

Midland Expressway Limited
Annual report and financial statements
for the year ended 30 June 2009

Registered number: 2309767

Midland Expressway Limited

Annual report and financial statements for the year ended 30 June 2009

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Midland Expressway Limited

Directors and advisers

Directors

N C Paul	Chairman (Non Executive)
T J Fanning	Chief Executive Officer
R J Hughes	
C D Chanter	

Company Secretary

D A Slater

Registered office

Midland Expressway Limited
Operations Centre
Express Way, Weeford
Lichfield
Staffordshire
WS14 0PQ

Bankers

HSBC Bank Plc
49 Market Street
Lichfield
Staffordshire
WS13 6LB

Independent auditors

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

Midland Expressway Limited

Directors' report for the year ended 30 June 2009

The directors present their report and the audited financial statements of the company for the year ended 30 June 2009.

Principal activities

The company's principal activity 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 and future developments

The fifth full year of trading was adversely affected by the weak UK economy and improved capacity on the competing networks which negatively impacted on traffic volumes and revenue performance. Volumes of traffic fell on most vehicle types and on almost all road types. All motorways in the UK have been adversely affected with the DfT reporting that motorway traffic was down by 2% in the fourth quarter of 2008 and 5% down in the first quarter of 2009.

14.2 million Customers used the M6 Toll road during the year, (2008: 15.8 million), a fall of 10.1%. Tolling revenue of £56.1 million was 2.0% down against the previous year, (2008: £57.3 million) bolstered by a successful increase in toll rates on 1 January 2009.

This year the Secretary of State for Transport endorsed the Highways Agency plans for a Managed Motorway concept where the hard shoulder is used as a running lane. Work is proceeding on such installation on the approaches to the M6 Toll. Current plans are to extend this through the direct competing section of the elevated section of the M6. This will present some significant challenges and we are investigating the potential implication of this on our traffic flows and revenues beyond 2012 when the work is programmed for completion. The company looks forward to continuing a dialogue with the Agency on these matters and procuring a signage strategy to allow for the potential roll out of peak pricing in order to maximise revenue

The company continues to monitor and keep under review traffic conditions on competing routes. A survey has been commissioned utilising automatic number plate recognition (ANPR) technology which when completed will assist in our understanding of the Governments fiscal stimulus programme and assist us too in continuing our drive for efficiency across the business.

Options for the M54 Link with the M6 Toll have been identified and the company continues to be in discussion with the Department for Transport on securing the progression of a viable option.

Other income, to which the M6 Toll's motorway service area at Norton Canes continues to make a substantial contribution, increased marginally to £2.48 million, (2008: £2.42 million).

Plans are being drawn up by RoadChef, our tenant, to expand the amenity building beyond its current capacity and introduce better brands within the unit. This investment will be provided by RoadChef as both they and Midland Expressway Limited seek to improve turnover at the service area. In July 2009 RoadChef underlet the fuel forecourt and forecourt shop to BP Oil UK.

Operating costs have been successfully kept below budget as the company continues to focus on cost savings and greater efficiencies in the use of resources. Staff restructuring in the second quarter of 2009 together with a pay freeze for 2009/10 will be a significant contribution to maintaining costs going forward.

Midland Expressway Limited

Directors' report for the year ended 30 June 2009 (continued)

Business review (continued)

Automation of the smaller toll stations was completed in December 2008 and the introduction of a dedicated tag lane at the mainline stations proved successful in improving lane throughput and enhances the tag customer's experience of the M6 Toll. The company looks forward to maintaining and indeed improving its reliable and quality service to customers.

Toll payments by debit and credit card had increased to 42% by June 2009, (June 2008: 37%), with the rising trend in card payments expected to continue. Successful improvements in technology were introduced in card payment processing and further developments will continue through 2009/10 towards the acceptance of a wider range of payment cards to offer greater customer choice and improve operational efficiency. The company plans to introduce the acceptance of fuel cards and commence a trial of contactless cards in the forthcoming year.

Improvements in tolling operations, systems technology and enforcement administration have reduced levels of losses from unpaid tolls to negligible amounts.

Excellent industrial relations have been maintained with UCATT throughout the year.

Principal risks and uncertainties

The management of the business and the execution of the company strategy are subject to a number of risks evaluated monthly by management and the Board. The principal risks affecting the company are considered to be:

- The continued ability to collect tolls over the life of the concession, and not being discriminated against by change in government policy.
- Increased competition from other routes as a result of the fiscal stimulus measures being applied
- The general downturn within the economy
- The safety and security of the 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 publication of KPIs in the Directors' report is not necessary for an understanding of the development, performance or positioning of the business.

Financial risk management objectives and policies

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department as required.

The company has both interest bearing assets and interest bearing liabilities. The interest on the group loan from Macquarie Motorways Group Limited is at a fixed rate.

Interest bearing assets consist of short term deposits and cash balances. The Company has a policy of maximising finance income from short term deposits via the monitoring of cash balances and working capital requirements at a level sufficient to fund its operations.

Results and dividends

The company's loss for the financial year is £26,137,000 (2008:£26,731,000).

Midland Expressway Limited

Directors' report for the year ended 30 June 2009 (continued)

The directors do not propose to recommend the payment of any dividend on the issued ordinary share capital of the company in respect of the year ended 30 June 2009 (2008: £nil).

Directors

The directors who held office during the year and to the date of approval of the financial statements were as follows:

N C Paul	Chairman (Non Executive)	
T J Fanning	Chief Executive Officer	
D S Harrison		(Resigned 18 December 2008)
C D Chanter		
S G MacDonald		(Resigned 18 December 2008)
R J Hughes		(Appointed 21 January 2009)

Policy and practice on payment of creditors

Trade creditors at the year end represented 35 days (2008: 35 days) of invoices received. It is the company's policy in respect of all suppliers to agree payment terms in advance for the supply of goods and services and to adhere to those terms.

Charitable and political donations

During the financial year ended 30 June 2009 the company made donations totalling £17,100 to help charities and local community projects. (2008: £91,675)

There were no donations to political parties (2008: £nil).

Statement of directors' responsibilities in respect of the Annual report and financial statements

The directors are responsible for preparing the Annual 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 its profit or loss of the company for the period.

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

Midland Expressway Limited

Directors' report for the year ended 30 June 2009 (continued)

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the 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.

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,
- promote its environmental-friendly credentials as widely as possible.

Midland Expressway Limited

Directors' report for the year ended 30 June 2009 (continued)

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.

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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the board,


T J Fanning
Director
24 September 2009

Midland Expressway Limited

Independent auditors' report to the members of Midland Expressway Limited

We have audited the financial statements of Midland Expressway Limited for the year ended 30 June 2009 which comprise the Profit and Loss account, the Balance Sheet, the Cash Flow Statement 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 and cash flows 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.


Midland Expressway Limited

Independent auditors' report to the members of Midland Expressway 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.



A J Watts (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
24 September 2009

Midland Expressway Limited

Profit and loss account for the year ended 30 June 2009

	Note	2009 £'000	2008 £'000
Turnover	2	56,079	57,252
Other operating income		2,479	2,421
		58,558	59,673
Staff costs	5	(4,087)	(4,112)
Depreciation written off on tangible fixed assets		(18,768)	(17,405)
Other operating charges		(3,562)	(3,345)
Operating profit	3	32,141	34,811
Interest receivable and similar income	6	563	1,156
Interest payable and similar charges	6	(58,841)	(62,698)
Loss on ordinary activities before taxation		(26,137)	(26,731)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	15	(26,137)	(26,731)

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 on ordinary activities before taxation and the loss for the financial years stated above, and their historical cost equivalents.

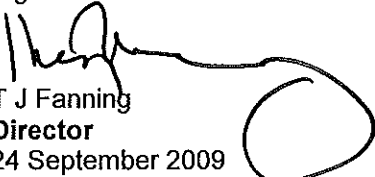
Midland Expressway Limited

Balance sheet as at 30 June 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	8	713,572	736,530
Current assets			
Debtors	9	998	1,132
Cash at bank and in hand	10	8,824	9,290
		9,822	10,422
Creditors: amounts falling due within one year	11	(587,528)	(586,681)
Net current liabilities		(577,706)	(576,259)
Total assets less current liabilities		135,866	160,271
Creditors: amounts falling due after more than one year	12	(148,897)	(147,165)
Net (liabilities)/assets		(13,031)	13,106
Capital and reserves			
Called up share capital	14	2,940	2,940
Share premium account	15	144,060	144,060
Profit and loss reserve	15	(160,031)	(133,894)
Total shareholders' (deficit)/funds	16	(13,031)	13,106

The financial statements on pages 9 to 27 were approved by the Board of Directors on the date shown below.

Signed on behalf of the Board of Directors by:


T J Fanning
Director
24 September 2009

Midland Expressway Limited

Cash flow statement for the year ended 30 June 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Net cash inflow from operating activities	17	50,226	52,483
Returns on investments and servicing of finance			
Interest paid		(52,365)	(52,019)
Interest received		563	1,156
		(51,802)	(50,863)
Capital expenditure and financial investment			
Sale of tangible fixed assets		25	-
Purchase of tangible fixed assets		(565)	(6,829)
Net cash outflow for capital expenditure and financial investment		(540)	(6,829)
Net cash outflow before financing		(2,116)	(5,209)
Financing			
Proceeds from an intercompany loan		1,650	4,500
Net cash inflow from financing		1,650	4,500
Decrease in cash	19	(466)	(709)

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009

1 Principal accounting policies

Basis of preparation

The financial statements are prepared 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.

Going Concern

The Directors confirm that they are satisfied that a parent undertaking, Macquarie European Infrastructure (MEI), has adequate resources to continue in business for the foreseeable future. The Directors of MEI have undertaken not to require the payment of principal amounts owed to it by the company, whilst the Company has net current liabilities and remains part of the MEI group. For this reason, they continue to adopt the going concern basis in preparing the financial statements of the Company.

Turnover

Turnover represents amounts received and receivable in respect of tolling revenues, exclusive of value added tax. Revenue is recognised at the time the journey is completed.

Deferred income results from rental payments in advance received on the rental of the Motorway Service Area.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost represents original purchase cost and in the case of the construction of the M6 Toll all expenses that are directly attributable to bringing the road into final condition. Finance costs up to 'Permit to Use' have been capitalised in accordance with FRS 15 "Tangible fixed assets".

Depreciation of tangible fixed assets commenced at 'Permit to Use' or date of acquisition and is calculated to write off the cost of tangible fixed assets less their residual values over their expected useful lives at the following rates:

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

1 Principal accounting policies (continued)

Asset description	Categorisation	Estimated useful life	Depreciation rate
M6 Toll Road Infrastructure	M6 Toll	50 yrs	Vehicle usage over useful life
Roadbase	M6 Toll	15 yrs	Vehicle usage over useful life
Wearing Course	M6 Toll	8 yrs	Vehicle usage over useful life
M6 Toll Buildings and Motorway Service Area	M6 Toll /leasehold land and buildings	50 yrs	2%
Masts and Columns	Plant and machinery	12 yrs	8%
Office Furniture and Fittings	Plant and machinery	10 yrs	10%
Signage	Plant and machinery	6 yrs	17%
Vehicles and Maintenance Equipment	Plant and machinery	5 yrs	20%
IT Equipment	Plant and machinery	3 yrs	33%
Toll Collection System	Plant and machinery	3 yrs	33%
Land Fund	Leasehold land and buildings	50 yrs	2%

The carrying value of these tangible assets is assessed by the directors annually to determine whether there has been any impairment to their value.

Capital instruments

Instruments other than shares are classified as liabilities if they contain an obligation to transfer economic benefits otherwise they are included in shareholders' funds.

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 payable

Interest and other finance costs payable up to 'Permit to Use' have been capitalised in tangible fixed assets and thereafter they are expensed to profit and loss account.

Operating leases

Rentals in respect of operating leases payable have been expensed to the profit and loss account as incurred.

Finance leases

Assets acquired under finance leases are capitalised and depreciated in line with assets of a similar nature. The capital element of future payments is treated as a liability. Refer to note 8 for additional information.

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

1 Principal accounting policies (continued)

Motorway Service Area (MSA)

The costs of construction of the Motorway Service Area (MSA) at Norton Canes have been capitalised and depreciated in line with assets of a similar nature.

The operation of the MSA is leased to RoadChef and the rental income received and receivable is included within other operating income.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax assets are not recognised to the extent that the transfer of future economic benefits in the future is uncertain.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Contingent liabilities

It is the company's policy to consider claims against the company on a case by case basis, and where appropriate to disclose a contingent liability. If the likelihood of an obligation arising is remote no disclosure is made.

Significant estimation techniques

Depreciation

Depreciation of M6 Toll infrastructure assets is calculated to amortise the cost of the assets using a formula of actual vehicle usage for the period proportionate to the total forecast usage over the remaining asset life. The forecast vehicle usage has been assessed by the directors using information provided by independent third party consultants and judgement based on past experience and local market knowledge.

Land fund

The Land Fund liability includes an accrual for outstanding land compensation claims. The accrual is made on a best estimate basis by the directors from information available at the balance sheet date from independent sources including the Highways Agency and the Valuations Office Agency.

2 Segmental reporting

All of the company's turnover and operating results were derived from its activities based in the United Kingdom. All turnover was derived from the same class of business.

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

3 Operating profit

	2009	2008
	£'000	£'000
Operating profit is stated after charging:		
Other staff costs (including temporary labour and secondment fees)	121	138
Depreciation of tangible fixed assets		
- owned assets	16,465	14,997
- leased assets	2,303	2,408
Profit on disposal of tangible fixed assets	13	-
Operating lease charges		
- plant and machinery	6	7
- other	52	47
Auditors' remuneration		
- audit services	49	54
- non audit services *	16	29

* The non audit fees above relate to taxation £16,000 (2008: £28,800)

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

4 Directors' emoluments

	2009	2008
	£'000	£'000
Aggregate emoluments including benefits in kind	291	276
Sums paid to third parties for directors' services	-	45

No directors (2008: nil) were accruing retirement benefits under any pension scheme.

Highest paid director

	2009	2008
	£'000	£'000
Total amounts of emoluments and amounts receivable under long-term incentive schemes	261	261

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2009	2008
By activity	Number	Number
Operations and maintenance	113	115
Administration and marketing	30	31
	143	146

	2009	2008
Staff costs expensed to profit and loss account	£'000	£'000
Wages and salaries	3,760	3,794
Social security costs	327	318
	4,087	4,112

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

6 Interest payable and receivable

	2009	2008
	£'000	£'000
Interest payable and similar charges:		
Loan payable to parent company (Macquarie Motorways Group Ltd)	(52,365)	(52,019)
Land Fund	(6,476)	(10,679)
	(58,841)	(62,698)
Interest receivable and similar income:		
On bank deposits	563	1,156

7 Tax on loss on ordinary activities

There is no current and deferred tax charge for the year (2008: £nil). The £nil tax assessed for the current year is higher (2008: higher) than the standard rate of corporation tax in the UK 28% (2008: 29.5%). The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly the company's losses in the prior accounting period were taxed at an effective rate of 29.5% and have since been taxed at 28%. The difference is explained below:

	2009	2008
	£'000	£'000
Loss on ordinary activities before taxation	(26,137)	(26,731)
Loss on ordinary activities multiplied by standard rate in the UK 28% (2008: 29.5%)	(7,318)	(7,885)
Effects of:		
Short term timing differences on deferred tax asset not provided	7,838	10,110
Impact of changes to Industrial Buildings Allowances as a result of the Finance Act 2007	(526)	(2,792)
Expenses not deductible for tax purposes	6	25
Change in rate of corporation tax	-	542
Current tax for the year	-	-

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

8 Tangible assets

	Plant and machinery	Short leasehold land and buildings	M6 Toll	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2008	40,138	128,931	644,260	813,329
Additions	382	-	183	565
Disposals	(115)	-	-	(115)
Adjustment	-	(4,743)	-	(4,743)
At 30 June 2009	40,405	124,188	644,443	809,036
Accumulated depreciation				
At 1 July 2008	22,990	8,507	45,302	76,799
Charge for the year	2,940	2,558	13,270	18,768
Disposals	(103)	-	-	(103)
At 30 June 2009	25,827	11,065	58,572	95,464
Net book value				
At 30 June 2009	14,578	113,123	585,871	713,572
At 1 July 2008	17,148	120,424	598,958	736,530

The adjustment in the year is in respect of a reduction in the accrual against the Land Fund Asset. (Refer Note 1 Principal Accounting Policies). The reduction in the accrual arises from a decrease in the forecast liability for the settlement of property acquisitions and compensation awards assessed by the Highways Agency at 30 June 2009.

No finance costs have been capitalised during the year (2008: £nil). Aggregate finance costs, after depreciation, included in tangible fixed assets are £88,383,321 (2008: £90,260,000).

The company has carried out an impairment review on the toll road at 30 June 2009. On the basis of the review no adjustment to the carrying value of the toll road was considered necessary by the directors.

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

8 Tangible assets (continued)

Short leasehold land and buildings comprise:

	Land Fund	Motorway Service Area	Total
	£'000	£'000	£'000
Cost	111,383	12,805	124,188
Aggregate depreciation	(9,644)	(1,421)	(11,065)
Net book amount	101,739	11,384	113,123

Assets held under finance lease

The Land Fund asset represents the capital cost of land leased by Midland Expressway Limited from the Highways Agency. Lease payments are payable from 2010 until 2054 by Midland Expressway Limited.

The lease payments are established using a formula provided by the Highways Agency to settle all costs associated with the purchase of that land and interest on those costs at 6% real per annum. Interest accruing on the Land Fund after 'Permit to Use' is charged to the profit and loss account.

The Land Fund liability has been valued by the Highways Agency as at 30 June 2009 at £141.8 million (2008: £124.4 million). The increase in liability arises from expenditure by the Highways Agency of £10.9 million and annual interest of £6.5 million. £7.1 million (2008: £22.8 million) has been accrued to the Land Fund asset and corresponding liability for outstanding land compensation claims yet to be paid or agreed by the Highways Agency (note 12). The movement on the accrual arises from payments made by the Highways Agency during the year and the adjustment to the forecast liabilities referred to on page 18.

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

9 Debtors

Debtors due within one year:

	2009	2008
	£'000	£'000
Trade debtors	271	276
Prepayments and accrued income	727	856
	998	1,132

10 Cash at bank and in hand

	2009	2008
	£'000	£'000
Bank and cash balances	8,824	9,290
The following bank and cash balances have restrictions on their use:		
Amount held in escrow under the Concession Agreement	8,000	8,000

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

11 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Trade creditors	284	388
Amounts owed to group undertakings	583,505	581,858
Other taxation and social security	1,466	1,218
Accruals and deferred income	2,273	3,217
	587,528	586,681

Amounts owed to group undertakings include borrowings of £583,469,369 (2008: £581,819,368) from the immediate parent company, Macquarie Motorways Group Limited. The terms of the agreement state that the loan is repayable on demand. However the directors do not foresee any payments will be made over the next 12 months. The loan is unsecured and bears a fixed interest rate of 9.0% pa.

The company is party to financing arrangements entered into by Macquarie Motorways Group Limited with its lenders on 24 August 2006.

The company has guaranteed all of Macquarie Motorways Group Limited's obligations under the finance documents designated by the facilities agreement, by way of a debenture created 24 August 2006. The debenture is subject to the terms of a security trust and intercreditor deed between amongst others the company, Macquarie Motorways Group Limited and Calyon, 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 liabilities.

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

12 Creditors: amounts falling due after more than one year

	2009	2008
	£'000	£'000
Obligations under finance leases	148,897	147,165

	2009	2008
	£'000	£'000
Obligations under finance leases are repayable as follows:		
Repayable in two to five years	30,596	34,291
Repayable after five years	118,301	112,874
	148,897	147,165

13 Deferred taxation

At the year end the company has no potential liability to deferred taxation.

A deferred tax asset of £60,373,000 (2008: £52,006,000) has not been recognised as currently there is insufficient evidence that any asset would be recoverable. The deferred tax asset would be recoverable when the company makes sufficient profits to utilise the losses brought forward. The asset consists of:

	2009		2008	
	Provided £'000	Un- recognised £'000	Provided £'000	Un- recognised £'000
Accelerated capital allowances	(7,508)	-	(7,588)	-
Capitalised interest	(34,760)	-	(35,312)	-
Short term timing differences	22	-	7	-
Losses	42,246	60,373	42,893	52,006
	-	60,373	-	52,006

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

14 Called up share capital

	2009	2008
	£'000	£'000
Authorised:		
3,000,000 (2008: 3,000,000) ordinary shares of £1 each	3,000	3,000
Allotted and fully paid		
2,940,000 (2008: 2,940,000) ordinary shares of £1 each	2,940	2,940

15 Reserves

	Share premium account	Profit and loss reserve	Total
	£'000	£'000	£'000
At 1 July 2008	144,060	(133,894)	10,166
Loss for the financial year	-	(26,137)	(26,137)
At 30 June 2009	144,060	(160,031)	(15,971)

16 Reconciliation of movement in shareholders' (deficit)/funds

	2009	2008
	£'000	£'000
Opening shareholders' funds	13,106	39,837
Loss for the year	(26,137)	(26,731)
Closing shareholders' (deficit)/funds	(13,031)	13,106

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

17 Reconciliation of operating profit to net cash inflow from operating activities

	2009	2008
	£'000	£'000
Operating profit	32,141	34,811
Depreciation	18,768	17,405
Profit on disposal of tangible fixed assets	(13)	-
Decrease in debtors	134	198
(Decrease)/increase in creditors	(804)	69
Net cash inflow from operating activities	50,226	52,483

18 Analysis of changes in net debt

	At 1 July 2008	Cash flows	Other non cash changes*	At 30 June 2009
	£'000	£'000	£'000	£'000
Cash at bank and in hand	9,290	(466)	-	8,824
Debt:				
Macquarie Motorways Group loan	(581,819)	(1,650)	-	(583,469)
Finance leases due after one year	(147,165)	-	(1,732)	(148,897)
Net debt	(719,694)	(2,116)	(1,732)	(723,542)

*Other non-cash changes arise from finance lease liabilities payable after one year.

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

19 Reconciliation of net cash flow to movement in net debt

	2009	2008
	£'000	£'000
Decrease in cash in the financial year	(466)	(709)
Cash inflow from increase in net debt	(1,650)	(4,500)
Changes in net debt resulting from cash flows	(2,116)	(5,209)
New finance leases	(1,732)	(16,337)
	(3,848)	(21,546)
Net debt at 1 July	(719,694)	(698,148)
Net debt at 30 June	(723,542)	(719,694)

20 Operating lease commitments

At 30 June 2009 the company had annual commitments under non cancellable operating leases for assets other than land and buildings expiring as follows:

	Others 2009	Others 2008
	£'000	£'000
Within one year	57	31
Within two to five years	39	39
	96	70

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

21 Related party transactions

The ultimate parent company is Macquarie Infrastructure Group International Limited a company incorporated in Bermuda.

As 100% of the voting rights of the company are controlled by the Macquarie Infrastructure Group International Limited 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.

Macquarie Capital Funds (Europe) Limited, a subsidiary of Macquarie Group Limited is an advisor to the company's ultimate parent entity, Macquarie Infrastructure Group International Limited, and is considered to have been a related party during the year, under the definitions of FRS 8. Full disclosure is given of transactions during the year and outstanding balances with Macquarie Capital Funds (Europe) Limited.

a) Financing

Details of interest incurred and amounts outstanding under shareholder loan arrangements are given in notes 6 and 11 to the financial statements.

b) Management

Macquarie Group companies provided Midland Expressway Limited with directors, staff and technical support services. Midland Expressway Limited provided staff and technical support services to Macquarie Group companies.

	2009	2008
	£'000	£'000
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Fees and disbursements receivable:		
Macquarie Capital Funds (Europe) Limited	-	5

At the year-end, the following amounts were owed to related parties:

	2009	2008
	£'000	£'000
<hr/>		
Macquarie Capital Funds (Europe) Limited	-	1

No sums (2008: £nil) were provided against or written off amounts due to or from related parties during the year.

c) Directors

There were no related party transactions with any of the directors during the current or preceding financial year.

Midland Expressway Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

22 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Macquarie Motorways Group Limited a company incorporated in Great Britain.

The ultimate controlling party is Macquarie Infrastructure Group International Limited a company incorporated in Bermuda. Copies of Macquarie Infrastructure Group International Limited financial statements can be obtained from Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

Macquarie Infrastructure Group International Limited is the smallest and largest group of undertakings to consolidate these financial statements.