

**MEMORANDUM  
OF ASSOCIATES**

**ROAD LINK (A69) LIMITED**

**Report and Financial Statements**

**31 March 2005**



**ROAD LINK (A69) LIMITED**

**Report and Financial Statements**

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**REPORT AND FINANCIAL STATEMENTS 2005**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D Greaves  
J K Fowler  
G Geddo  
J Boot (appointed 21 January 2005)

**SECRETARY**

C R Franklin

**REGISTERED OFFICE**

Stocksfield Hall  
Stocksfield  
Northumberland  
NE43 7TN

**BANKERS**

Lloyds TSB Bank Plc

**SOLICITORS**

McGrigor Donald

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Cardiff, United Kingdom

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

### 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 financial year are set out in detail on page 5. The financial position of the company at 31 March 2005 is shown on page 6.

The directors are satisfied with the company's performance for the financial 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 (2004 - £2,000,000) and propose a final dividend of £2,000,000 (2004 - £900,000) for the year.

### DIRECTORS AND THEIR INTERESTS

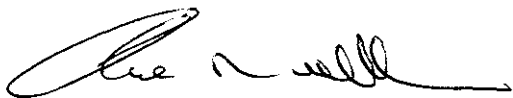
The current directors of the company, who served throughout the financial year unless stated otherwise, are as shown on page 1. M Villa and M Smith resigned as directors on 27 August 2004 and 21 September 2004 respectively.

No director held any interests in the shares of the company or its parent company, Road Link (A69) Holdings Limited, at the beginning or the end of the financial year.

### AUDITORS

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment 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 September 2005

## 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;
- state whether applicable accounting standards have been followed; 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 2005 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Cardiff, United Kingdom

Date 22 September 2005

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2005**

	Note	2005 £	2004 £
<b>TURNOVER: continuing operations</b>	2	9,379,083	9,056,982
Cost of sales		(3,074,619)	(2,768,445)
Gross profit		6,304,464	6,288,537
Administrative expenses		(670,073)	(708,884)
<b>OPERATING PROFIT: continuing operations</b>	4	5,634,391	5,579,653
Interest receivable and similar income		208,340	147,458
Interest payable and similar charges	5	(993,828)	(1,091,160)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,848,903	4,635,951
Tax on profit on ordinary activities	6	(1,526,067)	(1,391,746)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		3,322,836	3,244,205
Dividends	7	(4,000,000)	(2,900,000)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(677,164)	344,205
<i>Profit and loss account brought forward</i>		2,658,662	2,314,457
<b>Profit and loss account carried forward</b>		1,981,498	2,658,662


There have been no recognised gains and losses for the current or prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented.



**BALANCE SHEET**  
**31 March 2005**

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	8	13,424,163	13,911,725
<b>CURRENT ASSETS</b>			
Debtors	9	1,361,064	1,206,265
Current asset investments		917,689	-
Cash at bank and in hand		2,830,760	5,620,561
		5,109,513	6,826,826
<b>CREDITORS: amounts falling due within one year</b>	10	(6,089,352)	(5,590,527)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(979,839)	1,236,299
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,444,324	15,148,024
<b>CREDITORS: amounts falling due after more than one year</b>	11	(10,462,824)	(11,625,360)
		1,981,500	3,522,664
Capital contributions	15	-	(864,000)
<b>NET ASSETS</b>		1,981,500	2,658,664
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2	2
Profit and loss account		1,981,498	2,658,662
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	13	1,981,500	2,658,664

These financial statements were approved by the Board of Directors on 16 September 2005  
 Signed on behalf of the Board of Directors

  
 J K Fowler  
 Director

**CASH FLOW STATEMENT**  
**Year ended 31 March 2005**

	Note	2005 £	2004 £
<b>Net cash inflow from operating activities</b>	16	<u>5,920,683</u>	<u>6,762,455</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		208,340	147,458
Interest paid		<u>(993,828)</u>	<u>(1,089,888)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(785,488)</u>	<u>(942,430)</u>
<b>Taxation paid</b>		<u>(1,531,876)</u>	<u>(1,203,338)</u>
<b>Investing activities</b>			
Payments to acquire tangible fixed assets		<u>(548,895)</u>	<u>(561,018)</u>
<b>Net cash outflow from investing activities</b>		<u>(548,895)</u>	<u>(561,018)</u>
Equity dividends paid		(2,900,000)	(3,000,000)
Capital contributions repaid		<u>(864,000)</u>	<u>-</u>
		<u>(3,764,000)</u>	<u>(3,000,000)</u>
<b>Net cash (outflow)/inflow before financing</b>		<u>(709,576)</u>	<u>1,055,669</u>
<b>Financing</b>			
Bank loan repaid	18	<u>(1,162,536)</u>	<u>(725,764)</u>
<b>Net cash outflow from financing</b>		<u>(1,162,536)</u>	<u>(725,764)</u>
<b>(Decrease)/increase in cash in the year</b>	17,18	<u><u>(1,872,112)</u></u>	<u><u>329,905</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2005

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the financial year and the prior financial period, are described below.

##### Accounting convention

The financial statements are prepared under the historical cost convention.

##### Tangible fixed assets

Tangible fixed assets are depreciated at cost in equal annual instalments over their estimated useful lives. 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

##### Current asset investments

Current asset investments comprise cash held on treasury deposit.

##### 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.

##### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 rules of the scheme.

#### 2. TURNOVER

Turnover represents revenue due from the Highways Agency as calculated by the DBFO (Design, Build, Finance & Operate) 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. Revenue is recognised in relation to the period in which the service is provided.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2005**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**Directors' emoluments**

No directors received remuneration during the current or the prior financial year for their services to this company.

	2005 No.	2004 No.
<b>Average number of persons employed</b>		
Directors	4	6
Company secretary	1	1
Administration	9	7
	<u>14</u>	<u>14</u>
	£	£
<b>Staff costs</b>		
Wages and salaries	233,684	230,278
Social security costs	28,499	22,044
Pension costs	24,015	23,904
	<u>286,198</u>	<u>276,226</u>

**4. OPERATING PROFIT**

	2005 £	2004 £
<b>Operating profit is after charging</b>		
Depreciation		
Owned assets	1,036,457	1,001,272
Auditors' remuneration – audit	5,950	5,500
– non-audit	10,900	-
	<u>1,053,307</u>	<u>1,006,772</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2005 £	2004 £
Bank loan commission and fees	21,779	22,608
Bank loan repayable partly after five years	936,552	1,017,870
Unsecured loan stock interest	32,736	49,410
Other interest	2,761	1,272
	<u>993,828</u>	<u>1,091,160</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2005**

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

	2005 £	2004 £
<b>Current taxation</b>		
United Kingdom corporation tax:		
Current tax on income for the year at 30%	1,529,909	1,456,590
Adjustment in respect of prior years	(3,842)	(64,844)
<b>Total current tax</b>	<u>1,526,067</u>	<u>1,391,746</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>4,848,903</u>	<u>4,635,951</u>
Tax on profit on ordinary activities before tax at 30%	(1,454,671)	(1,390,785)
<b>Factors affecting charge for the year</b>		
Expenses not deductible for tax purposes	(1,050)	(4,713)
Capital allowances in excess of depreciation	(72,894)	(46,584)
Movement in short-term timing differences	(1,294)	9,891
Capitalised revenue expenditure	-	(24,399)
Prior period adjustments	3,842	64,844
<b>Current tax charge for year</b>	<u>(1,526,067)</u>	<u>(1,391,746)</u>

**Factors affecting future tax charges**

A deferred tax asset has not been recognised in respect of timing differences relating to fixed assets as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £520,000 (2004 - £345,000).

**7. DIVIDENDS**

	2005 £	2004 £
Interim paid - £1,000,000 (2004 - £1,000,000) per share	2,000,000	2,000,000
Final proposed - £1,000,000 (2004 - £450,000) per share	2,000,000	900,000
	<u>4,000,000</u>	<u>2,900,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2005**

**8. TANGIBLE FIXED ASSETS**

	<b>A69 Haltwhistle by-pass £</b>	<b>A69 improve- ments £</b>	<b>Plant and equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2004	16,983,000	3,046,678	185,150	20,214,828
Additions	-	543,254	5,641	548,895
Disposals	-	-	(9,570)	(9,570)
At 31 March 2005	<u>16,983,000</u>	<u>3,589,932</u>	<u>181,221</u>	<u>20,754,153</u>
<b>Accumulated depreciation</b>				
At 1 April 2004	5,731,762	427,181	144,160	6,303,103
Charge for the year	849,150	169,316	17,991	1,036,457
Release on disposal	-	-	(9,570)	(9,570)
At 31 March 2005	<u>6,580,912</u>	<u>596,497</u>	<u>152,581</u>	<u>7,329,990</u>
<b>Net book value</b>				
At 31 March 2005	<u>10,402,088</u>	<u>2,993,435</u>	<u>28,640</u>	<u>13,424,163</u>
At 31 March 2004	<u>11,251,238</u>	<u>2,619,497</u>	<u>40,990</u>	<u>13,911,725</u>

**9. DEBTORS**

	<b>2005 £</b>	<b>2004 £</b>
Trade debtors	1,189,089	1,152,735
Prepayments and accrued income	171,975	53,530
	<u>1,361,064</u>	<u>1,206,265</u>

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

	<b>2005 £</b>	<b>2004 £</b>
Bank loans	1,162,536	1,162,536
Trade creditors	373,141	617,411
Amounts owed to related parties	2,672	57,399
Other creditors including taxation and social security	318,239	269,434
Proposed dividend	2,000,000	900,000
Corporation tax	829,909	835,718
Accruals and deferred income	1,402,855	1,748,029
	<u>6,089,352</u>	<u>5,590,527</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2005**

**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2005 £	2004 £
Bank loan	<u>10,462,824</u>	<u>11,625,360</u>

**12. BORROWINGS**

	2005 £	2004 £
Analysis of bank loan repayments:		
Within one year or on demand	1,162,536	1,162,536
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	<u>5,812,680</u>	<u>6,975,216</u>
	<u>11,625,360</u>	<u>12,787,896</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loan -		
Total amount	11,625,360	12,787,896
Instalments due after five years	<u>5,812,680</u>	<u>6,975,216</u>

The bank loan is secured by a specific equitable charge over the Haltwhistle by-pass and fixed and floating charges over the remaining 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.

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

	2005 £	2004 £
Profit attributable to members of the company	3,322,836	3,244,205
Dividends	<u>(4,000,000)</u>	<u>(2,900,000)</u>
Net (reduction)/addition to shareholders' (deficit)/funds	(677,164)	344,205
Opening shareholders' funds	<u>2,658,664</u>	<u>2,314,459</u>
Closing shareholders' funds	<u>1,981,500</u>	<u>2,658,664</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2005**

**14. CALLED UP SHARE CAPITAL**

	2005 £	2004 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Called up, allotted and fully paid</b>		
2 ordinary shares of £1 each	2	2

**15. CAPITAL CONTRIBUTIONS**

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 £32,736 (2004 - £49,410). Interest is charged at 2% per annum above the bank base rate.

The variable loan stock of £864,000 was repaid in November 2004.

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

	2005 £	2004 £
<b>Operating profit</b>	5,634,391	5,579,653
Depreciation	1,036,457	1,001,272
(Increase)/decrease in debtors	(154,799)	254,234
Decrease in creditors	(595,366)	(72,704)
<b>Net cash inflow from operating activities</b>	5,920,683	6,762,455

**17. ANALYSIS OF NET DEBT**

	At 1 April 2004 £	Cash flow £	Other non cash movements £	At 31 March 2005 £
Short-term deposits	-	917,689	-	917,689
Cash at bank and in hand	5,620,561	(2,789,801)	-	2,830,760
	5,620,561	(1,872,112)	-	3,748,449
Debt due within one year	(1,162,536)	1,162,536	(1,162,536)	(1,162,536)
Debt due after one year	(11,625,360)	-	1,162,536	(10,462,824)
	(7,167,335)	(709,576)	-	(7,876,911)



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2005**

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

	2005 £	2004 £
(Decrease)/increase in cash in the year	(1,872,112)	329,905
Cash outflow from decrease in debt	<u>1,162,536</u>	<u>725,764</u>
Movement in net (debt)/funds in the year	(709,576)	1,055,669
Net debt brought forward	<u>(7,167,335)</u>	<u>(8,223,004)</u>
Net debt carried forward	<u><u>(7,876,911)</u></u>	<u><u>(7,167,335)</u></u>

**19. RELATED PARTY TRANSACTIONS**

During the year, the company has been re-charged costs (excluding 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 2005 £
Henry Boot Construction (UK) Limited	103,095	1,086
Henry Boot Plc	9,934	1,586
Henry Boot Scotland Limited	186	-
Impregilo New Cross Limited	15,000	-
Impregilo Italia Concessionaries SpA	84,975	-
AWG Construction Services Limited	800	-
AWG Project Investments Limited	26,400	-
Pell Frischman Consultants Limited	65,801	-
Pell Frischman Concessionaires Limited	63,450	-
Autostrada Torino Milano SpA	32,988	-
SINA	<u>6,463</u>	<u>-</u>
	<u><u>409,092</u></u>	<u><u>2,672</u></u>

During the year ended 31 March 2004, the company was recharged costs of £422,314 by related companies and at 31 March 2004 owed £57,399 to these companies.

**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 its financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The ultimate parent company of Road Link (A69) Holdings Limited is Henry Boot Plc, whose financial statements are publicly available. Henry Boot Plc is incorporated in England and Wales and owns 61% of the issued share capital of Road Link (A69) Holdings Limited. This is the smallest and largest group in which the results of the company are included.

The directors are of the opinion that there is no ultimate controlling party.