MACQUARIE

Macquarie Motorways Group Limited

Registered number 05879935

Financial Report
31 December 2012

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Directors' Report

The Directors of Macquarie Motorways Group Limited ("the Company" or "MMG") submit the following report and audited financial statements in respect of the year ended 31 December 2012

Principal activities

The principal activity of the Company consists of investment in infrastructure projects and associated activities as part of the Macquarie Atlas Roads International Limited ("MARIL") group, being MARIL and its subsidiaries (the "Group") The Group forms part of Macquarie Atlas Roads ("MQA")

The Company does not envisage any changes in activities for the foreseeable future

Results and dividends

The Company's loss for the year ended 31 December 2012 of £144 74 million (2011 £497 93 million, *restated*) was transferred to reserves
Included in the Company's loss for the year is

- a provision for impairment on the Company's investment in Midland Expressway Limited ("MEL") (including the loan given to MEL) of £62 98 million (2011 £390 72 million, *restated*), and
- a provision for impairment on the Company's investment in Potamus Infrastructure (UK) Limited ("PIUK") (formerly known as Macquarie Infrastructure (UK) Limited) of £1 10 million (2011 £32 73 million)

The results for the year ended 31 December 2012 are summarised in the profit or loss account on page 9

No dividend has been proposed or paid to ordinary shareholders in the year ended 31 December 2012 (2011 £nil)

Business review and future developments

Principal risks and uncertainties

As at 31 December 2012, the Company had net current liabilities of £433 03 million (2011 £328 73 million, *restated*)

The Company has current liabilities payable primarily to its immediate parent undertaking, Tollway Holdings Limited ("THL"), formerly known as Macquarie European Infrastructure Limited ("MEI") of £918 99 million (2011 £865 57 million) and to its ultimate parent undertaking, MARIL, of £74 59 million (2011 £66 36 million) In addition, during the financial year ended 31 December 2012, the Company commenced discussions with its lending syndicate with a view to amending the terms of its existing senior facilities (as discussed in note 12) and associated interest rate hedging arrangements in advance of the contractual maturity of the former on 23 August 2015 Those discussions continued throughout 2013 up to the date of this report

As at the date of this report, commercial terms to amend and extend MMG's existing financing arrangements has been agreed with a majority of secured creditors This agreement has been negotiated on the basis that the revised terms provide the Company with an affordable and stable financing platform for the foreseeable future by amending the maturity date and payment terms of the Company's term debt and swap obligations, and resetting covenant headroom levels

The agreement has not yet been formally implemented pending formal execution or ratification by the requisite number of secured creditors The Company is seeking to implement the restructuring before 31 December 2013

Key Performance Indicators (KPIs)

Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the reproduction of KPIs in the Directors' Report is not necessary for an understanding of the development, performance or position of the business KPIs are monitored at a Group level

Directors' Report (continued)

Creditor payment policy

The Company seeks to treat all of its suppliers fairly It is the Company's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations

Indemnification and insurance of officers

During the year, MARIL, the ultimate parent of the Company paid a premium to insure the directors and officers of MARIL and its subsidiaries The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as directors and officers of MARIL and its subsidiaries and any other payments arising from liabilities incurred by the directors and officers in connection with such proceedings This does not include such liabilities that arise from conduct involving a wilful breach of duty by the directors and officers or the improper use by the directors and officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to MARIL or its subsidiaries It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities So long as the directors and officers of MARIL and its subsidiaries act in accordance with the Constitutions and the law, the directors and officers remain indemnified out of the assets of the group, parent and subsidiaries against any losses incurred while acting on behalf of MARIL and its subsidiaries

Environment policy

The Company's only operational subsidiary, MEL, is a limited company set up exclusively to construct, operate and maintain the M6 Toll motorway over a concession period ending in 2054 MEL recognises that its activities impact on the environment to some degree, therefore it aims to secure positive advantages and reduce the negative impacts through a system of active environmental monitoring and management, which will in many cases contribute positively to its future performance

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

Health and safety policy

MEL 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

MEL 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

Directors' Report (continued)

Directors

The following persons held office as Directors of the Company during the year and up to the date of signing this report, except as otherwise noted

- Steve Barth
- Thomas Joseph Fanning
- Richard Abel
- Peter Trent

Company Secretary

Steven Smith has been the sole company secretary of the Company during the year ended 31 December 2012 and up to the date of signing this report

Statement of directors' responsibilities

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 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 responsible for ensuring the maintenance and integrity of any website that may disclose the financial statements and note that UK legislation may differ from other jurisdictions with regard to electronic publication of financial statements 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

Statement of disclosure of information to auditors

In the case of each of the persons who are Directors at the time when the Directors' report is approved, the following applies

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
(b) 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

Directors' Report (continued)

Financial risk management objectives and policies

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

Going concern

A full and detailed assessment of going concern has been carried out 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, which is reliant on the cash flows from MEL, is expected to comply with its financial covenants so long as the proposed debt and swap amendments become effective on or before 31st December 2013 Subject to the successful negotiation in relation to the waiver of the debt covenants, the Company is expected to have sufficient liquidity to continue as a going concern for a period of 12 months from the date of this report irrespective of whether the proposed debt and swap amendments are completed

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered 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

In the event that the proposed restructuring is not approved by lenders, and absent any further support, waiver or other forbearance from lenders, the Company is expected to breach its minimum backwards-looking debt service cover ratio test as at 31 December 2013 Following a breach of this financial covenant, a majority of secured creditors would have the ability to instruct the Agent to accelerate the senior term debt, close out the swap positions and instruct the Security Agent to commence enforcement action, (which could include the creditors enforcing their security over the shares in MEL and taking control) In the view of the Directors, enforcement action could have adverse contractual, financial and tax consequences and is therefore regarded as unlikely

The Directors continue to monitor closely the progress of the discussions concerning the proposed restructuring As these discussions are ongoing there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern However the Directors expect to continue to trade pending the restructuring being finalised, subject to those discussions continuing to progress constructively and concluding by 31 December 2014 (as noted above, completion by 31 December 2013 is their present expectation)

As such, the financial results have been prepared on a going concern basis, which assumes that MMG will be able to meet its liabilities as and when they fall due for the foreseeable future

Events occurring after balance sheet date

There have been no circumstances or events subsequent to the year end which require adjustment of or disclosure in the financial statements or in the notes thereto

Independent auditors

In accordance with s487(2) of the Companies Act 2006 the auditors, PricewaterhouseCoopers LLP, are deemed to be re-appointed

On behalf of the Board

Richard Abel

Director
27 September 2013
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

Independent Auditors' Report to the Members of Macquarie Motorways Group Limited

We have audited the financial statements of Macquarie Motorways Group Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 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) 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

Scope of the audit of the financial statements

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 In addition, we read all the financial and non-financial information in the Financial Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Directors' report and note 1 to the financial statements concerning the Company's ability to continue as a going concern

As disclosed in Note 12, the Company has external debt and accrued interest of £1,206m which is due for repayment on 23 August 2015 Current forecasts indicate a breach of the associated financial covenants will occur on or before 31 December 2013, the impact of which is described in the Directors' report and Note 1 As at the date of our audit opinion, the Company's negotiations of covenant waivers and the early refinancing of the facility are ongoing

These conditions, along with the other matters explained in the Director's report and note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the Members of Macquarie Motorways Group Limited (continued)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 September 2013

Profit and Loss Account

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000 *(restated)*
Administrative expenses		**(1,058)**	(71)
Operating loss	*3*	**(1,058)**	(71)
Exceptional items			
Provision for impairment of fixed asset investments	*10*	**(64,081)**	(423,447)
Operating loss including exceptional items		**(65,139)**	(423,518)
Interest receivable and similar income	*4*	**54,110**	52,565
Interest payable and similar charges	*5*	**(133,715)**	(126,975)
Loss on ordinary activities before taxation		**(144,744)**	(497,928)
Tax on loss on ordinary activities	*6*	**-**	-
Loss for the financial year	*14*	**(144,744)**	(497,928)

The above Profit and Loss Account should be read in conjunction with the accompanying notes on pages 11 to 18

The loss on ordinary activities before taxation for current and prior year relates wholly to continuing operations

The Company has not recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented for current and prior year

Balance Sheet

	Note	31 December 2012 £'000	31 December 2011 £'000 *(restated)*
Fixed assets			
Investments	*10*	-	1,102
Current assets			
Investments	*10*	**536,804**	585,069
Debtors		**8**	2
Cash at bank and in hand	*8*	**24,959**	21,534
		561,771	606,605
Creditors amounts falling due within one year	*11*	**(994,805)**	(935,339)
Net current liabilities		**(433,034)**	(328,734)
Total assets less current liabilities		**(433,034)**	(327,632)
Creditors amounts falling due after more than one year	*12*	**(1,206,931)**	(1,167,589)
Net liabilities		**(1,639,965)**	(1,495,221)
Capital and reserves			
Called up share capital	*13*	**2,000**	2,000
Capital contribution account	*14*	**20,000**	20,000
Profit and loss account	*14*	**(1,661,965)**	(1,517,221)
Total shareholders' deficit	*15*	**(1,639,965)**	(1,495,221)

The above Balance Sheet should be read in conjunction with the accompanying notes on pages 11 to 18

These financial statements were approved by the Board of Directors on 27 September 2013 and were signed on its behalf by

Richard Abel

Director

Notes to the Financial Statements

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 MMG 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 Macquarie Atlas Roads International Limited ("MARIL"), which are publicly available

(a) Basis of preparation

These 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 principal accounting policies, which have been applied consistently throughout the year, are set out 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

As at 31 December 2012 the Company had net current liabilities of £433 03 million (2011 £328 73 million, *restated*) The Company has current liabilities payable to its immediate parent undertaking, Tollway Holdings Limited ("THL") of £918 99 million (2011 £865 57 million) and to its ultimate parent undertaking MARIL of £74 59 million (2011 £66 36 million) The Directors of THL and MARIL have confirmed that as long as the Company remains within the THL and MARIL group

- THL and MARIL will not require the repayment of the loans to MMG for a period of at least twelve months from the date that the financial statements are approved by the Board of Directors, and
- it is not currently their intention to require repayment of the loan beyond that time

to the extent that it would place the Company in a position where it would be unable to pay its debts as and when they become due and payable For these reasons, the Directors of MMG continue to adopt the going concern basis in preparing the financial statements of the Company

Going Concern

A full and detailed assessment of going concern has been carried out 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, which is reliant on the cash flows from MEL, is expected to comply with its financial covenants so long as the proposed debt and swap amendments become effective on or before 31st December 2013 Subject to the successful negotiation in relation to the waiver of the debt covenants, the Company is expected to have sufficient liquidity to continue as a going concern for a period of 12 months from the date of this report irrespective of whether the proposed debt and swap amendments are completed

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered 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

In the event that the proposed restructuring is not approved by lenders, and absent any further support, waiver or other forbearance from lenders, the Company is expected to breach its minimum backwards-looking debt service cover ratio test as at 31 December 2013 Following a breach of this financial covenant, a majority of secured creditors would have the ability to instruct the Agent to accelerate the senior term debt, close out the swap positions and instruct the Security Agent to commence enforcement action, (which could include the creditors enforcing their security over the shares in MEL and taking control) In the view of the Directors, enforcement action could have adverse contractual, financial and tax consequences and is therefore regarded as unlikely

The Directors continue to monitor closely the progress of the discussions concerning the proposed restructuring As these discussions are ongoing there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern However the Directors expect to continue to trade pending the restructuring being finalised, subject to those discussions continuing to progress constructively and concluding by 31 December 2014 (as noted above, completion by 31 December 2013 is their present expectation)

As such, the financial results have been prepared on a going concern basis, which assumes that MMG will be able to meet its liabilities as and when they fall due for the foreseeable future

(b) Cash flow statements

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 MARIL, which are publicly available

(c) Related party transactions

The Company's ultimate parent undertaking, MARIL, prepares consolidated financial statements which are publicly available Accordingly, the Company has taken advantage of the exemptions available in FRS 8 "Related Party Disclosures" for disclosure of transactions with entities that are part of the group or investees of group entities as related parties in these financial statements

(d) 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 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

(e) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

(f) 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

(g) Interest

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

(h) Fixed and current asset investments

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

1 Principal accounting policies (continued)

(i) 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

(j) 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/period The fair values of the instruments themselves are not recognised in the financial statements

(k) Cash at bank and in hand

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

(l) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year

2 Prior period adjustment

In 2011, the Company recorded an impairment of £116 9 million against its investment in MEL No impairment was recorded in 2010 The Company has revised the impairment calculations for the year ended 31 December 2010 and 31 December 2011

The Company has revised the method to calculate the asset value for impairment testing Because of this change, an additional impairment charge has been recognised in the year ended 31 December 2010 and 31 December 2011 against the Company's investment in MEL The closing value of the investment in MEL reflects the value in use of the business at each reporting date

As a result, comparative figures for the year ended 31 December 2011 have been adjusted as follows

	Year ended 31 December 2011 £'000	Year ended 31 December 2011 £'000
	Loss for the year	**Total shareholders' deficit**
As previously reported	**(224,080)**	(903,969)
Effect of prior period adjustment		
- pre financial year 2011	**-**	(317,404)
- for the financial year 2011	**(273,848)**	(273,848)
As restated	**(497,928)**	(1,495,221)

3 Operating loss

The Company had no employees during the year (2011 nil) In the current year, the Company's immediate parent undertaking, THL, paid £7,500 (2011 £5,000) to the Company's auditors for the audit of the Company's 2011 financial statements For the audit of the Company's 2012 financial statements fees of £11,687 are payable to the Company's auditors by THL

Non audit remuneration payable to the Company's auditors for tax services rendered amounting to £3,625 for the Company's 2011 tax returns (2011 £3,625) were borne by THL THL also booked an accrual of £3,776 for tax services in relation to the Company's 2012 tax return

4 Interest receivable and similar income

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Bank interest receivable	**46**	28
Interest receivable on loan to MEL	**54,064**	52,537
	54,110	52,565

5 Interest payable and similar charges

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest payable on bank loans	**28,033**	24,956
Interest payable on loan from ımmedıate parent undertakıng	**52,852**	49,856
Interest payable on loan from ultımate parent undertakıng	**8,225**	7,300
Net ınterest expense on ınterest rate swap	**44,605**	44,863
	133,715	126,975

6 Tax on loss on ordinary activities

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current taxatıon		
UK corporatıon tax charge at 24 5% (2011 26 5%)	**-**	-

The rate at whıch tax for the year has been assessed ıs hıgher (2011 hıgher) than the standard rate of corporatıon tax ın the UK, whıch ıs 24% at 31 December 2012 (31 December 2011 26%)

Factors affectıng the current tax charge for the year/perıod are as follows

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000 *(restated)*
Reconcılıatıon of current tax charge		
Loss on ordınary actıvıtıes before taxatıon	**(144,744)**	(497,928)
Loss on ordınary actıvıtıes multıplıed by the applıcable rate of corporatıon tax of 24 5% (2011 26 5%)	**(35,462)**	(131,951)
Tımıng dıfference – ımpaırment losses	**15,700**	112,214
Tımıng dıfference – ınterest payable to MARIL on payment basıs	**2,015**	-
Group relıef gıven for nıl consıderatıon	**-**	1,307
Transfer prıcıng adjustment non-ınterest bearıng loans	**(2)**	(3)
Interest dısallowance due to ınterest cap adjustment	**661**	-
Losses not utılısed ın the year	**17,088**	18,433
Current tax charge for the year	**-**	-

The UK Government's Emergency Budget on 22 June 2010, the Budget on 23 March 2011, the Budget on 21 March 2012 and the Budget on 20 March 2013 announced changes ın relatıon to a reductıon ın the maın corporatıon tax rate The Chancellor announced a reductıon ın the maın corporatıon tax rate by 2% commencıng from 1 Aprıl 2011, a reductıon by an addıtıonal 2% from 1 Aprıl 2012, a reductıon by 1% from 1 Aprıl 2013 and a further reductıon of 2% from 1 Aprıl 2014 On thıs basıs the maın rate of corporatıon tax was reduced from 26% at 31 March 2012 to 24% from 1 Aprıl 2012 The further reductıons wıll result ın a corporatıon tax rate of 23% as of 1 Aprıl 2013 and of 21% as of 1 Aprıl 2014

6 Tax on loss on ordinary activities (continued)

The effective tax rate used for the year ended 31 December 2012 was 24 5% (26% from 1 January 2012 to 31 March 2012 and 24% from 1 April 2012 to 31 December 2012) (2011 26 5%)

Deferred Tax

The Company has carried forward tax losses at 31 December 2012, which could give rise to a potential deferred tax asset of £74 57 million (2011 £66 78 million, restated) based on the tax rates applicable to the periods in which deferred tax asset is expected to be realised (2011 25%) as per the tax rates mentioned in the above paragraph

A deferred tax asset should only be recognised where it can be regarded as more likely than not that there will be suitable taxable profits from which a future reversal of the underlying timing differences can be deducted In the opinion of the Directors this is currently not the case and therefore no asset is recognised in the financial statements

TIOPA Part 7 legislation, 'the interest cap', restricts the deduction of financing expenses by reference to the gross financing expense at a consolidated group level The Company has ascertained that adjustment will be required under this legislation Whilst there will be no impact on the Balance Sheet, Profit and Loss Account or current/deferred tax charge for the year, the Company's unrecognised potential deferred tax asset may be reduced and there may be a corresponding adjustment to the tax reconciliation disclosure to reflect this non-deductible financing expense

7 Employees and directors

The Company had no employees during the year (2011 nil) During the year ended 31 December 2012 and the year ended 31 December 2011, all Directors except for Thomas Joseph Fanning were employed by and received remuneration from subsidiaries of Macquarie Group Limited (MGL), the ultimate parent of Macquarie Fund Advisers Pty Limited, the adviser of MARIL The Directors perform director duties for multiple entities in connection with their employment by members of the Macquarie Group (being MGL and its subsidiaries) as well as their employment duties within the Macquarie Group businesses 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 Thomas Joseph Fanning are paid by MEL which makes no recharge to the Company Mr Fanning is also a director of MEL and it is not possible to make an accurate apportionment of his emoluments in respect of each of the companies Accordingly, the emoluments to Mr Fanning have not been separately disclosed

8 Cash at bank and in hand

	31 December 2012 £'000	31 December 2011 £'000
Bank and cash balances	**24,959**	21,534

Cash at bank includes amounts that have restrictions on their use This comprises restricted amounts relating to the Company's debt service obligations, amounting to £22 77 million (2011 £21 01 million)

9 Dividend paid and proposed

No dividend has been proposed or paid in the year ended 31 December 2012 (2011 £nil)

10 Investments

Investments in controlled entities

Subsidiary undertakings	Country of Corporation	Principal activities	Year end	Class and percentage of shares held
Potamus Infrastructure (UK) Limited	United Kingdom	Infrastructure investment	31 December	100% ordinary
Midland Expressway Limited	United Kingdom	Toll road operator	31 December	100% ordinary

10 Investments (continued)

Summary of movement of Investments

	Investments in Subsidiary Undertakings	Loans to Subsidiary Undertakings	Total
	£'000	£'000	£'000
Current			
As at the beginning of the year *(restated)*	-	585,069	**585,069**
Additions	-	14,714	**14,714**
Provision for impairment for loan advanced to MEL	-	(62,979)	**(62,979)**
As at the end of the year	-	**536,804**	**536,804**
Non-current			
As at the beginning and end of the year *(restated)*	1,102	-	**1,102**
Provision for impairment on investment in PIUK	(1,102)	-	**(1,102)**
As at the end of the year	-	-	-

Loans to subsidiary undertakings represent a shareholder loan advanced to MEL The loan is interest bearing at a fixed rate of 9% per annum and is repayable on demand

A provision for impairment has been recognised against the Company's investment in MEL, reflecting lower forecast traffic volumes driven by the recessionary environment in UK, higher assumed financing costs, and macroeconomic influences such as long term inflation rates The amount of impairment was determined by comparing the carrying value of the investment with its recoverable amount which was calculated as the present value of projected cash flows using a discount rate of 12 5% (2011 12 5%) 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

A provision for impairment has also been recognised against the Company's investment in Potamus Infrastructure (UK) Limited (PIUK) to reflect the net assets of the investee company at 31 December 2012

11 Creditors: amounts falling due within one year

	31 December 2012 £'000	31 December 2011 £'000
Bank loans	-	2,512
Trade creditors	**1,227**	328
Amounts owed to immediate parent undertaking	**918,991**	865,568
Amounts owed to ultimate parent undertaking	**74,587**	66,362
Amounts owed to other Group undertakings	-	569
	994,805	935,339

The loan from the Company's immediate parent undertaking, THL, is interest bearing at a fixed rate of 6% per annum and repayable on demand The loan from the Company's ultimate parent undertaking, MARIL, is interest bearing at a fixed rate of 12% per annum and repayable on demand The Directors of THL and MARIL have confirmed that as long as the Company remains 100% owned by THL and the MARIL group

- THL and MARIL will not require the repayment of the loans to MMG for a period of at least twelve months from the date that the financial statements are approved by the Board of Directors, and
- it is not currently their intention to require repayment of the loan beyond that time

to the extent that it would place the Company in a position where it would be unable to pay its debts as and when they become due and payable

12 Creditors: amounts falling due after more than one year

	31 December 2012 £'000	31 December 2011 £'000
Bank loans	**1,010,911**	1,007,623
Less issue costs	**(3,176)**	(4,381)
	1,007,735	1,003,242
Accrued interest	**199,196**	164,347
	1,206,931	1,167,589
The maturity profile of the abovementioned liabilities is		
Due between 1 to 5 years	**1,007,735**	1,003,242
Due after 5 years	**199,196**	164,347
	1,206,931	1,167,589

Bank loans represent amounts borrowed under a Facilities Agreement dated 23 August 2006 and arranged by Banco Espirito Santo de Investimento, S A , Calyon, Dresdner Kleinwort Wasserstein Limited and Banco Santander Central Hispano, S A

The facilities comprise

	31 December 2012 £'000	31 December 2011 £'000
Term loan	**1,000,000**	1,000,000
Capital expenditure facility	**30,000**	30,000
	1,030,000	1,030,000

As at 31 December 2012 the term loan was drawn up to £998 28 million (2011 £1,000 00 million) and £12 64 million (2011 £10 14 million) of the capital expenditure facility had been drawn The bank loans have certain covenants attached and are secured by way of a debenture over MEL's assets The loans are repayable in August 2015 Interest on the bank loans is charged at a floating rate at a margin over the London Inter Bank Offered Rate

The Company has entered into a 30 year interest rate hedge, such that all floating rate payments due on the £1 00 billion term loan have been fixed The swap contracts entered into have structured fixed payments at levels that increase from period to period The levels of fixed payments start at a low rate and then increase over 20 years until they reach a plateau rate for the remainder of the term The swap contracts are currently being settled on a six monthly basis At 31 December 2012 the interest rate swaps liabilities had a fair value of £287 30 million (2011 £283 10 million)

A non-current liability of £199 20 million (2011 £164 35 million) has been recognised in accrued interest (above) to reflect the net interest due under swap contracts To improve presentation we have reclassified the comparative balance to a non current liability

13 Called up share capital

	31 December 2012 £'000	31 December 2011 £'000
Authorised		
100,000,000 Ordinary shares of £1 00 each	**100,000**	100,000
Allotted and fully paid		
2,000,001 Ordinary shares of £1 00 each	**2,000**	2,000

14 Reserves

	Capital contribution account £'000	Profit and loss account £'000
As at the beginning of the year (*Profit and loss account restated*)	20,000	(1,517,221)
Loss for the year	-	(144,744)
As at the end of the year	**20,000**	**(1,661,965)**

On 17 August 2006 THL made a permanent capital contribution to the Company of £20 0 million

15 Reconciliation of movements in shareholders' deficit

	31 December 2012 £'000	31 December 2011 £'000 *(restated)*
Shareholders' deficit at the beginning of the year	**(1,495,221)**	(997,293)
Loss for the year	**(144,744)**	(497,928)
Shareholders' deficit at the end of the year	**(1,639,965)**	(1,495,221)

16 Related party transactions

The Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are 100% owned within the Group as related parties in these financial statements

The Company does not have any related party other than the parties covered under the above mentioned exemption

The Company does not have any transactions with the Directors during the year

17 Immediate and ultimate parent company

The immediate parent company is THL, whose financial statements can be obtained from Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD

The ultimate parent undertaking and controlling party is MARIL, a mutual fund company incorporated in Bermuda, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of the consolidated financial statements which include the results of the Company can be obtained from the 26 Burnaby Street, Hamilton HM11, Bermuda