

**REGISTRAR
OF COMPANIES**

ROAD LINK (A69) LIMITED

Report and Financial Statements

31 March 2002

**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS**



REPORT AND FINANCIAL STATEMENTS 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

V Alocco
R Balme
J K Fowler
R S Fullerton
M Villa

SECRETARY

C R Franklin

REGISTERED OFFICE

Stocksfield Hall
Stocksfield
Northumberland
NE43 7TN

BANKERS

Lloyds TSB Bank Plc

SOLICITORS

McGrigor Donald

AUDITORS

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

ACTIVITIES

On 12 January 1996 the company signed a Design, Build, Finance and Operate (DBFO) contract to maintain the A69 trunk road from Carlisle to Newcastle for 30 years from 1 April 1996 under the government's Private Finance Initiative. The company's principal activity is to maintain the A69 road on behalf of the Secretary of State for Transport and the Highways Agency.

REVIEW OF DEVELOPMENTS

The results for the year are set out in detail on page 5. The financial position of the company at 31 March 2002 is shown on page 6.

The directors are satisfied with the results for the year and are confident of continued profitable trading in future years given favourable economic conditions.

DIVIDENDS

The directors have paid interim dividends of £1,500,000 (2001 - £2,000,000) and propose a final dividend of £750,000 (2001 - £750,000) for the year.

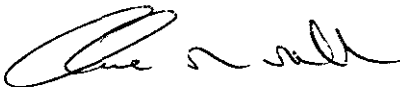
DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year are shown on page 1. On 27 July 2001 C Morello resigned as director and M Villa was appointed as director on 28 November 2001. No director held an interest in the shares of the company or its parent company, Road Link (A69) Holdings Limited. All other directors served throughout the year.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



C R Franklin

Secretary

Date: 25/3/02

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROAD LINK (A69) LIMITED**

We have audited the financial statements of Road Link (A69) Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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 or material inconsistencies with the financial statements.

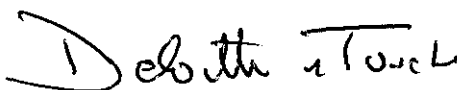
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors

Date: 27 September 2002.

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Note	2002 £	2001 £
TURNOVER: continuing operations	2	8,105,440	7,944,469
Cost of sales		<u>(2,630,057)</u>	<u>(2,933,954)</u>
Gross profit		5,475,383	5,010,515
Administrative expenses		(813,249)	(734,914)
Other operating income		<u>3,589</u>	<u>6,599</u>
OPERATING PROFIT: continuing operations	4	4,665,723	4,282,200
Interest receivable and similar income		229,961	286,350
Interest payable and similar charges	5	<u>(1,190,217)</u>	<u>(1,265,840)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,705,467	3,302,710
Tax on profit on ordinary activities	6	<u>(1,288,254)</u>	<u>(1,109,353)</u>
Dividends	7	<u>2,417,213</u>	<u>2,193,357</u>
		<u>(2,250,000)</u>	<u>(2,750,000)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		167,213	(556,643)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>2,149,835</u>	<u>2,706,478</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>2,317,048</u>	<u>2,149,835</u>

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

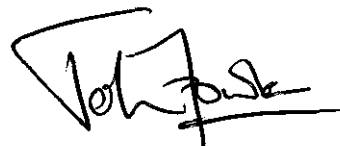
BALANCE SHEET
31 March 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	14,783,991	14,963,686
CURRENT ASSETS			
Debtors	9	1,060,470	1,107,033
Cash at bank and in hand		5,527,977	5,960,481
		6,588,447	7,067,514
CREDITORS: amounts falling due within one year	10	(4,677,728)	(4,833,767)
NET CURRENT ASSETS		1,910,719	2,233,747
TOTAL ASSETS LESS CURRENT LIABILITIES		16,694,710	17,197,433
CREDITORS: amounts falling due after more than one year	11	(13,513,660)	(14,183,596)
		3,181,050	3,013,837
Capital contributions	16	864,000	864,000
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Profit and loss account		2,317,048	2,149,835
TOTAL EQUITY SHAREHOLDERS' FUNDS		2,317,050	2,149,837
		3,181,050	3,013,837

These financial statements were approved by the Board of Directors on

25/9/02

Signed on behalf of the Board of Directors

R Balme
DirectorJ K Fowler
Director

CASH FLOW STATEMENT
Year ended 31 March 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	17	<u>5,420,230</u>	<u>5,332,688</u>
Returns on investments and servicing of finance			
Interest received		229,961	286,350
Interest paid		<u>(1,149,937)</u>	<u>(1,307,655)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(919,976)</u>	<u>(1,021,305)</u>
Taxation		<u>(1,277,354)</u>	<u>(660,681)</u>
Investing activities			
Payments to acquire tangible fixed assets		<u>(783,086)</u>	<u>(588,165)</u>
Net cash outflow from investing activities		<u>(783,086)</u>	<u>(588,165)</u>
Equity dividends paid		<u>(2,250,000)</u>	<u>(2,750,000)</u>
Net cash inflow before financing		<u>189,814</u>	<u>312,537</u>
Financing			
Bank loan repaid	19	<u>(622,318)</u>	<u>(577,984)</u>
Net cash outflow from financing		<u>(622,318)</u>	<u>(577,984)</u>
Decrease in cash	18,19	<u><u>(432,504)</u></u>	<u><u>(265,447)</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Roads	5% per annum
Plant and equipment:	
Traffic counting equipment	10% per annum
Office furniture and equipment	20% per annum
Computer equipment	33 ¹ / ₃ % per annum

Road and structure maintenance work

Maintenance work carried out on the A69 road, by-pass road and structures on the roads is assessed, for each particular case, as to the elements of capital and revenue expenditure. Where work of a capital nature is identified, the costs associated with that work are capitalised and written off over a period of 20 years. Work of a revenue nature is written off in the year incurred.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

2. TURNOVER

Turnover represents revenue due from the Highways Agency as calculated by the DBFO contract. The calculation of "shadow tolls" is based on vehicle usage of the A69 in the period of account.

The turnover and pre-tax profit, which arise in the United Kingdom, are attributable to the company's principal activity.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES****Directors' emoluments**

No directors received remuneration during the current or prior period.

	2002	2001
	No.	No.
Average number of persons employed		
Directors	5	5
Company secretary	1	1
Administration	7	6
	<u>13</u>	<u>12</u>
	£	£
Staff costs		
Wages and salaries	191,865	52,196
Social security costs	18,964	5,779
	<u>210,829</u>	<u>57,975</u>

4. OPERATING PROFIT

	2002	2001
	£	£
Operating profit is after charging		
Depreciation		
Owned assets	959,716	919,896
Loss on sale of fixed assets	3,065	-
Auditors' remuneration – audit	5,250	4,500
Auditors' remuneration – non-audit	37,699	-
	<u>959,716</u>	<u>919,896</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank loan commission and fees	20,131	20,132
Bank loan repayable partly after five years	1,064,221	1,197,079
Unsecured loan stock interest	105,865	48,629
	<u>1,190,217</u>	<u>1,265,840</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 2002****6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2002	2001
	£	£
Analysis of tax charge on ordinary activities:		
United Kingdom corporation tax at 30% (2001 – 30%)	1,288,254	1,091,498
Adjustment in respect of prior years	-	17,855
	<u>1,288,254</u>	<u>1,109,353</u>
Deferred tax		
Timing differences, origination and reversal	(207,260)	(107,063)
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	207,260	107,063
	<u>1,288,254</u>	<u>1,109,353</u>
Factors affecting tax charge for the current year:		
Profit on ordinary activities before tax	<u>3,705,467</u>	<u>3,302,710</u>
Tax at 30% thereon	(1,106,553)	(990,813)
Expenses not deductible for tax purposes	(5,888)	(488)
Capital allowances in excess of depreciation	(47,988)	(45,588)
Movement in short term timing differences	(88,895)	(9,138)
Capitalised revenue expenditure	(38,930)	(45,471)
Prior period adjustments	-	(17,855)
	<u>(1,288,254)</u>	<u>(1,109,353)</u>

7. DIVIDENDS

	2002	2001
	£	£
Interim paid - £750,000 per share (2001 - £1,000,000)	1,500,000	2,000,000
Final proposed - £375,000 per share (2001 - £375,000)	750,000	750,000
	<u>2,250,000</u>	<u>2,750,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

8. TANGIBLE FIXED ASSETS

	Haltwhistle by-pass £	A69 improve- ments £	Plant and equipment £	Total £
Cost				
At 1 April 2001	16,983,000	1,173,063	175,331	18,331,394
Additions	-	768,316	14,770	783,086
Disposals	-	-	(7,725)	(7,725)
At 31 March 2002	16,983,000	1,941,379	182,376	19,106,755
Accumulated depreciation				
At 1 April 2001	3,184,312	89,000	94,396	3,367,708
Charge for the year	849,150	90,704	19,862	959,716
Released on disposal	-	-	(4,660)	(4,660)
At 31 March 2002	4,033,462	179,704	109,598	4,322,764
Net book value				
At 31 March 2002	12,949,538	1,761,675	72,778	14,783,991
At 31 March 2001	13,798,688	1,084,063	80,935	14,963,686

9. DEBTORS

	2002 £	2001 £
Trade debtors	980,138	1,014,426
Prepayments and accrued income	80,332	92,607
	<u>1,060,470</u>	<u>1,107,033</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	444,341	440,586
Amounts due to related parties	93,659	52,859
Accruals and deferred income	1,584,408	1,841,098
Bank loans	669,936	622,318
Other creditors including taxation and social security	247,130	249,552
Proposed dividend	750,000	750,000
Corporation tax	888,254	877,354
	<u>4,677,728</u>	<u>4,833,767</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2002 £	2001 £
Bank loan	13,513,660	14,183,596

12. BORROWINGS

	2002 £	2001 £
Analysis of bank loan repayments:		
Within one year or on demand	669,936	622,318
Between one and two years	725,764	669,936
Between two and five years	4,650,144	4,213,372
After five years	8,137,752	9,300,288
	<u>14,183,596</u>	<u>14,805,914</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loan		
Total amount	14,183,596	14,805,914
Instalments due after five years	<u>8,137,752</u>	<u>9,300,288</u>

The bank loan is secured by a specific equitable charge over the freehold and leasehold properties of the company and fixed and floating charges over the assets of the company.

Interest is charged at a mix of fixed and variable rates.

The loan is repayable in six-monthly instalments that commenced in the year ended 31 March 1999 and is repayable by 31 March 2015.

13. DEFERRED TAX

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

	Provided 2002 £	Unprovided 2002 £	Provided 2001 £	Unprovided 2001 £
Capital allowances in excess of depreciation	-	245,810	-	197,822
Other	-	98,333	-	9,438
	<u>-</u>	<u>344,143</u>	<u>-</u>	<u>207,260</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Profit attributable to members of the company	2,417,213	2,193,357
Dividends	(2,250,000)	(2,750,000)
Net additions to/(reductions in) shareholders' funds	167,213	(556,643)
Opening shareholders' funds	2,149,837	2,706,480
Closing shareholders' funds	<u>2,317,050</u>	<u>2,149,837</u>

15. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

16. CAPITAL CONTRIBUTIONS

This amount relates to long term funding from the shareholders of Road Link (A69) Holdings Limited in the same proportion as their shareholdings in the holding company.

The company has made commitments to issue variable rate unsecured loan stock to the member companies of its parent company, Road Link (A69) Holdings Limited, in line with the Facilities Agreement with the bank. Interest accrued during the year amounted to £105,865 (2001 - £48,629). Interest is charged at 2% per annum above the bank base rate.

Variable loan stock issued at 31 March 2002 amounted to £864,000 (2001 - £864,000) and will not exceed £2,240,110 in total.

17. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	4,665,723	4,282,200
Depreciation	959,716	919,896
Loss on sale of fixed assets	3,065	-
Decrease in debtors	46,563	59,141
(Decrease)/increase in creditors	(254,837)	71,451
Net cash inflow from operating activities	<u>5,420,230</u>	<u>5,332,688</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**18. ANALYSIS OF NET DEBT**

	At 1 April 2001 £	Cash flow £	At 31 March 2002 £
Cash at bank and in hand	5,960,481	(432,504)	5,527,977
Debt due within one year	(622,318)	(47,618)	(669,936)
Debt due after one year	(14,183,596)	669,936	(13,513,660)
	<u>(8,845,433)</u>	<u>189,814</u>	<u>(8,655,619)</u>

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

	2002 £	2001 £
Decrease in cash in the year	(432,504)	(265,447)
Cash outflow from decrease in debt	<u>622,318</u>	<u>577,984</u>
Movement in net debt in the year	189,814	312,537
Net debt brought forward	<u>(8,845,433)</u>	<u>(9,157,970)</u>
Net debt carried forward	<u>(8,655,619)</u>	<u>(8,845,433)</u>

20. CAPITAL COMMITMENTS

	2002 £	2001 £
Contracted for but not provided	<u>-</u>	<u>-</u>

21. PARENT COMPANY AND CONTROLLING PARTY

The company is wholly owned by Road Link (A69) Holdings Limited, a company incorporated in England and Wales. Copies of this company's accounts may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

There is no overall controlling party of Road Link (A69) Holdings Limited.

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

22. RELATED PARTY TRANSACTIONS

During the year the company has been recharged costs (including VAT), incurred by the following companies. These companies are either shareholders of the parent company or companies controlled by those companies:

	Costs £	Balance owed at 31/3/02 £
Henry Boot Construction (UK) Limited	20,541	93,659
Henry Boot PLC	168	-
Impregilo UK Limited	40,350	-
Morrison Construction Group Limited	-	-
Pell Frischman Consultants Limited	29,395	-
Pell Frischman Concessionaires Limited	66,270	-
Sina	3,830	-
Autostrada Torino Milano Spa	19,660	-
	<u>180,214</u>	<u>93,659</u>

During the period ended 31 March 2001 the company was recharged costs of £175,671 by related companies and at 31 March 2001 owed £52,859 to these companies.