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ROAD LINK (A69) LIMITED

Report and Financial Statements

31 March 1998

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



THE
 OF
 COMPANIES



REPORT AND FINANCIAL STATEMENTS 1998

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

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A T Crane (Chairman)
P Bagnati
J F McFadzean
J P Burbidge
R S Frischmann
V Alocco

SECRETARY

C R Franklin

REGISTERED OFFICE

Shand House
Matlock
Derbyshire
DE4 3AF

BANKERS

Hill Samuel Bank Limited
Lloyds Bank Plc

SOLICITORS

McGrigor Donald

AUDITORS

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

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

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. As a condition of this contract the company had to construct a bypass at Haltwhistle, which was completed in the year. 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 1998 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 (1997 - £nil).

DIRECTORS AND THEIR INTERESTS

The current directors of the company are shown on page 1. All directors served throughout the year. 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 director's 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
and signed on behalf of the Board

C R Franklin

Secretary

Date.....16.11.98.....

**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 1998 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

24 November 1998.



PROFIT AND LOSS ACCOUNT
Year ended 31 March 1998

	Note	1998 £	72 weeks ended 31 March 1997 £
TURNOVER: continuing operations	2	6,665,037	3,590,394
Cost of sales		(3,866,775)	(1,816,703)
Gross profit		2,798,262	1,773,691
Administrative expenses		(597,469)	(1,260,527)
Other operating income		1,716	28,667
OPERATING PROFIT: continuing operations	4	2,202,509	541,831
Interest receivable and similar income		55,084	31,958
Interest payable and similar charges	5	(1,522,919)	(640,230)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		734,674	(66,441)
Tax on profit/(loss) on ordinary activities	6	(243,663)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		491,011	(66,441)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		(66,441)	-
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		424,570	(66,441)

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


BALANCE SHEET
31 March 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	7	<u>16,720,104</u>	<u>14,104,806</u>
CURRENT ASSETS			
Debtors	8	317,813	606,423
Cash at bank and in hand		<u>2,458,086</u>	<u>521,294</u>
		2,775,899	1,127,717
CREDITORS: amounts falling due within one year	9	<u>(2,657,424)</u>	<u>(2,867,392)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>118,475</u>	<u>(1,739,675)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,838,579	12,365,131
CREDITORS: amounts falling due after more than one year	10	(14,442,243)	(10,972,370)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(162,564)</u>	<u>-</u>
		<u>2,233,772</u>	<u>1,392,761</u>
Capital contributions	15	1,809,200	1,459,200
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Profit and loss account		<u>424,570</u>	<u>(66,441)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>424,572</u>	<u>(66,439)</u>
		<u>2,233,772</u>	<u>1,392,761</u>

These financial statements were approved by the Board of Directors on 16.11.98
 Signed on behalf of the Board of Directors

- Director

- Director



CASH FLOW STATEMENT
Year ended 31 March 1998

	Note	1998 £	72 weeks ended 31 March 1997 £
Net cash inflow from operating activities	16	<u>1,882,044</u>	<u>2,942,308</u>
Returns on investments and servicing of finance			
Interest received		55,084	31,958
Interest paid		<u>(1,729,204)</u>	<u>(433,945)</u>
Net cash inflow from returns on investments and servicing of finance		<u>(1,674,120)</u>	<u>(401,987)</u>
Investing activities			
Payments to acquire tangible fixed assets		<u>(3,271,132)</u>	<u>(14,128,229)</u>
Net cash outflow from investing activities		<u>(3,271,132)</u>	<u>(14,128,229)</u>
Net cash inflow before financing		<u>(3,063,208)</u>	<u>(11,587,908)</u>
Financing			
Issue of ordinary share capital		-	2
Capital contributions		350,000	1,459,200
Bank loan received	18	<u>4,650,000</u>	<u>10,650,000</u>
Net cash inflow from financing		<u>5,000,000</u>	<u>12,109,202</u>
Increase in cash	18	<u><u>1,936,792</u></u>	<u><u>521,294</u></u>

**NOTES TO THE ACCOUNTS**
Year ended 31 March 1998**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	10%
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.

Provisions are made for road and structure maintenance work in line with the company's five year rolling forecast of maintenance expenditure. Provisions are based on the total amount of expenditure anticipated in the current and following four year period, allocated to periods of account by way of anticipated vehicle usage of the roads in each particular period of accounts.

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 1998

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

No directors received remuneration during the period.

	Year ended 31 March 1998 No.	72 weeks ended 31 March 1997 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

	Year ended 31 March 1998 £	72 weeks ended 31 March 1997 £
Operating profit is after charging:		
Depreciation		
Owned assets	655,834	23,423
Auditors' remuneration	<u>4,000</u>	<u>3,750</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 1998 £	72 weeks ended 31 March 1997 £
Bank loans, overdrafts and other loans repayable within five years	-	2,411
Bank loan commission and fees	231,386	128,143
Bank loan repayable partly after five years	1,291,533	509,676
	<u>1,522,919</u>	<u>640,230</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 March 1998	72 weeks ended 31 March 1997
	£	£
United Kingdom corporation tax at 31%	81,099	-
Deferred taxation	162,564	-
	<u>243,663</u>	<u>-</u>

7. TANGIBLE FIXED ASSETS

	Haltwhistle by-pass £	Bush Bends resurfacing £	Plant and equipment £	Total £
Cost				
At 1 April 1997	13,956,920	-	171,309	14,128,229
Additions	<u>3,026,080</u>	<u>236,398</u>	<u>8,654</u>	<u>3,271,132</u>
At 31 March 1998	<u>16,983,000</u>	<u>236,398</u>	<u>179,963</u>	<u>17,399,361</u>
Accumulated depreciation				
At 1 April 1997	-	-	23,423	23,423
Charge for the year	<u>621,159</u>	<u>8,865</u>	<u>25,810</u>	<u>655,834</u>
At 31 March 1998	<u>621,159</u>	<u>8,865</u>	<u>49,233</u>	<u>679,257</u>
Net book value				
At 31 March 1998	<u>16,361,841</u>	<u>227,533</u>	<u>130,730</u>	<u>16,720,104</u>
At 31 March 1997	<u>13,956,920</u>	<u>-</u>	<u>147,886</u>	<u>14,104,806</u>

8. DEBTORS

	31 March 1998	31 March 1997
	£	£
Other debtors	-	142,969
Prepayments and accrued income	<u>317,813</u>	<u>463,454</u>
	<u>317,813</u>	<u>606,423</u>

Included within prepayments and accrued income is an amount of (1997 - £172,496) which falls due after more than one year.



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 1998	31 March 1997
	£	£
Trade creditors	52,500	25,304
Amounts due to related parties	280,117	1,740,596
Accruals and deferred income	1,245,814	1,101,492
Bank loan	923,076	-
Other creditors including taxation social security	155,917	-
	<u>2,657,424</u>	<u>2,867,392</u>

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

	31 March 1998	31 March 1997
	£	£
Bank loan	14,376,924	10,650,000
Trade creditors	65,319	67,625
Amounts due to related parties	-	254,745
	<u>14,442,243</u>	<u>10,972,370</u>



NOTES TO THE ACCOUNTS

Year ended 31 March 1998

11. BORROWINGS

	31 March 1998	31 March 1997
	£	£
Analysis of bank loan repayments:		
Within one year or on demand	923,076	-
Between one and two years	923,076	923,076
Between two and five years	2,769,228	2,769,228
After five years	10,684,620	6,957,696
	<u>15,300,000</u>	<u>10,650,000</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loan	15,300,000	10,650,000
Total amount	10,684,620	6,957,696
Instalments due after five years	<u>15,300,000</u>	<u>10,650,000</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 commencing in the year ended 31 March 1999 and is repayable by 31 March 2011.

12. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Provided 1998	Unprovided 1998	Provided 1997	Unprovided 1997
	£	£	£	£
Capital allowances in excess of depreciation	162,564	-	190,634	-
Less: Losses	-	-	(190,634)	(21,925)
	<u>162,564</u>	<u>-</u>	<u>-</u>	<u>(21,925)</u>



NOTES TO THE ACCOUNTS

Year ended 31 March 1998

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 March 1998 £	72 weeks ended 31 March 1997 £
Profit/(loss) attributable to members of the company	491,011	(66,441)
Issue of share capital	-	2
Opening shareholders' funds	(66,439)	-
Closing shareholders' funds	<u>424,572</u>	<u>(66,439)</u>

14. CALLED UP SHARE CAPITAL

	31 March 1998 £	31 March 1997 £
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. All member companies of the parent company have waived their entitlement to interest on the variable loan stock (at 2% per annum above the base rate selected by the company).

Variable loan stock issued at 31 March 1998 amounted to £1,809,200 (1997 - £1,459,200) and will not exceed £2,240,110 in total.



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

16. NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 1998 £	72 weeks ended 31 March 1997 £
Operating profit	2,202,509	541,831
Depreciation	655,834	23,423
Decrease/(increase) in debtors	288,610	(606,423)
(Decrease)/increase in creditors	(1,264,909)	2,983,477
	<u>1,882,044</u>	<u>2,942,308</u>
Net cash inflow from operating activities	<u><u>1,882,044</u></u>	<u><u>2,942,308</u></u>

17. ANALYSIS OF NET DEBT

	At 1 April 1997 £	Cash Flow £	At 31 March 1998 £
Cash at bank and in hand	521,294	1,936,792	2,458,086
Debt due within 1 year	-	(923,076)	(923,076)
Debt due after 1 year	(10,650,000)	(3,726,924)	(14,376,924)
	<u>(10,128,706)</u>	<u>(2,713,208)</u>	<u>(12,841,914)</u>

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

	Year ended 31 March 1998 £	72 weeks ended 31 March 1997 £
Increase in cash in the period	(1,936,792)	(521,294)
Cash inflow from increase in debt	4,650,000	10,650,000
	<u>2,713,208</u>	<u>10,128,706</u>
Movement in net debt in the period	10,128,706	-
Net debt brought forward	<u>12,841,914</u>	<u>10,128,706</u>
Net debt carried forward	<u><u>12,841,914</u></u>	<u><u>10,128,706</u></u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1998

19. CAPITAL COMMITMENTS

	1998	1997
	£	£
Contracted for but not provided	-	3,026,080

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

The company contracted A69 Haltwhistle Construction JV to construct the A69 bypass road at a value of £16,983,000. A69 Haltwhistle Construction JV is a joint venture consisting equally of Morrison Construction Limited, Christiani & Nielsen Limited, Henry Boot Construction (UK) Limited and Impregilo UK Limited. These companies are shareholders of the parent company.

Valuation of work done by A69 Haltwhistle Construction JV was £16,983,000 by 31 March 1998 (1997 - £13,956,920) and the company owed the joint venture £254,745 at 31 March 1998 (1997 - £1,763,410).

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 31/3/98
	£	£
Christiani & Nielsen Limited	234,634	23,175
Henry Boot Construction (UK) Limited	26,584	1,334
Impregilo UK Limited	21,005	863
Impregilo SPA Limited	235	-
Morrison Civils Development Limited	40,268	-
Morrison Construction Group Limited	16,048	-
Morrison Construction Group Limited Plc	3,479	-
Morrison Plant	124	-
Pell Frischman Consultants Limited	300,120	-

During the period ended 31 March 1997 the company was recharged costs of £1,064,020 by related companies and at 31 March 1997 was owed £231,930 by these companies.