

Macquarie European Infrastructure plc  
(formerly Macquarie European Infrastructure Limited)

Directors' report and financial  
statements

Registered number 3724230

30 June 2001



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2001.

### Principal activities

The principal activity of the company and its subsidiaries ("the group") is to invest as a portfolio investor in companies which operate infrastructure assets. The results for the year are set out in the attached profit and loss account and explanatory notes.

### Business review

The last 12 months have been a very busy period for the group. Highlights included:

- Financial close for the group's biggest asset, the Birmingham Northern Relief Road Project ("BNRR") and the acquisition of an additional 25% in Midland Expressway Limited ("MEL"), the concession company for BNRR, taking the company's interest to 75%. The company's subsidiary, Macquarie Midland Holdings Limited, has an option to acquire the remaining 25% in Midland Expressway Limited, exercisable 18 months after the opening of the BNRR which is estimated to occur in January 2004. The option has been accounted for as a purchase of the additional 25% of MEL for a deferred consideration of £12,250,000, being £49,000,000 less the Autostrade Group's loans to MEL expected to be £36,750,000 at exercise.
- The acquisition of a 70% interest in the Rostock tunnel in Germany from Macquarie Infrastructure Trust (II) ("MIT(II)").
- On 16 February 2001, the Company sold 100% of the issued share capital of Macquarie Infrastructure Projects Limited which was the vehicle through which the group held its 26.7% interest in the MOD Main Building Refurbishment Project.
- On 21 February 2001, the Company sold 100% of the issued share capital of Macquarie Infrastructure Investments (UK) Limited which was the vehicle through which the group held its 50% interest in the Meridien Hospital Project.

With the acquisition of a further 25% in MEL on 25 September 2000, the consolidated group now includes MEL. In consolidating MEL the effect is, £6,713,619 of revenue has been eliminated which would have been included in the profit and loss account if MEL was not a subsidiary, the inclusion of £248,378,458 on the balance sheet, representing the construction cost to date of the BNRR and £140,630,943 of bank debt raised by MEL to finance the construction. The bank debt has been raised by MEL, without recourse to the group other than its investment in MEL.

Pursuant to plans for dividend reinvestment and security purchase, the company restructured its capital base on 20 September 2000 and its shares were distributed in specie to the unit holders of MIT (II). The Macquarie European Infrastructure shares were then stapled to Macquarie Infrastructure Trust (I) ("MIT(I)") and MIT(II) and listed on the Australian Stock Exchange as a triple stapled security comprising Macquarie Infrastructure Group ("MIG").

On 14 September 2000 the company name was changed to Macquarie European Infrastructure plc.

The business of the group effectively commenced on 29 October 1999 with the acquisition of Macquarie Infrastructure (UK) Limited and Macquarie Infrastructure Investments (UK) Limited (formerly Kvaerner Corporate Development Limited and Kvaerner Investments Limited respectively), therefore the comparative profit and loss account and cash flow statement reflect 9 months of trading.

## Directors' report (continued)

### Dividends and transfers to reserves

The directors do not propose to pay a dividend for the year. The loss for the year of (£7,745,679) was transferred to reserves.

### Future Developments

Further information on likely developments in the operation of the Group and the expected results of those operations, have not been included in this report because the manager, Macquarie Infrastructure Investment Management (UK) Limited, believes it would be likely to result in unreasonable prejudice to the Group.

The business intends to continue investing in infrastructure projects.

### Creditor Payment Policy

The group seeks to treat all its suppliers fairly and has a standard which deals specifically with the payment of suppliers.

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 and directors' interests

The directors who held office during the year were as follows:

Sir Robin Biggam	
John Roberts	
Dr Peter Dyer	
Clifford King OBE	
Nicholas James	resigned 8 August 2000
Anthony Kahn	resigned 8 August 2000
Gregory Osborne	resigned 8 August 2000

John Roberts holds 22,000 MIG units at 30 June 2001.

### Environment

The BNRR is being constructed under a series of orders made in 1998 by the Secretary of State for transport pursuant to his powers under the Highways Act 1980 and the New Roads and Street Works Act 1991. Prior to that, the BNRR had been the subject of a full environmental impact assessment that was considered in detail at a public inquiry held in 1994-5. The public inquiry produced a list of specific environmental commitments and undertakings. During the design and construction phase, the BNRR contractor, CAMBBA (a joint venture of Carillion, Alfred McAlpine, Balfour Beatty and Amec) is contractually responsible for ensuring compliance with all environmental legislation, commitments and undertakings.

The range of environmental obligations is extensive. But by way of illustration, CAMBBA must: comply with the requirements of local Environmental Health Officers as to noise and dust levels during construction; obtain the necessary consents from statutory bodies such as English Nature and the Environment Agency for the detailed design of the BNRR; and undertake protection measures for affected flora and fauna in compliance with the public inquiry commitments.

In addition to scrutiny by specialist statutory bodies of the sort described above, the project-wide environmental obligations are monitored by the Highways Agency on behalf of the Secretary of State and are the subject of review in the monthly progress report and meeting.

## Directors' report (continued)

### Auditors

The directors appointed PricewaterhouseCoopers as auditors during the year. In accordance with Section 384 of the Company Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



I C Hay  
*Secretary*

Level 9  
125 London Wall  
London EC2Y 5AS

28<sup>th</sup> August 2001

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss for the period. In preparing those 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the members of Macquarie European Infrastructure plc**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### *Basis of audit opinion*

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2001 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

28<sup>th</sup> August 2001

## Consolidated profit and loss account

For the year ended 30 June 2001

	Note	Year ended 30 June 2001 £	Nine Month Period ended 30 June 2000 £
Turnover		3,482,685	4,043,414
Cost of sales		(3,408,358)	(2,257,240)
<b>Gross profit</b>		<b>74,327</b>	<b>1,786,174</b>
Administrative expenses		(361,641)	(921,398)
Management fees		(5,023,820)	-
Performance fees		(13,759,470)	-
<b>Operating (loss)/profit</b>		<b>(19,070,604)</b>	<b>864,776</b>
Interest received	7	5,153,030	3,156,325
Interest paid	3	(974,028)	-
Profit on sale of subsidiaries	5	7,498,966	-
Write down in value of investments		(1,388,055)	-
Other expenses		(123,504)	-
(Loss)/profit on ordinary activities before tax	2,6	(8,904,195)	4,021,101
Tax on ordinary activities	4	1,158,516	(1,451,200)
<b>(Loss)/profit for the financial year</b>	<b>16</b>	<b>(7,745,679)</b>	<b>2,569,901</b>

All activities are continuing.

The group has no recognised gains or losses other than the profit for the year.

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

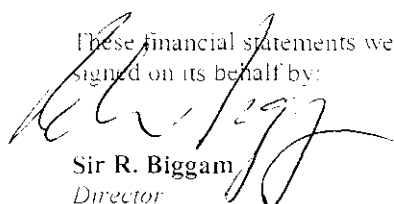
The notes on pages 10 to 27 form an integral part of these accounts.

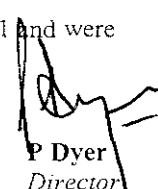


**Consolidated balance sheet**  
*at 30 June 2001*

		30 June 2001	30 June 2000
		£	£
<b>Fixed assets</b>			
Tolling concessions		22,023,835	-
Tangible assets	8	248,378,458	11,300
Investments	9	48,598,919	91,145,502
		<hr/>	<hr/>
		319,001,212	91,156,802
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	3,651,183	4,312,401
Debtors: amounts falling due after one year	11	235,906	-
Cash		39,293,030	13,395,586
		<hr/>	<hr/>
		43,180,119	17,707,987
<b>Creditors: amounts falling due within one year</b>	12	(26,085,835)	(6,095,686)
		<hr/>	<hr/>
<b>Net current assets</b>		17,094,284	11,612,301
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		336,095,496	102,769,103
<b>Creditors: amounts falling due after one year</b>	13	(176,161,943)	-
		<hr/>	<hr/>
<b>Provision for liabilities and charges</b>	14	-	(620,000)
		<hr/>	<hr/>
<b>Net assets</b>		159,933,553	102,149,103
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	15	144,588,417	99,579,202
Share premium account	18	20,520,914	-
Profit and loss account	16	(5,175,778)	2,569,901
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	17	159,933,553	102,149,103
		<hr/>	<hr/>

These financial statements were approved by the Board of directors on 28<sup>th</sup> August 2001 and were signed on its behalf by:

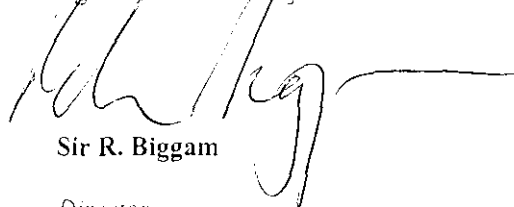
  
Sir R. Biggam  
Director

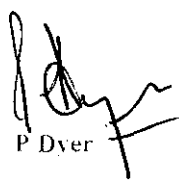
  
P Dyer  
Director

**Company balance sheet**  
*at 30 June 2001*

		30 June 2001 £	30 June 2000 £
<b>Fixed assets</b>			
Investments	9	138,949,144	85,456,627
		<hr/>	<hr/>
<b>Current assets</b>			
Cash		35,283,482	11,694,644
Debtors: amounts falling due within one year	10	72,702	2,842,500
		<hr/>	<hr/>
		35,356,184	14,537,144
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	12	-	(269,295)
		<hr/>	<hr/>
<b>Net current assets</b>		35,356,184	14,267,849
		<hr/>	<hr/>
<b>Net assets</b>		174,305,328	99,724,476
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	15	144,588,417	99,579,202
Share premium account	18	20,520,914	-
Profit and loss account		9,195,997	145,274
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	17	174,305,328	99,724,476
		<hr/>	<hr/>

These financial statements were approved by the Board of directors on 28<sup>th</sup> August 2001 and were signed on its behalf by:

  
Sir R. Biggam  
Director

  
P Dyer  
Director

**Consolidated cash flow statement**  
*for the year ended 30 June 2001*

	Note	Year ended 30 June 2001 £	Period ended 30 June 2000 £
Net cash (outflow)/inflow from operating activities	20	(1,123,831)	5,542,417
Returns on investments and servicing of finance			
Interest received		1,993,669	171,908
Interest paid		(974,031)	-
Net cash inflow from returns on investments and servicing of finance		1,019,638	171,908
Taxation		(1,193,816)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(135,624,058)	(61,341)
Receipts from sale of tangible fixed asset		361	-
Loans to associates		(71,430,000)	(8,800,000)
Contribution to capital of associated undertaking		(3,541,331)	-
Repayment of loans from associates		33,704,984	-
		(176,890,044)	(8,861,341)
Acquisitions and disposals			
Purchase of associated undertakings		-	(83,009,900)
Subscription for shares in associates		-	(26,700)
Disposal of subsidiary undertaking		16,933,229	-
Acquisition of subsidiary undertaking		(250)	-
Net cash acquired on acquisition of subsidiary undertaking		17,757,276	-
Net cash inflow/(outflow) for acquisitions		34,690,255	(83,036,600)
Cash outflow before financing		(143,497,798)	(86,183,616)
Financing			
Issue of ordinary share capital		61,712,226	99,579,202
Expense of share issue		(283,338)	-
Receipt of bank debt		124,110,000	-
Repayment of loans		(16,143,646)	-
Net inflow from financing		169,395,242	99,579,202
Increase in cash in the year	21	25,897,444	13,395,586

## Notes

*(forming part of 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.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The company is exempt under s230(4) Companies Act 1985 from the requirement to present its own profit and loss account. The company made a profit for the year of £9,050,723 (2000: profit £145,274).

#### *Changes in Accounting Policy*

With effect from 1 July 2000 the group changed its method of accounting for equity investments and adopted the policy of cost less provision for impairment. This change did not have a material impact on the results to 30 June 2000 and the adjustment has thus been passed in the current period.

#### *Basis of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Macquarie European Infrastructure plc as at 30 June 2001 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in Macquarie European Infrastructure plc Group are eliminated in full.

#### *Associated undertakings not equity accounted*

Those infrastructure investments that are associated undertakings are carried at cost less amortisation in accordance with the company's normal policy and are not equity accounted as required by the Companies Act 1985. The directors consider that as these investments are held as part of the company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the company's interest in these investments.

The effect of this departure is to increase profit before taxation by £22,578 and increase fixed asset investments by £22,578.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery - 2 to 5 years

Computer equipment - 3 years

Roads and tunnels are depreciated once operational

Tolling concessions are amortised on an individual basis over the remaining operating period of each concession.

Assets in the course of construction are not depreciated.

#### *Foreign currencies*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Assets held under finance lease are capitalised at the fair value of the asset at the inception of the lease, with an equivalent liability categorised as appropriate under creditors due within and after more than one year. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Provision for Uncertainties*

The company makes a general provision for uncertainties to cover the inherent risk of loss arising from non-recovery of amounts receivable. An assessment as to the adequacy of the provision is made at the end of each reporting period. Should the provision be considered inadequate, either due to losses applied against the provision or to changes in the size or risk characteristics of the economic entity's portfolio, a charge would be made in the profit and loss account in the current financial year to adjust the provision.

#### *Post Retirement Benefits*

The company operates a defined benefit pension scheme in the UK. Contributions in respect of the scheme are charged to the profit and loss account so as to spread the cost over the period the employees are expected to work within the company. The funding of the scheme may be based on more conservative assumptions and may recognise any surplus or deficit over a different time scale.

#### *Turnover*

Turnover includes directors, technical service and secondment fees received by the company and its subsidiary undertakings. It is stated less value added tax.

#### *Borrowings*

Borrowings are recognised when issued at the amount of the net proceeds received and carried at this amount until the liabilities are settled. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan.

#### *Development Expenditure*

Development expenditure is capitalised and amortised over the operating period of the useful economic life of the asset. The carrying value of these tangible assets is assessed by the directors annually to determine whether there has been any permanent impairment to their value.

## Notes (continued)

### 1 Accounting policies (continued)

#### Tolling Concessions

Tolling concessions are intangible assets and represent the right to derive future distributions from controlled tolling concessions.

Tolling concessions are recorded at historical cost or the fair value attributed at the date of acquisition by the directors. The directors' valuation at the date of acquisition is based on discounted cash flow modelling of future distributions for each tolling concession. The directors' valuations are reviewed each reporting period to ensure that they are not greater than fair value at period end.

Amortisation is provided so as to write off these assets over the operating period of the concession.

### 2. Profit on ordinary activities before taxation

	Year ended 30 June 2001 £	Period ended 30 June 2000 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Audit services - KPMG	23,244	35,000
- PricewaterhouseCoopers	50,000	-
- Deloitte & Touche	12,000	-
Other fees paid - KPMG	80,943	-
- PricewaterhouseCoopers	17,231	-
Depreciation and other amounts written off tangible fixed assets:		
Depreciation of plant and equipment	5,398	24,194
Loss on disposal of fixed assets	4,963	25,847
Hire costs including operating lease payments	92,180	63,731
Impairment of operational investments	507,646	689,263
Write back of amortisation of Yorkshire Link and Lusoponte for year ended 30 June 2000	(350,820)	-
Exchange losses	333,803	173,917

### 3. Interest Paid

All interest paid during the year was to MIT(I).

## Notes (continued)

### 4. Taxation

	Group Year ended 30 June 2001 £	Group Period ended 30 June 2000 £
UK corporation tax at 30%	202,079	1,451,200
Prior year adjustment	(740,595)	-
Release of deferred tax	(620,000)	-
	<hr/>	<hr/>
Tax(credit) charge	(1,158,516)	1,451,200
	<hr/>	<hr/>

### 5. Profit on sale of subsidiaries

	2001 £	2000 £
Profit on sale of subsidiaries	7,498,966	-
Taxation	27,978	-
	<hr/>	<hr/>

On 16 February 2001, the Company sold 100% of the issued share capital of Macquarie Infrastructure Projects Limited which was the vehicle through which the group held its 26.7% interest in the MOD Main Building Refurbishment Project.

On 21 February 2001, the Company sold 100% of the issued share capital of Macquarie Infrastructure Investments (UK) Limited which was the vehicle through which the group held its 50% interest in the Meridien Hospital Project.

### 6. Employees and directors

The remuneration of directors was as follows:

	Year ended 30 June 2001 £	Period ended 30 June 2000 £
Aggregate Emoluments	233,942	170,141
	<hr/>	<hr/>

### Highest Paid Director

Total amount of emoluments	152,830	-
Defined benefit pension scheme payments during the year	26,758	-
Defined benefit pension scheme accrued value at year end	82,829	-
	<hr/>	<hr/>

## Notes (continued)

### 6. Employees and directors (continued)

No directors of the company are directors of other members of the Macquarie Bank Group, except for John Roberts.

#### Loans to directors

An amount of £254 was outstanding from a director at 30 June 2001, being a season ticket loan.

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Year ended 30 June 2001	Period ended 30 June 2000
Operations	9	21
Administration	6	7
	<hr/> 15	<hr/> 28

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2001 £	Period ended 30 June 2000 £
Wages and salaries	1,407,343	1,458,876
Social security costs	133,024	130,921
Other pension costs	209,327	104,087
	<hr/> 1,749,694	<hr/> 1,693,884

### 7. Interest received

	Year ended 30 June 2001 £	Period ended 30 June 2000 £
Interest received from associated undertakings	3,263,386	2,984,417
Other interest receivable	1,889,644	171,908
	<hr/> 5,153,030	<hr/> 3,156,325



Notes (continued)

8 Tangible fixed assets

	Plant and Equipment (Group) £	Assets Under Construction (Group) £	Total (Group) £
<i>Cost</i>			
At 1 July	35,494	-	35,494
Additions	3,404	248,374,115	248,377,519
Disposals	(26,063)	-	(26,063)
At end of the year	12,835	248,374,115	248,386,950
<i>Depreciation</i>			
At 1 July	(24,194)	-	(24,194)
Charge for the year	(5,398)	-	(5,398)
Disposals	21,100	-	21,100
At end of the year	(8,492)	-	(8,492)
<i>Net Book value</i>			
At 30 June	4,343	248,374,115	248,378,458

Included in assets in the course of construction is the value of land leased by Midland Expressway Limited from the Highways Agency. The lease payments will be established via a formula set out by the Highways Agency which pays down all costs associated with the purchase of that land and interest on those costs per annum. Lease payments will be made from 2007 until 2054 by Midland Expressway Limited.

The value of the land has been estimated by the Highways Agency as at 31 March 2001 at £23.3 million as per the Highways Agency the value of the land will not be materially different from the current estimate upon the final determination.

Notes (continued)

9. Fixed asset investments (continued)

(a) Consolidated

	Associated Undertakings £	Loans to Associates £	Total £
As at 1 July 2000	38,217,685	52,927,817	91,145,502
Additions	-	9,378,487	9,378,487
Disposals	(3,597,620)	(9,919,852)	(13,517,472)
Loan repayment	-	(26,930,036)	(26,930,036)
Impairment of investments	(507,646)	-	(507,646)
Write back of amortisation of Yorkshire Link and Lusoponte for year ended 30 June 2000	350,820	-	350,820
Investment Write Offs	(38,055)	(1,350,000)	(1,388,055)
Exchange differences	-	(158,096)	(158,096)
Investment becoming a subsidiary	(9,774,585)	-	(9,774,585)
As at 30 June 2001	24,650,599	23,948,320	48,598,919

Interest is payable on loans made to Lusoponte at 7.86% compounded monthly and payable when cash is available. Interest is payable on loans made to Yorkshire Link Limited at 15% compounded every six months and payable when cash is available.

(b) Company

	Subsidiary Undertakings £	Loans to Subsidiaries £	Loans to Associates £	Total £
As at 1 July 2000	32,017,196	45,467,043	7,972,388	85,456,627
Additions	14,552,779	78,622,687	-	93,175,466
Disposals	(568,206)	(34,588,179)	(4,368,468)	(39,524,853)
Exchange differences	-	-	(158,096)	(158,096)
As at 30 June 2001	46,001,769	89,501,551	3,445,824	138,949,144

Macquarie European Infrastructure plc has loans with all of its subsidiary undertakings and Lusoponte. All loans to subsidiary undertakings are non interest bearing. Terms of the loan to Lusoponte are disclosed in Note 9(a).

**Notes (continued)**

**9. Fixed asset investments (continued)**

Subsidiary undertakings	Principal activities	Class and percentage of shares held
Macquarie Infrastructure (UK) Limited	Infrastructure Investment	100% ordinary
Macquarie (UK) Projects Limited	Infrastructure Investment	100% ordinary
Macquarie Midland Holdings Limited	Infrastructure Investment	100% ordinary
European Transport Investments (UK) Limited	Infrastructure Investment	100% ordinary
MEIL Holdings Pty Limited	Infrastructure Investment	100% ordinary
Midland Expressway Limited	Toll road developer	75% ordinary
<b>Associated undertakings</b>		
Yorkshire Link Limited	Toll road operator	49.9% ordinary
Dundee Energy Recycling Limited	Waste plant owner & operator	20% ordinary
Lusoponte Concessionaria Para a Travessia Do Tejo SA (incorporated in Portugal)	Toll bridge operator	24.8% ordinary
Warnowquerung GmbH & Co.Kg	Under-river tunnel operator	70% ordinary

On 29 June 2001, the company acquired 100% of MEIL Holdings Pty Limited, for £14,552,619.

On 25 September 2000 an additional 25% of Midland Expressway Limited ("MEL"), the concession company for BNRR, was acquired for £250 taking the company's interest to 75%. The company also has an option to acquire the remaining 25% of MEL exercisable 18 months after the opening of the BNRR. This option has been accounted for as a purchase for deferred consideration taking the company's beneficial interest in MEL to 100%.

**Non consolidated subsidiary**

Under the exclusion principles set out in FRS2 Warnowquerung GmbH & Co.KG, a 70% owned investment is not consolidated due to severe long term restrictions over control in the project documentation during construction. The agreement is structured such that any decision made in regard to the financial and operational policies of Rostock requires 75% of the voting members to proceed.

The net assets of Warnowquerung GmbH & Co. KG (the concessionaire for the Rostock project) at 30 June 2001 were as follows:

	2001 £
Turnover	853,741
Profit for the financial year	644,614
Taxation	-
Minority interest	193,384
Profit attributable to shareholders	451,230
Net assets	17,017,596

**Notes (continued)**

**9. Fixed asset investments (continued)**

***Acquisition of controlling interest in Midland Expressway Limited***

Fair value of identifiable net assets of  
controlled entities acquired

	Book value before acquisition £	Fair value adjustments £	Fair value at date of acquisition £
Tangible assets	81,323,760	-	81,323,760
Tolling concessions	-	22,023,835	22,023,835
Cash at bank	17,757,276	-	17,757,276
Prepayments	5,636,000	-	5,636,000
Accounts Payable	(18,797,786)	-	(18,797,786)
Interest-bearing liabilities	(85,918,250)	-	(85,918,250)
Net assets acquired	1,000	22,023,835	22,024,835
Total consideration	-	-	22,024,835
Less: consideration for original 50%	-	-	9,774,585
Consideration	-	-	12,250,250
Less: deferred consideration	-	-	12,250,000
Cash consideration	-	-	250

At the date of acquisition, the directors reviewed the book values of the net assets acquired and made the adjustments as shown above in order to restate the net assets acquired at their fair values. The fair value adjustments arose as the directors' revalued the investments in subsidiary undertakings based on the cash flows they expected to receive from the subsidiary undertakings. The directors consider that the book values of the other net assets were a close approximation to the fair values of those net assets at the date of acquisition. Consequently no other adjustments to book value have been made.

In Midland Expressway Limited for the period from the beginning of its financial year (1 October 1999) to the date of acquisition (25 September 2000) there has been nil profit or loss.

**10 Debtors: amounts falling due within one year**

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Trade debtors	208,941	-	824,191	-
Less: provision for bad debts	(114,694)	-	-	-
Other debtors	1,845,956	72,702	2,842,500	2,842,500
Prepayment and accrued income	1,710,980	-	645,710	-
	3,651,183	72,702	4,312,401	2,842,500

**Notes (continued)**

**11 Debtors: amounts falling due after one year**

	<b>Group 2001 £</b>	<b>Company 2001 £</b>	<b>Group 2000 £</b>	<b>Company 2000 £</b>
Trade debtors from group undertakings	235,906	-	-	-

**12 Creditors: amounts falling due within one year**

	<b>Group 2001 £</b>	<b>Company 2001 £</b>	<b>Group 2000 £</b>	<b>Company 2000 £</b>
Trade creditors	12,413,946	-	933,105	-
Amounts owed to group undertakings	118,648	-	-	97,547
Corporation tax	(506,621)	-	1,451,200	62,261
Other creditors	10,842,453	-	109,487	109,487
Other tax and social security	1,018,348	-	1,680,462	-
Accruals and deferred income	2,199,061	-	1,921,432	-
	<b>26,085,835</b>	<b>-</b>	<b>6,095,686</b>	<b>269,295</b>

**13 Creditors: amounts falling due after one year**

	<b>Group 2001 £</b>	<b>Company 2001 £</b>	<b>Group 2000 £</b>	<b>Company 2000 £</b>
Midland Expressway Limited bank debt	132,091,907	-	-	-
Midland Expressway Limited other loans	8,539,036	-	-	-
Deferred consideration on acquisition of Midland Expressway Limited	12,250,000	-	-	-
Obligations under finance lease	23,281,000	-	-	-
	<b>176,161,943</b>	<b>-</b>	<b>-</b>	<b>-</b>

Deferred consideration of £12,250,000 relates to the exercise price of the option held by Macquarie Midland Holdings Limited to purchase the remaining 25% of Midlands Expressway Limited, owned by the Autostrade Group. The option is exercisable any time within a 3 month period, commencing 18 months after the BNRR opens, which is expected in January 2004.

*Notes (continued)*

**13 Creditors: amounts falling due after one year (continued)**

Bank loans represent amounts borrowed by Midland Expressway Limited ("MEL") under a Facility Agreement with Banc of America Securities and Abbey National Treasury Services plc, as arranged, for £685,000,000 dated 26 September 2000 as amended and restated on 24 May 2001. The facility comprises:

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Equity Bridge Facility	36,750,000	-	-	-
Term Loan	637,750,000	-	-	-
Bond Facility	8,000,000	-	-	-
Working Capital Facility	2,500,000	-	-	-
	<u>685,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The bank loans have certain covenants attached and are secured by way of debenture over MEL's assets. Interest on the bank loans is charged on a floating rate at a margin over the London Inter Bank Offer Rate.

Midland Expressway Limited has entered into an interest rate swap agreement whereby it has agreed to exchange with its bankers a monthly sum reflecting the difference between a floating rate of 5.3% on £148,488,151 at 30 June 2001, and a fixed rate of 6.425%.

Midland Expressway Limited other loans represents the repayment of interest to Autostrade Finance due at financial close. It continues to be deferred pending finalisation of the payment arrangement. Interest accrues to Autostrade Finance at the rate earned by Midland Expressway Limited on the deposit.

*Obligations under finance leases*

Obligations under finance leases are repayable as follows:

	Group 30 June 2001 £	Company 30 June 2001 £	Group 30 June 2000 £	Company 30 June 2000 £
Repayable after 5 years	23,281,000	-	-	-

Notes (continued)

14 Provisions for liabilities and charges

	Group 30 June 2001 £	Company 30 June 2001 £	Group 30 June 2000 £	Company 30 June 2000 £
Deferred taxation				
As at 1 July	620,000	-	-	-
Acquired during the period	-	-	620,000	-
Release of provision during the period	(620,000)	-	-	-
	-	-	620,000	-

15 Called up share capital

Authorised	Company 30 June 2001 Number	Company 30 June 2001 £	Company 30 June 2000 Number	Company 30 June 2000 £
Ordinary shares of £1 each	-	-	200,000,000	200,000,000
Ordinary shares of 15p each	6,533,333,347	980,000,002	-	-
	6,533,333,347	980,000,002	200,000,000	200,000,000

Allotted and Issued	30 June 2001 Number	30 June 2001 £	30 June 2000 Number	30 June 2000 £
Ordinary shares of £1 each	-	-	99,579,202	99,579,202
Ordinary shares of 15p each	963,922,778	144,588,417	-	-
	963,922,778	144,588,417	99,579,202	99,579,202

On 20 September 2000 the company issued 33,979,443 ordinary shares of £1 each at par to take the book value of the £1 shares to £133,558,645 and a total book value of the share capital to £133,558,645.

On the same date all £1 shares were converted to ordinary 15p shares, and the authorised share capital increased to 890,390,997 ordinary shares of 15p.

## Notes (continued)

### 15 Called up share capital (continued)

On 14 February 2001, 8,891,810 15p shares were issued at a premium for proceeds of £3,615,410. This increased the number of shares to 899,282,777 against a book value of £137,174,055.

On 11 April 2001, 58,000,000 15p shares were issued at a premium for proceeds of £25,192,117. This increased the number of shares to 957,282,777 against a book value of £162,366,172.

On 11 May 2001, 6,640,001 15p shares were issued at a premium for proceeds of £3,026,498. This increased the number of shares to 963,922,778 against a book value of £165,392,670.

### 16 Reserves

<i>Profit and Loss Account</i>	<b>Group 2001 £</b>	<b>Company 2001 £</b>	<b>Group 2000 £</b>	<b>Company 2000 £</b>
As at 1 July 2000	2,569,901	145,274	-	-
Retained (loss)/profit for the year	(7,745,679)	9,050,723	2,569,901	145,274
As at 30 June 2001	(5,175,778)	9,195,997	2,569,901	145,274

### 17 Shareholders' funds

<i>Movement in shareholders' funds comprised the following:</i>	<b>Group 2001 £</b>	<b>Company 2001 £</b>	<b>Group 2000 £</b>	<b>Company 2000 £</b>
Shareholders' funds at 1 July 2000	102,149,103	99,724,476		
Ordinary share capital issued during the period	65,813,468	65,813,468	99,579,202	99,579,202
Less costs incurred in raising of capital	(283,339)	(283,339)		
Retained (loss)/profit for year	(7,745,679)	9,050,723	2,569,901	145,274
Shareholders' funds at 30 June 2001	159,933,553	174,305,328	102,149,103	99,724,476

The company issued 33,979,443 ordinary shares of £1 each on 20 September 2000. Following this issue the ordinary share capital was subdivided into 890,390,997 ordinary shares of 15p each and beneficially distributed in specie to the shareholders of MIT (II). Additionally, 1 special "A" share of £1 and one special "B" share of £1 were issued.

Pursuant to the Dividend Reinvestment Plan, the company issued 8,891,810 ordinary shares of 15p each on 14 February 2001.

Pursuant to a placement, the company issued 58,000,000 ordinary shares of 15p each on 11 April 2001.



## Notes (continued)

### 17 Shareholders' funds (continued)

Pursuant to the Security Purchase Plan, the company issued 6,640,001 ordinary shares of 15p each on 11 May 2001.

On 21 September 2000 the company's shares were stapled to the units of MIT (I) and MIT (II) and were listed on the Australian Stock Exchange as a triple stapled security comprising MIG.

### 18 Share Premium Account

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
As at 1 July 2000	-	-	-	-
Premium on shares issued during the year	20,804,253	20,804,253	-	-
Less costs incurred in raising of capital	(283,339)	(283,339)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2001	20,520,914	20,520,914	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

### 19 Contingent liabilities

#### *Lusoponte Concessionari Para a Travessia Do Tejo SA (Lusoponte)*

Lusoponte was awarded the concession to build, run and operate the Vasco de Gama Crossing and operate the 25<sup>th</sup> of April Bridge, both of which are in Lisbon. The company has provided guarantees for bonds relating to the Lusoponte Project, amounting to approximately £3.86 million. The bonds are due to expire during 2004.

#### *Yorkshire Link Holdings Limited ("YLL")*

YLL holds the concession for the A1-M1 shadow toll road. The European Investment Bank ("EIB") has provided various fixed rate loans to YLL. If YLL refinances and the loans are terminated a break fee will be incurred. Macquarie European Infrastructure plc has provided a letter of credit of £1 million to guarantee that the break fees will be paid. The amount reduces over time depending on project performance and expires completely in 2005. It is not expected that the letter of credit will be called.

#### *Midland Expressway Limited ("MEL")*

Midland Expressway Limited has a £2,000,000 security bond payable to the Department of Transport, Local Government and the Regions in the event of damages arising from breach of its concession agreement.

#### *Macquarie Midland Holdings Limited ("MMH")*

Macquarie Midland Holdings Limited has granted a put option to the Autostrade Group in relation to their 25% interest in MEL. The option is exercisable at any time within a 3 month period commencing 18 months after the BNNR opens, at the fair value of that interest which is expected to be £36,750,000. The exercise of the put option is considered to be remote, by accounting for the call option for acquiring 25% interest in MEL, as being exercised by MMH.

## Notes (continued)

### 19 Contingent liabilities (continued)

#### Performance Fees

Pursuant to the provisions of the Trust Constitutions and the Management Agreement between the company and its Manager, MIG may become liable for the payment of the second and third instalments of the performance fee due to the Manager, calculated for the year ended 30 June 2001. The payment of these instalments is dependent upon meeting certain conditions with respect to the market performance of the stapled security. Refer also to Note 23.

	2001 £	2000 £
Second instalment	12,859,470	-
Third instalment	12,859,470	-
	<u>25,718,940</u>	<u>-</u>

### 20 Reconciliation of operating (loss)/profit to operating cash flows

	2001 £	2000 £
Operating (loss)/profit	(19,070,604)	864,776
Depreciation and amortisation	163,776	713,457
Loss on disposal of fixed assets	-	25,846
Foreign exchange losses	333,807	173,917
Decrease/(increase) in debtors	729,434	(1,390,575)
Increase in creditors	16,719,756	4,534,996
Increase in provisions	-	620,000
	<u>(1,123,831)</u>	<u>5,542,417</u>
Net cash (outflow)/inflow from operating activities		

### 21 Analysis of net funds

	At beginning of year £	Cash flow £	At end of period £
Cash at bank	5,395,586	29,184,903	34,580,489
Secured deposits	8,000,000	(3,287,459)	4,712,541
	<u>13,395,586</u>	<u>25,897,444</u>	<u>39,293,030</u>

There is no movement in net funds other than the cash flow for the year.

## Notes (continued)

### 22 Commitments

#### Capital Commitments

Commitments for the acquisition of plant and equipment, equity or debt contracted for at the reporting date but not recognised as liabilities payable:

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Within one year	197,524,992	-	-	-
Later than one year but not later than five years	159,891,875	-	-	-
	<u>357,416,867</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Rostock

European Transport Investments (UK) Limited has a commitment to fund £10.9m in the Rostock tunnel.

#### Midland Expressway Limited

Midland Expressway Limited has entered into a £486 million fixed price contract with the CAMBBA construction joint venture for the design and construction of the BNRR. At the year end £140 million had been paid and provided for under this contract leaving a remaining commitment of £346 million.

#### Operating Leases

Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Within one year	52,425	-	191,700	-
Later than one year but not later than five years	26,747	-	-	-
Later than five years	15,269	-	-	-
	<u>94,441</u>	<u>-</u>	<u>191,700</u>	<u>-</u>

### 23 Related party transactions

The company has interests (details of which are set out in note 9 to the financial statements) in Yorkshire Link Limited and Lusoponte Concessionaria Para a Travessia Do Tejo SA both of which are associated companies.

## Notes (continued)

### 23 Related party transactions (continued)

During the year ended 30 June 2001 fees totalling £835,086 and interest totalling £1,739,527 were charged by the company and its subsidiaries to the associated companies.

During the year ended 30 June 2001 advisory fees totalling £1,875,000 were paid by Midlands Expressway Limited to Macquarie Bank Limited.

#### Management fees

Under the terms of the Management Agreement between MEI and its Manager, fees paid or payable to the Manager of the Company were:

	2001 £'000	2000 £'000
Base Fee	5,023.820	-
Performance Fee	12,859.470	-
	<u>17,883.290</u>	<u>-</u>

The base fee is calculated as 1.25% per annum of the net market value of MIG at the end of each quarter.

The performance fee is calculated with reference to the performance of the accumulated security price of MIG compared with the performance of the Australian All Industrials Accumulation Index.

Fees are apportioned between MIT(I), MIT(II) and MEI based on each entity's share of the net assets of MIG. The net market values of the assets are used in the calculation of this apportionment.

For the year ended 30 June 2001, a total performance fee in relation to the company of £38,578,410 (excluding VAT) has been calculated. This fee is payable in three equal instalments, with the first instalment due and payable on 30 June 2001. Accordingly an amount of £12,859,470 (exclusive of VAT) has been accrued as due and payable as at 30 June 2001 in the financial statements. The second and third instalments of £12,859,470 (exclusive of VAT) each are payable on 30 June 2002 and 30 June 2003 respectively, conditional upon the meeting of certain future performance criteria. The payment of the second and third instalments has been included in Note 19 as a contingent liability.

During the year the subsidiary company, Macquarie Infrastructure (UK) Limited reimbursed expenses of its behalf of £123,504 to Macquarie Infrastructure Trust (II).

During the year Macquarie Bank Limited, the ultimate parent company of the manager, earned fees of £437,500 from the sale of the Meridien Hospital and the Ministry of Defence's Main Building.

All transactions were made on an arms length basis.

### 24 Pension Scheme

Macquarie Infrastructure (UK) Limited operates a defined benefit pension plan (the MI (UK) Pension Plan) which commenced on 1 April 2000. The plan is operated for employees who were previously part of the Kvaerner Pension Schemes.

The pension cost for the year was £209,327.

## Notes (continued)

### 24 Pension Scheme (continued)

A full actuarial valuation was carried out at 31 March 2001 and updated to 30 June 2001 by a qualified independent actuary. The contribution rates paid by the Company, which will continue over the next period, have been 24.7% in respect of the executive members and 14.6% in respect of the staff members.

The major assumptions used by the actuary were:

Rate of increases of salaries	4.6% pa
Rate of increase of pensions in payment	2.6% pa
Discount rate	6.1% pa
Inflation assumption	2.6% pa

The assets in the scheme and the expected rate of return on assets were:

	Rate of return %	Value £
Bonds	5.23	607,565
Equities	7.52	4,169,781
Other	4.00	<u>346,917</u>
Total market value of assets		<u>5,124,263</u>
Present value of scheme liabilities		<u>(4,537,288)</u>
Surplus in the scheme		<u>586,975</u>
Related deferred tax liability		<u>(176,092)</u>
Net pension asset		<u>410,883</u>

### 25 Principal place of business

The Company's principal place of business is Level 9, Alban Gate, 125 London Wall, London EC2Y 5AS.