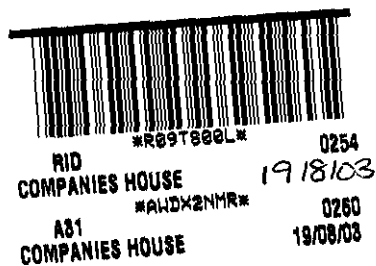


**YORKSHIRE LINK (HOLDINGS) LIMITED
AND SUBSIDIARY UNDERTAKING**

Report and Financial Statements

31 March 2003



**Deloitte & Touche
London**

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

REPORT AND FINANCIAL STATEMENTS 2003

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Notes to the accounts	9

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr P. Dyer
J.C. Fox
S.G. MacDonald
C. D. Chanter
I.K. Rylatt (Chairman)

REGISTERED OFFICE

Levels 29 & 30
Citypoint
1 Ropemaker Street
London
EC2Y 9HD

AUDITORS

Deloitte & Touche
Chartered Accountants
London

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is an investment holding company whose sole business is the holding of an investment in its wholly owned subsidiary, Yorkshire Link Limited.

On 26 March 1996 Yorkshire Link Limited entered into a 30 year Concession Agreement with the Secretary of State for Transport (the "D.B.F.O. Contract") to design, build, finance and operate the M1-A1 Link Road (Lofthouse to Bramham) under the Government's Private Finance Initiative.

The M1-A1 Link Road is a motorway link of almost 30 kilometres in length which provides a strategic connection between the M1 and M62 motorways south of Leeds and the A1 Trunk Road south of Wetherby.

The Group is now maintaining and operating the M1-A1 Link Road for the duration of the concession, and receives revenue from the Secretary of State for Transport in the form of shadow tolls based on the volume of traffic using the road. Payment of shadow tolls commenced when the M1-A1 Link Road opened and will continue until the end of the concession. The directors expect the general level of activity to continue at current levels.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 March 2003 are set out on pages 5 to 18. The profit for the year after taxation was £4,324,000 (2002 - £3,384,000).

The directors paid two interim dividends of £3,800,000 and £1,500,000, making a total dividend for the year of £5,300,000 (2002 - £6,000,000).

DIRECTORS AND THEIR INTERESTS

The following persons were directors of the company throughout the year, except where noted:

Dr P. Dyer
A.L.P. Rabin (Resigned 27 September 2002)
J.C. Fox (Appointed 27 September 2002)
S.G. MacDonald
C. D. Chanter
I.K. Rylatt (Chairman)

No director had any interest in the issued share capital of the Company or its subsidiary undertaking.

AUDITORS

Arthur Andersen resigned as the Company's auditors with effect from 31 July 2002 and the directors used their statutory powers to appoint Deloitte & Touche to fill the vacancy in the office as auditor.

In accordance with section 386 of the Companies Act 1985, the Company has dispensed with the obligation to appoint auditors annually.

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



Director

31 July 2003

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 to 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 YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

We have audited the financial statements of Yorkshire Link (Holdings) Limited for the year ended 31 March 2003, which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes numbered 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.

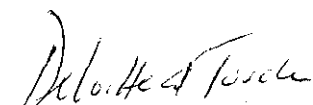
Basis of audit opinion

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 affairs of the company and the group as at 31 March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

London

31 July 2003

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2003

	Note	2003 £000's	2002 £000's
TURNOVER	2	45,267	46,051
Cost of sales		(11,404)	(10,892)
GROSS PROFIT		33,863	35,159
Administrative expenses		(1,245)	(1,264)
OPERATING PROFIT BEFORE INTEREST	3	32,618	33,895
Interest payable (net)	4	(26,143)	(29,059)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,475	4,836
Tax on profit on ordinary activities	5	(2,151)	(1,452)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,324	3,384
Dividends paid on equity shares	6	(5,300)	(6,000)
Retained loss for the year transferred from reserves	15	(976)	(2,616)

The company has no recognised gains or losses in either year other than the result for the year, consequently no statement of total recognised gains and losses is presented.


All activities are from continuing operations in the United Kingdom.

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

CONSOLIDATED BALANCE SHEET 31 March 2003

	Note	2003 £000's	2002 £000's
FIXED ASSETS			
Tangible assets	7	255,632	264,956
CURRENT ASSETS			
Stocks	8	227	227
Debtors			
- due within one year	9	3,583	3,025
- due after one year	9	50,768	35,903
Cash at bank and in hand	10	12,904	28,663
		67,482	67,818
CREDITORS: amounts falling due within one year			
Creditors	11	(3,143)	(2,811)
Borrowings	12	(11,889)	(11,018)
NET CURRENT ASSETS		52,450	53,989
TOTAL ASSETS LESS CURRENT LIABILITIES		308,082	318,945
CREDITORS: amounts falling due after more than one year			
Creditors	11	(1,573)	(1,361)
Borrowings	12	(299,237)	(311,198)
		(300,810)	(312,559)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(4,153)	(2,291)
NET ASSETS		3,119	4,095
CAPITAL AND RESERVES			
Called up share capital	14	3,000	3,000
Profit and loss account	15	119	1,095
EQUITY SHAREHOLDERS' FUNDS	16	3,119	4,095

These financial statements were approved by the Board of Directors on 31 July 2003, and signed on its behalf by


Director

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

COMPANY BALANCE SHEET 31 March 2003

	Note	2003 £000's	2002 £000's
FIXED ASSETS			
Investments	20	<u>3,000</u>	<u>3,000</u>
CAPITAL AND RESERVES			
Called up share capital	14	<u>3,000</u>	<u>3,000</u>

The financial statements on pages 5 to 18 were approved by the board of directors on ^{31 July} 2003 and signed on its behalf by:


Director

31 July 2003

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

CONSOLIDATED CASH FLOW STATEMENT 31 March 2003

	Note	2003 £000's	2002 £000's
Net cash inflow from operating activities	17	41,504	43,537
Returns on investments and servicing of finance	17	(25,033)	(38,192)
Taxation		(423)	(343)
Capital expenditure		(128)	(114)
		<hr/>	<hr/>
Equity dividends paid		15,920	4,888
		(5,300)	(6,000)
		<hr/>	<hr/>
Cash inflow/(outflow) before financing		10,620	(1,112)
Financing	17	(26,379)	13,156
		<hr/>	<hr/>
(Decrease)/increase in cash in the year		(15,759)	12,044
		<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES

The principal accounting policies have been summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards and under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of Yorkshire Link (Holdings) Limited and its subsidiary drawn up to 31 March each year. The profit for the financial year dealt with in the financial statements of the parent company was £5,300,000 (2002 : £6,000,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

Turnover

Turnover represents amounts due from the Highways Agency, exclusive of value added tax, in respect of vehicle shadow tolls as specified in the Concession Agreement with the Secretary of State for Transport.

Taxation

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

Deferred tax is recognised in full in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost represents original purchase cost, except in the case of the construction cost of the M1-A1 Link Road where interest on finance up to the date of Permit to Use has been capitalised. Depreciation of these costs commenced at Permit to Use and will be over the period of the concession to operate the road.

The carrying value of this tangible fixed asset is reviewed annually by the Directors to determine whether there has been any impairment to its value.

Depreciation on the road surface and the balance of the road construction cost is on the basis of usage over the course of the twenty seven year operating life of the concession.

Depreciation on other equipment is provided at rates calculated to write off the cost less any residual value on a straight line basis on useful lives of between three and twenty years.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period.

Finance costs

Finance costs of debt in relation to the Group's senior and subordinated debt are recognised at a constant rate in accordance with the current carrying value of that debt.

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

2. SEGMENT INFORMATION

All of the Group's activities and net assets are UK based.

3. OPERATING PROFIT BEFORE INTEREST

Operating profit before interest is stated after charging:

	2003 £000's	2002 £000's
Depreciation of tangible assets – owned assets	9,508	9,201
Hire of plant and machinery	-	10
Auditors' remuneration for audit services	18	19
Directors' fees	193	193

Fees paid by the group to its auditors for non-audit services amounted to £23,200 (2002 – £32,000). All non-audit fees in both years were paid to Arthur Andersen.

The audit fee for the Company was borne by Yorkshire Link Limited in both years.

The directors' fees were paid to the shareholders of Yorkshire Link (Holdings) Limited for the provision of the directors' services.

The Group had no employees (2002 – nil) during the year.

The Group does not operate a pension scheme for its directors.

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS Year ended 31 March 2003

4. INTEREST PAYABLE (NET)

	2003 £000's	2002 £000's
Senior bank loan	16,276	14,170
European Investment Bank loan	8,465	8,762
Secured subordinated loan stock 2020	1,138	2,417
Subordinated loan	958	1,872
Financing fees	337	3,256
	<hr/>	<hr/>
Interest receivable and similar income	27,174 (1,031)	30,477 (1,418)
	<hr/>	<hr/>
Net interest payable and similar charges	26,143	29,059
	<hr/>	<hr/>

Interest payable includes commitment fees, guarantee fees and sums payable under interest rate swap arrangements.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2003 £000's	2002 £000's
Current tax		
UK Corporation tax at 30% (2002 – 30%)	289	425
Deferred tax (note 13)	1,862	1,027
	<hr/>	<hr/>
	2,151	1,452
	<hr/>	<hr/>

Taxation reconciliation

	2003 £000's	2002 £000's
Profit on ordinary activities before tax	6,475	4,836
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002 – 30%)	1,943	1,451
Effects of:		
Adjustments to tax charge in respect of previous periods	(20)	-
Expenses not deductible for tax purposes	2	1
Capital allowances for period in excess of depreciation	(918)	(1,009)
Utilisation of trading losses brought forward	(718)	(18)
	<hr/>	<hr/>
Current tax charge	289	425
	<hr/>	<hr/>

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

6. DIVIDENDS PAID ON EQUITY SHARES

	2003 £000's	2002 £000's
First interim dividend paid of 126.67p (2002 – 133.33p) per ordinary share	3,800	4,000
Second interim dividend paid of 50p (2002 – 66.66p) per ordinary share	1,500	2,000
	<u>5,300</u>	<u>6,000</u>

7. TANGIBLE FIXED ASSETS

Group	M1-A1 Link Road £000's	Other equipment £000's	Total £000's
Cost			
At 1 April 2002	267,422	29,488	296,910
Additions	158	26	184
	<u>267,580</u>	<u>29,514</u>	<u>297,094</u>
At 31 March 2003			
Accumulated depreciation			
At 1 April 2002	26,421	5,533	31,954
Charge for the year	7,764	1,744	9,508
	<u>34,185</u>	<u>7,277</u>	<u>41,462</u>
At 31 March 2003			
Net book value			
At 31 March 2003	<u>233,395</u>	<u>22,237</u>	<u>255,632</u>
At 31 March 2002	<u>241,001</u>	<u>23,955</u>	<u>264,956</u>

The cost of the M1-A1 Link Road includes capitalised interest of £42,507,000 (2002 – £42,507,000).

Other equipment comprise winter maintenance vehicles, traffic management equipment and computers.

The company had no fixed assets at either year end.

8. STOCKS

Group	2003 £000's	2002 £000's
Consumables and spares	<u>227</u>	<u>227</u>

There is no material difference between the balance sheet value of stocks and their replacement cost. The company had no stocks at either year end.

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

9. DEBTORS

Group	2003 £000's	2002 £000's
Amounts falling due within one year:		
Trade debtors	3,299	2,641
Prepayments	284	384
	<u>3,583</u>	<u>3,025</u>
Amounts falling due after more than one year:		
Prepayments	-	135
Upstream loan to Balfour Beatty plc and MacQuarie Infrastructure (UK) Limited	50,768	35,768
	<u>50,768</u>	<u>35,903</u>

The company had no debtors at either year end.

10. CASH AT BANK AND IN HAND

In accordance with the group's funding arrangements, £11,500,000 is restricted and not available to fund the ongoing operations of the group (2002 - £26,600,000).

11. OTHER CREDITORS

Group	2003 £000's	2002 £000's
Amounts falling due within one year:		
Trade creditors	347	602
Inter-company creditors	712	-
Value added tax	1,356	1,241
UK corporation tax	309	429
Accruals	419	539
	<u>3,143</u>	<u>2,811</u>
Amounts falling due after more than one year:		
Trade creditors	1,573	1,361

The company had no creditors at either year end.

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

12. BORROWINGS

Group	2003 £000's	2002 £000's
Secured subordinated loan stock 2020	5,709	6,109
Subordinated loans	10,000	10,000
European Investment Bank loan	83,763	85,752
Senior bank loan	217,109	226,147
	<hr/>	<hr/>
	316,581	328,008
Less: unamortised arrangement fees	(5,455)	(5,792)
	<hr/>	<hr/>
	311,126	322,216
	<hr/>	<hr/>

The borrowings are repayable as follows:

	2003 £000's	2002 £000's
Repayable within one year	11,889	11,018
Repayable between one and two years	15,814	11,889
Repayable between two and five years	51,992	47,473
Repayable after five years	236,886	257,628
	<hr/>	<hr/>
	316,581	328,008
Less: unamortised arrangement fees	(5,455)	(5,792)
	<hr/>	<hr/>
	311,126	322,216
	<hr/>	<hr/>

The secured subordinated loan stock 2020 bears interest at 15% per annum which, if not paid, is compounded each March and September.

The subordinated loans bear interest at LIBOR plus 4% and are repayable in instalments between 2005 and 2017.

The European Investment Bank loan bears interest at a minimum of 9.23%. Differing margins are payable on differing elements of the loan. The loan is repayable in instalments between 2000 and 2020.

The senior bank loan bears interest at a margin over LIBOR and is repayable in instalments between 2000 and 2024.

The group has entered into interest rate swap agreements in order to hedge certain senior bank loan borrowings.

The group's borrowings are secured by fixed and floating charges over the undertaking, property, assets and rights of the company.

The company had no borrowings at either year end.

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £000's
Group	
At 1 April 2002	2,291
Charged to the profit and loss account (note 5)	1,862
	<hr/>
At 31 March 2003	4,153
	<hr/>

The company had no provision for liabilities and charges at either year end.

Deferred tax

	2003 £000's	2002 £000's
Group		
Accelerated capital allowances	18,332	18,443
Unrelieved trading losses	(14,179)	(16,152)
	<hr/>	<hr/>
Provision for deferred tax	4,153	2,291
	<hr/>	<hr/>

The company had no deferred taxation at either year end.

14. CALLED UP SHARE CAPITAL

	2003 £000's	2002 £000's
Authorised		
10,000,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
3,000,001 ordinary shares of £1 each	3,000	3,000
	<hr/>	<hr/>

15. RESERVES

	Profit and loss account £000's
Group	
At 31 March 2002 as previously stated	1,095
Retained loss for the year	(976)
	<hr/>
At 31 March 2003	119
	<hr/>
	Profit and loss account £000's
Company	
At 31 March 2002 as previously stated	-
Retained profit for the year	-
	<hr/>
At 31 March 2003	-
	<hr/>

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2003 £000's	2002 £000's
Profit for the financial year	4,324	3,384
Dividends paid on equity shares	(5,300)	(6,000)
Net reduction to shareholders funds	(976)	(2,616)
Opening shareholders' funds	4,095	6,711
Closing shareholders' funds	3,119	4,095

Company	2003 £000's	2002 £000's
Profit for the financial year	5,300	6,000
Dividends paid on equity shares	(5,300)	(6,000)
Net addition to shareholders funds	-	-
Opening shareholders' funds	3,000	3,000
Closing shareholders' funds	3,000	3,000

17. CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow from operating activities:

	2003 £000's	2002 £000's
Operating profit	32,618	33,895
Depreciation	9,508	9,201
(Increase) in stocks	-	(7)
(Increase)/decrease in debtors	(423)	1,383
Decrease in creditors	(199)	(935)
Net cash inflow from operating activities	41,504	43,537

YORKSHIRE LINK (HOLDINGS) LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

17. CONSOLIDATED CASH FLOW STATEMENT (continued)

Gross cashflows

	2003 £000's	2002 £000's
Returns on investments and servicing of finance		
Interest received	1,031	1,418
Interest paid	(26,064)	(39,610)
	<u>(25,033)</u>	<u>(38,192)</u>
Financing		
Increase in bank loans	-	234,270
Repayment of bank loans	(11,027)	(159,400)
Decrease in subordinated loans	(200)	(20,649)
Upstream loan to shareholders	(15,000)	(35,768)
Refinancing fees incurred in the year	(152)	(5,297)
	<u>(26,379)</u>	<u>13,156</u>

Analysis of net debt

	At 1 April 2002 £000's	Cash flow £000's	At 31 March 2003 £000's
Cash at bank and in hand	28,663	(15,759)	12,904
Borrowings	(322,216)	11,090	(311,126)
Total	<u>(293,553)</u>	<u>(4,669)</u>	<u>(298,222)</u>

Reconciliation of net cash flow to movement in net debt

	2003 £000's	2002 £000's
(Decrease)/increase in cash in the year	(15,759)	12,044
Cash outflow/(inflow) from net decrease/(increase) in borrowings	<u>11,090</u>	<u>(39,733)</u>
Change in net debt resulting from cash flows	(4,669)	(27,689)
Net debt at beginning of year	<u>(293,553)</u>	<u>(265,864)</u>
Net debt at end of year	<u>(298,222)</u>	<u>(293,553)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

18. RELATED PARTY TRANSACTIONS

The Company is owned jointly by Balfour Beatty plc and Macquarie Infrastructure (UK) Limited in equal shares. As noted below Balfour Beatty and Macquarie group companies have interests in contracts placed by the Company's subsidiary, Yorkshire Link Limited, for the financing, construction and management of the project.

Construction and management

i) In 1996 the Company's subsidiary, Yorkshire Link Limited, entered into a contract with the Kvaerner/Balfour Beatty Joint Venture for the construction of the M1-A1 Link Road. The Kvaerner/Balfour Beatty Joint Venture is a joint venture formed from Kvaerner Construction Limited and Balfour Beatty Civil Engineering Limited, (together "the Construction Joint Venture") which is an unrelated party and a member of the Balfour Beatty group respectively.

As at 31 March 2003, trade creditors and trade debtors, wholly attributable to Yorkshire Link Limited, include £66,000 (2002 - £134,000) and £416,000 (2002 - £5,000) respectively due to and from the Construction Joint Venture. At 31 March 2003, accruals include £nil due to the Construction Joint Venture (2002 - £48,000). Amounts paid in the year were £nil (2002 - £nil).

ii) Under the terms of Shareholder, Secondment and Technical Services Agreements the Balfour Beatty plc group and Macquarie group provided the Company and its subsidiary, Yorkshire Link Limited, with its directors, staff and technical support services during the year under review. Amounts paid in the year were £402,000 (2002 - £407,000) for management services, directors' fees of £193,000 (2002 - £193,000), technical service fees of £576,000 (2002 - £572,000) and vehicle rental of £16,000 (2002 - £14,000).

As at 31 March 2003, trade creditors and trade debtors, wholly attributable to Yorkshire Link Limited, include £85,000 (2002 - £52,000) and £nil (2002 - £nil) respectively due to and from the Balfour Beatty plc group and Macquarie group. At 31 March 2003, accruals include £56,000 due to Macquarie Infrastructure (UK) Limited and Balfour Beatty plc (2002 - £48,000).

Financing

The Company's subsidiary, Yorkshire Link Limited, has issued Secured Subordinated Loan Stock 2020 divided equally between Balfour Beatty plc and Macquarie Infrastructure (UK) Limited. Details of interest incurred and loan balances outstanding under this loan agreement are given in notes 4 and 12 to the financial statements respectively. At 31 March 2003 £228,000 in respect of interest payable and £200,000 relating to loan repayment is included in trade creditors to Macquarie Infrastructure (UK) Limited (2002 - £nil).

In September 2001 a subordinated loan (£10m) was transferred from 3i to Balfour Beatty plc and Macquarie Infrastructure (UK) Limited in equal shares. Details of interest incurred and loan balances outstanding under this loan agreement are given in notes 4 and 12 to the financial statements respectively. As at 31 March 2003 an amount of £1,573,000 (2002 - £1,361,000) relating to a loan repayment supplement is included in trade creditors. This amount is payable to Balfour Beatty plc and Macquarie Infrastructure (UK) Limited in equal share. In addition, at 31 March 2003 an amount of £198,000 in respect of interest payable is included in trade creditors to Macquarie Infrastructure (UK) Limited (2002 - £nil).

On 4 September 2001, 28 March 2002 and 28 June 2002, upstream loans of £14,154,000, £21,614,000 and £15,000,000 respectively were made to Balfour Beatty plc and Macquarie Infrastructure (UK) Limited in equal shares. The loans do not bear interest and are repayable over time.

19. CONTINGENT LIABILITIES

An adjacent land owner has initiated proceedings in the High Court for relief from loss of riparian rights arising from the construction of the link road. The board of the company does not believe the claim is justified and intends to contest it. In addition, the board does not believe that any potential liability that might arise would be material to the results of the company.

The final account with the Construction Joint Venture remains uncertified. One of the outstanding matters relates to an application received from the Construction Joint Venture for £500,000. The board of the company does not believe the claim is justified and is contesting it.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

20. INVESTMENTS

Investments represent a hundred percent holding in Yorkshire Link Limited, a company registered in England and Wales, whose financial statements may be obtained from Levels 29 & 30, One Ropemaker Street, London, EC2Y 9HD.