

UK HIGHWAYS A55 (Holdings) Limited

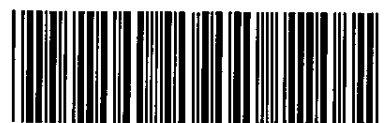
CONSOLIDATED REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2008

Company Registration No 3600969

WEDNESDAY



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COMPANIES HOUSE

UK HIGHWAYS A55 (HOLDINGS) LIMITED**Directors**

M J Mercer-Deadman

D Potts

R C Turner

D Rushton (alternate to D Potts)

A Gates

Company Secretary

A A Swift

Auditors

KPMG LLP

2 Cornwall Street

Birmingham

B3 2DL

Principal Bankers

Mizuho Corporate Bank

Bracken House

1 Friday Street

London

EC4M 9JA

Lawyers

CMS Cameron McKenna

Mitre House

160 Aldersgate Street

London

EC1A 4DD

Registered Office

24 Birch Street

Wolverhampton

WV1 4HY

UK HIGHWAYS A55 (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report and financial statements for the year ended 31 March 2008

PRINCIPAL TRADING ACTIVITIES

The principal activity of the company is as a holding company. The principal activity of the group is to carry on the business of the design, financing, construction and operation of a new 31km dual two lane trunk road on a green field alignment in Anglesey, North Wales, and the operation and maintenance of 9km of existing trunk road. The A55 was completed and commenced operation on 16th March 2001.

BUSINESS REVIEW

Business and Financial Performance

Income and expenditure for the year have been in line with the Board's expectations. Turnover is linked to traffic volumes in a non-linear way, the charging mechanism is such that volume changes have to be significant to impact materially on reported turnover. Risks to turnover from normal traffic fluctuations are therefore seen as small. All operational costs are on fixed long-term contracts and again risks to these costs are perceived as being small.

Liquidity Risk

The company is highly geared and therefore has financial instruments swap agreements in place which match the senior loan amounts outstanding at any one time, thereby mitigating any risk to interest rate fluctuations. The company has adopted a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet obligations as they fall due.

Solvency and Performance of Sub-contractors

The directors manage this risk through close involvement in the operations of the project and regular monitoring of their performance. The client has the ability to levy financial penalties in the event that performance standards are not met or the road is not fully available at busy times of traffic usage. These risks are mitigated by the company as the contract allows these deductions to be passed down to sub-contractors.

Key Performance Indicators

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates the monitoring of the key performance criteria on operational activities detailed in the following sections.

This year's traffic volume for cars increased by 2% and HGVs increased by 5.7% over the same period last year. This was in line with forecast for cars but above forecast for HGVs and compared to 2% for both cars and HGVs in the previous year.

Penalty points are awarded by the client for poor or substandard performance, as stipulated in the contract, and these are monitored regularly by the Board. The project consistently produces acceptable results and few penalty points are accumulated at any one time.

Health and Safety Performance

Health and safety reports are provided at every board meeting and are reviewed regularly by directors. The Board considers any events which would indicate a pattern for further review and action if required. The health and safety record of the project is considered to be satisfactory.

Forecasts

The Board regularly reviews costs and traffic levels against forecasts and accident statistics are compared against benchmarks. Traffic is monitored against independent forecasts provided by our advisors and costs are measured against both our own budgets and benchmarked against similar sub-contracts on other projects. Accidents are monitored against our database of historic data for the road and also against the equivalent data for the whole of Wales, as provided by the Welsh Assembly. Accident performance has consistently exceeded the performance of the whole of Wales and this has resulted in a positive Safety Payment Adjustment for every year of operation to date.

UK HIGHWAYS A55 (HOLDINGS) LIMITED
REPORT OF THE DIRECTORS (Continued)

Lifecycle

The company is responsible for all lifecycle costs on the project. The directors manage this through close involvement in the project and regular monitoring of its performance. Regular surveys are done on the condition of the road and a full review of lifecycle forecasts are done every three years. Recent surveys have indicated that certain sections of the road are suffering from poor quality road base materials. They are therefore unlikely to last as originally forecast and therefore the lifecycle programme has been adjusted for the additional work required over the life of the contract to ensure the road remains in the condition stipulated in the contract. Lifecycle costs are charged to the Profit and Loss account as incurred. The Board continues to monitor the situation.

The loss on ordinary activities after taxation for the year for the company was £1,000 (2007: nil). The profit on ordinary activities after taxation for the year for the group was £7,207,000 (2007: £1,564,000).

The directors do not recommend the payment of a final dividend (2007: £nil).

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 15.

DIRECTORS

The following directors held office during the year:

M J Mercer-Deadman

D Potts

R C Turner

P J Dawson (resigned 21st September 2007)

A Gates (appointed 21st September 2007)

Alternate Directors

D Rushton

(Alternate to D Potts)

POLICY ON PAYMENT OF CREDITORS

It is the group's policy to comply with the terms of supply agreed with suppliers. Where payment terms are not negotiated the group endeavours to adhere with the suppliers' standard terms. The average number of creditor days outstanding for the group was 72 (2007: 92 days). The company is an investment holding company and so an equivalent number for the company would not be meaningful.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Pursuant to a shareholders' resolution the company is not obliged to re-appoint auditors annually and KPMG LLP, having so agreed, will therefore continue in office.

By Order of the Board

For and on behalf of UK Highways A55 (Holdings) Limited



M Mercer-Deadman
Director

29 August 2008

Registered Office: 24 Birch Street, Wolverhampton, WV1 4HY

UK HIGHWAYS A55 (HOLDINGS) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of UK Highways A55 (Holdings) Limited

We have audited the group and parent company financial statements (the "financial statements") of UK Highways A55 (Holdings) Limited for the year ended 31 March 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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 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' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2008 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
2 Cornwall Street, Birmingham, B3 2DL

29 August 2008

UK HIGHWAYS A55 (HOLDINGS) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

	Note	2008 £'000	2007 £'000
Turnover	3	14,385	13,741
Net operating costs		(6,071)	(5,131)
Operating profit	4	8,314	8,610
Interest receivable		433	290
Interest payable and similar charges	6	(6,952)	(6,544)
Profit on ordinary activities before taxation		1,795	2,356
Tax on profit on ordinary activities	7	5,412	(792)
Retained profit for the financial year	17	7,207	1,564

There were no recognised gains and losses in either the current or preceding financial year other than the profit

All items in the profit and loss account relate to continuing operations in one geographic sector.

There were no material differences between the results as stated above and the results as stated on an historic cost basis

UK HIGHWAYS A55 (HOLDINGS) LIMITED

BALANCE SHEET AS AT 31 MARCH 2008

	Notes	Group		Company	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8	104,204	107,251	-	-
Investments	9	-	-	500	500
CURRENT ASSETS					
Debtors – due within one year	10	1,664	1,544	391	391
Debtors – due after more than one year	10	3,295	-	8,193	8,193
Cash at bank and in hand		8,366	6,861	-	-
		13,325	8,405	8,584	8,584
CREDITORS: amounts falling due within one year	11	(5,700)	(5,454)	(393)	(392)
NET CURRENT ASSETS		7,625	2,951	8,191	8,192
TOTAL ASSETS LESS CURRENT LIABILITIES		111,829	110,202	8,691	8,692
CREDITORS: amounts falling due after more than one year	12	(99,584)	(102,916)	(8,193)	(8,193)
PROVISION FOR LIABILITIES AND CHARGES	14	(271)	(2,519)	-	-
NET ASSETS		11,974	4,767	498	499
CAPITAL AND RESERVES					
Share capital	15	500	500	500	500
Profit and loss account		11,474	4,267	(2)	(1)
EQUITY SHAREHOLDERS' FUNDS	18	11,974	4,767	498	499

The financial statements on pages 6 to 18 were approved by the Board of Directors on

28 August 2008 and were signed on its behalf by



M Mercer-Beadman

Director

UK HIGHWAYS A55 (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	19	11,314	11,351
Returns on investments and servicing of finance			
Interest received		433	289
Interest paid		(6,830)	(6,436)
Net cash inflow from returns on investments and servicing of finance		4,917	5,204
Taxation		(87)	147
Net cash inflow before financing		4,830	5,351
Financing			
Repayment of main loan		(3,325)	(3,183)
Net cash outflow from financing		(3,325)	(3,183)
Increase in cash	20	1,505	2,168

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation of accounts

These accounts have been prepared under the historical cost accounting rules and in accordance with applicable UK accounting standards.

The company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with other group undertakings

Basis of Consolidation

The group financial statements comprise a consolidation of the financial statements of UK Highways A55 (Holdings) Limited and its subsidiary undertaking UK Highways A55 Limited. The financial statements of each company in the group are prepared to 31 March 2008. The acquisition method of accounting has been adopted.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at historic cost and the "concession" assets include capitalised interest, land compensation claims and overheads. Depreciation of these assets commenced on operation, which occurred in March 2001.

Tangible fixed assets comprise

- (i) freehold properties and improvements, being the depot covered by the Concession Agreement
- (ii) infrastructure assets, being that section of the A55 road covered by the Concession Agreement (the "Project Road") together with its associated landscaping and over/under bridges, and
- (iii) other assets, including fixed electrical and mechanical equipment, plant and machinery and fixtures and fittings

Infrastructure assets

The Project Road consists of part new road and part existing road, which includes the Menai Suspension Bridge ("the Bridge"). The existing part of the Project Road was handed over to the group at nil value. All expenditure on the Project Road specified in the Concession Agreement as related to the new road is treated as additions, and is included at cost less depreciation.

The concession to operate the infrastructure asset requires the Bridge, which is treated as a separate class of asset, to be maintained to an appropriate operational standard. Expenditure incurred in restoring and enhancing the Bridge is capitalised in accordance with FRS15 and depreciated over the remaining concession period.

Depreciation is charged on the infrastructure assets over the life of the concession pro rata to usage. Annual depreciation on the main project road is a function of the proportion of traffic for the year over the total estimated traffic for the period of the concession.

Other assets

Depreciation is calculated on a straight line basis in order to write down the costs of assets to their estimated residual value over their expected useful lives as follows:

Freehold Properties	25 years
Mechanical and electrical equipment	10 years
Plant, machinery and other equipment	3-10 years
Fixtures and fittings	3-5 years

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS (Continued)

Major Maintenance

Major maintenance costs are charged to the profit and loss account as incurred

Deferred Taxation

The calculation of the charge for taxation takes into account taxation deferred because of timing differences in the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Capitalised Interest

Interest costs incurred as borrowings to fund construction were capitalised during the construction period. Capitalisation ceased once the road was commissioned.

Financial Instruments

The Company has entered into certain hedging arrangements in respect of interest rates. These financial instruments are accounted for at cost.

PFI Accounting

The construction and operation of the road is a PFI project. Applying the guidance within FRS5 application note F indicates that the project's principal agreements do not substantially transfer all the risks and rewards of ownership. As such the costs incurred by the Company on the design and construction of the road have been treated as a fixed asset in these accounts.

2. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company has not been included in the financial statements. The results for the financial year dealt with in the financial statements of the company were a loss of £1,000 (2007: nil).

3. TURNOVER

	2008	2007
	£'000	£'000
Shadow tolls	14,157	13,684
Other revenue	228	57
Turnover for the year	14,385	13,741

Turnover relates wholly to amounts payable under the Concession Agreement and is considered to be one class of business.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS (Continued)

4. OPERATING PROFIT

	2008 £'000	2007 £'000
Operating profit is stated after charging		
Auditors Remuneration		
- Fees payable to the Company's auditor for the audit of the annual accounts	16	17
- Fees payable to the Company's auditor and its associates for other services – Taxation Services	6	5
Major maintenance costs	1,053	489
Operating and maintenance	1,413	1,160
Other operating charges	536	546
Operating charges	3,024	2,217
Depreciation	3,047	2,914
Net operating costs	6,071	5,131

5. STAFF NUMBERS AND COSTS AND EMOLUMENTS OF DIRECTORS

The directors did not receive any remuneration during this year or the previous year

The group had no employees during either year

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Amounts payable:		
On bank loans and overdrafts	6,886	6,481
Amortisation of finance issue costs	66	63
	6,952	6,544

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS (Continued)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK corporation tax payable at 28%

	2008 £'000	2007 £'000
Corporation Tax Payable	130	87
Consortium relief receivable Prior year	-	48
	<u>130</u>	<u>135</u>
Current year taxation Deferred Tax (see note 14)	(5,542)	627
Prior year Deferred Tax (see note 14)	-	30
Total tax on profit on ordinary activities	<u>(5,412)</u>	<u>792</u>
Current tax reconciliation		
	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	1,795	2,356
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	<u>539</u>	<u>707</u>
<i>Effects of: -</i>		
Capital allowances for the period in excess of depreciation	(334)	(375)
Increase in trade losses carried forward	(75)	(245)
Credit in relation to prior years	-	48
Current tax charge for the year	<u>130</u>	<u>135</u>

Factors that may affect future tax charges

The company has trade losses available to be carried forward of around £25m (2007 £25m), which will be available to set against trading profits arising in the future

A corporation tax rate change has been substantially enacted at the balance sheet date. From 1st April 2008 the corporation tax affecting the company has changed from 30% to 28%. The deferred tax asset has been calculated at 28% in accordance with FRS 19 as timing differences at 1st April 2008 will reverse at this rate.

Amendments included in the 2007 Finance Act withdraw the requirement to tax (or relieve) balancing charges (or allowances) on the disposals of property on which industrial buildings allowances have been claimed. This includes the expenditure relating to the construction of the road. As a consequence, the deferred tax credit for the period (and the closing deferred tax asset) have been increased by around £5.8m.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS

Group and Company	Freehold Properties	Infrastructure Assets	Menai Bridge	Vehicles, Plant & Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2007	496	119,903	1,926	285	122,610
At 31 March 2008	496	119,903	1,926	285	122,610
Accumulated Depreciation					
At 1 April 2007	109	14,977	106	167	15,359
Charge for the year	18	2,916	85	28	3,047
At 31 March 2008	127	17,893	191	195	18,406
Net Book Value					
At 31 March 2008	369	102,010	1,735	90	104,204
At 1 April 2007	387	104,926	1,820	118	107,251

Included within Infrastructure Assets is £10,607,494 (2007 £10,607,494) of interest capitalised during the construction phase of the assets

The NBV of the interest capitalised is £9,007,376 (2007 £9,267,753)

The group has the right to the benefits derived from the operation of the Concession fixed assets throughout the term of the concession, but in certain instances has no legal title to those assets. The group has an obligation to maintain the Concession fixed assets throughout the concession period and to hand them back to The National Assembly of Wales at the end of the concession in an agreed condition.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS (Continued)

9. FIXED ASSET INVESTMENTS

<u>Company</u>	2008 £'000	2007 £'000
Interest in subsidiary undertaking (at cost)	500	500

The subsidiary undertaking is UK Highways A55 Limited, a wholly owned subsidiary, registered in England and Wales, whose only activity is the design, building, finance and operation of the A55 dual carriageway

10. DEBTORS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Due within one year:				
Prepayments and accrued income	1,664	1,544	391	391
	1,664	1,544	391	391
Due after more than one year:				
Unsecured loan notes	-	-	8,193	8,193
Deferred tax	3,295	-	-	-
	4,959	1,544	8,584	8,584

During the year the company was repaid nil (2007 £nil) on its unsecured loan notes to its subsidiary UK Highways A55 Limited. The Board of Directors resolved to suspend the payment of Loan Note Interest from 1st April 2006 until further notice. The unsecured loan notes are repayable by 15 December 2024, or before, if funds allow.

11. CREDITORS – Amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank loans (see note 13)	3,470	3,397	-	-
Trade creditors				
- Related parties	11	16	392	391
- Other	1,041	936	1	1
Other creditors including tax and social security	647	615	-	-
Accruals and deferred income	531	490	-	-
	5,700	5,454	393	392

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS (Continued)

12. CREDITORS - Amounts falling due after more than one year.

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank loans (see note 13)	91,391	94,723	-	-
Unsecured loan notes	8,193	8,193	8,193	8,193
	99,584	102,916	8,193	8,193

The borrowings are repayable as follows

	2008 Group £'000	2007 Group £'000
Within one year	3,470	3,397
Between one and two years	3,700	3,626
Between two and five years	12,623	12,402
Greater than five years	76,542	80,236
	96,335	99,661
Less issue costs	(1,474)	(1,541)
	94,861	98,120

During the year nil (2007 £nil) of unsecured loan notes were repurchased from the shareholders. Since 1st April 2006 interest due has been suspended and will remain suspended until further notice (see note 10). The loan notes are repayable by 15 December 2024, or before, if funds allow.

Issue costs are amortised over the length of the loan in accordance with FRS 4.

13. BANK LOANS

Bank loans are made under a £132 million facility to fund the construction of the A55 provided by a syndicate of banks. Repayment is in instalments over a further 16 year period. Interest is charged at rates linked to LIBOR.

These loans have been hedged with interest rate swaps, which expire in 16 years.

The Company entered into a 30 year interest rate hedging agreement to be applied to the future borrowings of the company under the loan facility. These swap agreements with Royal Bank of Scotland, Mizuho Corporate Bank and Dresdner Bank AG fix the interest at 5.70% to 15th December 2023. The fair value of this financial instrument at 31st March 2008 was £7,471,000 (2007 £5,578,000).

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS (Continued)

14. PROVISION FOR LIABILITIES AND CHARGES

<u>Group</u>	Land compensation claims £'000	Deferred taxation £'000	Total £'000
At 1 April 2007	272	2,247	2,519
Charged to profit and loss account in the year	-	(2,247)	(2,247)
Utilised in the year	(1)	-	(1)
At 31 March 2008	271	-	271

Provision has been made for the cost of compensation claims against the group by landowners along the A55 road. The company's subsidiary, UK Highways A55 Limited has a statutory obligation under the Concession Agreement to indemnify the National Assembly of Wales for claims arising from the use of the road. Provision has been made for the estimated cost of the compensation claims and the anticipated professional fees that will be incurred in processing and settling these claims. Three claims, made shortly before the closing date in March 2008, are currently under investigation. Any remaining provision will be utilised in the ensuing year.

	Group Deferred Tax £'000
At beginning of year	2,247
Profit and loss account credit	(5,542)
At end of year	(3,295)

The balance provided at 28% (2007: 30%) comprises:-

	2008 £'000	2007 £'000
Difference between accumulated depreciation and capital allowances	3,646	9,759
Unrelieved tax losses	(6,941)	(7,512)
	(3,295)	2,247

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2008 **NOTES TO THE ACCOUNTS (Continued)**

15. CALLED UP SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	No.	£	No.	£
Ordinary Shares of £1 each				
As at 31 st March 2006	500,200	500,200	500,200	500,200
As at 31 st March 2007	500,200	500,200	500,200	500,200

16. CAPITAL COMMITMENTS

There are no capital commitments or contingent liabilities at 31 March 2008 (2007 £nil)

Recent surveys have indicated that certain sections of the road are suffering from poor quality road base materials. They are therefore unlikely to last as originally forecast. The directors are expecting to recover a significant share of the remediation costs from third parties.

17. MOVEMENT ON RESERVES

	Profit and loss account			
	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At beginning of year	4,267	2,703	(1)	(1)
Profit/(loss) for the year	7,207	1,564	(1)	-
At end of year	11,474	4,267	(2)	(1)

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the financial year	7,207	1,564
Net movement in equity shareholders' funds	7,207	1,564
Opening equity shareholders' funds	4,767	3,203
Closing equity shareholders' funds	11,974	4,767

UK HIGHWAYS A55 (HOLDINGS) LIMITED
YEAR ENDED 31 MARCH 2008
NOTES TO THE ACCOUNTS (Continued)

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008	2007
	£'000	£'000
Operating profit	8,314	8,610
(Increase) in debtors and prepayments	(120)	(260)
Increase in accruals and creditors	74	122
(Decrease) in provisions	(1)	(35)
Non-cash expense (depreciation)	3,047	2,914
	<hr/>	<hr/>
Net cash inflow from operating activities	11,314	11,351
	<hr/>	<hr/>

20 ANALYSIS OF CHANGES IN NET DEBT

	2008	Cash Flow	Other	2007
	£'000	£'000	non-cash	£'000
			movement	
			£'000	
Cash at bank	8,366	1,505	-	6,861
Bank debt	(94,861)	3,325	(66)	(98,120)
Loan notes	(8,193)	-	-	(8,193)
	<hr/>	<hr/>	<hr/>	<hr/>
	(94,688)	4,830	(66)	(99,452)
	<hr/>	<hr/>	<hr/>	<hr/>

21. RELATED PARTY TRANSACTIONS

As at 31st March 2008, the shareholders of UK Highways A55 (Holdings) Limited were Carillion Private Finance (Transport) Limited ('Carillion') and John Laing Infrastructure Limited ('Laing'). Carillion and Laing are the shareholders in UK Highways Limited, the holding company of UK Highways Management Services Limited, which provides management services to UK Highways A55 (Holdings) Limited and its subsidiary undertaking to manage the project. The amount payable by the group in respect of management fees during the year was £216,000 (2007 £207,000). These costs are included within other operating charges in note 4 and in creditors note 11 as at year end 31st March 2008.