

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 MARCH 1999**

Company Registration No: 3310620



UK HIGHWAYS MANAGEMENT SERVICES LIMITED

Directors

J M James
S N Jones
A C Roper
A J H Ewer
E R Sharples
F R Herzberg

Company Secretaries

R G Curtis LLB ACIS
J P George

Auditors

KPMG
8 Salisbury Square
London EC4Y 8BB

Principal Bankers

National Westminster Bank PLC
PO Box 237
72/74 High Street
Watford
Herts WD1 2BQ

Lawyers

Cameron McKenna
Mitre House
160 Aldersgate Street
London EC1A 4DD

Registered office

PO Box 295,
Alexandra Gate,
Rover Way,
Cardiff, CF24 5UE

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with financial statements for the year ended 31 March 1999.

PRINCIPAL TRADING ACTIVITIES

The principal activity of the Company is to carry on the business of bidding for and managing companies which design, build, finance and operate (DBFO) roads projects in the United Kingdom as part of the Private Finance Initiative.

During the year the Company provided management services to UK Highways M40 Limited, which is responsible for the M40 DBFO project for junctions 1 to 15 of the M40 motorway, and UK Highways A55 Limited, which is responsible for the A55 DBFO project for a new trunk road in Anglesey, North Wales.

The profit on ordinary activities after taxation for the year was £ nil.

The directors do not recommend the payment of a dividend.

The Company is a wholly owned subsidiary of UK Highways plc.

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 9.

DIRECTORS

The following directors held office during the year:

	<u>Appointed</u>	<u>Resigned</u>
J Armstrong	14 November 1997	1 June 1999
J M James	14 November 1997	
S N Jones	14 November 1997	
M J Lavers	14 November 1997	30 June 1998
B Pellard	14 November 1997	19 April 1999
R Weston	14 November 1997	22 March 1999
A C Roper	22 March 1999	
E R Sharples	19 April 1999	
F R Herzberg	19 April 1999	
A J H Ewer	23 June 1999	

DIRECTORS' INTERESTS

No director has, or has held at any time during the year, any interest in the share capital of the Company, or in the share capital of the Company's parent company, UK Highways plc.

No director has a service contract with or receives any remuneration from the Company. No director has, or had during the year, any personal interest in any significant or material contract with the Company.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

YEAR 2000

Having undertaken a review of the impact of the year 2000 on its financial and other systems the directors do not believe that it represents a significant risk. Expenditure on any remedial work is likely to be negligible.

POLICY ON PAYMENT OF CREDITORS

It is policy to comply with the terms of supply agreed with suppliers. Where payment terms are not negotiated the Company endeavours to adhere with the suppliers' standard terms.

DIRECTORS' RESPONSIBILITIES

The Board is responsible to the Shareholders for all aspects of the Company's performance and meets on a regular basis to review the strategic direction of the Company and to monitor performance against an approved business plan and budget.

The directors are required by UK company law to prepare financial statements for each financial year that 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 year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are also 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 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.

All directors have access to the advice and services of the Joint Company Secretaries, who are responsible for ensuring that Board procedures and all applicable rules and regulations are observed, and, where appropriate, to external advisors.

AUDITORS

A resolution for the reappointment of KPMG as auditors will be proposed at the next annual general meeting.

By Order of the Board



J P George

Joint Company Secretary

Registered Office: PO Box 295, Alexandra Gate, Rover Way, Cardiff, CF24 5UE

28 OCTOBER 1999

AUDITORS' REPORT

To the members of UK Highways Management Services Limited

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

29 October 1999

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	Note	1999 £'000	1998 £'000
Other operating income	2	3,091	1,238
Administrative costs	3	(3,102)	(1,238)
		<hr/>	<hr/>
Operating loss		(11)	-
Interest received		11	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	-
Taxation		-	-
		<hr/>	<hr/>
Profit for the year		-	-
		<hr/>	<hr/>

All gains and losses are recognised in the profit and loss account.

All items in the profit and loss account relate to continuing operations.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	Note	1999 £'000	1998 £'000
CURRENT ASSETS			
Debtors due within one year	6	851	958
Cash at bank and in hand		193	9
		<u>1,044</u>	<u>967</u>
CREDITORS: amounts falling due within one year	7	<u>(1,044)</u>	<u>(967)</u>
NET CURRENT ASSETS		<u>-</u>	<u>-</u>
CAPITAL AND RESERVES			
Called up share capital		-	-
Allotted, called up and fully paid	9	-	-
Profit and loss account		-	-
EQUITY SHAREHOLDERS' FUNDS	10	<u>-</u>	<u>-</u>

The financial statements on pages 4 to 8 were approved by the Board of Directors on 28 October 1999 and were signed on its behalf by:


 Director

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 1999

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Accounting Standards in the United Kingdom and comply with the Companies Act 1985. A summary of the principal accounting policies, which have been consistently applied, is shown below.

The Company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with other group undertakings.

Under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a Cashflow Statement as it qualifies as a small company.

Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2. OTHER OPERATING INCOME

Other operating income principally comprises charges to the shareholders for work involved in bidding for new DBFO roads projects and to UK Highways M40 Holdings plc for managing the M40 DBFO project.

3. ADMINISTRATIVE COSTS

	1999 £'000	1998 £'000
Fees paid to auditors:		
Audit services	3	3

4. EMOLUMENTS OF DIRECTORS

The directors did not receive any remuneration during the year.

5. STAFF NUMBERS AND COSTS

The company had no employees during the year. Staff are seconded from the shareholders as required and remain employees of the shareholder.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 1999

NOTES TO THE ACCOUNTS (Continued)

6. DEBTORS	1999	1998	
	£'000	£'000	
Due within one year:			
VAT recoverable	-	45	
Accrued income	-	50	
Amounts due from related parties:	851	863	
	851	958	
7. CREDITORS	£'000	£'000	
Amounts falling due within one year:			
Amounts due to related parties	253	564	
Other creditors	-	255	
Accruals		651	11
Deferred income from related parties	-	137	
VAT payable	140	-	
	1,044	967	
8. CAPITAL COMMITMENTS			
The Company had no capital commitments at the year end.			
9. CALLED UP SHARE CAPITAL			
	Number		
Authorised, allotted called up and fully paid - £1 Ordinary shares	1		
10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	1999	1998	
	£'000	£'000	
Profit for the year	-	-	
Opening shareholders' funds	-	-	
Shares issued	-	-	
Closing shareholders' funds	-	-	

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 1999

NOTES TO THE ACCOUNTS (Continued)

11. RELATED PARTY TRANSACTIONS

The shareholders of UK Highways plc are Carillion Private Finance Limited (formerly Tarmac (PFI) Limited), John Laing Investments Limited and Hyder Investments Limited. These companies are also major shareholders in UK Highways M40 Holdings plc and UK Highways A55 (Holdings) Limited. The Company has a management agreement with both companies to manage the DBFO projects. Amounts receivable in respect of management fees were £292,000 from UK Highways M40 Limited and £153,000 from UK Highways A55 Limited.

The shareholders provide staff and other services to the Company under management agreements to allow the company to perform its obligations to UK Highways M40 Holdings plc, UK Highways A55 Ltd and for bidding for new DBFO Projects. During the year these costs were £2,554,000, split equally between the shareholders.

The Company charges the shareholders for costs, including third party costs, incurred on bidding for new projects. This income was £457,000 during the year, split equally between the shareholders.

Carillion Construction Limited and John Laing Construction Limited, subsidiaries of Carillion plc (formerly Tarmac plc) and John Laing plc, respectively, are contracted to provide services relating to bidding for new projects.

The balances outstanding at the year end to and from related parties under these arrangements are disclosed in notes 6 and 7.

12. COMPANY STATUS

The company is a wholly owned subsidiary undertaking of UK Highways plc, a company registered in England and Wales.