources	8	(2,974)	5,757
Financing	9	(6,281)	(2,000)
Dividends		(1,000)	(3,110)
Increase in cash		<u>535</u>	<u>200</u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase in cash in the period		535	200
Cash movements in respect of increase/(decrease) in liquid resources		2,974	(5,757)
Amortisation of bond net issue costs		(91)	(91)
Cash outflow from decrease in loans and loan stock financing		6,281	2,000
Movement in net debt	10	<u>9,699</u>	<u>(3,648)</u>



# CITY GREENWICH LEWISHAM RAIL LINK PLC

## 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 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

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

d) 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.

e) Stock

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

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

g) 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

## NOTES TO THE ACCOUNTS

### 1. TURNOVER

	2002 £'000	2001 £'000
Amount receivable under Concession Agreement	24,025	22,323
Interest and capital repayment	(20,593)	(20,602)
Maintenance service fee	3,432	1,721
Other income	1,442	2,826
Construction turnover	-	500
Total Turnover	<u>4,874</u>	<u>5,047</u>

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.

### 2. PROFIT AND LOSS ACCOUNT

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging:		
Fee paid to the auditor for:		
audit services	14	10
non-audit services	92	95
Depreciation	46	68
Related parties:		
LRG Contractors for construction of Railway	-	500

### 3. EXCEPTIONAL OTHER INCOME

During 2002, the Company received £5.52m which was due under the terms of the Concession Agreement following a transaction concerning the former Island Garden Station site between DLR Limited and a third party. As a result the Company reported an exceptional profit of £5.25m, after £0.27m of costs.

### 4. EMPLOYEES

The average number of persons employed during the year was 21 (2001 – 20).

	2002 £'000	2001 £'000
The aggregate payroll cost was:		
Wages and salaries	696	689
Social Security costs	70	62
Pension costs	26	21
	<u>792</u>	<u>772</u>

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## NOTES TO THE ACCOUNTS (continued)

### 5. DIRECTORS' REMUNERATION

	Salary 2002 £	Bonus 2002 £	Benefit 2002 £	Total 2002 £	Total 2001 £
M Hearn	31,154	-	1,069	32,223	71,625
J Linkin	9,536	2,500	468	12,504	-
	<u>40,690</u>	<u>2,500</u>	<u>1,537</u>	<u>44,727</u>	<u>71,625</u>

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

	2002		2001	
	Executive	Non-Executive	Executive	Non-Executive
	£'000	£'000	£'000	£'000
Hyder Investments Limited	-	-	23	22
John Mowlem & Company PLC	163	22	92	22
MBK Rail Link Finance Limited	-	11	-	11
London Electricity Enterprises Limited	-	11	-	11
Laing Investments Limited	-	22	-	-
	<u>163</u>	<u>66</u>	<u>115</u>	<u>66</u>

### 6. INTEREST

	2002 £'000	2001 £'000
Interest receivable from bank deposits	555	717
Interest payable on Eurobond	(15,469)	(15,469)
Bank interest payable	-	(1)
Other interest payable to related parties	(410)	(504)
Premium on issue of Eurobond amortised in period	24	24
Issue costs of Eurobond amortised in period	(115)	(115)
Other interest receivable	17,676	18,024
Net interest credited to profit and loss	<u>2,261</u>	<u>2,676</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 12.

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## NOTES TO THE ACCOUNTS (continued)

### 7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

#### *Analysis of charge in the year*

	2002 £'000	2001 £'000
Current tax	-	-
Deferred taxation (note 16)	(2,572)	-
	<u>(2,572)</u>	<u>-</u>

#### *Factors affecting tax charge for the year*

The tax assessed differs from the application of the standard rate of corporation tax in the UK (30%) to the Company's profit before taxation for the following reasons:

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	8,038	3,360
Tax at the standard rate on profit on ordinary activities	2,411	1,008
Capital allowances in excess of amortisation of debtor	(2,411)	(1,008)
Utilisation of tax losses	-	-
Total current tax	<u>-</u>	<u>-</u>

#### *Factors that may affect future tax charges*

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

### 8. MANAGEMENT OF LIQUID RESOURCES

	2002 £'000	2001 £'000
(Payment to) / Receipt from fixed term and call deposits	(2,974)	5,757
	<u>-</u>	<u>-</u>

### 9. FINANCING

	2002 £'000	2001 £'000
Repayment of Mezzanine Loan	(281)	-
Repayment of Convertible Redeemable Unsecured Loan Stock	(6,000)	(2,000)
	<u>(6,281)</u>	<u>(2,000)</u>

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## NOTES TO THE ACCOUNTS (continued)

### 10. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2002 £'000	Cash Flows £'000	Other Changes £'000	At 31 Dec 2002 £'000
Cash at bank	340	535	-	875
Debt due after more than one year	(178,309)	6,281	(91)	(172,119)
Current asset investments	13,761	2,974	-	16,735
	<u>(164,208)</u>	<u>9,790</u>	<u>(91)</u>	<u>(154,509)</u>

### 11. TANGIBLE FIXED ASSETS

	Freehold Building £'000	Other Fixed Assets £'000	Total Fixed Assets £'000
<b>Cost</b>			
At the beginning of the year	410	208	618
Additions	-	7	7
At the end of the year	<u>410</u>	<u>215</u>	<u>625</u>
<b>Depreciation</b>			
At the beginning of the year	55	162	217
Charge for the year	20	26	46
At the end of the year	<u>75</u>	<u>188</u>	<u>263</u>
<b>Net Book Value</b>			
At 31 December 2002	<u>335</u>	<u>27</u>	<u>362</u>
At 31 December 2001	<u>355</u>	<u>46</u>	<u>401</u>

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## NOTES TO THE ACCOUNTS (continued)

### 12. DEBTORS

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Trade debtors	2,133	1,963
Interest receivable	8	4
Prepayments	87	473
Other debtors	2,923	2,928
	<u>5,151</u>	<u>5,368</u>

Amounts falling due after more than one year:

Other debtors	<u>168,092</u>	<u>170,460</u>
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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 operation commenced, 20 November 1999. The debtor can be analysed as follows:

	2002 £'000	2001 £'000
Other debtors due within one year	2,923	2,928
Other debtor due after more than one year	<u>168,092</u>	<u>170,460</u>
Total DLR debtor	<u>171,015</u>	<u>173,388</u>
At beginning of year	173,388	172,940
Interest receivable	17,676	18,024
Interest and capital repayments	(20,593)	(20,602)
Guaranteed fee	507	2,028
Capitalised expenditure	222	998
Released	(185)	-
At end of year	<u>171,015</u>	<u>173,388</u>

### 13. CURRENT ASSET INVESTMENTS

	2002 £'000	2001 £'000
Fixed term and call deposits	16,735	13,761
Original maturity dates are as follows:		
Within three months	16,735	13,761
Over three months	-	-
	<u>16,735</u>	<u>13,761</u>

All investments with original maturity date within three months at 31 December 2002 had a maturity date of 2 January 2003.

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## NOTES TO THE ACCOUNTS (continued)

### 14. CREDITORS - Amounts falling due within one year

	2002 £'000	2001 £'000
VAT payable	1,471	518
Trade creditors - amounts owing to related parties	84	15
- amounts owing to other parties	277	289
Proposed dividends	-	-
Deferred income	150	99
Interest payable on Eurobonds	3,475	3,475
Accruals	1,527	1,284
	<u>6,984</u>	<u>5,680</u>

### 15. CREDITORS - Amounts falling due after more than one year

	2002 £'000	2001 £'000
Eurobonds (see below)	163,400	163,309
Deferred income - other	58	57
Redeemable Unsecured Loan Stock	1,500	1,500
Convertible Redeemable Unsecured Loan Stock	3,000	9,000
Mezzanine Loan	4,219	4,500
Interest payable on mezzanine loan	170	1,594
	<u>172,347</u>	<u>179,960</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	<u>9.375</u>	<u>162,835</u>	<u>2,165</u>	<u>165,000</u>

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

	2002 £'000	2001 £'000
Eurobonds at beginning of year	163,309	163,218
Amortisation of issue costs	115	115
Amortisation of premium received on issue	(24)	(24)
Eurobonds at end of year	<u>163,400</u>	<u>163,309</u>

# CITY GREENWICH LEWISHAM RAIL LINK PLC

## NOTES TO THE ACCOUNTS (continued)

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 9 June 2003 was £195 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 loan stock of £6m (2001: £2m) 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 1/16<sup>th</sup> of the loan, and arrears of interest was repaid.

At 31 December 2002, the Company had a Working Capital facility of £2 million which is available until 30 August 2003 or such later date as HSBC Bank agree.

In addition, the Company has a Guarantee Facility in respect of a grant from the London Borough of Lewisham. The grant is repayable if certain specified events occur. During the year, the Guarantee Facility was reduced by one fifth to £4.64m in line with the Company's grant repayment obligation, the specified events not having occurred in the year.

The Company had no drawings under either of these facilities at 31 December 2002.

## 16. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax £000's	Heavy Maintenance £000's	Total £000's
At beginning of the year	-	-	-
Charge in the year	2,572	186	2,758
At end of year	<u>2,572</u>	<u>186</u>	<u>2,758</u>

Deferred taxation in respect of capital allowances and short term timing differences is fully provided as follows:

	2002 £000's	2001 £000's
Accelerated capital allowances	2,572	-
Short term timing differences	-	-
	<u>2,572</u>	<u>-</u>



# CITY GREENWICH LEWISHAM RAIL LINK PLC

## NOTES TO THE ACCOUNTS (continued)

### 17. 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

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Profit & Loss Account	Share Capital	Total
	£'000	£'000	£'000
As at beginning of year	3,360	1,500	4,860
Profit for the year	5,466	-	5,466
Dividends	(1,000)	-	(1,000)
As at end of year	7,826	1,500	9,326

### 19. 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 14. Amounts payable under the Construction Contract, being amounts invoiced, are similarly analysed in note 1.

Note 5 details the amounts charged by related parties for the services of the Directors.

Note 6 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.