EGL
RAIL

ACCOUNTS AND DIRECTORS' REPORT FOR THE YEAR ENDING 31 DECEMBER 2005

COMPANY REGISTRATION NUMBER 3169276

DIRECTORS' REPORT

The Directors submit their Report and the financial statements for the year ended 31 December 2005.

Review of the Period

The profit before taxation for the year was £5.21m (2004: £4.50m). The taxation charge in the year was £1.67m (2004: £1.44m) and the profit and loss reserves of the Company are £1.93m (2004, as restated: £1.79m).

The principal activity of the Company is the concession from Docklands Light Railway Limited ("DLR") to design, construct, finance and maintain the "Lewisham Extension" to the DLR system. The concession length is $24^1/_2$ years. The "Lewisham Extension" takes the DLR system under the River Thames from its previous terminus at Island Gardens on the Isle of Dogs, via Greenwich and onto Lewisham. The operating phase commenced on 20 November 1999.

Dividends

The Company paid an interim dividend of £2.0m in the year (2004: £3.0m). The Directors propose a final dividend of £1.8m (2004: £1.4m).
The dividend paid by the Company during the year 2005 had been restated due to the adoption of Financial Reporting Standard 21 "Post Balance Sheet Events". The impact of this accounting change is that the restated dividend expense for 2005 is £3.4m (2004, as restated: £8.1m).

Charitable and political contributions

During the year ended 31 December 2005 the Company contributed £561 (2004: £690) for charitable purposes. No contributions were made for political purposes (2004: £nil).

Directors

The Directors during the year were:

<u>Director</u>	<u>Status</u>	
D Potts	Non-Executive Chairman	
N W Middleton	Non-Executive Director	
N H Scott-Barrett	Non-Executive Director	
M Alexander	Non-Executive Director	
N Sumiyoshi	Non-Executive Director	
R E Lane	Non-Executive Director	
C W H Chan	Alternate Director	(Appointed 14th June 2005)
K Nishikiori	Alternate Director	(Appointed 14th June 2005)
A S Pearson	Alternate Director	(Appointed 14th June 2005)
C Dennis	Managing Director	
S Takaku	Alternate Director	(Resigned 14th June 2005)
A Friend	Alternate Director	(Resigned 14th June 2005)
N W Taylor	Finance & Commercial Director	(Resigned 31st January 2006)
M H Maes	Non-Executive Director	(Resigned 14th June 2005)

Policy On Payment Of Creditors

The Company has a policy of paying creditors within the terms of the contract agreed with such creditors. The average number of days creditors outstanding at 31 December was 55 (2004: 34).

Directors' Shareholdings

The Directors have no interests in the shares of the Company.

Share Capital

There were no changes in the year.

Internal Control

The directors are responsible for the Company's system of internal control and reviewing its effectiveness. They recognise the importance of a robust control environment to mitigate the key risks of the company and while they consider that the material risks are managed adequately they have decided to adopt some of the key features of the Combined Code of Corporate Governance. Responsibility for overseeing the adoption of this rests with the Audit Committee whose terms of reference have been amended accordingly.

The changes to the Governance structure of the company will entail the creation of an annual audit plan, the appointment of an internal audit resource which will report to the Audit Committee and the preparation of an annual report by the Directors on the adequacy of the control environment in seeking to minimise exposure to residual risks.

In the meantime, the Board has designed the Company's system of internal control in order to provide the directors with assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

There are no significant issues for the year ended 31 December 2005 that have required the Board to deal with any related material internal control issues.

The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period and confirms that the systems and controls that are currently in place are considered sufficient to be satisfied that all key risks to the business are adequately managed and mitigated.

Auditors

A resolution to reappoint KPMG Audit Plc, as auditor will be put to the forthcoming annual general meeting.

By Order of the Board

Director

26 May 2006

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITY GREENWICH LEWISHAM RAIL LINK PLC

We have audited the financial statements of City Greenwich Lewisham Rail Link Plc for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
26 May **2006**

PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2005

	Notes	2005	2004 as restated[1]
		£'000	£'000
Turnover	1	8,090	8,160
Cost of Sales:			
Operating expenses		(4,962)	(5,451)
Net interest for the year	6	1,700	1,795
Operating Profit		4,828	4,504
Exceptional other income	3	378	-
Profit on ordinary activities before taxation	2	5,206	4,504
Taxation on profit on ordinary activities	7	(1,666)	(1,441)
Profit on ordinary activities after taxation and Profit for the financial year		3,540	3,063

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

[1] See note (h) of Accounting Policies

BALANCE SHEET
At 31 December 2005

	Notes	2005 £'000	£'000	2004 as restated[2] £'000	£'000
FIXED ASSETS					
Tangible assets	11		302		342
CURRENT ASSETS					
Stock		206		204	
Debtors - due within one year	12	7,369		7,582	
Debtors - due after more than one year	12	157,123		161,345	
		164,492		168,927	
Investments	13	19,049		12,836	
Cash at bank and in hand		382		441	
		184,129		182,408	
CREDITORS					
Amounts falling due within one year	14	(6,034)		(6,397)	
NET CURRENT ASSETS			178,095		176,011
TOTAL ASSETS LESS CURRENT LIABILITIES			178,397		176,353
CREDITORS					
Amounts falling due after more than one year	15		(166,800)		(166,803)
Provision for liabilities and charges	16		(8,166)		(6,259)
NET ASSETS			3,431		3,291
CAPITAL AND RESERVES					
Called up share capital	17		1,500		1,500
Profit and loss account	18		1,931		1,791
EQUITY SHAREHOLDERS' FUNDS			3,431		3,291

For and on behalf of the Board

Director

26 May **2006**

[2] See note (h) of Accounting Policies

CASH FLOW STATEMENTS

For the Year ended 31 December 2005

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2005 £'000	2004 £'000
Operating profit		4,828	4,504
Exceptional other income		378	-
Net interest for year		(1,700)	(1,795)
Depreciation		44	44
Increase in stock		(2)	(1)
Decrease in debtors and prepayments		4,510	2,341
(Decrease) / Increase in provisions and creditors		(124)	770
Net cash inflow from operating activities		7,934	5,863

CASH FLOW STATEMENT

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities		7,934	5,863
Returns on investments and servicing of finance:			
Interest received		17,525	17,604
Interest paid		(15,620)	(15,762)
Capital expenditure		(4)	(18)
		9,835	7,687
Management of liquid resources	8	6,214	(898)
Financing	9	(281)	(563)
Dividends		(3,400)	(8,100)
Increase / (Decrease) in cash		12,368	(1,874)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	2005 £'000	2004 £'000
Increase / (Decrease) in cash in the period		12,368	(1,874)
Cash movements in respect of increase in liquid resources		(6,214)	898
Amortisation of bond net issue costs		(90)	(90)
Cash outflow from decrease in loans and loan stock financing		281	563
Movement in net debt	10	6,345	(503)

ACCOUNTING POLICIES

a) Basis of preparation of accounts

These accounts have been prepared under the historical cost accounting rules in accordance with the reporting requirements of the Companies Act 1985, together with applicable accounting standards.

b) Fixed assets and depreciation

Tangible fixed assets are stated at historic cost. These consist of freehold properties, computers and office equipment and are depreciated at appropriate rates on a straight line basis to write down the cost of assets to residual value over their estimated useful economic lives, making due allowance for obsolescence in addition to normal wear and tear. The period over which assets are depreciated are as follows:

Motor Vehicles	3 years
Computers and Office Equipment	3 years
Depot Building	22 years

c) Investments

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

d) Deferred taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. In accordance with FRS 19 'Deferred Tax' deferred taxation is provided fully and on a non-discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

e) Stock

Stock is stated at the lower of cost and net realisable value.

f) Debtors

On commencement of operations, the construction costs of the Lewisham Extension were treated as being due from DLR and the amounts recoverable over the life of the concession in relation to this are shown as other debtors. Payments received over the life of the concession are apportioned between principal repayments, finance income and service income.

g) Heavy maintenance provision

The Company is obliged by its Concession Agreement inter alia, to repair and maintain the Lewisham Extension and to hand back the Lewisham Extension to DLR Limited on termination in a specified condition. A provision is therefore made, on a discounted basis, for heavy maintenance costs other than regular maintenance and repairs expenditure, based upon a specific maintenance programme. The unwinding of the discount is included in other finance costs and interest.

h) FRS 21 – Events after balance sheet date.

During the year the company adopted FRS21 Events after the balance sheet date which superseded SSAP17. Under the new standard, final dividends payable are recognised only in the period in which they are declared in the annual general meeting and therefore become a liability and interim dividends are recognised in the period in which they are paid, whereas under SSAP17 dividends were accrued for when proposed. This has resulted in an increase of £1.40million in retained profit for the year ended 31 December 2004.

NOTES TO THE ACCOUNTS

1. TURNOVER

	2005 £'000	2004 £'000
Amount receivable under Concession Agreement	27,919	27,508
Interest and capital repayment	(20,713)	(20,544)
Maintenance service fee	7,206	6,964
Other income	884	1,196
Total Turnover	8,090	8,160

Other income relates to revenue received from third party contracts and from DLR in relation to work completed by the Concessionaire as enhancement to the infrastructure.

2. PROFIT AND LOSS ACCOUNT

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging:		
Fee paid to the auditor for:		
audit services	18	12
non-audit services	58	91
Depreciation	44	44

3. EXCEPTIONAL OTHER INCOME

Exceptional income received in 2005 was £378,550 (2004: Nil). This was received as per the terms of the Concession Agreement, related to a transaction concerning the Deal Gateway site situated near Deptford station site between DLR Limited and a third party.

4. EMPLOYEES

The average number of persons employed during the year was 21 (2004: 21).

The aggregate payroll cost was:	2005 £'000	2004 £'000
Wages and salaries	973	900
Social Security costs	104	91
Pension costs	32	31
	1,109	1,022

The Company contributes to a defined contribution pension scheme for its employees. The total cost in the year was £31,721 (2004: £30,576). At the year end , £2,746 contribution was owing to the scheme administrator.

NOTES TO THE ACCOUNTS (continued)

5. DIRECTORS' REMUNERATION

	Salary 2005 £	Bonus 2005 £	Benefits 2005 £	Pension 2005 £	Total 2005 £
N Taylor	82,400	20,000	6,000	6,180	114,580
C Dennis	33,500	14,000	4,200	2,513	54,213

Included in the accounts and detailed below, are charges made by the shareholder companies for the services of Directors as follows:

	2005		2004	
	Executive £'000	Non-Executive £'000	Executive £'000	Non-Executive £'000
Mowlem PLC	56	-	129	-
Duchesspark Limited	-	23	-	22
MBK Rail Link Finance Limited	-	12	-	11
EDF Energy (Enterprises) Limited	-	12	-	11
Laing Investments Limited	-	23	-	22
	56	70	129	66

Included in the accounts are charges made for the services of C. Dennis, by Mowlem PLC, in the sum of £56,332.

6. INTEREST

	2005 £'000	2004 £'000
Interest receivable from bank deposits	771	598
Interest payable on Eurobond	(15,469)	(15,469)
Other interest payable to related parties	(339)	(248)
Premium on issue of Eurobond amortised in period	24	24
Issue costs of Eurobond amortised in period	(114)	(114)
Other interest receivable	16,827	17,004
Net interest credited to profit and loss	1,700	1,795

The other interest payable to related parties is in respect of the mezzanine loan facility provided by Mitsui & Co UK PLC and EDF Energy plc (formerly known as London Electricity PLC). Other interest receivable relates to financing income due on the DLR debtor as described in Note 12.

NOTES TO THE ACCOUNTS (continued)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2005 £'000	2004 £'000
Current tax	-	-
Deferred taxation (note 16)	(1,666)	(1,441)
	(1,666)	(1,441)

Factors affecting tax charge for the year

The current tax assessed differs from the application of the standard rate of corporation tax in the UK (30%) to the Company's profit before taxation for the following reasons:

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	5,206	4,504
Tax at the standard rate on profit on ordinary activities	1,562	1,351
Capital allowances in excess of amortisation of debtor	(1,562)	(1,351)
Total current tax	-	-

Factors that may affect future tax charges

The Company is not aware of any factors that may affect future tax charges.

8. MANAGEMENT OF LIQUID RESOURCES

	2005 £'000	2004 £'000
Net receipt / (payment) from fixed term and call deposits	6,214	(898)

9. FINANCING

	2005 £'000	2004 £'000
Repayment of Mezzanine Loan	(281)	(563)

NOTES TO THE ACCOUNTS (continued)

10. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2005 £'000	Cash Flows £'000	Other Changes £'000	At 31 Dec 2005 £'000
Cash at bank	441	(59)	-	382
Debt due after more than one year	(166,675)	281	(90)	(166,484)
Current asset investments	12,836	6,213	-	19,049
	(153,398)	6,435	(90)	(147,053)

11. TANGIBLE FIXED ASSETS

	Freehold Building £'000	Other Fixed Assets £'000	Total Fixed Assets £'000
Cost			
At the beginning of the year	418	275	693
Additions	-	4	4
Disposals	-	(9)	(9)
At the end of the year	418	270	688
Depreciation			
At the beginning of the year	115	236	351
Charge for the year	21	23	44
Disposals	-	(9)	(9)
At the end of the year	136	250	386
Net Book Value			
At 31 December 2005	282	20	302
At 31 December 2004	303	39	342

NOTES TO THE ACCOUNTS (continued)

12. DEBTORS

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Trade debtors	2,491	2,877
Interest receivable	74	2
Prepayments	847	915
FRS5 Debtor	3,886	3,540
Other Debtors	71	248
	7,369	7,582
Amounts falling due after more than one year:		
FRS5 debtors	157,123	161,345

FRS5 debtors represent payments due from DLR in respect of the Concession Agreement. These payments are recoverable over the remaining life of the Concession Agreement starting from the date operation commenced, 20 November 1999. The debtor can be analysed as follows:

	2005 £'000	2004 £'000
Other debtors due within one year	3,886	3,540
Other debtor due after more than one year	157,123	161,345
Total DLR debtor	161,009	164,885
At beginning of year	164,885	167,901
Interest receivable	16,827	17,004
Interest and capital repayments	(20,713)	(20,544)
Capitalised expenditure	10	524
Released	-	-
At end of year	161,009	164,885

13. CURRENT ASSET INVESTMENTS

	2005 £'000	2004 £'000
Fixed term and call deposits	19,049	12,836
Original maturity dates are as follows:		
Within three months	19,049	12,836
Over three months	-	-
	19,049	12,836

All investments with original maturity date within three months at 31 December 2005 had a maturity date of 5th January 2006.

NOTES TO THE ACCOUNTS (continued)

14. CREDITORS - Amounts falling due within one year

	2005 £'000	2004 as restated £'000
VAT payable	494	796
Trade creditors	807	513
Deferred income	267	50
Interest payable on Eurobonds	3,475	3,475
Accruals	991	1,563
	6,034	6,397

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

	2005 £'000	2004 £'000
Eurobonds (see below)	163,673	163,582
Deferred income - other	57	57
Mezzanine Loan	2,812	3,094
Interest payable on mezzanine loan	258	70
	166,800	166,803

The Bonds were issued in 1996 and are repayable on a scheduled basis from 2006 to 2020. Interest is payable half yearly in April and October.

	Interest Rate %	Net proceeds £'000	Original Net Issue costs £'000	Nominal Value £'000
Eurobonds 2020	9.375	162,835	2,165	165,000

Original net issue costs represent issue costs of £ 2.75m less £0.58m of premium received on issue.

	2005 £'000	2004 £'000
Eurobonds at beginning of year	163,582	163,491
Amortisation of issue costs	115	115
Amortisation of premium received on issue	(24)	(24)
Eurobonds at end of year	163,673	163,582

NOTES TO THE ACCOUNTS (continued)

The net issue costs are amortised at a constant rate over the total life of the Bonds. The Bonds are secured by first priority charges over the whole of the Company's undertaking, property and assets. The market value of the bonds at 19 May 2006 was £198 million.

The mezzanine loans bear interest at LIBOR plus 3.5% and are repayable in 16 equal, semi-annual instalments commencing from 2 years after the Operating date, subject to certain financial tests being met. During the year 1/16th of the loan, and interest accrued was repaid.

At 31 December 2005, the Company had a Working Capital facility of £2 million which is available until 30 August 2006 or such later date as HSBC Bank agree. The Company had no drawings under this facility at 31 December 2005.

The Company received a grant of £5.8m from the London Borough of Lewisham as part of the original financing structure. The grant is repayable if certain specified events occur. The repayment obligation reduces by one fifth on each anniversary of the issuance of the Completion Certificate. As at 31 December 2005, the repayment obligation was £1.16m. Subsequent to the year end this was reduced to Nil. This contingent obligation was guaranteed by HSBC Bank plc and in 2003, an agreement was reached with London Borough of Lewisham to release CGL Rail from paying any further commitment fee to HSBC Bank plc, in exchange for a settlement fee of £64,000.

16. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax £000's	Heavy Maintenance £000's	Total £000's
At beginning of the year	5,635	624	6,259
Charge in the year	1,666	241	1,907
Payment for consortium relief	-	-	-
At end of year	7,301	865	8,166

Deferred taxation in respect of capital allowances and short term timing differences is fully provided as follows:

	2005 £000's	2004 £000's
Accelerated capital allowances	7,301	5,635
Short term timing differences	-	-
	7,301	5,635

NOTES TO THE ACCOUNTS (continued)

17. SHARE CAPITAL

Authorised share capital at beginning and end of year

12,500,000 ordinary shares of £1 each

Allotted, called up and fully paid	**Number of shares**	**£'000**
As at beginning and end of year		
Ordinary shares of £1 each fully paid	1,500,000	1,500

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Profit & Loss Account	**Share Capital**	**Total**
	£'000	**£'000**	**£'000**
As at beginning of year	391	1,500	1,891
Prior year adjustment	1,400	-	1,400
At beginning of year as restated	1,791	1,500	3,291
Profit for the year	3,540	-	3,540
Dividends	(3,400)	-	(3,400)
As at end of year	1,931	1,500	3,431

19. RELATED PARTIES

The main construction contract for the Lewisham Extension was placed with LRG Contractors, an unincorporated joint venture set up between John Mowlem Construction plc, Nishimatsu Construction Co. Limited and MBK Rail Link Construction Limited, the latter being a company owned by Mitsui and Co. UK PLC and Mitsui and Co. Limited.

There were no amounts arising to related parties at 31 December 2005.

Note 6 details the amount of interest payable on Mezzanine facilities made available by EDF Energy plc and Mitsui & Co. UK plc.

There were no other material transactions with related parties.