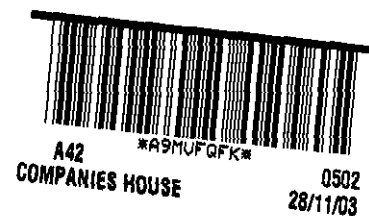


**UK HIGHWAYS MANAGEMENT SERVICES LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED  
31 MARCH 2003**



Company Registration No: 3310620

# **UK HIGHWAYS MANAGEMENT SERVICES LIMITED**

## **Directors**

H Gilbey  
A C Roper  
A J H Ewer  
A E Friend  
P G Shell  
D Potts (Alternate to A C Roper)  
S N Jones

## **Company Secretary**

A A Swift

## **Auditors**

KPMG LLP  
8 Salisbury Square  
London EC4Y 8BB

## **Principal Bankers**

HSBC  
27-32 Poultry  
London  
EC2P 2BX

## **Lawyers**

CMS Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London EC1A 4DD

## **Registered office**

24 Birch Street  
Wolverhampton  
WV1 4HY

# **UK HIGHWAYS MANAGEMENT SERVICES LIMITED**

## **REPORT OF THE DIRECTORS**

The directors submit their report together with financial statements for the year ended 31 March 2003.

## **PRINCIPAL TRADING ACTIVITIES**

The principal activity of the Company is to carry on the business of 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 profit on ordinary activities after taxation for the year was £7,000 (2002: £80,000 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 and subsequently: -

A C Roper	
E R Sharples	(Resigned 12 <sup>th</sup> August 2002)
F R Herzberg	(Resigned 26 <sup>th</sup> March 2003)
A J H Ewer	
A E Friend	
P G Shell	
EG Barron	(Appointed 12 <sup>th</sup> August 2002, Resigned 30 <sup>th</sup> June 2003)
H Gilbey	(Appointed 26 <sup>th</sup> March 2003)
SN Jones	(Appointed 30 <sup>th</sup> June 2003)

### Alternate Director

D Potts	(Alternate to A C Roper)
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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 Limited.

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 95 days.

#### **AUDITORS**

Pursuant to a shareholders resolution the Company is not obliged to re-appoint auditors annually and KPMG LLP, having so agreed, will therefore continue in office.

#### **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.

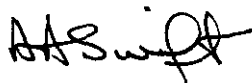
The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

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 2003. 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 Company Secretary, who is 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**



**UK Highways Management Services Limited**  
**Company Secretary**  
**Registered Office: 24 Birch Street, Wolverhampton, WV1 4HY.**

**13<sup>th</sup> October 2003**

## **UK HIGHWAYS MANAGEMENT SERVICES LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **To the members of UK HIGHWAYS MANAGEMENT SERVICES LIMITED**

We have audited the financial statements on pages 6 to 10.

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

*KPMG LLP*

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

**20 November 2003**

## **UK HIGHWAYS MANAGEMENT SERVICES LIMITED**

### **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003**

	<b>Note</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Other operating income	2	413	495
Administrative costs		(408)	(399)
<b>Operating profit</b>	3	<u>5</u>	<u>96</u>
Interest receivable		5	19
<b>Profit on ordinary activities before taxation</b>		<u>10</u>	<u>115</u>
Tax on profit on ordinary activities	5	(3)	(35)
<b>Retained profit for the financial year</b>		<u>7</u>	<u>80</u>

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

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

There is no material difference between the profit for the year and that calculated on a historical cost basis.

# UK HIGHWAYS MANAGEMENT SERVICES LIMITED

## BALANCE SHEET AS AT 31 MARCH 2003

	Note	2003 £'000	2002 £'000
<b>CURRENT ASSETS</b>			
Debtors due within one year	6	14	26
Cash at bank and in hand		327	292
		<u>341</u>	<u>318</u>
<b>CREDITORS: Amounts falling due within one year</b>	7	<b>(253)</b>	<b>(237)</b>
<b>NET ASSETS</b>		<u><b>88</b></u>	<u><b>81</b></u>
 <b>CAPITAL AND RESERVES</b>			
Called up share capital			
Allotted, called up and fully paid	9	-	-
Profit and loss account		88	81
<b>EQUITY SHAREHOLDERS' FUNDS</b>	10	<u><b>88</b></u>	<u><b>81</b></u>

The financial statements on pages 6 to 10 were approved by the Board of Directors on 13<sup>th</sup> October 2003 and were signed on its behalf by:

Director

*Nigel Jones*

# UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2003  
NOTES TO THE ACCOUNTS

## 1. PRINCIPAL 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.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

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.

## 2. OTHER OPERATING INCOME

Other operating income comprises of charges to UK Highways M40 Limited and UK Highways A55 Limited for managing the DBFO projects.

## 3. OPERATING PROFIT

	2003 £'000	2002 £'000
Operating profit is stated after charging:		
Fees paid to auditors:		
- Audit services	3	3
- Other services	2	2
	<hr/>	<hr/>

## 4. STAFF NUMBERS AND COSTS AND EMOLUMENTS OF DIRECTORS

The directors did not receive any remuneration during the year.

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Administration	3	2
Construction Manager	1	-
	<hr/>	<hr/>

	2003 £'000	2002 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	98	27
Social Security costs	10	3
	<hr/>	<hr/>



## UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2003

NOTES TO THE ACCOUNTS (Continued)

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
UK corporation tax charge at 30%	3	35

There is no material difference between the tax charge for the year and the statutory rate of 30% applied to the company's profit before taxation. There are no material deferred tax balances, provided or unprovided.

### 6. DEBTORS

	2003 £'000	2002 £'000
<b>Due within one year:</b>		
Amounts due from related parties	14	11
Corporation tax recoverable	-	15
	<u>14</u>	<u>26</u>

### 7. CREDITORS

	2003 £'000	2002 £'000
<b>Amounts falling due within one year:</b>		
Trade creditors		
- related	96	11
- other	13	47
Amounts owed to holding company	10	-
Other creditors including tax and social security	18	5
Corporation tax	9	-
Accruals	107	174
	<u>253</u>	<u>237</u>

### 8. CAPITAL COMMITMENTS

The Company had no capital commitments at 31 March 2003 or at 31 March 2002.

## UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2003

NOTES TO THE ACCOUNTS (Continued)

### 9. CALLED UP SHARE CAPITAL

	Number	£
Authorised, allotted, called up and fully paid		
- £1 ordinary shares at 31 March 2003 and 31 March 2002	1	1
	<hr/>	<hr/>

### 10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	7	80
Opening shareholders' funds	81	1
Closing shareholders' funds	<hr/> 88 <hr/>	<hr/> 81 <hr/>

### 11. RELATED PARTY TRANSACTIONS

The shareholders of the Company's immediate parent, UK Highways Limited, are Carillion Private Finance Limited ("Carillion"), Laing Investments Limited ("Laing") and its subsidiary Hyder Investments Limited ("Hyder"). These companies are also the shareholders of 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 £226,700 from UK Highways M40 Limited and £185,000 from UK Highways A55 Limited.

The shareholders of UK Highways Limited provide staff and other services to the Company under management agreements to allow the Company to perform its obligations to UK Highways M40 Limited and UK Highways A55 Limited. £225,000 was charged in aggregate by the shareholders in the year (2002: £382,000).

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 Limited, a company registered in England and Wales. Copies of the accounts of the holding company, UK Highways Limited, can be obtained from the company secretary, 24 Birch Street, Wolverhampton, WV1 4HY.