

**Macquarie Motorways Group Limited**  
**Annual report and financial statements**  
**for the year ended 30 December 2014**

Registered number: 05879935



# **Macquarie Motorways Group Limited**

## **Annual report and financial statements for the year ended 30 December 2014**

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# **Macquarie Motorways Group Limited**

## **Directors and advisors**

### **Directors**

T J Fanning    Chief Executive Officer  
P Trent  
R Abel  
G Parcell

### **Company Secretary**

D A Slater

### **Registered office**

Macquarie Motorways Group Limited  
Operations Centre  
Express Way  
Weeford  
Lichfield  
Staffordshire  
WS14 0PQ

### **Bankers**

Barclays Bank  
Barclays Corporate  
PO Box 3333  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B3 2WN

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

# Macquarie Motorways Group Limited

## Strategic report for the year ended 30 December 2014

The directors present their Strategic report for the company for the year ended 30 December 2014.

### Principal activities

The principal activity of the company is that of an investment holding company. The principal activity of its only operating subsidiary, Midland Expressway Limited ('MEL'), is the financing and operation of the 27-mile M6 Toll motorway, under a 53 year Concession Agreement with the Government running from 26 January 2001 and expiring in 2054.

### Business review

The trading results for the year and the company's financial position are shown in the attached financial statements.

As at 30 December 2014 the company had net current assets of £1,115,227k (2013: net current assets £934,356k).

The terms of the restructuring, entered into on 13 December 2013, permitted each of the swap counterparties to close out their exposures, in whole or in part and at their sole discretion, at the prevailing mark-to-market position at any time before 10 July 2015. At the date of each close out, the relevant swap counterparty is entitled to be issued with new loan notes ranking *pari passu* with existing senior facilities. The mark-to-market position is subject to a number of market factors, and hence the company has been exposed to fluctuations in its debt liabilities until each of the swap counterparties has closed its position in its entirety.

One of the swap counterparties closed out its exposure in full during the year, on 17 and 18 March 2014, with the swap valued at £144,110k.

Under an agreement reached between the swap counterparties, the senior creditors and the company the remaining swap exposures were closed out post year end between 19 March and 31 March 2015 with a total value of £728,996k.

After the last swap closed out on 31 March 2015, the aggregate senior debt (comprising the term loan, capital expenditure facility and closed-out swap amounts) stood at £1,884,017k and was divided into two tranches:

- The first tranche, totalling £800,000k, will remain an obligation of Macquarie Motorways Group Limited ('MMG') with a maturity date of 1 June 2020, and will have certain covenants attached. The loan is secured by way of a debenture over subsidiary company MEL's assets. Interest on the loan will be charged at a floating rate at a margin over the London Inter-Bank Offered Rate.
- The second tranche totalling £1,084,017k consisting of the remaining balance of the pre-restructuring debt has been novated by the company to its immediate parent company, Peregrine Motorways Limited ('PML'). The second tranche will be unsecured and will only become payable if the group generates sufficient cash flows to allow payment and will have no recourse to the group.

### Future developments

The company does not envisage any changes in activity for the foreseeable future.

### Key performance indicators

Given the straightforward nature of the business and the information provided elsewhere in this report, the directors are of the opinion that the publication of further KPIs is not necessary for an understanding of the development, performance or positioning of the business.

# Macquarie Motorways Group Limited

## Strategic report for the year ended 30 December 2014 (continued)

### Principal risks and uncertainties

The business risks that affect the company are principally the risks that affect the infrastructure project that the company has invested in.

The company's key operational and financial risks are set out below along with the risk management policies put in place to mitigate these risks.

- The continuing availability of finance to the company
- The company and its subsidiary undertake regular financial forecasting to monitor compliance with financial covenants.
- The continued ability of the subsidiary operating company to collect tolls over the life of the concession, and not being discriminated against by change in government policy
- The subsidiary company has an excellent relationship with Highways England /Department for Transport and maintains a dialogue on a number of initiatives to enhance or at least maintain the M6 Toll's key position within the region's major road network and ensures it remains compliant with the Concession Agreement.
- Increased competition from other routes as a result of continued government capital spending
- The subsidiary company seeks to address such competition by providing exemplary service to customers as well as adding value, in order to build long term customer loyalty.

As part of the debt refinancing of the M6 Toll in August 2006, MEL acceded to a formal obligation with the Secretary of State to contribute up to a maximum of £70,000k towards a road enhancement project which would provide a motorway to motorway link between the M54 to the M6 Toll. The commitment amount is indexed according to the Road and Construction Tender Index from May 2006. Options for the development of a link remain as one of eighteen major transport projects identified in the Secretary of State's announcement of 26 October 2010. The proposal is contained within the 5 year Highways England (formerly the Highways Agency prior to 1 April 2015) Plan which currently states that works are scheduled to begin in 2018/2019 and the road will open for traffic in 2021/2022. MEL has made its representations on the concepts following a public consultation that was completed in January 2015. An announcement on a preferred route option is anticipated in late 2015. The company and its consultants are monitoring the position and will engage further with Highways England to mitigate and quantify the risk. If the project meets the criteria set out in the agreement then the company would have to provide finance to MEL in order to meet its obligations.

### Operational risk management

All Board members are aware of their risk management responsibilities and risk management is on the agenda and discussed at Board meetings on a regular basis. The Board has appointed the CEO to direct the planning, implementation and overview of risk management arrangements across all departments and activities and to report to the Board on risk management performance. As a minimum this will include identification of significant risks, actions to reduce, mitigate or control such risks, ranking of residual risks and the names of allocated risk managers.

# **Macquarie Motorways Group Limited**

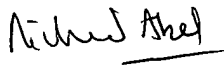
## **Strategic report for the year ended 30 December 2014 (continued)**

### **Financial risk management**

During the year the company has both interest bearing assets and interest bearing liabilities. The company has entered into a number of interest rate swap agreements to minimise the risk of adverse interest rate movements on bank loan liabilities.

The company has interest bearing assets consisting of short term deposits and cash balances. The company has a policy of maximising income from short term deposits via the monitoring of cash balances to ensure working capital requirements are at an appropriate level to fund its operations.

This report was approved by order of the Board on 22 May 2015 and signed on its behalf by:



R Abel  
Director  
22 May 2015

# **Macquarie Motorways Group Limited**

## **Directors' report for the year ended 30 December 2014**

The directors present their annual report and the audited financial statements of the company for the year ended 30 December 2014.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Disclosure of information to auditors**

In case of each of the persons who are in office at the date the directors' report is approved, under Section 418 of the Companies Act 2006, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Future developments**

Future developments have been discussed within the Strategic report.

### **Financial risk management**

Financial risk management has been discussed within the Strategic report.

### **Results and dividends**

The loss for the financial year was £214,929k (2013: profit £824,477k). The directors have not recommended a dividend (2013: none).

# **Macquarie Motorways Group Limited**

## **Directors' report for the year ended 30 December 2014 (continued)**

### **Directors**

The directors of the company during the year and up until the date of signing the financial statements, unless otherwise stated, were:

T J Fanning

P Trent

R Abel

G Parcell                      Non-Executive

Subsequent to the year end T J Fanning has given notice of his intention to resign, from the board and the company, as of 31 May 2015.

### **Directors' indemnity insurance**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors.

### **Charitable and political contributions**

During the financial year ended 30 December 2014 the company made donations totalling £nil (2013: £nil).

There were nil donations to political parties (2013: £nil).

### **Environmental policy**

The company recognises that its activities impact on the environment to some degree, and aims to secure positive advantages and reduce negative impacts through a system of active environmental monitoring and management, which will in many cases, contribute positively to its future performance.

The company aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- prevent pollution from activities;
- plan the contingency/emergency response for major incidents, with other environmental stakeholders, to minimise environmental impact;
- engender within staff and, as far as practicable, contractors, a culture of awareness and responsibility for relevant environmental issues by promoting this Policy internally;
- develop, implement and audit an Environmental Management System (EMS) to support these aims;
- maintain certification to ISO 14001 'Environmental management systems' gained on 15 December 2006, and
- promote its environmental-friendly credentials as widely as possible.

### **Health and safety**

The company is committed to complying with applicable health and safety legislation and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.



# Macquarie Motorways Group Limited

## Directors' report for the year ended 30 December 2014 (continued)

### Health and safety (continued)

The company achieved certification to the Occupational Health and Safety Standard OHSAS 18001 in July 2005, and has signed up to a partnership agreement with Lichfield District Council on safety and health.

### Events occurring after the balance sheet date

Under the terms of the restructuring, the three remaining swap counterparties closed out their exposures during March 2015, and were issued with new loan notes ranking *pari passu* with existing senior facilities at a close out value of £728,996k. This brings the aggregate senior debt to £1,884,017k.

After the last swap closed out on 31 March 2015, the aggregate senior debt was divided into two tranches:

- The first tranche, totalling £800,000k, will remain an obligation of the company with a maturity date of 1 June 2020, and will have certain covenants attached. The loan will be secured by way of a debenture over MEL's assets. Interest on the loan will be charged at a floating rate at a margin over the London Inter-Bank Offered Rate.
- The second tranche totalling £1,084,017k consisting of the remaining balance of the pre-restructuring debt has been novated by the company to its immediate parent company, PML. The second tranche will be unsecured and will only become payable if the group generates sufficient cash flows to allow payment and will have no recourse to the group.


### Going concern

A full and detailed assessment of going concern has been carried out and considered by the directors. As part of this process, detailed cash flow forecasts have been produced for a period of 12 months from the date of this report. Based on these forecasts, the company is expected to be able to comply with its financial covenants for a period of at least twelve months from the date of signing the financial statements.

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered. The subsidiary trading company MEL's traffic and cash flow forecasts have been formulated prudently and headroom for the next twelve months is considered sufficient under a range of downside trading scenarios.

Based on the above, and the enquiries made by the directors, the financial results have been prepared on a going concern basis, which assumes that the company will be able to meet its liabilities as and when they fall due for the foreseeable future.

This report was approved by order of the Board on 22 May 2015 and signed on its behalf by:



R Abel  
Director  
22 May 2015

# **Independent auditors' report to the members of Macquarie Motorways Group Limited**

## **Report on the financial statements**

### **Our opinion**

In our opinion, Macquarie Motorways Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

Macquarie Motorways Group Limited's financial statements comprise:

- the balance sheet as at 30 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# **Independent auditors' report to the members of Macquarie Motorways Group Limited (continued)**

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Jackie Bradshaw (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
16 May 2015

# Macquarie Motorways Group Limited

## Profit and loss account for the year ended 30 December 2014

	Note	2014 £'000	2013 £'000
Administrative expenses		(100)	(89)
<b>Operating loss</b>	2	<b>(100)</b>	<b>(89)</b>
Inter-company loan extinguished as part of fundamental re-organisation of the group	9	-	1,055,456
Interest receivable and similar income	4	55,949	55,505
Interest payable and similar charges	4	(270,778)	(286,395)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(214,929)</b>	<b>824,477</b>
Tax on (loss)/profit on ordinary activities	5	-	-
<b>(Loss)/profit for the financial year</b>	13	<b>(214,929)</b>	<b>824,477</b>

The above Profit and loss account should be read in conjunction with the accompanying notes on pages 12 to 23.

All the above amounts relate to continuing operations.

The above results represent the company's total recognised gains and losses in the financial year and therefore no separate statement of gains and losses has been presented.

There is no difference between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the financial years stated above, and their historical cost equivalents.

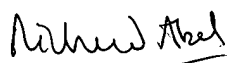
# Macquarie Motorways Group Limited

## Balance sheet as at 30 December 2014

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Investments	6	-	-
<b>Current assets</b>			
Investments	6	556,217	547,145
Debtors	7	1,245,341	1,024,990
Cash at bank and in hand	8	44,125	18,453
		<b>1,845,683</b>	<b>1,590,588</b>
Creditors: amounts falling due within one year	9	(730,456)	(656,232)
<b>Net current assets</b>		<b>1,115,227</b>	<b>934,356</b>
<b>Total assets less current liabilities</b>		<b>1,115,227</b>	<b>934,356</b>
Creditors: amounts falling due after more than one year	10	(1,147,735)	(1,002,280)
<b>Net liabilities</b>		<b>(32,508)</b>	<b>(67,924)</b>
<b>Capital and reserves</b>			
Called up share capital	11	2,000	2,000
Capital contribution account	12	1,017,909	767,564
Profit and loss account	12	(1,052,417)	(837,488)
<b>Total shareholders' deficit</b>	13	<b>(32,508)</b>	<b>(67,924)</b>

The above Balance sheet should be read in conjunction with the accompanying notes on pages 12 to 23.

The financial statements on pages 10 to 23 were approved by the Board of Directors on the date shown below. Signed on behalf of the Board of Directors by:



R Abel  
Director  
22 May 2015

Registered number: 05879935

# **Macquarie Motorways Group Limited**

## **Notes to the financial statements for the year ended 30 December 2014**

### **1. Principal accounting policies**

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as a parent of the Macquarie Motorways Group Limited group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its ultimate parent PML, which are publicly available.

#### **Basis of preparation**

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The accounting policies adopted, which have been applied consistently, are described below.

Certain captions such as turnover and cost of sales, as prescribed in the Companies Act 2006, do not have meaningful equivalents for the business of the company and are not specified in the financial statements. Accordingly, the precise format requirements of the Companies Act 2006 have been varied as, in the opinion of the Directors, this is necessary in order to show a more appropriate view of the company's position.

#### **Going concern**

A full and detailed assessment of going concern has been carried out and considered by the directors. As part of this process, detailed cash flow forecasts have been produced for a period of 12 months from the date of this report. Based on these forecasts, the company is expected to be able to comply with its financial covenants for a period of at least twelve months from the date of signing the financial statements.

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered. The subsidiary trading company MEL's traffic and cash flow forecasts have been formulated prudently and headroom for the next twelve months is considered sufficient under a range of downside trading scenarios.

Based on the above, and the enquiries made by the directors, the financial results have been prepared on a going concern basis, which assumes that the company will be able to meet its liabilities as and when they fall due for the foreseeable future.

#### **Cash flow statement**

The company has taken advantage of the exemption under the rules of Financial Reporting Standard (FRS) 1 'Cash Flow Statements' (revised) not to produce a cash flow statement. The results are included in the consolidated financial statements of PML, which are publicly available.

#### **Taxation and deferred taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided fully in respect of all timing differences between the accounting and tax treatment of income and expenses at the reporting date, the anticipated reversal of which will result in a change in future liability to tax. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and law measured on a non-discounted basis.

# **Macquarie Motorways Group Limited**

## **Notes to the financial statements for the year ended 30 December 2014 (continued)**

### **1 Principal accounting policies (continued)**

#### **Taxation and deferred taxation (continued)**

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 against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted.

#### **Borrowings**

Borrowings are carried at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are allocated over the years of the borrowing to achieve a constant rate on the carrying amount.

#### **Interest**

Interest receivable and payable is brought to account on an accruals basis.

#### **Fixed and current asset investments**

Fixed and current asset investments are stated at cost less provisions for impairment.

#### **Impairment of assets**

At each balance sheet date, the carrying amount of fixed asset investments is assessed periodically to determine whether there are any indications of impairment. If that is the case, an impairment charge is taken against the carrying amount of the assets, if that is higher than the recoverable amount. The impairment of fixed asset investment is recognised as an expense in the profit and loss account.

The recoverable amount of the asset is determined as the higher of the net realisable value and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets which generate cash inflows that are largely independent of those from other assets or groups of assets.

#### **Derivative financial instruments**

The company uses derivative financial instruments to reduce exposure to interest rate movements. The interest receivable and payable on interest rate swap agreements are included in the interest charge for the year. The fair values of the instruments themselves are not recognised in the financial statements until the contingency surrounding the swap agreements crystallises in accordance with FRS 4.

#### **Cash at bank and in hand**

Cash at bank, call deposits and other short-term highly liquid investments are disclosed within cash at bank.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 2 Operating loss

	2014	2013
	£'000	£'000
<b>Operating loss is stated after charging:</b>		
Fees payable to company's auditor		
- Fees payable for the audit	41	55
- Fees payable for other services - tax compliance services	19	-

During the year the company paid £3k (2013: £3k) of audit fees in relation to its parent company PML.

### 3 Employees and directors

The company had no employees during the year (2013: nil). During the year ended 30 December 2014 and the year ended 31 December 2013, all directors except for Messrs T J Fanning and G Parcell were employed by and received remuneration from subsidiaries of Macquarie Group Limited (MGL). The directors perform director duties for multiple entities in connection with their employment by the Macquarie Group as well as their employment duties with Macquarie Investments. Consequently, allocating their employment compensation across all these duties would mean any amounts allocated to their director duties for the company would be an immaterial nominal amount. Accordingly, no separate remuneration has been disclosed. No recharge of this remuneration is made to the company.

The emoluments of Messrs T J Fanning and G Parcell are paid by MEL which makes no recharge to the company. Both are also directors of MEL and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies. Accordingly, the emoluments to Messrs T J Fanning and G Parcell have not been separately disclosed.



# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 4 Interest payable and receivable

	2014	2013
	£'000	£'000
<b>Interest payable and similar charges:</b>		
Interest payable on bank loans	24,254	20,608
Interest payable on loan from related undertakings	-	61,877
Net interest expense on interest rate swap	245,069	200,511
Loan issue cost amortisation	1,345	3,176
Bank fees	110	223
	<b>270,778</b>	<b>286,395</b>
<b>Interest receivable and similar income:</b>		
On bank deposits	111	140
Interest receivable on loan to subsidiary undertakings	55,838	55,365
	<b>55,949</b>	<b>55,505</b>

Included in the net interest expense on interest rate swap is £200,658k (2013: £147,732k) which crystallised during the year as a consequence of the refinancing of the company's liabilities that occurred in December 2013 as described in note 9.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 5 Tax on (loss)/profit on ordinary activities

The tax assessed for the year is higher (2013: lower) than the standard rate of corporation tax in the UK 21.50% (2013: 23.25%). Factors affecting the current tax charge for the year are as follows:

	2014	2013
	£'000	£'000
<b>Reconciliation of current tax charge</b>		
(Loss)/profit on ordinary activities before taxation	(214,929)	824,477
(Loss)/profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK 21.5% (2013: 23.25%)	(46,210)	191,691
Effects of:		
Timing difference – interest payable to Macquarie Atlas Roads International Limited on payment basis	-	2,034
Timing difference – interest payable to Tollway Holdings Limited on payment basis	-	12,351
Inter-company loans extinguished – income not taxable	-	(245,393)
Interest disallowance due to interest cap adjustment	1,502	3,494
Losses not utilised in the current year	44,708	35,823
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

The effective tax rate used for the year ended 30 December 2014 was 21.50% (23% from 1 January 2014 to March 2014 and 21% from 1 April 2014 to 30 December 2014).

#### Deferred tax

The company has carried forward tax losses at 30 December 2014, which could give rise to a potential deferred tax asset of £126,650k (2013: £84,009k).

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 6 Investments

Subsidiary undertaking	Country of corporation	Principal activity	Year end	Class and percentage of shares held
Midland Expressway Limited	United Kingdom	Toll Road Operator	30 December	100% Ordinary

Potamus Infrastructure (UK) Limited, a wholly owned subsidiary, entered Members Voluntary Liquidation on 20 May 2013 and was formerly dissolved on 27 May 2014.

	Investments in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£'000	£'000	£'000
<b>Current</b>			
As at the beginning of the year	-	547,145	547,145
Additions	-	9,072	9,072
As at the end of the year	-	556,217	556,217

Loans to subsidiary undertakings represent a loan advanced to MEL. The loan is interest bearing at a fixed rate of 9% per annum and is repayable on demand; however the directors of MMG have confirmed that they will not recall the loan within twelve months of signing the financial statements.

Following impairment reviews undertaken in prior years full provision was made against the shares of MEL £1,093,858k along with an impairment of £74,977k against loans to the company. Impairment reviews in the current year support the carrying value of investments shown above with no further requirement to impair.

The directors have projected cash flows up to the concession end date in 2053 with no cash flows to equity expected until MEL's debt is fully repaid.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 7 Debtors

Debtors due within one year:

	2014	2013
	£'000	£'000
Deferred swap costs	247,432	277,418
Amounts owed by subsidiary company	-	8
Other debtors	997,909	747,564
	<b>1,245,341</b>	<b>1,024,990</b>

Following the financial restructure undertaken in December 2013, the company has recognised an asset of £997,909k (2013: £747,564k) representing the contractual right to have certain liabilities assumed by its immediate parent, PML on a date no later than 10 July 2015.

On the basis that the company's interest rate swaps continue to be an effective hedge for this debt, £247,432k of the crystallised swap valuation has been deferred in the balance sheet (to match against future interest payments).

Following the balance sheet date the remaining swaps were closed out bringing forward the date at which liabilities were novated to PML to 31 March 2015. Further details are provided in note 16.

### 8 Cash at bank and in hand

	2014	2013
	£'000	£'000
Bank and cash balances	44,125	18,453

Cash at bank includes £10,000k (2013: £10,000k) held in a debt service reserve account. This account has restrictions on its use. Under the terms of the financial restructure, from 31 March 2015 the debt service reserve account is no longer required. However, a new restricted, cash reserve account, is required to hold surplus funds.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 9 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	-	8
Accruals	12,793	246
Accrued swap interest	74,775	119,325
Swap liability	642,888	536,653
	<b>730,456</b>	<b>656,232</b>

As part of the financial restructuring agreed in December 2013, inter-company loans from Tollway Holdings Limited of £972,118k and Macquarie Atlas Roads International Limited of £83,338k were extinguished in their entirety, resulting in an exceptional expense in the profit and loss account during 2013.

The company previously applied hedge accounting and accounted for the floating rate loans and interest rate swaps as fixed rate loans in accordance with FRS4, with the fair value of swap liabilities disclosed. As a result of the 2013 refinancing £642,888k (2013: £536,653k) of liabilities under interest rate swap contracts are now recognised on balance sheet as the cost is no longer contingent as there is now certainty that the amounts will be converted to loans. As disclosed in note 7, £247,432k (2013: £227,418k) of this liability has been deferred to match against future interest payments in the profit and loss account.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 10 Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
Bank loans and loan notes	1,155,021	1,010,911
Less issue costs	(7,286)	(8,631)
	1,147,735	1,002,280
The maturity profile of the above mentioned liabilities is;		
Due between one to five years	-	-
Due after five years	1,147,735	1,002,280
	1,147,735	1,002,280

#### Bank loans

Bank loans represent amounts borrowed under a Facilities Agreement dated 23 August 2006 and restated on 13 December 2013 and arranged by Banco Espirito Santo de Investimento S.A., Credit Agricole-CIB (formerly known as Calyon), Commerzbank (formerly known as Dresdner Kleinwort Wasserstein Limited) and Banco Santander Central Hispano, S.A.

As at 30 December 2014 the bank loan was £1,010,911k (2013: 1,010,911k) from a total original facility of £1,030,000k. Following the restructure in 2013 no further drawdowns on the facility were made. The bank loans have certain covenants attached and are secured by way of a debenture over MEL's assets.

#### Loan notes

Under the terms of the financial restructuring agreed in December 2013, each of the company's swap counterparties are permitted to close out their exposures, in whole or in part and at their sole discretion, at the prevailing mark-to-market position at any time before 10 July 2015. At the date of close out, the relevant swap counterparty will be issued with new loan notes ranking *pari passu* with existing senior facilities. One of the swap counterparties closed out its exposure in two tranches on 17 and 18 March 2014, and was issued with new loan notes to the value of £144,110k.

Once the last swap has closed out, the aggregate senior debt (comprising the term loan, capital expenditure facility and closed-out swap amounts) will be divided into two tranches:

- The first tranche, totalling £800,000k, will remain an obligation of the company with a maturity date of 1 June 2020, and will have certain covenants attached. The loan will be secured by way of a debenture over MEL's assets. Interest on the loan will be charged at a floating rate at a margin over the London Inter-Bank Offered Rate.
- The second tranche will consist of the balance of the pre-restructuring debt (the quantum of which was determined once the last swap has closed post year end as described in note 26) and will be novated by the company to its immediate parent company, PML. The second tranche will be unsecured and will only become payable if the group generates sufficient cash flows to allow payment and will have no recourse to the group.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 10 Creditors: amounts falling due after one year (continued)

The company has guaranteed all of its obligations under the finance documents designated by the Facilities Agreement dated 23 August 2006, as amended and restated on 13 December 2013, by way of a debenture. The debenture is subject to the terms of a deed created on 13 December 2013 between the company and Crédit Agricole-CIB acting as the security trustee for the benefit of the secured creditors. The debenture grants fixed and floating charges over all of the company's assets in favour of the security trustee as security for the payment of all secured liabilities.

### 11 Called up share capital

	2014	2013
	£'000	£'000
<b>Allotted and fully paid</b>		
2,000,001 (2013: 2,000,001) ordinary shares of £1 each	2,000	2,000

### 12 Reserves

	Capital contribution account	Profit and loss account
	£'000	£'000
At 1 January 2014	767,564	(837,488)
Loss for the financial year	-	(214,929)
Capital contribution from Peregrine Motorways Limited	250,345	-
<b>At 30 December 2014</b>	<b>1,017,909</b>	<b>(1,052,417)</b>

On 17 August 2006 Tollway Holdings Limited made a permanent capital contribution to the company of £20,000k.

On 13 December 2013 PML assumed certain of the company's financial obligations as disclosed in the Strategic report, and in notes 7 and 10.

# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 13 Reconciliation of movement in shareholders' deficit

	2014	2013
	£'000	£'000
Opening shareholders' deficit	(67,924)	(1,639,965)
(Loss)/profit for the financial year	(214,929)	824,477
Capital contribution	250,345	747,564
<b>Closing shareholders' deficit</b>	<b>(32,508)</b>	<b>(67,924)</b>

### 14 Related party transactions

#### Related party disclosures

As 100% of the voting rights of the company are controlled by the PML group as at the year end, the company is exempt from the requirement in FRS 8 to disclose transactions with entities that are part of this group, or investees of this group, qualifying as related parties.

The only related party transactions requiring disclosure during the year are as shown below.

#### a) Management

Macquarie Group companies provided MMG with directors and technical support services.

Under the amended terms of the revised group financing agreement dated 13 December 2013, MQA Investments Limited receives an annual management fee from MEL a subsidiary company. During the year £750k of management fees have been incurred (for the period 13 December 2013 to 31 December 2013: £39k).

#### b) Directors

Excluding the emoluments disclosed in note 4 there were no related party transactions with any of the directors during the current or preceding financial year requiring disclosure.

### 15 Ultimate parent undertaking and controlling party

The immediate parent undertaking is PML, a company incorporated in England and Wales.

The ultimate controlling party is PML, a company incorporated in England and Wales. Copies of PML's financial statements can be obtained from Operations Centre, Express Way, Weeford, Lichfield, WS14 0PQ.

Macquarie Atlas Roads International Limited indirectly holds 100% of the ordinary share capital of PML, however does not exercise control of the group, due to the special share held in trust on behalf of the lenders.

PML is the smallest and largest group of undertakings to consolidate these financial statements.



# Macquarie Motorways Group Limited

## Notes to the financial statements for the year ended 30 December 2014 (continued)

### 16 Post balance sheet events

Under the terms of the 2013 restructuring, the three remaining swap counterparties closed out their exposures during March 2015, and were issued with new loan notes ranking *pari passu* with existing senior facilities at a close out value of £728,996k. This brings the aggregate senior debt to £1,884,017k.

After the last swap closed out on 31 March 2015, the aggregate senior debt was divided into two tranches:

- The first tranche, totalling £800,000k, will remain an obligation of the company with a maturity date of 1 June 2020, and will have certain covenants attached. The loan will be secured by way of a debenture over MEL's assets. Interest on the loan will be charged at a floating rate at a margin over the London Inter-Bank Offered Rate.
- The second tranche totalling £1,084,017k consisting of the remaining balance of the pre-restructuring debt has been novated by the company to its immediate parent company, PML. The second tranche will be unsecured and will only become payable if the group generates sufficient cash flows to allow payment and will have no recourse to the group.