

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 MARCH 2001**

Company Registration No: 3310620



UK HIGHWAYS MANAGEMENT SERVICES LIMITED

Directors

F R Herzberg
E R Sharples
A C Roper
A J H Ewer
A E Friend
P G Shell
D Potts (alternate to AC Roper)

Joint Company Secretaries

R Miller
Asset Management Solutions Ltd.

Auditors

KPMG
8 Salisbury Square
London EC4Y 8BB

Principal Bankers

National Westminster Bank PLC
PO Box 237
72/74 High Street
Watford
Herts WD1 2BQ

Lawyers

Cameron McKenna
Mitre House
160 Aldersgate Street
London EC1A 4DD

Registered office

133 Page Street
Mill Hill
London
NW7 2ER

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with financial statements for the year ended 31 March 2001.

PRINCIPAL TRADING ACTIVITIES

The principal activity of the Company is to carry on the business of bidding for and managing companies which design, build, finance and operate (DBFO) roads projects in the United Kingdom as part of the Private Finance Initiative.

During the year the Company provided management services to UK Highways M40 Limited, which is responsible for the M40 DBFO project for junctions 1 to 15 of the M40 motorway, and UK Highways A55 Limited, which is responsible for the A55 DBFO project for a new trunk road in Anglesey, North Wales.

REVIEW OF THE YEAR

The loss on ordinary activities after taxation for the year was £128,000 (2000: £129,000 profit).

DIVIDENDS

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 9.

DIRECTORS

The following directors held office during the year: -

J M James	(Resigned 26 th January 2001)
S N Jones	(Resigned 26 th January 2001)
A C Roper	
E R Sharples	
F R Herzberg	
A J H Ewer	

Alternate Director

F Barras	Alternate to A C Roper (Resigned 18 th October 2001)
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DIRECTORS' INTERESTS

No director has, or has held at any time during the year, any interest in the share capital of the Company, or in the share capital of the Company's parent Company, UK Highways plc.

No director has a service contract with, or receives any remuneration from, the Company. No director has, or had during the year, any personal interest in any significant or material contract with the Company.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS (Continued)

POLICY ON PAYMENT OF CREDITORS

It is policy to comply with the terms of supply agreed with suppliers. Where payment terms are not negotiated the Company endeavours to adhere with the suppliers' standard terms. The average number of creditor days outstanding for the company was 25 days.

AUDITORS

A resolution for the reappointment of KPMG as auditors will be proposed at the next annual general meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board is responsible to the Shareholders for all aspects of the Company's performance and meets on a regular basis to review the strategic direction of the Company and to monitor performance against an approved business plan and budget.

The directors are required by UK company law to prepare financial statements for each financial year that 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 year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2001. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are also 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.

All directors have access to the advice and services of the Joint Company Secretaries, who are responsible for ensuring that Board procedures and all applicable rules and regulations are observed, and, where appropriate, to external advisors.

By Order of the Board



For and on behalf of Asset Management Solutions Ltd.

Joint Company Secretary

Registered Office: 133 Page Street, Mill Hill, London NW7 2ER

26 October 2001

UK HIGHWAYS MANAGEMENT SERVICES LIMITED AUDITORS' REPORT

To the members of UK HIGHWAYS MANAGEMENT SERVICES LIMITED

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 the Companies Act. 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 law regarding directors' remuneration and transactions with the Company is not disclosed.

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

KPMG

**KPMG
Chartered Accountants
Registered Auditors
8 Salisbury Square, London EC4Y 8BB**

31 October 2001

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2001

	Note	2001 £'000	2000 £'000
Other operating income	2	592	680
Administrative costs		(806)	(523)
Operating (loss)/profit	3	(214)	157
Interest receivable		36	22
(Loss) / Profit on ordinary activities before taxation		(178)	179
Taxation	5	50	(50)
(Loss) / Profit for the financial year		(128)	129

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

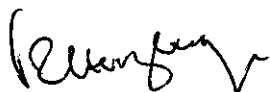
All items in the profit and loss account relate to continuing operations.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 MARCH 2001

	Note	2001 £'000	2000 £'000
CURRENT ASSETS			
Debtors due within one year	6	106	181
Cash at bank and in hand		637	982
		<u>743</u>	<u>1,163</u>
CREDITORS: amounts falling due within one year	7	(742)	(1,034)
		<u></u>	<u></u>
NET ASSETS		1	129
		<u></u>	<u></u>
CAPITAL AND RESERVES			
Called up share capital			
Allotted, called up and fully paid	9	-	-
Profit and loss account		1	129
		<u>1</u>	<u>129</u>
EQUITY SHAREHOLDERS' FUNDS	10	1	129
		<u></u>	<u></u>

The financial statements on pages 4 to 8 were approved by the Board of Directors on 26 October 2001 and were signed on its behalf by:



Director

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2001
NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Accounting Standards in the United Kingdom and comply with the Companies Act 1985. A summary of the principal accounting policies, which have been consistently applied, is shown below.

The Company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with other group undertakings.

Under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a Cashflow Statement as it qualifies as a small company.

Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2. OTHER OPERATING INCOME

Other operating income principally comprises charges to the shareholders for work involved in bidding for new DBFO roads projects and to UK Highways M40 Limited and UK Highways A55 Limited for managing the DBFO projects.

3. OPERATING (LOSS)/PROFIT

	2001	2000
	£'000	£'000
Operating (loss)/profit is stated after charging:		
Fees paid to auditors:		
Audit service	3	3
	<hr/>	<hr/>

4. STAFF NUMBERS AND COSTS AND EMOLUMENTS OF DIRECTORS

The directors did not receive any remuneration during the year.

The Company had no employees during the year. Staff are seconded from shareholders as required and remain employees of the shareholder.

5. TAXATION

	2001	2000
	£'000	£'000
UK Corporation Tax (credit) / charge at 30% based on the (loss) /profit for the year on ordinary activities	(50)	50
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UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2001

NOTES TO THE ACCOUNTS (Continued)

6. DEBTORS

	2001 £'000	2000 £'000
Due within one year:		
Amounts due from related parties:	56	181
Tax recoverable	50	-
	<u>106</u>	<u>181</u>

7. CREDITORS

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Amounts due to related parties	25	292
Accruals - related	648	274
- other	57	68
Deferred income from related parties	-	331
VAT payable	12	19
Tax payable	-	50
	<u>742</u>	<u>1,034</u>

8. CAPITAL COMMITMENTS

The Company had no capital commitments at 31 March 2001 or at 31 March 2000.

9. CALLED UP SHARE CAPITAL

	2001 Number	£
Authorised, allotted called up and fully paid		
- £1 Ordinary shares at 31 March 2001 and 31 March 2000	1	1
	<u>1</u>	<u>1</u>

10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
(Loss) / Profit for the financial year	(128)	129
Opening shareholders' funds	129	-
Closing shareholders' funds	<u>1</u>	<u>129</u>

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2001

NOTES TO THE ACCOUNTS (Continued)

11. RELATED PARTY TRANSACTIONS

The shareholders of the Company's immediate parent, UK Highways plc, are Carillion Private Finance Limited ("Carillion"), Laing Investments Limited ("Laing") and Hyder Investments Ltd ("Hyder"). These companies are also major shareholders in UK Highways M40 (Holdings) Limited and UK Highways A55 (Holdings) Limited. The Company has a management agreement with these companies to manage the DBFO projects. Amounts receivable in respect of management fees were £220,797 from UK Highways M40 Limited and £350,000 from UK Highways A55 Limited. During the course of the year, Hyder was acquired by Laing.

The shareholders provide staff and other services to the Company under management agreements to allow the Company to perform its obligations to UK Highways M40 Limited, UK Highways A55 Limited and for bidding for new DBFO Projects. £465,000 was charged in aggregate by the shareholders in the year (2000:- £483,000).

The balances outstanding at the year end to and from related parties under these arrangements are disclosed in notes 6 and 7.

12. COMPANY STATUS

The Company is a wholly owned subsidiary undertaking of UK Highways plc, a company registered in England and Wales. In January 2001, Hyder was acquired by Laing, which consequently became the majority shareholder of UK Highways plc and hence the Company. Copies of the accounts of the ultimate holding company, John Laing plc, can be obtained from the company secretary at 133 Page Street, London NW7 2ER.