



MACQUARIE

Macquarie Motorways Group Limited

Registered number 5879935

Financial Report 30 June 2009

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Directors' Report

The Directors of Macquarie Motorways Group Limited (the Company) submit the following report in respect of the year ended 30 June 2009.

Principal activity

The principal activity of the Company consists of investment in infrastructure projects and associated activities as part of the Macquarie Infrastructure Group International Limited (MIGIL) group (the Group). The Group forms part of Macquarie Infrastructure Group (MIG).

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

Results and dividends

The Company's loss for the year of £468,667,000 (2008: £58,948,000 loss) was transferred to reserves. No dividend has been proposed or paid to ordinary shareholders in the year ended 30 June 2009 (2008: £nil).

Business review and future developments

■ *Principal risks and uncertainties*

As at 30 June 2009 the Company had net current liabilities of £305,921,000. The Company has a current liability payable to its immediate parent undertaking, Macquarie European Infrastructure Limited (MEI) of £775,029,000. The directors of MEI have agreed not to require the repayment of the loan to the Company 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, as long as the Company remains part of the MEI group.

The business risks that affect the Company are principally the risks that affect the infrastructure projects that the Company has invested in. These are considered to be:

- The continued ability to collect tolls over the life of the concession;
- The security of road infrastructure and tolling facilities.

■ *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 MIG level.

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.

Directors' Report (continued)

Environment policy

The Company's only operational subsidiary, Midland Expressway Limited (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 the positive advantages and reduce the negative impacts through a system of active environmental 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;
- prevent 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;
- achieve certification to ISO 14001 'Environmental Management Systems';
- 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.

Directors

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

— John Hughes	
— Colin Chanter	
— Bruno Angles	Appointed 20 April 2009
— Mark Vorbach	Appointed 5 January 2009, resigned 16 April 2009
— David Harrison	Resigned 31 December 2008
— Sean MacDonald	Resigned 22 December 2008

Secretary

The following persons held office as joint company secretaries of the Company during the year and up to the date of this report:

- Annabelle Helps
- Steven Smith

Directors' Report (continued)

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 elected to prepare 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;
- 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.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (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.

Financial risk management objectives and policies

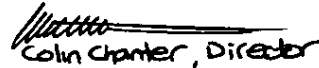
The Company has both interest bearing assets and interest bearing liabilities. The Company has entered into a number of interest rate swap agreements to minimise the risk of adverse interest rate movements on bank loan liabilities.

Interest bearing assets consist 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.

Auditors

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

By order of the board


Colin Chapter, Director
12 January 2010
Level 35
CityPoint
1 Ropemaker Street
London EC2Y 9HD

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 30 June 2009 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 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 Sections 495 and 496 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.

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 30 June 2009 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.

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.



Craig Stafford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 January 2010

Profit and Loss Account

	Note	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Administrative expenses	2	(220)	(224)
Operating loss		(220)	(224)
Exceptional items			
Provision for impairment of fixed asset investments	9	(506,111)	-
Operating loss including exceptional items		(506,331)	(224)
Interest receivable and similar income	3	52,743	52,682
Interest payable and similar charges	4	(117,222)	(111,406)
Dividends received		102,143	-
Loss on ordinary activities before taxation		(468,667)	(58,948)
Taxation on loss on ordinary activities	5	-	-
Loss for the year	14	(468,667)	(58,948)

The above Profit and Loss Account should be read in conjunction with the accompanying notes on pages 9 to 16

The loss on ordinary activities before taxation relates wholly to continuing operations.

A statement of total recognised gains and losses has not been provided as all gains and losses are dealt with in the profit and loss account.

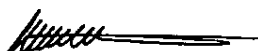
There is no difference between the result for the year as disclosed and that calculated on an historical cost basis.

Balance Sheet

	Note	30 June 2009 £'000	30 June 2008 £'000
Fixed assets			
Investments	9	729,955	1,236,066
Current assets			
Cash at bank	7	22,502	25,668
Investments	9	583,469	581,819
		605,971	607,487
Current Liabilities			
Creditors: amounts falling due within one year	10	(911,892)	(952,553)
Net current liabilities		(305,921)	(345,066)
Total assets less current liabilities		424,034	891,000
Non-current liabilities			
Creditors: amounts falling due after one year	11	(1,000,461)	(998,760)
Net liabilities		(576,427)	(107,760)
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	(598,427)	(129,760)
Total shareholders' funds	15	(576,427)	(107,760)

The above Balance Sheet should be read in conjunction with the accompanying notes on pages 9 to 16.

These financial statements were approved by the Board of Directors on 12 January 2010 and were signed on its behalf by:



Director

COLIN CHANTER

Notes to the Financial Statements

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The Company is exempt under the Companies Act 2006 from the requirement to prepare group financial statements, as the Company is included in the consolidated financial statements of MIGIL and MIG, which are publicly available. These financial statements present information about the Company as an individual undertaking and not as a group.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention in accordance with the Companies Act 2006 and related regulations.

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.

(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 MIGIL, which are publicly available.

(c) Related party transactions

The Company's ultimate parent undertaking, MIGIL, 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 period 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) 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.

(f) Interest

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

1. Principal accounting policies (continued)

(g) Fixed and current asset investments

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

(h) Impairment of assets

The carrying amount of fixed asset investments are assessed periodically to determine whether there are indications of any impairment. If that is the case, an impairment change is taken against the carrying amount of the assets, if that is higher than the recoverable amount.

The recoverable amount of the asset is determined as the higher of the fair value less cost to sell 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.

(i) 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 value of the instruments themselves are not recognised in the financial statements.

(j) Cash at bank

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

(k) Going concern

As at 30 June 2009 the Company had net current liabilities of £305,921,000. The Company has a current liability payable to its immediate parent undertaking, MEI of £775,029,000. The directors of MEI have agreed not to require the repayment of the loan to the Company 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, as long as the Company remains part of the MEI group. For this reason, the Directors of the Company continue to adopt the going concern basis in preparing the financial statements of the Company.

(l) Comparative figures

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

2 Operating expenses

The Company had no employees during the year. Fees payable to the Company's auditors for the audit of the Company's Financial Statements amounting to £5,000 (2008: £5,000) were borne by its ultimate parent company.

3 Interest receivable and similar income

	30 June 2009	30 June 2008
	£'000	£'000
Bank interest receivable	378	663
Interest receivable on loan with MEL	52,365	52,019
	52,743	52,682

4 Interest payable and similar charges

	30 June 2009	30 June 2008
	£'000	£'000
Bank loans	43,842	70,214
Loan from immediate parent undertaking	45,012	43,998
Loan from ultimate parent undertaking	11,439	15,469
Derivative financial instruments	16,929	(18,275)
	117,222	111,406

5 Taxation on loss on ordinary activities

	30 June 2009 £'000	30 June 2008 £'000
Current taxation:		
UK corporation tax charge at 28% (2008: 28%)	-	-
Factors affecting the current tax charge for the year are as follows:		
	30 June 2009 £'000	30 June 2008 £'000
Reconciliation of current tax charge		
Loss on ordinary activities before taxation	(468,667)	(58,948)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 28%)	(131,227)	(16,505)
Expenses not deductible for tax purposes - impairment loss	141,711	-
Non-taxable dividends receivable	(28,600)	-
Group relief given for nil consideration	6,199	759
Losses not utilised in the year	11,917	15,746
Current tax charge for the year	-	-

6 Directors' remuneration

The Directors were employees of Macquarie Group Limited, the ultimate parent of Macquarie Capital Funds (Europe) Limited, the adviser of the Group, and received no remuneration in respect of their services to the Company during the year (2008: £nil).

7 Cash at bank

	30 June 2009 £'000	30 June 2008 £'000
Bank and cash balances	22,502	25,668

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 £14.4 million (2008: £11.9 million).

8 Dividend paid and proposed

No dividend has been proposed or paid in the year ended 30 June 2009 (2008: £nil).

9 Investments

Investments in controlled entities

Subsidiary undertakings	Country of Corporation	Principal activities	Year end	Class and percentage of shares held
Macquarie Infrastructure (UK) Limited	United Kingdom	Infrastructure investment	30 June	100% ordinary
Midland Expressway Limited	United Kingdom	Toll road operator	30 June	100% ordinary

Investments in associated undertakings

Associated undertakings	Country of Corporation	Principal activities	Year end	Class and percentage of shares held
MIBL Finance (Luxembourg) SARL	Luxembourg	Infrastructure investment	30 June	100% ordinary B shares

Summary of movement of Investments

	Investments in Associated Undertakings £'000	Investments in Subsidiary Undertakings £'000	Loans to Subsidiary Undertakings £'000	Total £'000
Current				
As at the beginning of the year	-	-	581,819	581,819
Additions	-	-	1,650	1,650
As at the end of the year	-	-	583,469	583,469
Non-current				
As at the beginning and end of the year	22,000	1,214,066	-	1,236,066
Provision for impairment	(22,000)	(484,111)	-	(506,111)
As at the end of the year	-	729,955	-	729,955

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 investments in MEL reflecting lower forecast traffic volumes driven by the recessionary environment in the UK, higher assumed financing costs, and macroeconomic influences such as long term inflation rates. A provision for impairment has also been recognised against the Company's investment in Macquarie Infrastructure (UK) Limited to reflect the net assets of the investee company at 30 June 2009.

10 Creditors: amounts falling due within one year

	30 June 2009 £'000	30 June 2008 £'000
Other creditors	1,362	1,011
Accruals and deferred income (see note 11)	85,362	57,831
Amounts owed to immediate parent undertaking	775,029	752,865
Amounts owed to ultimate parent undertaking	49,566	140,271
Amounts owed to other group undertakings	573	575
	911,892	952,553

The loan from the Company's immediate parent undertaking is interest bearing at a fixed rate of 6% per annum and repayable on demand. The directors of MEI have agreed not to require the repayment of the loan to the Company 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, as long as the Company remains part of the MEI group.

The loan from the Company's ultimate parent undertaking is interest bearing at a fixed rate of 12% per annum and repayable on demand.

11 Creditors: amounts falling due after one year

	30 June 2009 £'000	30 June 2008 £'000
Bank loans	1,007,850	1,007,350
Less issue costs	(7,389)	(8,590)
	1,000,461	998,760

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:

	30 June 2009 £'000	30 June 2008 £'000
Term loan (fully utilised)	1,000,000	1,000,000
Capital expenditure facility	30,000	30,000
	1,030,000	1,030,000

As at 30 June 2009 the term loan had been fully utilised and £7.9 million (2008: £7.4 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 £1.0 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.

A liability of £85.4 million (2008: £57.8 million) has been recognised in accruals and deferred income (refer to note 10) to reflect the low level of fixed payments currently being paid under the swap contracts.

12 Provision for liabilities and charges

Deferred Tax

As at the year end, the Company has no potential liability to deferred taxation. A potential deferred tax asset of £35,522,000 (2008: £29,137,000) has not been recognised.

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.

13 Called up share capital

	30 June 2009 £'000	30 June 2008 £'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	20,000	(129,760)
Retained loss for the year	-	(468,667)
As at the end of the year	20,000	(598,427)

On 17 August 2006 MEI made a permanent capital contribution to the Company of £20.0m.

15 Reconciliation of movements in shareholders' funds

	30 June 2009 £'000	30 June 2008 £'000
Shareholders' funds at the beginning of the year	(107,760)	(48,812)
Retained loss for the year	(468,667)	(58,948)
Shareholders' funds at the end of the year	(576,427)	(107,760)

16 Immediate and ultimate parent company

The immediate parent company is MEI, whose financial statements can be obtained from Citypoint, 1 Ropemaker Street, London, EC2Y 9HD.

The ultimate parent company is MIGIL, a mutual fund company incorporated in Bermuda whose consolidated financial statements which include the results of the Company can be obtained from Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda. The consolidated financial statements of MIG which include the results of MIGIL can be obtained from No. 1 Martin Place, Sydney, NSW 2000, Australia.