

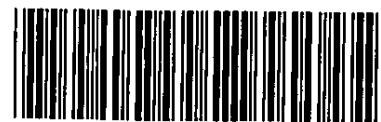
UK HIGHWAYS A55 (Holdings) Limited

CONSOLIDATED REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2010

THURSDAY



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12/08/2010
COMPANIES HOUSE

UK HIGHWAYS A55 (HOLDINGS) LIMITED

Directors

M J Mercer-Deadman

N Smith

G Farley

N Taylor

Company Secretary

A A Swift

Auditors

KPMG LLP

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

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 2010

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 has adopted a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. UK Highways A55 Limited is required to maintain a Major Maintenance Reserve Account (MMRA) to offset major maintenance costs occurring in the subsequent four year period. Over the next three years these costs include repair and reinstatement of those sections of the road affected by construction defects. These costs are incorporated in the claim against the designer of the New Road section of the Project road. Carillion Construction Limited and John Laing Construction Limited have agreed, without admission of liability, to contribute £4,450,000 to ensure the MMRA required balance is maintained in the interim period.

Interest Rate Risk

The company is highly geared and therefore has financial instrument swap agreements in place which match the senior loan amounts outstanding at any one time. These swap agreements have been established for the full term of the concession thereby mitigating the long term risk from interest rate fluctuations.

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 volumes on the A55 have increased by 1.7% for cars and decreased 6.5% for HGVs over the same period last year. In the previous year, traffic volumes decreased by 2.2% and 5.3% respectively. The primary reason for the reduction in HGV traffic was the general recession in the UK and Ireland.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS (Continued)

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. No penalty points were incurred during the year

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

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. The re-instatement works required as a result of the defects in the pavement identified in recent surveys have commenced. The costs for this additional work charged to the Profit and Loss account in the current year amount to £3,258,000 (2009: £3,125,000). These repairs have been in line with the adjusted lifecycle programme and the Board have commenced the process to recover these additional costs from the Designer of the New Road section of the Project Road.

The loss on ordinary activities after taxation for the year for the company was £1,000 (2009: £nil). The loss on ordinary activities after taxation for the year for the group was £159,000 (2009: profit £664,000).

The directors do not recommend the payment of a final dividend (2009: £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

N Smith

G Farley (appointed 8th June 2009)

R C Turner (resigned 8th June 2009)

N Taylor (appointed 1st October 2009)

A Gates (resigned 1st October 2009)

UK HIGHWAYS A55 (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS (Continued)

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 20 (2009: 21 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 section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will continue in office.

By Order of the Board

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



G. Farley
Director

3 August 2010

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit and loss for the period

In preparing each of the group and parent company 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 adequate accounting records that are sufficient to show and explain the parent companies transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

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

We have audited the financial statements of UK Highways A55 (Holdings) Limited for the year ended 31 March 2010 set out on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

R J Pound

R J Pound (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

3 August 2010

One Snowhill,
Snow Hill Queensway,
Birmingham B4 6GH

UK HIGHWAYS A55 (HOLDINGS) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 £'000	2009 £'000
Turnover	3	13,582	13,819
Net operating costs	4	(8,858)	(8,461)
Operating profit		4,724	5,358
Net Interest payable	6	(4,996)	(5,603)
Loss on ordinary activities before taxation		(272)	(245)
Tax on loss on ordinary activities	7	113	909
(Loss)/Profit for the financial year	17	(159)	664

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 2010

	Notes	Group		Company	
		2010	2009	2010	2009
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8	97,488	100,802	-	-
Investments	9	-	-	500	500
CURRENT ASSETS					
Debtors – due within one year	10	1,082	939	391	391
Debtors – due after more than one year	10	4,178	4,060	8,193	8,193
Cash at bank and in hand		10,075	8,743	-	-
		15,335	13,742	8,584	8,584
CREDITORS: amounts falling due within one year	11	(8,730)	(5,952)	(394)	(393)
NET CURRENT ASSETS		6,605	7,790	8,190	8,191
TOTAL ASSETS LESS CURRENT LIABILITIES		104,093	108,592	8,690	8,691
CREDITORS: amounts falling due after more than one year	12	(91,614)	(95,954)	(8,193)	(8,193)
NET ASSETS		12,479	12,638	497	498
CAPITAL AND RESERVES					
Share capital	15	500	500	500	500
Profit and loss account	17	11,979	12,138	(3)	(2)
EQUITY SHAREHOLDERS' FUNDS	18	12,479	12,638	497	498

The financial statements on pages 8 to 20 were approved by the Board of Directors on 30 July 2010 and were signed on its behalf by



G Farley
Director

Company Registration Number: 3600969

UK HIGHWAYS A55 (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	19	10,016	8,965
Returns on investments and servicing of finance			
Interest received		25	297
Interest paid		(4,554)	(5,415)
Net cash inflow from returns on investments and servicing of finance		5,487	3,847
Taxation		14	-
Net cash inflow before financing		5,501	3,847
Financing			
Repayment of main loan		(4,169)	(3,470)
Net cash outflow from financing		(4,169)	(3,470)
Increase in cash	20	1,332	377

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010 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

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors have reviewed the company and consolidated group cash flow forecasts and profit projections and have considered sensitivity analysis. The forecasts demonstrate that the company expects to comply with its banking covenants in the future. The directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

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 2010. The acquisition method of accounting has been adopted.

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

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 FRS 15 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.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

Tangible Fixed Assets and Depreciation (continued)

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

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.

Turnover

Revenue is recognised net of VAT, to the extent that the company obtains the right to consideration in exchange for its performance.

Revenue is earned based on the number of vehicles using the road during the year on the contractually agreed rates, and is recognised as earned.

Total revenue is recognised so as to achieve a consistent margin on the expenditure incurred over the life of the contract, this margin being reviewed annually by reference to the progress on the contract.

Deferred Income

Deferred income relates to funding received in advance in relation to road maintenance costs. The income is released in proportion to maintenance expenditure over the periods in which maintenance costs are expected to be incurred.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

2. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 230 of the Companies Act 2006, 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 (2009 profit/loss £nil)

3. TURNOVER

	2010 Group £'000	2009 Group £'000
Shadow tolls	13,399	13,648
Other revenue	183	171
Turnover for the year	13,582	13,819

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

4. OPERATING PROFIT

	2010 Group £'000	2009 Group £'000
Operating profit is stated after charging		
Auditors Remuneration		
- Fees payable to the Company's auditor for the audit of the annual accounts	1	1
- Fees payable to the Company's auditor for the audit of subsidiary accounts	13	13
- Fees payable to the Company's auditor and its associates for other services – Taxation Services	5	5
Major maintenance costs	3,628	3,353
Operating and maintenance	1,256	1,455
Other operating charges	640	490
Operating charges	5,543	5,317
Depreciation	3,315	3,144
Net operating costs	8,858	8,461

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

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010
NOTES TO THE ACCOUNTS (Continued)

6. NET INTEREST PAYABLE

	2010 Group £'000	2009 Group £'000
Interest receivable and similar charges		
Bank interest received	25	297
	<hr/>	<hr/>
Interest payable and similar charges		
On bank loans and overdrafts	(4,949)	(5,831)
Amortisation of finance issue costs	(72)	(69)
	(5,021)	(5,900)
	<hr/>	<hr/>
Net Interest Payable	(4,996)	(5,603)
	<hr/>	<hr/>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

a Analysis of tax charge/(credit) for the year

	2010 Group £'000	2009 Group £'000
Current year Taxation		
Corporation Tax @ 28%	5	-
Adjustment in respect of prior years	-	(144)
	5	(144)
	<hr/>	<hr/>
Prior Year Taxation		
Origination of timing differences	(118)	(428)
Adjustment in respect of prior years	-	(337)
	(113)	(909)
	<hr/>	<hr/>
Total tax on loss on ordinary activities	(113)	(909)
	<hr/>	<hr/>

b Factors affecting the tax credit for the year

The tax credit assessed on the loss on ordinary activities is lower than (2009 lower than) the standard rate of corporation tax in the UK as described below

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010
NOTES TO THE ACCOUNTS (Continued)

Current tax reconciliation

	2010 Group £'000	2009 Group £'000
Loss on ordinary activities before taxation	(272)	(245)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	(76)	(69)
<i>Effects of -</i>		
Expenses not deductible for tax purposes	-	(130)
Other timing differences	(229)	(229)
Capital allowances for the period less than depreciation	318	26
(Increase)/decrease in trade losses carried forward	(6)	402
Difference in tax rates	(2)	-
Adjustment in respect of prior years	-	(144)
Current tax charge/(credit) for the year	5	(144)

c Factors affecting current tax charges

The company has trade losses available to be carried forward of £27.4m (2009 £27.4m), which will be available to set against trading profits arising in future periods

8. TANGIBLE FIXED ASSETS

Group	Freehold Properties £'000	Infrastructure Assets £'000	Menai Bridge £'000	Vehicles, Plant & Equipment £'000	Total £'000
Cost					
At 1 April 2009	496	119,645	1,926	285	122,352
At 31 March 2010	496	119,645	1,926	285	122,352
Accumulated Depreciation					
At 1 April 2009	145	20,905	276	223	21,549
Charge for the year	18	3,183	85	29	3,315
At 31 March 2010	163	24,088	361	252	24,864
Net Book Value					
At 31 March 2010	333	95,557	1,565	33	97,488
At 1 April 2009	351	98,740	1,650	61	100,802

Included within Infrastructure Assets is £10,607,494 (2009 £10,607,494) of interest capitalised during the construction phase of the assets

The NBV of the interest capitalised is £8,465,777 (2009 £8,734,631)

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS (continued)

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.

9. FIXED ASSET INVESTMENTS

<u>Company</u>	2010 £'000	2009 £'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	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Due within one year:				
Prepayments and accrued income	1,082	939	391	391
Due after more than one year:				
Unsecured loan notes	-	-	8,193	8,193
Deferred tax (see note 14)	4,178	4,060	-	-
	5,260	4,999	8,584	8,584

During the year the company was repaid £nil (2009 £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	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loans (see note 13)	3,943	3,700	-	-
Trade creditors				
- Related parties	15	2	393	392
- Other	36	1,292	1	1
Other creditors including tax and social security	468	410	-	-
Accruals and deferred income	4,268	548	-	-
	8,730	5,952	394	393

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

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

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loans (see note 13)	84,753	89,165	-	-
Less issue costs	(1,332)	(1,404)	-	-
	<u>83,421</u>	<u>87,761</u>	<u>-</u>	<u>-</u>
Unsecured loan notes	8,193	8,193	8,193	8,193
	<u>91,614</u>	<u>95,954</u>	<u>8,193</u>	<u>8,193</u>

The borrowings are repayable as follows

	2010 Group £'000	2009 Group £'000
Within one year (see note 11)	3,943	3,700
Between one and two years	4,202	3,943
Between two and five years	13,451	13,451
Greater than five years	67,100	71,771
	<u>88,696</u>	<u>92,865</u>

During the year nil (2009 £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 14 year period. Interest is charged at rates linked to LIBOR.

These loans have been hedged with interest rate swaps, which expire in 14 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 Commerzbank AG fix the interest at 5.70% to 15th December 2023. The fair value of this financial instrument at 31st March 2010 was a liability of £15,009,000 (2009 liability £14,859,000).

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010 NOTES TO THE ACCOUNTS (Continued)

14. DEFERRED TAX

Deferred tax asset/liability	2010 £'000	2009 £'000
At beginning of year	4,060	3,295
Recognised in year	118	765
At end of year	<u>4,178</u>	<u>4,060</u>

Under FRS 19 full provision has been made for deferred taxation as follows

	2010 £'000	2009 £'000
Deferred Tax balance provided at 28% (2009 28%)		
Difference between accumulated depreciation and capital allowances	(3,495)	(3,619)
Unrelieved tax losses	<u>7,673</u>	<u>7,679</u>
	<u>4,178</u>	<u>4,060</u>

15. SHARE CAPITAL

	Authorised No.	£	Allotted, issued and fully paid No.	£
Ordinary Shares of £1 each				
As at 31 st March 2009	500,200	500,200	500,200	500,200
As at 31 st March 2010	500,200	500,200	500,200	500,200

16. CAPITAL COMMITMENTS

There are no capital commitments or contingent liabilities at 31 March 2010 (2009 £nil)

The pavement problems due to the poor quality road base materials and ingress of water are in the process of being resolved and work has commenced on those sections requiring replacement. Whilst the costs of reinstating these sections are being met through operating revenue, the Directors are seeking to recover a significant share of the remediation costs from the Designer of the pavement.

17. PROFIT AND LOSS ACCOUNT

	Profit and loss account			
	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
At beginning of year	12,138	11,474	(2)	(2)
(Loss)/Profit for the year	(159)	664	(1)	-
At end of year	<u>11,979</u>	<u>12,138</u>	<u>(3)</u>	<u>(2)</u>

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
(Loss)/Profit for the financial year	(159)	664	(1)	(1)
Net movement in equity shareholders' funds	(159)	664	(1)	(1)
Opening equity shareholders' funds	12,638	11,974	498	499
Closing equity shareholders' funds	12,479	12,638	497	498

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

	2010 Group £'000	2009 Group £'000
Operating profit	4,724	5,358
(Increase)/decrease in debtors and prepayments	(157)	740
Increase/(decrease) in accruals and creditors	2,134	(264)
(Decrease) in provisions	-	(13)
Non-cash expense (depreciation)	3,315	3,144
Net cash inflow from operating activities	10,016	8,965

20 ANALYSIS OF CHANGES IN NET DEBT

	2010 £'000	Cash Flow £'000	Other non- cash movement £'000	2009 £'000
Cash at bank	10,075	1,332	-	8,743
Bank debt	(87,364)	4,169	(72)	(91,461)
Loan notes	(8,193)	-	-	(8,193)
	(85,482)	5,501	(72)	(90,911)

UK HIGHWAYS A55 (HOLDINGS) LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

21. RELATED PARTY TRANSACTIONS

As at 31st March 2010, 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 £225,030 (2009 £225,030). These costs are included within other operating charges in note 4 and in creditors note 11 as at year end 31st March 2010.

UK Highways A55 Limited is required to maintain a Major Maintenance Reserve Account (MMRA) to offset major maintenance costs occurring in the subsequent four year period. Over the next three years these costs include repair and reinstatement of those sections of the road affected by construction defects. These costs are incorporated in the claim against the designer of the New Road section of the Project road. Carillion Construction Limited and John Laing Construction Limited have agreed, without admission of liability, to contribute £4,450,000 to ensure the MMRA required balance is maintained in the interim period. The first instalment of £2,000,000 was received in February 2010 and is included in deferred income.

22. COMPANY STATUS

As at 31st March 2010, 50% of the share capital of UK Highways A55 (Holdings) Limited was held by John Laing Infrastructure Limited whose ultimate parent and controlling entity is Henderson Infrastructure Holdco (Jersey) Limited, a company incorporated in Jersey, Channel Islands. The remaining 50% of share capital was held by Carillion Private Finance (Transport) Limited, a subsidiary of Carillion plc, a company registered in England and Wales.