

**SHEPPEY ROUTE (HOLDINGS) LIMITED**

**Directors' report and financial statements**  
**For the period ended 31 December 2004**

**Registered number 4918710**



# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Directors' report

The directors present their report and the consolidated financial statements for the period ended 31 December 2004.

## Principal activities

The company was incorporated on 2 October 2003 as Intercede 1890 Limited. Pursuant to a special resolution the company changed its name to Sheppey Route (Holdings) Limited on 6 November 2003. The principal activity is that of a holding company with a single subsidiary, Sheppey Route Limited.

Sheppey Route Limited was established to undertake the design, construction, financing, operation and maintenance of the A249 Iwade Bypass to Queenborough Improvement scheme together with the operation and maintenance of the existing A249 between Junction 5 of the M2 and the docks entrance at the Port of Sheerness. This agreement together with a loan facilities agreement, an Operations and Maintenance contract and other related contracts was signed on 19 February 2004. Construction commenced in February 2004 and is due for completion in August 2006.

## Results and dividends

The consolidated profit and loss account is set out on page 4 and relates to the operating activities during the period. The directors do not recommend the payment of a dividend.

## Directors and directors' interests

The directors who served during the period and subsequently were as follows:

### *Director*

H Gilbey	(appointed 4 June 2004)
A Matthews	(appointed 18 June 2004)
N Maruf	(appointed 11 March 2005)
MS Robinson	(appointed 7 February 2004)
J McDonagh	(appointed 17 November 2003, resigned 11 March 2005)
SN Jones	(appointed 17 November 2003, resigned 7 February 2004)
Mitre Directors Limited	(appointed 2 October 2003, resigned 17 November 2003)
Mitre Secretaries Limited	(appointed 2 October 2003, resigned 17 November 2003)

No director had any interest in the shares of the company or other group undertaking at the end of the period.

This report was approved by the board on 21 March 2005 and signed on its behalf by:

L Wan  
Secretary



Birch Street  
Wolverhampton  
West Midlands  
WV1 4HY

# **SHEPPEY ROUTE (HOLDINGS) LIMITED**

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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.

# **SHEPPEY ROUTE (HOLDINGS) LIMITED**

## **Independent auditors' report to the members of Sheppey Route (Holdings) Limited**

We have audited the financial statements on pages 4 to 12.

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 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 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 affairs of the company and the group as at 31 December 2004 and of the result of the group for the period from 2 October 2003 (the date of incorporation) to 31 December 2004 and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG LLP  
2 Cornwall Street  
Chartered Accountants  
Registered Auditors  
Birmingham B3 2DL

21 March 2005

# SHEPPEY ROUTE (HOLDINGS) LIMITED

## **Consolidated profit and loss account** *for the fifteen months ended 31 December 2004*

	<i>Notes</i>	<b>2004 £000</b>
<b>Turnover</b>	2	37,891
Other operating charges		(36,325)
<b>Operating profit</b>	3	<u>1,566</u>
Interest payable and similar charges	4	(1,577)
Interest receivable and similar income	4	11
Net interest payable	4	<u>(1,566)</u>
<b>Profit on ordinary activities before taxation</b>		<u>-</u>
Taxation on profit on ordinary activities	6	-
<b>Profit on ordinary activities after taxation and retained profit for the financial period</b>		<u><u>-</u></u>

A statement of movement in shareholders' funds is shown in note 14 to the financial statements.

The results reported above derive from continuing operations in a single class of business within the United Kingdom.

There is no material difference between the result as disclosed in the profit and loss account above and its historical cost equivalent.

## **Statement of total recognised gains and losses**

There were no recognised gains and losses other than the results for the period reported above.

# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Consolidated balance sheet at 31 December 2004

	<i>Notes</i>	2004 £000
<b>Current assets</b>		
Debtors: Amounts falling due within one year	7	984
Debtors: Amounts falling due after more than one year	8	37,752
Cash at bank		219
		<u>38,955</u>
<b>Current liabilities</b>		
Creditors: Amounts falling due within one year	10	(1,547)
<b>Net current assets and total assets less current liabilities</b>		<u>37,408</u>
Creditors: Amounts falling due after more than one year	11	(37,358)
<b>Net assets</b>		<u><u>50</u></u>
 <b>Capital and reserves</b>		
Called up share capital	13	50
<b>Equity shareholders' funds</b>	14	<u><u>50</u></u>

These financial statements were approved by the board of directors on 21 March 2005 and were signed on its behalf by:



MS Robinson

Director

# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Company balance sheet at 31 December 2004

	<i>Notes</i>	<b>2004 £000</b>
<b>Fixed assets</b>		
Investment	9	50
<b>Net assets</b>		<u>50</u>
<b>Capital and reserves</b>		
Called up share capital	13	50
<b>Equity shareholders' funds</b>		<u>50</u>

These financial statements were approved by the board of directors on 21 March 2005 and were signed on its behalf by:



MS Robinson

Director

# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Consolidated cash flow statement for the fifteen months ended 31 December 2004

	2004
	£000      £000
<b>Net cash outflow from operating activities</b>	<b>(35,946)</b>
<b>Returns on investments and servicing of finance</b>	
Interest received	11
Interest paid	<u>(1,218)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,207)</b>
<b>Net cash outflow before financing</b>	<u><b>(37,153)</b></u>
<b>Financing</b>	
Issue of ordinary share capital	50
Increase in bank borrowings	38,355
Loans issue costs	<u>(1,033)</u>
<b>Increase in cash</b>	<u><b>219</b></u>
<b>Reconciliation of operating profit to net cash outflow from operating activities</b>	
Operating profit	1,566
Increase in debtors	(38,616)
Increase in creditors	<u>1,104</u>
	<u><b>(35,946)</b></u>

The supporting notes to the consolidated cashflow statement are set out in note 15.



# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

All the notes to the accounts relate to the group, except where otherwise stated.

#### *Basis of accounting*

The financial statements have been prepared in accordance with applicable Accounting Standards using the historical cost convention.

#### *Basis of consolidation*

The group accounts consolidate the accounts of Sheppey Route (Holdings) Limited and its subsidiary undertaking for the period from 2 October 2003 to 31 December 2004 using the acquisition method. All inter-company balances, transactions and profits are eliminated on consolidation. No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985.

#### *Contract receivable*

In accordance with Financial Reporting Standard (FRS) 5 Application Note F the costs incurred in construction have been treated as a contract receivable. This treatment arises from applying the guidance within the Application Note which indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to the customer.

Increases in the contract receivable represent the costs arising on construction including initial tender costs and borrowing costs.

#### *Deferred taxation*

Deferred taxation has been accounted for under Financial Reporting Standard 19.

Deferred taxation is provided, without discounting, in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred by the balance sheet date that results in an obligation to pay more or less tax in the future. Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### 2 Turnover

Turnover represents the value of work done and excludes value added tax.

The company's sole business is that described in the Director's Report and all turnover is derived in the United Kingdom.

# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Notes (continued)

### 3 Operating profit

Operating profit during the period is after charging:

2004  
£000

Auditors' remuneration - audit work

8

Auditors' remuneration has been capitalised as part of the contract receivable. Audit fees for the parent company amounted to £nil.

### 4 Net interest payable

2004  
£000

#### Interest payable and similar charges

Bank borrowings

1,153

Bank commitment fees

388

Amortisation of issue costs

36

1,577

#### Interest receivable and similar income

Bank interest receivable

(11)

1,566

### 5 Staff costs

There were no employees during the period. The directors have no contract of service with the company. Amounts receivable by third parties in respect of directors' services were £47,000.

### 6 Taxation on profit on ordinary activities

2004  
£000

Charge for the period - current tax

-

The tax assessed for the period is in line with the standard rate of corporation tax in the UK (30%).

### 7 Debtors: Amounts falling due within one year

2004  
£000

Prepayments

120

Other debtors

864

984

### 8 Debtors: Amounts falling due after more than one year

2004  
£000

Contract receivable

37,253

Amounts recoverable on contracts

499

37,752

**Total debtors**

38,736

# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Notes (continued)

<b>9</b>	<b>Fixed asset investments - Company</b>	<b>2004</b>
		<b>£000</b>
	<b>Shares in subsidiary undertaking</b>	
	<b>Cost and net book value</b>	
	Investment in subsidiary undertaking addition and as at end of period	<u>50</u>
	Shares in subsidiary undertaking represents a holding of 100% of the ordinary share capital of Sheppey Route Limited. This company is incorporated in Great Britain.	
<b>10</b>	<b>Creditors: Amounts falling due within one year</b>	<b>2004</b>
		<b>£000</b>
	Trade creditors	26
	Other creditors	521
	Accruals and deferred income	<u>1,000</u>
		<u>1,547</u>
<b>11</b>	<b>Creditors: Amounts falling due after more than one year</b>	<b>2004</b>
		<b>£000</b>
	Bank borrowings	38,355
	Less: unamortised issue costs	<u>(997)</u>
		<u>37,358</u>
	The bank borrowings are repayable as follows:	
	Within one year	-
	Between two and five years	7,751
	Greater than five years	<u>30,604</u>
		<u>38,355</u>

Bank borrowings relate to term loan facilities granted by the bank. The loan facility is for a total value of £103,493,000 comprising £94,432,000 senior loan, £3,106,000 mezzanine loan and £5,955,000 equity bridge loan. As at 31 December 2004 £38,355,000 has been drawn comprising £31,368,000 senior loan, £1,032,000 mezzanine loan and £5,955,000 equity bridge loan. The company has an additional performance guarantee facility of £4,000,000 of which £nil has been utilised at 31 December 2004. Loan issue costs in respect of these facilities have been deducted from the gross proceeds of the bank borrowings and are being amortised over the periods of the facilities as part of the finance costs in accordance with the provisions of FRS4.

The senior and mezzanine loans are repayable in fifty-one six-monthly instalments commencing on 30 September 2007. The equity bridge loan is repayable on the earlier of the actual construction completion date or 31 August 2006. Interest is charged on amounts drawn under the facilities based on floating LIBOR. The group has entered into interest hedging agreements to be applied to the expected future borrowings under the facilities.

The facilities are secured by a first legal mortgage over any freehold or leasehold property; a first fixed charge over any freehold or leasehold property, investments, plant and machinery, credit balances (except those secured by a prior fixed charge), book debts, other contracts, insurances, intellectual property, uncalled capital and goodwill of the group; and by a first floating charge over all its assets.

The shareholders are committed to providing unsecured loans totalling £5,955,000 to the company. The company is in turn committed to providing loans totalling £5,955,000 to its subsidiary undertaking.

# SHEPPEY ROUTE (HOLDINGS) LIMITED

## Notes (continued)

### 12 Provision for liabilities and charges

No provision has been made in the financial statements for deferred taxation and there is no potential liability as at 31 December 2004.

### 13 Share capital 2004 £000

#### Authorised

100,000 ordinary shares of £1 each 100

#### Allotted, called up and fully paid

50,000 ordinary shares of £1 each 50

On incorporation 1 ordinary share of £1 was issued at par. On 19 February 2004 a further 49,999 ordinary shares of £1 each were issued for cash consideration at par.

### 14 Reconciliation of movement in equity shareholders' funds 2004 £000

At beginning of period	-
Share capital issued during the period	50
Profit for the period	-
At end of period	<u>50</u>

### 15 Consolidated cash flow statement

Analysis of net debt	On incorporation £000	Cash flow £000	Other movements £000	At 31 December 2004 £000
Cash at bank	-	219	-	219
Bank borrowings	-	(38,355)	997	(37,358)
	<u>-</u>	<u>(38,136)</u>	<u>997</u>	<u>(37,139)</u>
<b>Reconciliation in net debt resulting from cash flows</b>				<b>£000</b>
Increase in cash in the period				219
Outflow from bank borrowings				(38,355)
				<u>(38,136)</u>
Other movements:				
Bank borrowings issue costs				1,033
Amortisation of bank borrowings issue costs				(36)
				<u>997</u>
Movement in net debt in the period				<u>(37,139)</u>

## SHEPPEY ROUTE (HOLDINGS) LIMITED

### Notes *(continued)*

#### 16 Capital commitments

(a) Under the terms of a contract with Carillion Construction Limited dated 19 February 2004, the company was committed at 31 December 2004 to payments totalling £51,057,000 in respect of design and construction services to be provided in the period to August 2006.

(b) Under the terms of a contract with TPS Consult Limited dated 19 February 2004, the company was committed at 31 December 2004 to payments totalling £368,000 for services to be provided in the period to August 2006.

(c) Under the terms of various other contracts the company was committed at 31 December 2004 to payments estimated at £1,236,000 in respect of other services to be provided in the period to 31 August 2006.

#### 17 Related party disclosures

In addition to the contracted commitments set out in note 16 (a) and (b) above, administrative, construction and technical services were provided to the group during the period by companies related to Carillion Private Finance Limited at a cost of £36,333,000 and by companies related to Barclays European Infrastructure Limited at a cost of £16,000.

As at 31 December 2004, £1,057,000 was owed to Carillion Private Finance Limited and companies related to Carillion Private Finance Limited and £16,000 was owed to companies related to Barclays European Infrastructure Limited, in relation to the services described above.

#### 18 Parent undertakings

At 31 December 2004 the share capital of Sheppey Route (Holdings) Limited was held 50% by Carillion Private Finance Limited and 50% by Barclays European Infrastructure Limited. Both of these companies are incorporated in Great Britain.