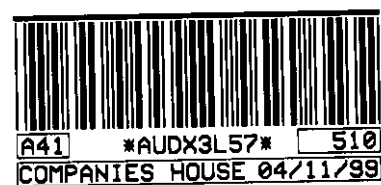


ROAD LINK (A69) LIMITED

Report and Financial Statements

31 March 1999

**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF2 1TS**





REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A T Crane
P Bagnati
J F McFadzean
J P Burbidge
R S Frischmann (resigned 16 November 1998)
V Alocco
J K Fowler (appointed 16 November 1998)

SECRETARY

C R Franklin

REGISTERED OFFICE

Stocksfield Hall
Stocksfield
Northumberland
NE43 7TN

BANKERS

Lloyds Bank Plc

SOLICITORS

McGrigor Donald

AUDITORS

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF2 1TS

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

ACTIVITIES

On 12 January 1996 the company signed a Design, Build, Finance and Operate (DBFO) contract to maintain the A69 trunk road from Carlisle to Newcastle for 30 years from 1 April 1996 under the government's Private Finance Initiative. The company's principal activity is to maintain the A69 road on behalf of the Secretary of State for Transport and the Highways Agency.

REVIEW OF DEVELOPMENTS

The results for the period are set out in detail on page 5. The financial position of the company at 31 March 1999 is shown on page 6.

The directors are satisfied with the results for the year and are confident of continued profitable trading in future years given favourable economic conditions.

DIVIDENDS

The directors do not recommend the payment of a dividend (1998 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company are shown on page 1. No director held an interest in the shares of the company or its parent company, Road Link (A69) Holdings Limited.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

YEAR 2000

The directors have considered the impact of the year 2000 issue on the operations of the company and are seeking assurances from the company's suppliers on the integrity of their systems. The directors believe that no significant additional costs will be incurred as a result of this matter.

Approved by the Board of Directors on
and signed on behalf of the Board

C R Franklin

Secretary

Date 29/10/99

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 as at the end of the financial year 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;
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF

ROAD LINK (A69) LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

Date 29.10.99


PROFIT AND LOSS ACCOUNT
Year ended 31 March 1999

	Note	1999 £	1998 £
TURNOVER: continuing operations	2	8,014,894	6,665,037
Cost of sales		(2,671,524)	(3,866,775)
Gross profit		5,343,370	2,798,262
Administrative expenses		(931,145)	(597,469)
Other operating income		9,757	1,716
OPERATING PROFIT: continuing operations	4	4,421,982	2,202,509
Interest receivable and similar income		317,520	55,084
Interest payable and similar charges	5	(1,867,744)	(1,522,919)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,871,758	734,674
Tax on profit on ordinary activities	6	(887,453)	(243,663)
RETAINED PROFIT FOR THE FINANCIAL PERIOD		1,984,305	491,011
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		424,570	(66,441)
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		2,408,875	424,570

There are no recognised gains or losses for the current and prior years other than as stated above.

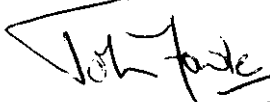



BALANCE SHEET
31 March 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	15,816,754	16,720,104
CURRENT ASSETS			
Debtors	8	701,691	317,813
Cash at bank and in hand		5,747,676	2,458,086
		6,449,367	2,775,899
CREDITORS: amounts falling due within one year	9	(3,462,060)	(2,657,424)
NET CURRENT ASSETS		2,987,307	118,475
TOTAL ASSETS LESS CURRENT LIABILITIES		18,804,061	16,838,579
CREDITORS: amounts falling due after more than one year	10	(15,444,401)	(14,442,243)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(86,783)	(162,564)
		3,272,877	2,233,772
Capital contributions	15	864,000	1,809,200
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Profit and loss account		2,408,875	424,570
TOTAL EQUITY SHAREHOLDERS' FUNDS		2,408,877	424,572
		3,272,877	2,233,772

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

22/10/99

 - Director
 - Director


CASH FLOW STATEMENT
Year ended 31 March 1999

	Note	1999 £	1998 £
Net cash inflow from operating activities	16	<u>5,157,830</u>	<u>1,882,044</u>
Returns on investments and servicing of finance			
Interest received		317,520	55,084
Interest paid		<u>(1,811,839)</u>	<u>(1,729,204)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(1,494,319)</u>	<u>(1,674,120)</u>
Taxation		(51,099)	-
Investing activities			
Payments to acquire tangible fixed assets		<u>-</u>	<u>(3,271,132)</u>
Net cash outflow from investing activities		<u>-</u>	<u>(3,271,132)</u>
Net cash inflow/(outflow) before financing		<u>3,612,412</u>	<u>(3,063,208)</u>
Financing			
Capital contributions (paid)/received		(945,200)	350,000
Bank loan received	18	<u>619,190</u>	<u>4,650,000</u>
Net cash (outflow)/inflow from financing		<u>(326,010)</u>	<u>5,000,000</u>
Increase in cash	18	<u><u>3,286,402</u></u>	<u><u>1,936,792</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Roads	5%
Plant and equipment:	
Traffic counting equipment	10%
Office furniture and equipment	20%
Computer equipment	33 1/3% per annum

Road and structure maintenance work

Maintenance work carried out on the A69 road, bypass road and structures on the roads is assessed, for each particular case, as to the elements of capital and revenue expenditure. Where work of a capital nature is identified the costs associated with that work are capitalised and written off over a period of 20 years. Work of a revenue nature is written off in the year incurred.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

2. TURNOVER

Turnover represents revenue due from the Highways Agency as calculated by the DBFO contract. The calculation of 'shadow tolls' is based on vehicle usage of the A69 in the period of account.

The turnover and pre-tax profit, which arise in the United Kingdom, are attributable to the company's principal activity.


NOTES TO THE ACCOUNTS
Year ended 31 March 1999
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES
Directors' emoluments

No directors received remuneration during the period.

	1999 No	No.
Average number of persons employed		
Directors	6	6
Company secretary	1	1
	<u>7</u>	<u>7</u>

Staff costs during the year

The company has no direct employees other than the directors

4. OPERATING PROFIT

	1999 £	1998 £
Operating profit is after charging:		
Depreciation		
Owned assets	903,350	655,834
Auditors' remuneration	4,250	4,000
	<u>4,250</u>	<u>4,000</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Bank loan commission and fees	392,290	231,386
Bank loan repayable partly after five years	1,367,864	1,291,533
Unsecured loan stock interest	107,590	-
	<u>1,867,744</u>	<u>1,522,919</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
United Kingdom corporation tax at 31%	963,234	81,099
Deferred taxation	(75,781)	162,564
	<u>887,453</u>	<u>243,663</u>


NOTES TO THE ACCOUNTS
Year ended 31 March 1999
7. TANGIBLE FIXED ASSETS

	Haltwhistle by-pass £	Bush Bends resurfacing £	Plant and equipment £	Total £
Cost				
At 1 April 1998 and 31 March 1999	16,983,000	236,398	179,963	17,399,361
Accumulated depreciation				
At 1 April 1998	621,159	8,865	49,233	679,257
Charge for the year	864,853	11,820	26,677	903,350
At 31 March 1999	1,486,012	20,685	75,910	1,582,607
Net book value				
At 31 March 1999	15,496,988	215,713	104,053	15,816,754
At 31 March 1998	16,361,841	227,533	130,730	16,720,104

8. DEBTORS

	1999 £	1998 £
Other debtors	622,261	313,376
Prepayments and accrued income	79,430	4,437
	<u>701,691</u>	<u>317,813</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	111,334	52,500
Amounts due to related parties	30,968	280,117
Accruals and deferred income	1,480,574	1,245,814
Bank loans and overdraft	538,479	923,076
Other creditors including taxation		
social security	307,471	155,917
Corporation tax	993,234	-
	<u>3,462,060</u>	<u>2,657,424</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £	1998 £
Bank loan	15,383,898	14,376,924
Trade creditors	60,503	65,319
	<u>15,444,401</u>	<u>14,442,243</u>

11. BORROWINGS

	1999 £	1998 £
Analysis of bank loan repayments:		
Within one year or on demand	535,292	923,076
Between one and two years	577,984	923,076
Between two and five years	2,018,018	2,769,228
After five years	12,787,896	10,684,620
	<u>15,919,190</u>	<u>15,300,000</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loan		
Total amount	15,919,190	15,300,000
Instalments due after five years	<u>12,787,896</u>	<u>10,684,620</u>

The bank loan is secured by a specific equitable charge over the freehold and leasehold properties of the company and fixed and floating charges over the assets of the company.

Interest is charged at a mix of fixed and variable rates.

The loan is repayable in six monthly instalments that commenced in the year ended 31 March 1999 and is repayable by 31 March 2015.


NOTES TO THE ACCOUNTS
Year ended 31 March 1999
12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
Opening balance	162,564
Current year credit	(75,781)
Closing balance	<u>86,783</u>

The amount of deferred tax provided in the financial statements and the potential amounts not provided are:

	Provided 1999 £	Unprovided 1999 £	Provided 1998 £	Unprovided 1998 £
Capital allowances in excess of depreciation	<u>86,783</u>	<u>-</u>	<u>162,564</u>	<u>-</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit attributable to members of the company	1,984,305	491,011
Opening shareholders' funds	<u>424,572</u>	<u>(66,439)</u>
Closing shareholders' funds	<u>2,408,877</u>	<u>424,572</u>

14. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. CAPITAL CONTRIBUTIONS

This amounts relates to long term funding from the shareholders of Road Link (A69) Holdings Limited in the same proportion as their shareholdings in the holding company.

The company has made commitments to issue variable rate unsecured loan stock to the member companies of its parent company, Road Link (A69) Holdings Limited, in line with the Facilities Agreement with the bank. Interest accrued during the year amounted to £107,570 (1998 - £Nil). Interest is charged at 2% per annum above the bank base rate.

Variable loan stock issued at 31 March 1999 amounted to £864,000 (1998 - £1,809,200) and will not exceed £2,240,110 in total.

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

16. NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £	1998 £
Operating profit	4,421,982	2,202,509
Depreciation	903,350	655,834
(Increase)/decrease in debtors	(383,878)	288,610
Increase/(decrease) in creditors	216,376	(1,264,909)
Net cash inflow from operating activities	5,157,830	1,882,044

17. ANALYSIS OF NET DEBT

	At 1 April 1998 £	Cash Flow £	At 31 March 1999 £
Cash at bank and in hand	2,458,087	3,286,402	5,744,489
Debt due within 1 year	(923,076)	387,784	(535,292)
Debt due after 1 year	(14,376,924)	(1,006,974)	(15,383,898)
	(12,841,913)	2,667,212	(10,174,701)

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £	1998 £
Increase in cash in the period	3,286,402	1,936,792
Cash inflow from increase in debt	(619,190)	(4,650,000)
Movement in net debt in the period	2,667,212	(2,713,208)
Net debt brought forward	(12,841,913)	(10,128,705)
Net debt carried forward	(10,174,701)	(12,841,913)


NOTES TO THE ACCOUNTS
Year ended 31 March 1999
19. CAPITAL COMMITMENTS

	1999	1998
	£	£
Contracted for but not provided	-	-

20. PARENT COMPANY AND CONTROLLING PARTY

The company is wholly owned by Road Link (A69) Holdings Limited, a company incorporated in England and Wales. Copies of this company's accounts may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

There is no overall controlling party of Road Link (A69) Holdings Limited.

21. RELATED PARTY TRANSACTIONS

During the year the company has been recharged costs (including VAT), incurred by the following companies. These companies are either shareholders of the parent company or companies controlled by those companies:

	Costs	Balance owed at
	£	31/3/99 £
Christiani & Nielsen Limited	387,253	22,836
Henry Boot Construction (UK) Limited	109,441	1,579
Impregilo UK Limited	100,369	2,043
Morrison Construction Group Limited	129,430	4,510
Pell Frischman Consultants Limited	95,966	-
Sina	4,656	-
Autostrada Torino Milano Spa	23,280	-

During the period ended 31 March 1998 the company was recharged costs of £642,497 by related companies and at 31 March 1998 was owed £25,372 by these companies.