



**AMEY HIGHWAYS LIGHTING
(WALSALL) LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2003

Company registration number: 4138736

Registered office: Allington House
150 Victoria Street
London
SW1E 5LB

Directors: D Potts
P A J Couldery
C J Elliott
R S McClatchey
A Matthews

Secretary: P G Shell

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2003

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AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Principal activities

The company is principally engaged in the performance of a PFI contract with Walsall Metropolitan Borough Council for the design, installation and refurbishment of certain street lighting within the borough of Walsall and the provision of maintenance, energy and certain other services for a specific period.

Business review

There was a profit for the year after taxation amounting to £nil (2002: £nil). The directors consider the outcome of the 26 year PFI contract with Walsall Metropolitan Borough Council cannot currently be assessed with reasonable certainty, being only 20 months into the contract, and therefore no profit is reflected in respect of this contract. As no loss is expected, the directors have estimated a zero profit. The directors do not recommend the payment of a dividend.

Amey Highways Lighting (Walsall) Limited is a wholly owned subsidiary of Amey Highways Lighting (Holdings) Limited. The shareholders in Amey Highways Lighting (Holdings) Limited are Argon Ventures Limited (50%) and Barclays European Infrastructure Limited (50%).

Directors

The present membership of the Board is set out below. All served on the Board throughout the year except where noted.

C J Elliott
R S McClatchey
A Matthews
D Potts (appointed 14 March 2003)
P A J Couldrey (appointed 14 March 2003)
A L Nelson (resigned 14 March 2003)
D I Sutherland (resigned 14 March 2003)
N C Dawson (resigned 14 March 2003)

None of the directors had any interest in the company, or its parent undertaking.

Directors' responsibilities for the financial statements

United Kingdom 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

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities (continued)

- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors report is prepared in accordance with company law in the United Kingdom.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



R McClatchey
Director
16 March 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED**

We have audited the financial statements of Amey Highways Lighting (Walsall) Limited for the year ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 15. 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED**

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

Grant Thornton

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**LONDON
16 MARCH 2004**

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standard.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover reflects the contract activity during the year and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs.

LONG-TERM CONTRACTS

Profits on long-term contracts are calculated in accordance with industry standard accounting practice and do not therefore relate directly to turnover. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain. Provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion. Amounts recoverable on contracts which are included in debtors are stated at cost, plus attributable profit to the extent that this is reasonably certain after making provision for contingencies, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments. Costs for this purpose include valuation of all work done by subcontractors, whether certified or not, and as the company has been established solely to service the Walsall Street Lighting contract, all overheads. For any contracts where receipts exceed the book value of work done, the excess is included in creditors as payments on account.

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
Turnover	1	1,940	885
Cost of sales		<u>(1,391)</u>	<u>(520)</u>
Gross profit		549	365
Administrative expenses		<u>-</u>	<u>-</u>
Operating profit		549	365
Interest receivable		1	-
Interest payable	2	<u>(550)</u>	<u>(365)</u>
Profit on ordinary activities before taxation	1	-	-
Tax on profit on ordinary activities	4	-	-
Profit retained and transferred to from reserves	10	<u>-</u>	<u>-</u>

All transactions arise from continuing operations.

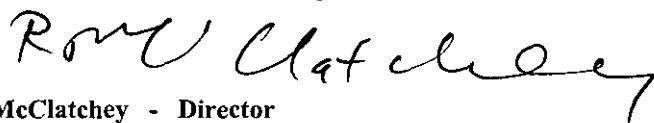
There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED**BALANCE SHEET AT 31 DECEMBER 2003**

	Note	2003 £'000	2002 £'000
Current assets			
Stocks	5	8,935	4,350
Debtors	6	507	272
Cash at bank and in hand		736	841
		<u>10,178</u>	<u>5,463</u>
Creditors: amounts falling due within one year	7	<u>(3,096)</u>	<u>(407)</u>
Net current assets		<u>7,082</u>	<u>5,056</u>
Total assets less current liabilities		<u>7,082</u>	<u>5,056</u>
Creditors: amounts falling due after more than one year	8	<u>(6,902)</u>	<u>(4,876)</u>
		<u>180</u>	<u>180</u>
Capital and reserves			
Called up share capital	9	180	180
Profit and loss account	10	-	-
Shareholders' funds		<u>180</u>	<u>180</u>

The financial statements were approved by the Board of Directors on 16 March 2004.



R McClatchey - Director

The accompanying accounting policies and notes form an integral part of these financial statements.

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2003

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation are attributable to continuing operations.

The auditors' remuneration for the year was £12,500 (2002: borne by Amey plc).

2 INTEREST PAYABLE

	2003 £'000	2002 £'000
Interest payable and similar charges	<u>550</u>	<u>365</u>

3 DIRECTORS AND EMPLOYEES

The average number of employees of the company during the year was nil (2002: nil).

The directors did not receive any remuneration from the company or participate in defined benefit schemes or money purchase pension schemes during the year.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	<u>-</u>	<u>-</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2002: 30%)	<u>-</u>	<u>-</u>

5 STOCKS

	2003 £'000	2002 £'000
Long term contract balances: Cost	<u>8,935</u>	<u>4,350</u>

6 DEBTORS

	2003 £'000	2002 £'000
Due within one year		
Trade debtors	46	-
Amount recoverable on contracts	252	249
VAT	197	10
Other debtors	<u>12</u>	<u>14</u>
	<u>507</u>	<u>272</u>

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2003

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Bank loans and overdrafts	1,608	-
Trade creditors	1,286	305
Accruals and deferred income	202	102
	<u>3,096</u>	<u>407</u>

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £'000	2002 £'000
Bank loans and overdrafts		
- Term loans	6,902	3,268
- Subordinated debt bridging loan	-	1,608
	<u>6,902</u>	<u>4,876</u>

Bank and other borrowings are repayable as follows:

After one and within two years	298	1,608
After two and within five years	647	342
After five years	<u>5,957</u>	<u>2,926</u>
	<u>6,902</u>	<u>4,876</u>

The company has a term loan facility of £16 million of which £6.9 million has been drawn. The loan is repayable in instalments to 30 April 2026 based on an agreed percentage amount of the total drawn down. Repayments are expected to commence on 30 April 2005. Interest on this loan is charged at a variable rate of LIBOR plus 0.9%.

The subordinated debt bridge facility was drawn down in full on 28 March 2002 and bears interest at a rate of LIBOR plus 0.5%. This equity bridge is repayable on 31 December 2004 and is secured by a bank guarantee from the shareholders. Shortly before repayment shareholders will provide debt finance by subscribing to £1.6 million 12.5% coupon loan stock, to finance the repayment.

As part of its interest rate management strategy and in accordance with the terms of its credit agreement the company entered into an amortising interest rate swap maturing on 30 April 2026. The maximum notional amount of the interest rate swap is £15.3 million. Under this swap the company receives interest on a variable basis and pays interest at a fixed rate of 5.72%.

All the loans are secured by a debenture dated 28 March 2002 creating fixed and floating charges over the shares and assets of the company. Of the company's gross borrowings £6.0 million is due in more than 5 years.

In addition, the company has a debt service reserve facility amounting to £800,000. Currently it is not intended that this facility be drawn against.

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2003

9 SHARE CAPITAL

	2003 £	2002 £
Authorised 200,000 ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Allotted, called up and fully paid 180,000 ordinary shares of £1 each	<u>180,000</u>	<u>180,000</u>

10 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	-	-
Profit for the year	-	-
At 31 December 2003	<u>-</u>	<u>-</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	-	-
Shareholders' funds at 1 January 2003	<u>180</u>	<u>180</u>
Shareholders' funds at 31 December 2003	<u>180</u>	<u>180</u>

12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2003 or 31 December 2002, other than in the course of its normal operations.

13 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2003 or 31 December 2002.

14 RELATED PARTY TRANSACTIONS

During the year £91,981 was invoiced by Laing Investments Management Services Limited for management services provided. The amount due to Laing Investment Management Services Limited at 31 December 2003 amounted to £23,000. Laing Investment Management Services Limited is a related party by virtue of its common ownership.

AMEY HIGHWAYS LIGHTING (WALSALL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2003

15 ULTIMATE PARENT UNDERTAKING

The company is wholly owned by Amey Highways Lighting (Holdings) Limited which is owned and jointly controlled by Argon Ventures Limited (50%) and Barclays European Infrastructure Limited (50%) in its capacity as general partner of the Barclays European Infrastructure Fund. The directors consider there to be no ultimate controlling party.