

**ROAD LINK (A69) LIMITED**

**Report and Financial Statements**

**31 March 2004**

**Deloitte & Touche LLP**  
**Cardiff**



**REPORT AND FINANCIAL STATEMENTS 2004**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Cash flow statement</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8</b>

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

V Alocco  
D Greaves  
J K Fowler  
M Smith  
M Villa  
G Geddo (appointed 11 December 2003)

**SECRETARY**

C R Franklin

**REGISTERED OFFICE**

Stocksfield Hall  
Stocksfield  
Northumberland  
NE43 7TN

**BANKERS**

Lloyds TSB Bank Plc

**SOLICITORS**

McGrigor Donald

**AUDITORS**

Deloitte & Touche LLP  
Cardiff

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

### ACTIVITIES

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 AND FUTURE PROSPECTS

The results for the year are set out in detail on page 5. The financial position of the company at 31 March 2004 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 have paid interim dividends of £2,000,000 (2003 - £1,500,000) and propose a final dividend of £900,000 (2003 - £1,000,000) for the year.


### DIRECTORS AND THEIR INTERESTS

The current directors of the company, who served throughout the year unless stated otherwise, are as shown on page 1. No director held any interests in the shares of the company or its parent company, Road Link (A69) Holdings Limited, at the beginning or end of the financial period.

### AUDITORS

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



C R Franklin  
Secretary

Date .....16/7/2004.....

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 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; and
- 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROAD LINK (A69) LIMITED

We have audited the financial statements of Road Link (A69) Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. 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 auditors' 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### Basis of audit 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.

### 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte Touche*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Cardiff

Date *2 August 2004*

# ROAD LINK (A69) LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2004

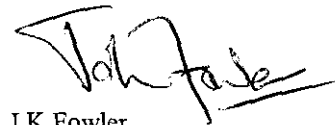
	Note	2004 £	2003 £
<b>TURNOVER: continuing operations</b>	2	9,056,982	8,724,366
Cost of sales		<u>(2,768,445)</u>	<u>(3,340,232)</u>
Gross profit		6,288,537	5,384,134
Administrative expenses		<u>(708,884)</u>	<u>(733,512)</u>
<b>OPERATING PROFIT: continuing operations</b>	4	5,579,653	4,650,622
Interest receivable and similar income		147,458	169,188
Interest payable and similar charges	5	<u>(1,091,160)</u>	<u>(1,155,933)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,635,951	3,663,877
Tax on profit on ordinary activities	6	<u>(1,391,746)</u>	<u>(1,166,468)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		3,244,205	2,497,409
Dividends	7	<u>(2,900,000)</u>	<u>(2,500,000)</u>
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		344,205	(2,591)
<b>Profit and loss account brought forward</b>		<u>2,314,457</u>	<u>2,317,048</u>
<b>Profit and loss account carried forward</b>		<u><u>2,658,662</u></u>	<u><u>2,314,457</u></u>

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

**BALANCE SHEET**  
**31 March 2004**

	Note	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	8	13,911,725	14,351,979
<b>CURRENT ASSETS</b>			
Debtors	9	1,206,265	1,460,499
Cash at bank and in hand		5,620,561	5,290,656
		6,826,826	6,751,155
<b>CREDITORS: amounts falling due within one year</b>	10	(5,590,527)	(5,136,779)
<b>NET CURRENT ASSETS</b>		1,236,299	1,614,376
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		15,148,024	15,966,355
<b>CREDITORS: amounts falling due after more than one year</b>	11	(11,625,360)	(12,787,896)
		3,522,664	3,178,459
Capital contributions	15	864,000	864,000
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2	2
Profit and loss account		2,658,662	2,314,457
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		2,658,664	2,314,459
		3,522,664	3,178,459

These financial statements were approved by the Board of Directors on 16/7/2004  
 Signed on behalf of the Board of Directors



J K Fowler  
 Director



**CASH FLOW STATEMENT**  
**Year ended 31 March 2004**

	<b>Note</b>	<b>2004</b> <b>£</b>	<b>2003</b> <b>£</b>
<b>Net cash inflow from operating activities</b>	16	<u>6,762,455</u>	<u>5,689,202</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		147,458	169,188
Interest paid		<u>(1,089,888)</u>	<u>(1,217,504)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(942,430)</u>	<u>(1,048,316)</u>
<b>Taxation paid</b>		<u>(1,203,338)</u>	<u>(1,408,684)</u>
<b>Investing activities</b>			
Payments to acquire tangible fixed assets		<u>(561,018)</u>	<u>(549,587)</u>
<b>Net cash outflow from investing activities</b>		<u>(561,018)</u>	<u>(549,587)</u>
Equity dividends paid		<u>(3,000,000)</u>	<u>(2,250,000)</u>
<b>Net cash inflow before financing</b>		<u>1,055,669</u>	<u>432,615</u>
<b>Financing</b>			
Bank loan repaid	18	<u>(725,764)</u>	<u>(669,936)</u>
<b>Net cash outflow from financing</b>		<u>(725,764)</u>	<u>(669,936)</u>
<b>Increase/(decrease) in cash in the year</b>	17,18	<u><u>329,905</u></u>	<u><u>(237,321)</u></u>

## NOTES TO THE ACCOUNTS

### Year ended 31 March 2004

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom 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% per annum
Plant and equipment -	
Traffic counting equipment	10% per annum
Office furniture and equipment	20% per annum
Computer equipment	33 $\frac{1}{3}$ % per annum

##### Road and structure maintenance work

Maintenance work carried out on the A69 road, by-pass 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 in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### Pension costs

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable in accordance with the scheme.

#### 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 2004**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**Directors' emoluments**

No directors received remuneration during the current or prior period.

	2004 No.	2003 No.
<b>Average number of persons employed</b>		
Directors	6	5
Company secretary	1	1
Administration	7	7
	<u>14</u>	<u>13</u>
	£	£
<b>Staff costs</b>		
Wages and salaries	230,278	203,902
Social security costs	22,044	19,838
Pension costs	23,904	3,000
	<u>276,226</u>	<u>226,740</u>

**4. OPERATING PROFIT**

	2004 £	2003 £
<b>Operating profit is after charging</b>		
Depreciation		
Owned assets	1,001,272	981,597
Loss on sale of fixed assets	-	2
Auditors' remuneration -- audit	5,500	5,350
	<u>1,006,772</u>	<u>986,949</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2004 £	2003 £
Bank loan commission and fees	22,608	20,131
Bank loan repayable partly after five years	1,017,870	1,092,526
Unsecured loan stock interest	49,410	43,276
Other interest	1,272	-
	<u>1,091,160</u>	<u>1,155,933</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2004**

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2004 £	2003 £
<b>Current taxation</b>		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2003 - 30%)	1,456,590	1,176,038
Adjustment in respect of prior years	(64,844)	(9,570)
<b>Total current tax</b>	<u>1,391,746</u>	<u>1,166,468</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	£	£
Profit on ordinary activities before tax	<u>4,635,951</u>	<u>3,663,877</u>
Tax on profit on ordinary activities before tax at 30%	(1,390,785)	(1,099,163)
<b>Factors affecting charge for the year</b>		
Expenses not deductible for tax purposes	(4,713)	(1,500)
Capital allowances in excess of depreciation	(46,584)	(47,330)
Movement in short-term timing differences	9,891	9,930
Capitalised revenue expenditure	(24,399)	(37,975)
Prior period adjustments	64,844	9,570
<b>Current tax charge for year</b>	<u>(1,391,746)</u>	<u>(1,166,468)</u>

**7. DIVIDENDS**

	2004 £	2003 £
Interim paid - £1,000,000 per share (2003 - £750,000)	2,000,000	1,500,000
Final proposed - £450,000 per share (2003 - £500,000)	900,000	1,000,000
	<u>2,900,000</u>	<u>2,500,000</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2004**

**8. TANGIBLE FIXED ASSETS**

	<b>Haltwhistle by-pass £</b>	<b>A69 improve- ments £</b>	<b>Plant and equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2003	16,983,000	2,487,408	183,402	19,653,810
Additions	-	559,270	1,748	561,018
At 31 March 2004	16,983,000	3,046,678	185,150	20,214,828
<b>Accumulated depreciation</b>				
At 1 April 2003	4,882,612	292,545	126,674	5,301,831
Charge for the year	849,150	134,636	17,486	1,001,272
At 31 March 2004	5,731,762	427,181	144,160	6,303,103
<b>Net book value</b>				
At 31 March 2004	11,251,238	2,619,497	40,990	13,911,725
At 31 March 2003	12,100,388	2,194,863	56,728	14,351,979

**9. DEBTORS**

	<b>2004 £</b>	<b>2003 £</b>
Trade debtors	1,152,735	1,287,097
Prepayments and accrued income	53,530	173,402
	<u>1,206,265</u>	<u>1,460,499</u>

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2004 £</b>	<b>2003 £</b>
Trade creditors	617,411	673,918
Amounts due to related parties	57,399	6,072
Accruals and deferred income	1,748,029	1,827,724
Bank loans	1,162,536	725,764
Other creditors including taxation and social security	269,434	257,263
Proposed dividend	900,000	1,000,000
Corporation tax	835,718	646,038
	<u>5,590,527</u>	<u>5,136,779</u>

**NOTES TO THE ACCOUNTS****Year ended 31 March 2004****11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2004 £	2003 £
Bank loan	11,625,360	12,787,896

**12. BORROWINGS**

	2004 £	2003 £
Analysis of bank loan repayments:		
Within one year or on demand	1,162,536	725,764
Between one and two years	1,162,536	1,162,536
Between two and five years	3,487,608	3,487,608
After five years	6,975,216	8,137,752
	<u>12,787,896</u>	<u>13,513,660</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loan -		
Total amount	12,787,896	13,513,660
Instalments due after five years	<u>6,975,216</u>	<u>8,137,752</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 2004**

**13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2004 £	2003 £
Profit attributable to members of the company	3,244,205	2,497,409
Dividends	(2,900,000)	(2,500,000)
Net addition/(reduction) to shareholders' funds	344,205	(2,591)
Opening shareholders' funds	2,314,459	2,317,050
Closing shareholders' funds	<u>2,658,664</u>	<u>2,314,459</u>

**14. CALLED UP SHARE CAPITAL**

	2004 £	2003 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Called up, allotted and fully paid</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

**15. CAPITAL CONTRIBUTIONS**

This amount 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 £49,410 (2003 - £43,276). Interest is charged at 2% per annum above the bank base rate.

Variable loan stock issued at 31 March 2004 amounted to £864,000 (2003 - £864,000) and will not exceed £2,241,110 in total.

**16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2004 £	2003 £
Operating profit	5,579,653	4,650,622
Depreciation	1,001,272	981,597
Loss on sale of fixed assets	-	2
Decrease/(increase) in debtors	254,234	(400,029)
(Decrease)/increase in creditors	(72,704)	457,010
Net cash inflow from operating activities	<u>6,762,455</u>	<u>5,689,202</u>

## NOTES TO THE ACCOUNTS

Year ended 31 March 2004

## 17. ANALYSIS OF NET DEBT

	At 1 April 2003 £	Cash flow £	At 31 March 2004 £
Cash at bank and in hand	5,290,656	329,905	5,620,561
Debt due within one year	(725,764)	(436,772)	(1,162,536)
Debt due after one year	(12,787,896)	1,162,536	(11,625,360)
	<u>(8,223,004)</u>	<u>1,055,669</u>	<u>(7,167,335)</u>

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

	2004 £	2003 £
Increase/(decrease) in cash in the year	329,905	(237,321)
Cash outflow from decrease in debt	<u>725,764</u>	<u>669,936</u>
Movement in net debt in the year	1,055,669	432,615
Net debt brought forward	<u>(8,223,004)</u>	<u>(8,655,619)</u>
Net debt carried forward	<u>(7,167,335)</u>	<u>(8,223,004)</u>

## 19. 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, Maindy, Cardiff CF14 3UZ.

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



## NOTES TO THE ACCOUNTS

Year ended 31 March 2004

## 20. RELATED PARTY TRANSACTIONS

During the year, the company has been re-charged costs (including VAT) incurred by the following companies (these companies are either shareholders of the parent company or companies controlled by the shareholders):

	Costs £	Balance owed at 31 March 2004 £
Henry Boot Construction (UK) Construction Limited	139,050	54,461
Henry Boot (Training) Limited	716	-
Henry Boot Scotland Limited	8,631	-
Impregilo New Cross Limited	13,750	2,938
Impregilo International Infrastructure NV	69,525	-
Impregilo Italia Concessionaries SpA	69,525	-
AWG Construction Services Limited	1,200	-
AWG Project Investments Limited	28,800	-
Pell Frischman Consultants Limited	20,017	-
Pell Frischman Concessionaires Limited	56,400	-
Autostrada Torino Milano SpA	12,300	-
SINA	2,400	-
	<u>422,314</u>	<u>57,399</u>

During the year ended 31 March 2003, the company was recharged costs of £418,913 by related companies and at 31 March 2003 owed £6,072 to these companies.