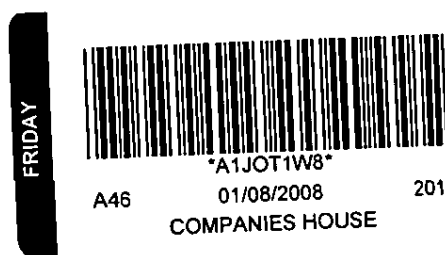


UK HIGHWAYS M40 (HOLDINGS) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2007



Company Registration No 2939644

UK HIGHWAYS M40 (HOLDINGS) LIMITED

Directors

D Rushton (alternate to M Mercer- Deadman)
A Parzych (alternate to D Potts)
M J Mercer-Deadman
D Potts
I R Gethin
W R Doughty
P A J Couldery
A Rhodes

Company Secretary

R K Miller

Auditors

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Principal Bankers

HSBC
8 Canada Square,
London
E14 5HQ,
United Kingdom

Lawyers

CMS Cameron McKenna
Mitre House
160, Aldersgate Street
London
EC1A 4DD

Registered office

Allington House
150 Victoria Street
London
SW1E 5LB

UK HIGHWAYS M40 (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with financial statements for the year ended 31 December 2007

PRINCIPAL TRADING ACTIVITIES

The principal activity of the Company is to act as a holding company

The principal activity of the Group is to carry on the business of the design, financing, construction and operation of the property and undertaking known as the M40 motorway, junctions 1 to 15, pursuant to and in accordance with the terms of an agreement with Her Majesty's Secretary of State for Transport which was signed by UK Highways M40 Limited, a wholly owned subsidiary, on 8 October 1996

BUSINESS REVIEW

Income and expenditure have been broadly in line with budgeted expectations

This year's traffic volumes on the M40 have increased by 1% for cars and 4% for HGVs

Principal major maintenance work undertaken in the year on the M40 includes resurfacing J1a to J3a, general inlay and resurfacing and partial replacement of bridge joints

Turnover is linked to traffic volumes in a non-linear way, the charging mechanism is such that volume changes have to be very significant to impact materially on reported turnover. Risks to turnover from normal traffic fluctuations are therefore seen to be relatively small. Necessary road works in the next year will only affect relatively short sections of the road and little effect is anticipated on traffic flows by undertaking repair work at quiet periods

The Board regularly reviews costs and traffic levels against forecasts. In the case of traffic levels these are independent forecasts provided by our advisor, for costs these are our own budgets. There was a scheduled periodic review in Spring 2007 of the major maintenance and traffic profiles

The company is highly geared and therefore has financial swap agreements in place, thereby mitigating the risk to interest rate fluctuations

The consolidated profit on ordinary activities after taxation for the year was £3,500,000 (2006 loss of £638,000)

The directors do not recommend the payment of a dividend

CHARITABLE AND POLITICAL CONTRIBUTIONS

The group made no charitable or political contributions during the year

UK HIGHWAYS M40 (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS

The following directors held office during the year

M J Mercer-Deadman	
D Potts	
B S Williams	(resigned 14 th August 2007)
I R Gethin	
W R Doughty	(resigned 3 rd March 2008)
P A J Couldery	
A Rhodes	(appointed 3 rd December 2007)
D Rushton	(alternate to M J Mercer-Deadman)
A Parzych	(alternate to D Potts)

COMPANY SECRETARY

R K Miller	(appointed 23 rd March 2007)
P G Shell	(resigned 23 rd March 2007)

DIRECTORS' INTERESTS

No director has, or has held at any time during the year, any interest in the share capital of the Company

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

POLICY ON PAYMENT OF CREDITORS

It is the Group's policy to comply with the terms of supply agreed with suppliers Where payment terms are not negotiated the Group endeavours to adhere with the suppliers' standard terms The average creditors days outstanding for the Group at the year end was 27 (2006 34) The Company is an investment holding company and so an equivalent number for the Company would not be meaningful

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are aware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Pursuant to a shareholders resolution the Company is not obliged to reappoint auditors annually and KPMG LLP, having so agreed, will therefore continue in office

By Order of the Board



For and on behalf of UK Highways M40 (Holdings) Limited
Director

22nd April 2008

Registered Office: Allington House, 150 Victoria Street, London. SW1E 5LB

UK HIGHWAYS M40 (HOLDINGS) LIMITED

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and parent 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 judgments 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 group and parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of UK Highways M40 (Holdings) Limited

We have audited the group and parent company financial statements of UK Highways M40 (Holdings) Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of UK Highways M40
(Holdings) Limited *(continued)***

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

22 April 2008

UK HIGHWAYS M40 (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Turnover	3	24,933	23,343
Net operating costs	4	(21,067)	(18,703)
Operating profit		<u>3,866</u>	<u>4,640</u>
Interest receivable and similar income	6	5,340	3,264
Interest payable and similar charges	7	(9,663)	(8,809)
Loss on ordinary activities before taxation		<u>(457)</u>	<u>(905)</u>
Tax on loss on ordinary activities	8	3,957	267
Retained Profit/Loss for the financial year	18	<u>3,500</u>	<u>(638)</u>

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

There is no difference between the results as stated and the results on a historical cost basis.

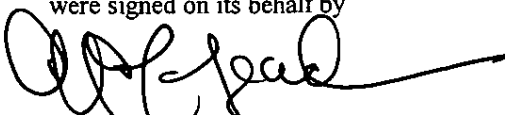
All items in the profit and loss account relate to continuing operations

UK HIGHWAYS M40 (HOLDINGS) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

		Group		Company	
	Note	2007 £'000	2006 £'000	2007 £'000	2006 £'000
FIXED ASSETS					
Tangible assets	9	64,188	66,924	-	-
Investments	10	60,022	55,993	3,500	3,500
		<u>124,210</u>	<u>122,917</u>	<u>3,500</u>	<u>3,500</u>
CURRENT ASSETS					
Debtors - due within one year	11	3,258	2,828	2,962	1,218
Debtors - due after more than one year	11	-	-	10,301	10,301
		<u>3,258</u>	<u>2,828</u>	<u>13,263</u>	<u>11,519</u>
Cash at bank and in hand		13,865	14,538	7	7
		<u>17,123</u>	<u>17,366</u>	<u>13,270</u>	<u>11,526</u>
CREDITORS: amounts falling due within one year	12	<u>(9,777)</u>	<u>(9,132)</u>	<u>(2,801)</u>	<u>(1,056)</u>
Net Current Assets					
Due within one year		7,346	8,234	168	169
Due after more than one year		-	-	10,301	10,301
		<u>7,346</u>	<u>8,234</u>	<u>10,469</u>	<u>10,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>131,556</u>	<u>131,151</u>	<u>13,969</u>	<u>13,970</u>
CREDITORS: amounts falling due after more than one year	13	<u>(123,924)</u>	<u>(123,062)</u>	<u>(10,301)</u>	<u>(10,301)</u>
PROVISIONS FOR LIABILITIES	15	<u>(970)</u>	<u>(4,927)</u>	<u>-</u>	<u>-</u>
NET ASSETS		<u>6,662</u>	<u>3,162</u>	<u>3,668</u>	<u>3,669</u>
CAPITAL AND RESERVES					
Called up share capital					
Allotted, called up and fully paid	17	3,550	3,550	3,550	3,550
Profit and loss account	18	3,112	(388)	118	119
		<u>6,662</u>	<u>3,162</u>	<u>3,668</u>	<u>3,669</u>
EQUITY SHAREHOLDERS' FUNDS		<u>6,662</u>	<u>3,162</u>	<u>3,668</u>	<u>3,669</u>

The financial statements on pages 8 to 20 were approved by the Board of Directors on 22nd April 2008 and were signed on its behalf by


M. Mercer-Deadman
Director

UK HIGHWAYS M40 (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	19	10,660	9,176
Returns on investments and servicing of finance			
Interest received		1,042	605
Interest paid		(8,784)	(7,664)
Net cash outflow from returns on investment and servicing of finance		(7,742)	(7,059)
Net cash inflow before financing		2,918	2,117
Financing			
Repayment of main loan		(3,591)	(3,378)
Repayment of loan notes		0	(228)
Net cash outflow from financing		(3,591)	(3,606)
Decrease in cash	20	(673)	(1,489)

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007
NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of UK Highways M40 (Holdings) Limited and its subsidiary undertaking. The financial statements of each company in the Group are prepared to 31 December.

Tangible Fixed Assets and Depreciation

Tangible fixed assets comprise

- (i) leasehold properties and improvements, being the depots covered by the Concession Agreement
- (ii) infrastructure assets, being that section of the M40 road covered by the Concession Agreement (the "Project Road") together with its associated landscaping and over/under bridges
- (iii) other assets, including fixed electrical and mechanical equipment, plant and machinery and fixtures and fittings

Leasehold properties

These were handed over to the Group at nil value. Improvements to the leasehold properties are depreciated upon commissioning, over the remaining life of the leasehold or concession, whichever is the shorter.

Infrastructure assets

The Project Road was handed over to the Group at nil value. All expenditure on the Project Road specified in the Concession Agreement as related to increased capacity is treated as additions, which are included at cost less depreciation.

Depreciation is charged on additions over the life of the concession pro rata to usage. Annual depreciation is a function of the proportion of traffic for the year over the total estimated traffic for the period of the concession.

Other assets

Depreciation is calculated on a straight line basis in order to write down the costs of assets to their estimated residual value over their expected useful lives as follows:

Mechanical and electrical equipment	10 years
Plant, machinery and other equipment	3-10 years
Fixtures and fittings	3-5 years

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Fixed Asset Investments

Fixed asset investments are held at cost (including accrued interest income on zero coupon bonds) less provision for any impairment. Cost includes rolled up notional interest which is calculated on a sum of the digits method reflecting the economic benefits received by the Company.

Major Maintenance

Provision for major maintenance of the Project Road is based on the expenditure required to maintain the Project Road in the condition laid down in the Concession Agreement. The provision made in the year reflects the costs to be borne by the Company in making good the wear and tear sustained by the road in the year. The annual cost of repair is calculated with reference to the expenditure required over the life of the Concession to maintain the Project Road to the specified standard and the annual traffic movements which give rise to the wear and tear. Expenditure is charged against the balance sheet provision as and when incurred, and to the extent that expenditure exceeds the amount provided to date, the balance is disclosed as a prepayment or accrual.

Deferred Taxation

The calculation of the charge for taxation takes into account taxation deferred because of timing differences in the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet.

Capitalised Interest

Interest costs incurred on borrowings to fund construction of additions to the Project Road were capitalised during the construction period. Capitalisation ceased once the additions were commissioned.

Interest Rate Fluctuations

Interest rate swaps are used to manage the interest basis of borrowings. Interest receipts and payments under these agreements are accrued so as to match net income or cost with the related finance expense. No amounts are recognised in respect of future years.

2. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company has not been included in the financial statements. The loss after taxation dealt with in the financial statements of the Company was £1,000 (2006: £1,000).

3. TURNOVER

	2007 £'000	2006 £'000
Shadow tolls	23,921	23,197
Other revenue	1,012	146
Turnover for the year	<u>24,933</u>	<u>23,343</u>

Turnover relates wholly to amounts paid under the Concession Agreement and is considered to be one class of business.

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

4. NET OPERATING COSTS

	2007 £'000	2006 £'000
Auditors Remuneration		
Fees payable to the company's auditor for the audit of the annual accounts	14	14
Fees payable to the company's auditor and its associates for other services – Taxation services	6	6
Major maintenance provision (see note 13)	7,008	6,420
Carillion Highways Maintenance Ltd	3,345	0
UK Highways Services Ltd	7,092	8,642
Other operating charges – others (see note 21)	864	951
Operating charges	18,329	16,033
Depreciation	2,738	2,670
Net operating costs	21,067	18,703

Fees paid to the auditors for audit services on behalf of the Company amounted to £ nil (2006 £ nil)

5. STAFF NUMBERS AND COSTS AND EMOLUMENTS OF DIRECTORS

The directors did not receive any remuneration during the year or the previous year. Fees are due to the shareholding companies for the services of the directors. The amounts were £15,000 (2006 £15,000) per shareholding, a total of £30,000 (2006 £30,000). The group had no employees during either period.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Amounts receivable		
Bank accounts and deposits	1,311	609
Interest on EIB zero coupon bonds	4,029	2,655
	5,340	3,264

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Amounts payable		
On bank loans and overdrafts	7,718	7,021
Interest on shareholder loan notes	1,745	1,588
Amortisation of finance issue costs	200	200
	9,663	8,809

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

8. TAXATION

	2007 £'000	2006 £'000
UK Corporation tax payable at 30%		
Adjustment in respect of previous periods	-	-
Total current tax	-	-
Deferred tax (see note 15)		
Origination and reversal of timing differences	(138)	(264)
Impact of change in rate to 28%	(69)	-
Adjustment in respect of previous periods	(3)	(3)
Impact of change in legislation	(3,747)	-
Total deferred tax	(3,957)	(267)
Total tax on loss on ordinary activities	(3,957)	(267)
Current tax reconciliation	2007 £000	2006 £000
Loss on ordinary activities before tax	(456)	(905)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	(137)	(271)
<i>Effects of -</i>		
Expenses not deductible for tax purposes	3	3
Capital allowances for the period in excess of depreciation	(55)	(76)
Movement in provisions not allowed for tax purposes	(8)	(8)
Increase in trade losses carried forward	197	352
Current tax charge for the year	-	-

Factors that may affect future tax charges

The corporation tax rate applicable to the group has been reduced from 30% to 28% from 1 April 2008. Any timing differences which reversed before 1 April 2008 have been relieved at 30% whilst any timing differences which existed at 1 April 2008 will reverse at 28%. In view of this, the full deferred tax liability has been provided at the rate of 28% as any reversals before 1 April 2008 were not material.

Amendments included in the 2007 Finance Act withdraw the requirement to tax (or relieve) balancing charges (or allowances) on the disposals of property on which industrial buildings allowances have been claimed. This includes the expenditure relating to the construction of the road. As a consequence, the deferred tax credit for the period has been increased by around £3.7m.

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

8. TAXATION (Continued)

Changes have been announced which will have the effect of phasing out industrial buildings allowances from 1 April 2007. However, draft legislation has been produced and it is not therefore possible to quantify what the effect of this change will be on the group.

The group has trade losses available to carry forward of around £5.0m which will be available to set against trading profits arising in future periods (see note 15).

9. TANGIBLE FIXED ASSETS

	Short Leasehold Properties and Improvements £'000	Infrastructure Asset £'000	Vehicles, Plant and Equipment £'000	Total £'000
<u>Cost or valuation</u>				
At 1 January 2007	828	85,011	756	86,595
Additions			2	2
At 31 December 2007	828	85,011	758	86,597
<u>Accumulated depreciation</u>				
At 1 January 2007	209	18,852	610	19,671
Charge for the year	31	2,632	75	2,738
At 31 December 2007	240	21,484	685	22,409
<u>Net book value</u>				
At 31 December 2007	588	63,527	73	64,188
At 31 December 2006	619	66,159	146	66,924

The Group has the right to the benefits derived from the operation of the Concession fixed assets throughout the term of the Concession, but in certain instances has no legal title to those assets. The Group's subsidiary has an obligation to maintain the Concession fixed assets throughout the Concession period and to hand them back to the Secretary of State at the end of the Concession in an agreed condition.

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

10. FIXED ASSET INVESTMENTS

	Group EIB bond	Company Interest in Group Undertakings
Cost	£'000	£'000
At 1 January 2007	55,993	3,500
Interest	4,029	-
At 31 December 2007	<u>60,022</u>	<u>3,500</u>

The Company's subsidiary undertaking, UK Highways M40 Limited, holds seven zero coupon bonds which mature between 2010 and 2021. The average yield on these bonds is 7%. These bonds will be used to fund major maintenance works on the motorway as and when they fall due.

The interest is being recognised in the profit and loss account, even though no interest is received in cash, to spread the receipt of interest over the life of the bonds. The interest is being rolled up into the fixed asset investment and will be realised in cash when the bonds mature.

The only subsidiary undertaking is UK Highways M40 Limited, which is wholly owned and whose only activity is the design, building, finance and operation of the M40 motorway.

HSBC, acting as Security Trustee, has a registered mortgage over the whole of the share capital of UK Highways M40 Limited.

11. DEBTORS

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Due within one year				
Amounts owed by subsidiary undertaking	-	-	2,962	1,218
Dividends receivable from subsidiary undertaking	-	-	-	-
Accrued income	3,234	2,784	-	-
Prepayments	24	44	-	-
	<u>3,258</u>	<u>2,838</u>	<u>2,962</u>	<u>1,218</u>
Due after more than one year				
Loan notes	-	-	10,301	10,301
	<u>-</u>	<u>-</u>	<u>10,301</u>	<u>10,301</u>

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

11. DEBTORS (continued)

During the year the Company was repaid £Nil on its loan notes to its subsidiary, UK Highways M40 Limited. Interest on the remaining loan notes is charged at 15% per annum and they are re-payable by 1 May 2026, or before if funds allow.

12. CREDITORS – amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loans (see note 14)	3,804	3,591	-	-
Trade creditors				
- Related Parties (see note 21)	2,832	1,079	2,801	1,056
- Others	789	1,804	-	-
Other creditors including tax and social security	395	494	-	-
Accruals and deferred income	1,957	2,164	-	-
	<u>9,777</u>	<u>9,132</u>	<u>2,801</u>	<u>1,056</u>

13. CREDITORS – amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loans (see note 14)	107,145	110,748	-	-
Unsecured loan notes to shareholders	10,301	10,301	10,301	10,301
Major maintenance accrual	6,478	2,013	-	-
	<u>123,924</u>	<u>123,062</u>	<u>10,301</u>	<u>11,301</u>

The major maintenance accrual is comprised of the following elements

	£'000
Balance at 1 January 2007	(2,013)
Charge for the year	(7,008)
Spend in year	
Carillion Highways Construction Ltd	2,031
Universal Sealants Ltd	215
GM Consultants Ltd	163
Others	134
Balance as at 31 December 2007	<u>(6,478)</u>

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE ACCOUNTS (Continued)

13. CREDITORS – amounts falling due after more than one year (continued)

The borrowings are repayable as follows

	2007 £'000	2006 £'000
Within one year	3,804	3,591
Between one and two years	4,043	3,804
Between two and five years	13,699	12,901
Greater than five years	92,861	97,702
	<u>114,407</u>	<u>117,998</u>
Less issue costs	(3,458)	(3,659)
	<u>110,949</u>	<u>114,339</u>

During the year Nil (2006 £228k) of unsecured loan notes were repurchased by the shareholders
Interest on the outstanding loan notes is charged at 15% per annum and they are repayable by 1 May 2026, or before if funds are available

Issue costs are amortised over the length of the loan in accordance with FRS 4

14. BANK LOANS

The Group has a £133 million facility provided by a syndicate of banks with HSBC Bank plc acting as agent in order to finance the Project Road as contracted in the Concession Agreement. Interest on the facility is charged at a fixed rate above LIBOR. The loan is repayable in instalments over the next 20 years. The banks have step-in rights to replace the Group as the Concession Group in certain circumstances.

The Group has interest rate swaps with a total notional principal of £90 million at fixed rates payable at 5.155%. All the swaps expire in September 2008.

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

15. PROVISION FOR LIABILITIES

	Group Deferred Tax £'000	
At beginning of period	4,927	
Profit and loss account credit	(3,957)	
At end of period	970	
	2007	2006
	£'000	£'000
The balance provided at 28% (2006: 30%) comprises:		
Differences between accumulated depreciation and capital allowances	655	4,310
Other timing differences	1,819	2,028
Tax Losses	(1,504)	(1,411)
	970	4,927

16. CAPITAL COMMITMENTS

There was no capital expenditure contracted but not provided at 31 December 2007 (2006 £nil)

17. CALLED UP SHARE CAPITAL

	Authorised		Allotted, Issued & Fully Paid	
Ordinary Share Capital	No	£	No	£
At 31 December 2006	40,000,000	40,000,000	3,550,000	3,550,000
At 31 December 2007	40,000,000	40,000,000	3,550,000	3,550,000

18. RESERVES

	2007 £'000
Opening Reserves	(388)
Profit for the Financial Year	3,500
At 31 st December 2007	3,112

UK HIGHWAYS M40 (HOLDINGS) LIMITED

YEAR ENDED 31 DECEMBER 2007

NOTES TO THE ACCOUNTS (Continued)

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Operating profit	3,866	4,640
(Increase) in debtors	(162)	(236)
(Decrease) in creditors	(247)	(608)
Increase in major maintenance accrual	4,465	2,710
Non-cash expense (depreciation)	2,738	2,670
Net cash inflow from operating activities	10,660	9,176

20. ANALYSIS OF CHANGES IN NET DEBT

	2007 £'000	Cash Flow £'000	Other non-cash Movement £'000	2006 £'000
Cash at bank	13,865	(673)	-	14,538
Bank debt	(110,949)	3,591	(201)	(114,339)
Loan notes to shareholders	(10,301)	0	-	(10,301)
	(107,385)	2,918	(201)	(110,102)

21. RELATED PARTY TRANSACTIONS

The shareholders and UK Highways Management Services Limited, a company controlled jointly by Carillion Private Finance Limited and Laing Investments Limited provide seconded staff and other support services to the Group to allow the Group to perform its functions. These costs are included within other operating costs in note 4.

The amounts outstanding from and to related parties at the year end are disclosed in notes 11 and 12 respectively.

22. ULTIMATE PARENT COMPANY

As at 31st December 2007, 50% of the share capital of the company was held by John Laing Infrastructure Limited. Prior to 22 December 2006, the Company's ultimate parent and controlling entity was John Laing plc. From this date the Company's ultimate parent and controlling entity has been Henderson Infrastructure Holdco (Jersey) Limited, a company incorporated in Jersey, Channel Islands. On 7th November 2007, Trillium Subholdings M40 Limited (formerly M40 GP Limited), a company registered in England and Wales acquired the remaining 50% stake from M40 LP, a limited partnership registered in England. On the same date, Trillium Subholdings M40 Limited was acquired by Trillium PPP Investment Partners No. 2 Limited, a company registered in England and Wales.