



ROAD LINK (A69) LIMITED

Report and Financial Statements

31 March 2006



REPORT AND FINANCIAL STATEMENTS 2006

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Greaves
J K Fowler
G Geddo
J Boot

SECRETARY

C R Franklin

REGISTERED OFFICE

Stocksfield Hall
Stocksfield
Northumberland
NE43 7TN

BANKERS

Lloyds TSB Bank Plc

SOLICITORS

McGrigor Donald

AUDITORS

Deloitte & Touche LLP
Cardiff, United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's principal activity is to maintain the A69 road on behalf of the Secretary of State for Transport and the Highways Agency.

The financial year to 31 March 2006 is the tenth year of trading for the company, and the results and the relationships with suppliers/contractors remain good. During the year, David Swift retired as Project Manager and Trevor Walker was promoted from within the company to replace him.

The prospects for the company remain good with twenty years left of the concession.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the financial year are set out in detail on page 6. The financial position of the company at 31 March 2006 is shown in the balance sheet on page 7.

The directors are satisfied with the company's performance for the financial year and are confident of continued profitable trading in future years.

DIVIDENDS

The directors have paid interim dividends of £1,750,000 (2005 - £2,000,000) and propose a final dividend of £1,250,000 (2005 - £2,000,000) for the year. However, in accordance with FRS21, "Events after the balance sheet date", dividends are not recognised as liabilities until they have been declared by the Board of directors. The 2004 proposed dividend of £900,000, which was declared and paid in 2005, has therefore been restated and included within the 2005 results. Similarly, the 2005 proposed dividend of £2,000,000, which was declared and paid in 2006, has therefore been restated and included within the 2006 results (see note 14). The proposed dividend of £1,250,000 will be included in the 2007 results.

FINANCIAL INSTRUMENTS

The company is affected by interest rate movements; it seeks to hedge against these movements by utilising interest rate derivative instruments.

DIRECTORS AND THEIR INTERESTS

The current directors of the company, who served throughout the financial year, are as shown on page 1.

No director held any interests in the shares of the company or its parent company, Road Link (A69) Holdings Limited, at the beginning or the end of the financial year.

DIRECTORS' REPORT (continued)

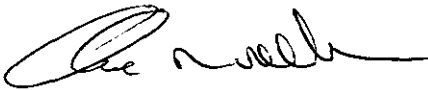
AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment 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 19/09/2006

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 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 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 21. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 the other information contained in the annual report for the above year as described in the contents section 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its 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.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date 22 / 9 / 06

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	Note	2006 £	2005 £
TURNOVER	2	9,765,222	9,379,083
Cost of sales		(3,451,057)	(3,074,619)
Gross profit		6,314,165	6,304,464
Administrative expenses		(605,419)	(670,073)
OPERATING PROFIT	4	5,708,746	5,634,391
Interest receivable and similar income		157,624	208,340
Interest payable and similar charges	5	(866,420)	(993,828)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,999,950	4,848,903
Tax on profit on ordinary activities	6	(1,584,773)	(1,526,067)
PROFIT FOR THE FINANCIAL YEAR	14	<u>3,415,177</u>	<u>3,322,836</u>

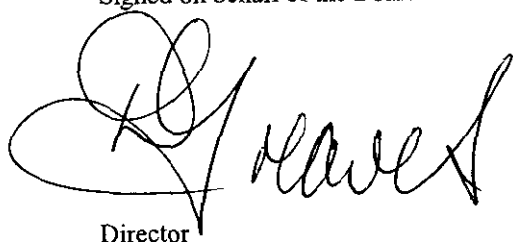
All activities derive from continuing operations.

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account. The prior period adjustment in respect of the adoption of FRS21, "Events after the balance sheet date", has resulted in the 2004 proposed dividend of £900,000 being restated and included within the 2005 results. Similarly the 2005 proposed dividend of £2,000,000 has been restated and included within the 2006 results. This is a restatement of the distribution to shareholders and therefore does not create a recognised gain or loss for the business. Accordingly, no separate statement of total recognised gains and losses is presented.

BALANCE SHEET
31 March 2006

		2006 £	2005 as restated (see note 14) £
FIXED ASSETS			
Tangible assets	8	12,735,329	13,424,163
CURRENT ASSETS			
Debtors	9	1,241,460	1,361,064
Current asset investments		2,455,000	917,689
Cash at bank and in hand		560,320	2,830,760
		4,256,780	5,109,513
CREDITORS: amounts falling due within one year	10	(4,045,144)	(4,089,352)
NET CURRENT ASSETS		211,636	1,020,161
TOTAL ASSETS LESS CURRENT LIABILITIES		12,946,965	14,444,324
CREDITORS: amounts falling due after more than one year	11	(9,300,288)	(10,462,824)
NET ASSETS		3,646,677	3,981,500
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Profit and loss account		3,646,675	3,981,498
TOTAL SHAREHOLDERS' FUNDS	14	3,646,677	3,981,500

These financial statements were approved by the Board of Directors on 19 September 2006
Signed on behalf of the Board of Directors



Director

CASH FLOW STATEMENT
Year ended 31 March 2006

	Note	2006 £	2005 £
Net cash inflow from operating activities	15	<u>6,784,832</u>	<u>5,920,683</u>
Returns on investments and servicing of finance			
Interest received		157,624	208,340
Interest paid		<u>(866,420)</u>	<u>(993,828)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(708,796)</u>	<u>(785,488)</u>
Taxation paid		<u>(1,530,191)</u>	<u>(1,531,876)</u>
Investing activities			
Payments to acquire tangible fixed assets		<u>(366,438)</u>	<u>(548,895)</u>
Net cash outflow from investing activities		<u>(366,438)</u>	<u>(548,895)</u>
Equity dividends paid		(3,750,000)	(2,900,000)
Capital contributions repaid		<u>-</u>	<u>(864,000)</u>
		<u>(3,750,000)</u>	<u>(3,764,000)</u>
Net cash inflow/(outflow) before financing		<u>429,407</u>	<u>(709,576)</u>
Financing			
Bank loan repaid	16	<u>(1,162,536)</u>	<u>(1,162,536)</u>
Net cash outflow from financing		<u>(1,162,536)</u>	<u>(1,162,536)</u>
Decrease in cash in the year	16,17	<u>(733,129)</u>	<u>(1,872,112)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are depreciated at cost in equal annual instalments over their estimated useful lives. 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 $\frac{1}{3}$ % per annum

Current asset investments

Current asset investments comprise cash held on treasury deposit.

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.

Taxation

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

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.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable in accordance with the rules of the scheme.

Financial instruments

Only interest rate derivative instruments are utilised by the company. The company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of the company in line with the company's risk management policies. The derivative instrument is off balance sheet, and no charges are made to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

2. TURNOVER

Turnover represents revenue due from the Highways Agency as calculated by the DBFO (Design, Build, Finance & Operate) 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. Revenue is recognised in relation to the period in which the service is provided.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

None of the directors received remuneration during the current or the prior financial year for their services to this company.

	2006 No.	2005 No.
Average number of persons employed		
Directors	4	4
Company secretary	1	1
Administration	10	9
	<u>15</u>	<u>14</u>
	£	£
Staff costs		
Wages and salaries	248,777	233,684
Social security costs	28,653	28,499
Pension costs	28,260	24,015
	<u>305,690</u>	<u>286,198</u>

4. OPERATING PROFIT

	2006 £	2005 £
Operating profit is stated after charging		
Depreciation		
Owned assets	1,055,272	1,036,457
Auditors' remuneration – audit	6,700	5,950
– non-audit	14,310	10,900
	<u>1,076,282</u>	<u>1,053,307</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank loan commission and fees	22,724	21,779
Bank loan repayable partly after five years	840,076	936,552
Unsecured loan stock interest	-	32,736
Other interest	3,620	2,761
	<u>866,420</u>	<u>993,828</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2005 – 30%)	(1,584,490)	(1,529,909)
Adjustment in respect of prior years	(283)	3,842
Total current tax	<u>(1,584,773)</u>	<u>(1,526,067)</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	£	£
Profit on ordinary activities before tax	<u>4,999,950</u>	<u>4,848,903</u>
Tax on profit on ordinary activities before tax at 30% (2005 – 30%)	(1,499,985)	(1,454,671)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(1,323)	(1,050)
Capital allowances in excess of depreciation	(85,725)	(72,894)
Movement in short-term timing differences	2,543	(1,294)
Capitalised revenue expenditure	-	-
Prior year adjustments	(283)	3,842
Current tax charge for year	<u>(1,584,773)</u>	<u>(1,526,067)</u>

Factors affecting future tax charges

A deferred tax asset has not been recognised in respect of timing differences relating to fixed assets as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £520,000 (2005 - £345,000).

7. DIVIDENDS

	2006 £	2005 as restated (see note 14) £
Interim paid - £875,000 (2005 - £1,000,000) per share	1,750,000	2,000,000
Final paid - £1,000,000 (2005 - £nil) per share	<u>2,000,000</u>	<u>900,000</u>
	<u>3,750,000</u>	<u>2,900,000</u>

In accordance with FRS21, "Events after the balance sheet date", dividends are not recognised as liabilities until they have been declared by the Board of directors. The 2004 proposed dividend of £900,000, which was declared and paid in 2005, has therefore been restated and included within the 2005 results. Similarly, the 2005 proposed dividend of £2,000,000, which was declared and paid in 2006, has been restated and included within the 2006 results (see note 14).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

8. TANGIBLE FIXED ASSETS

	A69 Haltwhistle by-pass £	A69 improve- ments £	Plant and equipment £	Total £
Cost				
At 1 April 2005	16,983,000	3,589,932	181,221	20,754,153
Additions	-	363,755	2,683	366,438
Disposals	-	-	(3,963)	(3,963)
At 31 March 2006	16,983,000	3,953,687	179,941	21,116,628
Accumulated depreciation				
At 1 April 2005	6,580,912	596,497	152,581	7,329,990
Charge for the year	849,150	188,358	17,764	1,055,272
Release on disposal	-	-	(3,963)	(3,963)
At 31 March 2006	7,430,062	784,855	166,382	8,381,299
Net book value				
At 31 March 2006	9,552,938	3,168,832	13,559	12,735,329
At 31 March 2005	10,402,088	2,993,435	28,640	13,424,163

9. DEBTORS

	2006 £	2005 £
Trade debtors	1,172,021	1,189,089
Prepayments and accrued income	69,439	171,975
	<u>1,241,460</u>	<u>1,361,064</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 as restated (see note 14) £
Bank loans	1,162,536	1,162,536
Trade creditors	181,167	373,141
Amounts owed to related parties	66,775	2,672
Other creditors including taxation and social security	354,204	318,239
Corporation tax	884,490	829,909
Accruals and deferred income	1,395,972	1,402,855
	<u>4,045,144</u>	<u>4,089,352</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

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

	2006 £	2005 £
Bank loan	<u>9,300,288</u>	<u>10,462,824</u>

12. BORROWINGS

	2006 £	2005 £
Analysis of bank loan repayments:		
Within one year or on demand	1,162,536	1,162,536
Between one and two years	1,162,536	1,162,536
Between two and five years	3,487,608	3,487,608
After five years	<u>4,650,144</u>	<u>5,812,680</u>
	<u>10,462,824</u>	<u>11,625,360</u>

The bank loan is secured by a specific equitable charge over the Haltwhistle by-pass and fixed and floating charges over the remaining 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. CALLED UP SHARE CAPITAL

	2006 £	2005 £
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>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	2005 as restated £
As at 1 April (as previously reported)	1,981,500	2,658,664
Prior year adjustment for adoption of FRS21	2,000,000	900,000
As at 1 April (as restated)	3,981,500	3,558,664
Profit for the financial year	3,415,177	3,322,836
Dividends	(3,750,000)	(2,900,000)
As at 31 March (as restated)	<u>3,646,677</u>	<u>3,981,500</u>

Note on prior year adjustment

In accordance with FRS 21, "Events after the balance sheet date", dividends are not recognised as liabilities until they have been declared by the Board of directors. Therefore the 2004 dividend of £900,000, which was declared and paid in 2005, has been restated and included within the 2005 results. Similarly, the 2005 proposed dividend of £2,000,000, which was declared and paid in 2006, has been restated and included within the 2006 results.

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

	2006 £	2005 £
Operating profit	5,708,746	5,634,391
Depreciation	1,055,272	1,036,457
Decrease/(increase) in debtors	119,604	(154,799)
Decrease in creditors	(98,790)	(595,366)
Net cash inflow from operating activities	<u>6,784,832</u>	<u>5,920,683</u>

16. ANALYSIS OF NET DEBT

	At 1 April 2005 £	Cash flow £	Other non- cash movements £	At 31 March 2006 £
Short-term deposits	917,689	1,537,311	-	2,455,000
Cash at bank and in hand	2,830,760	(2,270,440)	-	560,320
	3,748,449	(733,129)	-	3,015,320
Debt due within one year	(1,162,536)	1,162,536	(1,162,536)	(1,162,536)
Debt due after one year	(10,462,824)	-	1,162,536	(9,300,288)
	<u>(7,876,911)</u>	<u>429,407</u>	<u>-</u>	<u>(7,447,504)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

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

	2006 £	2005 £
Decrease in cash in the year	(733,129)	(1,872,112)
Cash outflow from decrease in debt	1,162,536	1,162,536
	<u>429,407</u>	<u>(709,576)</u>
Movement in net funds/(debt) in the year		
Net debt brought forward	(7,876,911)	(7,167,335)
Net debt carried forward	<u>(7,447,504)</u>	<u>(7,876,911)</u>

18. FINANCIAL INSTRUMENTS

At 31 March 2006, the company had an outstanding interest rate derivative instrument. This was off balance sheet, with a mark to market value of £752,000 (2005 - £795,885).

19. RELATED PARTY TRANSACTIONS

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

	Costs £	Balance owed at 31 March 2006 £
Henry Boot Construction (UK) Limited	93,732	26,967
Henry Boot Plc	18,513	3,246
Pell Frischman Consultants Limited	55,752	3,427
Pell Frischman Concessionaires Limited	35,250	33,135
Autostrada Torino Milano SpA	37,350	-
SINA	7,350	-
	<u>247,947</u>	<u>66,775</u>

During the year ended 31 March 2005, the company was recharged costs of £409,092 by related companies and at 31 March 2005 owed £2,672 to these companies.

20. ULTIMATE 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 its financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The ultimate parent company of Road Link (A69) Holdings Limited is Henry Boot Plc, whose financial statements are publicly available. Henry Boot Plc is incorporated in England and Wales and owns 61% of the issued share capital of Road Link (A69) Holdings Limited. This is the smallest and largest group in which the results of the company are included.

The directors are of the opinion that there is no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

21. POST BALANCE SHEET EVENT

Subsequent to the year-end, the directors have proposed and paid a dividend of £1,250,000 (2005 - £1,750,000) which was paid on 30 June 2006.