

AUTOLINK CONCESSIONAIRES (M6) PLC
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2000



Registered in England and Wales No. 3201364

AUTOLINK CONCESSIONAIRES (M6) PLC

REPORT OF THE DIRECTORS

Directors: W J Barr
M J C Collard
W A Lucas
D A Metter
B W Hendry (Resigned 20 April 2000)
D D P White (Appointed 20 April 2000)

Secretary: M C Shelley

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

1. RESULTS AND DIVIDENDS

The profit for the year on ordinary activities after taxation was £1,741,693 (1999: £78,211 loss). The directors do not recommend payment of a dividend.

2. PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

On the 29 April 1997 the company entered into a contract with The Secretary of State for Scotland to Design, Build, Finance and Operate a motorway link between the existing A74(M) and the M74 and an extension to the existing M6 Motorway, linking it to the existing A74(M). The company commenced operation and maintenance of the road on 29 July 1997. On 1 July 1999 the contract was assigned to The Scottish Ministers under The Scotland Act 1998. The operation of this contract is the principal activity of the company.

3. DIRECTORS

On 20 April 2000 D D P White was appointed as a director of the company, and on the same date B W Hendry resigned as a director.

The remaining directors, as set out above, served throughout the year and remain in office.

Directors' Interests

The beneficial interest of the directors in the shares of group companies, as recorded in the register kept in accordance with S.325, Companies Act 1985 were as follows:-

	31 December 2000	31 December 1999
Shares of this company	None	None
Ordinary shares of Autolink Holdings (M6) Ltd	None	None

4. PAYMENT TO CREDITORS

The company agrees terms and conditions for business transactions with its suppliers. Payment is made in accordance with these terms, subject to the terms and conditions being met by the supplier.

The company exhibits creditor days of 29 (1999: 7) in respect of invoiced goods and services and certified amounts due to subcontractors. This figure excludes amounts not currently due for payment but included within trade creditors.

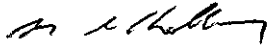
AUTOLINK CONCESSIONAIRES (M6) PLC

REPORT OF THE DIRECTORS

5. AUDITORS

In accordance with S.385, Companies Act 1985 a resolution to the reappointment of KPMG Audit Plc will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



M C Shelley
Secretary

Registered Office:
Eaton Court
Maylands Avenue
Hemel Hempstead
Herts HP2 7TR

2nd March 2001

AUTOLINK CONCESSIONAIRES (M6) PLC

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs for the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a 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 are also responsible for the company's system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUTOLINK CONCESSIONAIRES (M6) PLC

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 with the company is not disclosed.

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 as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Auditor

KPMG Audit Plc
Chartered Accountants and Registered Auditors
8 Salisbury Square
London
EC4Y 8BB

2 March 2001

AUTOLINK CONCESSIONAIRES (M6) PLC

PROFIT AND LOSS ACCOUNT **for the year ended 31 December 2000**

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		£000	£000
Turnover	1	23,590	17,353
Operating costs		(8,328)	(14,756)
Operating profit		15,262	2,597
Interest payable and similar charges	2	(13,360)	(2,675)
Profit/(loss) on ordinary activities before taxation	3	1,902	(78)
Tax on profit on ordinary activities	4	161	-
Retained profit/(loss) for the financial year	14	1,741	(78)

All of the company's activities during the year were continuing operations.

The company has no recognised gains or losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 13 form part of these financial statements.

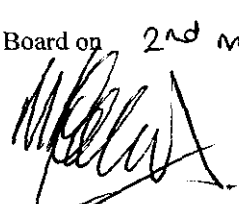
AUTOLINK CONCESSIONAIRES (M6) PLC

BALANCE SHEET at 31 December 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		£000	£000
FIXED ASSETS			
Tangible assets	6	133,085	136,398
CURRENT ASSETS			
Debtors due within one year	7	3,071	3,383
Debtors due after one year	7	6,910	6,041
Investments	8	6,871	2,116
Cash and liquid resources		2,382	959
		<hr/>	<hr/>
		19,234	12,499
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	3,319	5,649
		<hr/>	<hr/>
NET CURRENT ASSETS		15,915	6,850
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		149,000	143,248
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	150,588	146,738
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	161	-
		<hr/>	<hr/>
NET LIABILITIES		(1,749)	(3,490)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	13	79	79
Profit and loss account	14	(1,828)	(3,569)
		<hr/>	<hr/>
Equity shareholders' deficit	15	(1,749)	(3,490)
		<hr/>	<hr/>

Approved by the Board on 2nd March 2001 and signed on its behalf by:-

M J Collard



Director

The notes on pages 7 to 13 form part of these financial statements.

AUTOLINK CONCESSIONAIRES (M6) PLC

CASH FLOW STATEMENT for the year ended 31 December 2000

	2000	1999
	£000	£000
Net cash inflow from operating activities	19,271	4,560
Returns on investments and servicing of finance		
Interest received	414	936
Interest paid	(14,319)	(15,505)
	(13,905)	(14,569)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(1,412)	(16,474)
Management of liquid resources		
Withdrawals from/(payments into) short term deposits	(4,755)	3,716
Financing		
New long term loans	6,454	23,189
Repayment of long term loans	(4,230)	-
	2,224	23,189
Increase in cash	1,423	422

Notes to the cash flow statement:

Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	15,262	2,597
Depreciation	3,351	840
Amortisation of fees	533	87
Increase in debtors	(705)	(3,658)
Increase in creditors	830	4,694
Net cash inflow from operating activities	19,271	4,560

Reconciliation of net cash flow to movement in net debt

Increase in cash	1,423	422
Cash flow from increase/(decrease) in liquid resources	4,755	(3,716)
Cash inflow from increase in debt	(2,224)	(23,189)
Finance charges	(385)	(521)
Movement in net debt in the period	3,569	(27,004)
Net debt at the start of the period	(137,107)	(110,103)
Net debt at the end of the year	(133,538)	(137,107)

Analysis of net debt

	At 1 January 2000 £000	Cash Flow £000	Other non cash movements £000	At 31 December 2000 £000
Cash and liquid resources	959	1,423	-	2,382
Current asset investments	2,116	4,755	-	6,871
Loans due after one year	(140,182)	(2,224)	(385)	(142,791)
Net debt	(137,107)	3,954	(385)	(133,538)

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 2000

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable UK accounting standards which have been applied consistently under the historical cost convention. The particular accounting policies adopted by the directors are described below.

Turnover

Turnover represents the value of toll income receivable during the year and an evaluation of tolls receivable based on major maintenance.

Tangible fixed assets and depreciation

Tangible fixed assets include:

- (i) Infrastructure assets, comprising the project road improvements and associated structures.
- (ii) Other assets, including measuring equipment, fixtures and fittings, and leasehold improvements.

Infrastructure assets are stated at the lower of cost and net recoverable amount. Costs capitalised comprise direct payment to the contractor, attributable initial project costs and interest costs incurred on borrowings to fund construction. Interest costs are capitalised over the construction period and capitalisation ceases once the infrastructure comes into use.

Depreciation of infrastructure assets

Depreciation is calculated based upon traffic flows over the life of the concession. Assets in the course of construction are not depreciated until the month they come into use.

Depreciation of other assets

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

Measuring Equipment	30 years
Fixtures and fittings	2 - 5 years
Leasehold improvements	Life of the lease

Maintenance

Provision for major maintenance on the project road is based on evaluations of expenditure required over the whole life of the concession in order to maintain the project road in the condition laid down by the Concession Agreement. Assessments as to the total expenditure required are made every six months in accordance with the Company's Financing Arrangements. The annual charge to the profit and loss account takes account of such assessments, changes in the relevant price index over the period, and any reductions in forecast income. Expenditure is charged against the balance sheet provision as incurred.

Routine maintenance costs are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Financial Instruments

Listed debenture loans are accounted for on the historical cost basis. Interest on the loans is recognised as it accrues.

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 2000

2. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2000</u> £000	<u>1999</u> £000
Debenture loans	13,897	16,688
Bank loans	262	-
Less interest receivable	(799)	(1,090)
	<u>13,360</u>	<u>15,598</u>
Less amount capitalised to infrastructure assets	-	(12,923)
Charged to the profit and loss account	<u>13,360</u>	<u>2,675</u>

3. PROFIT ON ORDINARY ACTIVITIES

	<u>2000</u> £000	<u>1999</u> £000
This is arrived at after charging:		
Depreciation	3,351	840
Amortisation of fees	533	87
Auditors' remuneration - audit	13	11
- non audit	16	6
Directors' emoluments	Nil	Nil
	<u> </u>	<u> </u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2000</u> £000	<u>1999</u> £000
On the results for the year at 30% (1999: 30.25%):		
Deferred taxation	161	-
	<u> </u>	<u> </u>

The tax attributable to the profit for the year has been reduced by losses brought forward.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the year (1999: None) and £80,838 was paid to the controlling shareholders for directors' services (1999: £78,855).

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 2000

6. TANGIBLE FIXED ASSETS

	Infrastructure Assets £000	Measuring Equipment £000	Leasehold Improvements £000	Total £000
Cost				
As at 1 January 2000	136,576	579	108	137,263
Additions	-	26	12	38
As at 31 December 2000	<u>136,576</u>	<u>605</u>	<u>120</u>	<u>137,301</u>
Depreciation				
As at 1 January 2000	821	44	-	865
Charge for the year	3,328	19	4	3,351
As at 31 December 2000	<u>4,149</u>	<u>63</u>	<u>4</u>	<u>4,216</u>
Net book value 31 December 2000	<u>132,427</u>	<u>542</u>	<u>116</u>	<u>133,085</u>
Net book value 31 December 1999	<u>135,755</u>	<u>535</u>	<u>108</u>	<u>136,398</u>

The cost of infrastructure assets includes £21,064,813 (1999: £21,064,813) of capitalised interest.

7. DEBTORS

	<u>2000</u> £000	<u>1999</u> £000
Trade debtors	2304	2,529
Other debtors	751	697
Prepayments and accrued income	6,926	6,198
	<u>9,981</u>	<u>9,424</u>

Included in prepayments and accrued income is an amount of £6,909,925 which is due after more than one year (1999: £6,041,277).

8. INVESTMENTS

	<u>2000</u> £000	<u>1999</u> £000
Short term deposits	6,871	2,116

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2000</u> £000	<u>1999</u> £000
Trade creditors	322	190
Amounts owed to group undertaking	57	618
Accruals and deferred income	2,940	4,841
	<u>3,319</u>	<u>5,649</u>

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 2000

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2000</u> £000	<u>1999</u> £000
Secured debenture loan (a)	129,945	129,422
Unsecured debenture loan (b)	6,530	10,760
Secured bank loan (c)	6,316	-
Accruals and deferred income	7,797	6,556
	<u>150,588</u>	<u>146,738</u>

- (a) The debenture loans are secured by a fixed and floating charge on the assets of the company. The loans are repayable all over five years by instalments to 15 June 2022.
- (b) The unsecured debenture loan was issued at par during 1999 to Autolink Holdings (M6) Limited, the company's parent undertaking, for a consideration of £10,760,306. An amount of £4,230,631 was repaid during the year. The remainder of the loan is repayable on the date of termination of the Concession Agreement with the Secretary of State, which is anticipated to be 29 July 2027.
- (c) The bank loan is secured by a financial guaranty policy, and is repayable all over five years by instalments to 15 June 2022. The interest rate is variable and determined quarterly in advance in accordance with standard bank procedures.

	<u>2000</u> £000	<u>1999</u> £000
Amounts falling due in more than 5 years:		
A1 secured debenture loan at 8.39% per annum	124,800	124,800
B1 secured debenture loan at 11.27% per annum	13,009	13,009
Unsecured debenture loan at 18.5% per annum	6,530	10,760
Secured bank loan	6,454	-
	<u>150,793</u>	<u>148,569</u>
Less unamortised fees	(8,002)	(8,387)
	<u>142,791</u>	<u>140,182</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	<u>2000</u> £000	<u>1999</u> £000
At 1 January	-	-
Charge for the year (note 4)	161	-
At 31 December	<u>161</u>	<u>-</u>

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 2000

11. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Deferred taxation is provided in the accounts as follows:

	<u>2000</u> £000	<u>1999</u> £000
Capital allowances in advance of depreciation	910	1,590
Other timing differences	(749)	(1,590)
At 31 December	<u>161</u>	<u>-</u>

There was no unprovided liability to deferred taxation at the year end (1999: £Nil).

12. FINANCIAL INSTRUMENTS

The company has adopted the requirements of Financial Reporting Standard 13, Derivatives and Other Financial Instruments: Disclosures.

Listed debenture loans were issued to provide funding to finance the construction phase of the contract. As part of our risk-averse funding policy we have fixed the interest rate on the financial instruments in order to mitigate the risk of sudden and unexpected changes in financing costs.

The company has taken advantage of the exemption under Financial Reporting Standard 13, that short term debtors and creditors be excluded from the following disclosures.

Financial Assets

The company's financial assets are current asset investments (Note 8) and cash at bank and in hand.

	<u>2000</u> £000	<u>1999</u> £000
Cash - sterling denominated	2,382	959

All cash balances receive interest at a variable rate with reference to base rate.

Financial Liabilities

The financial liabilities requiring disclosure under Financial Reporting Standard 13 are the loans discussed in Note 10.

The debenture loans are at a fixed rate of interest, denominated in sterling and have a carrying value of £136,474,541 (1999: £140,182,172). The weighted average interest rate is 9.11% (1999: 9.37%) and the weighted average period for which the borrowing is fixed at 31 December 2000 is 21.7 years (1999: 22.9 years). The debenture loans are all repayable in more than five years.

The fair value of the secured debenture loans, which have a carrying value of £129,944,866 (1999: £129,421,866), has been calculated to be £156,529,346 (1999: £160,371,771), based upon market values. There is no obligation or present intention to repay the debt, other than on maturity, when the redemption would be made at book value.

The directors consider the fair value of the unsecured debenture loan to be £7,537,354 (1999: £17,413,836), based upon the discounted amount of future cashflows.

The secured bank loans are at a floating rate of interest, denominated in sterling, and have a carrying value of £6,316,379 (1999: £Nil). The loans are all repayable in more than five years. The difference between the carrying amount and the fair value is not considered to be material.

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 2000

13. SHARE CAPITAL

	<u>2000</u> £000	<u>1999</u> £000
Authorised:		
100,000 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted and fully paid		
79,253 ordinary shares of £1 each	79	79
	<hr/>	<hr/>

14. PROFIT AND LOSS ACCOUNT

	<u>2000</u> £000	<u>1999</u> £000
As at 1 January 2000	(3,569)	(3,491)
Retained profit/(loss) for the period	1,741	(78)
	<hr/>	<hr/>
As at 31 December 2000	(1,828)	(3,569)
	<hr/>	<hr/>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2000</u> £000	<u>1999</u> £000
Opening shareholders' deficit	(3,490)	(3,412)
Profit/(loss) for the financial year	1,741	(78)
	<hr/>	<hr/>
Closing shareholders' deficit	(1,749)	(3,490)
	<hr/>	<hr/>

16. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £Nil (1999: £Nil).

17. RELATED PARTY TRANSACTIONS

The company entered into the following material transactions with related parties:

During 1997 the company entered into a new build contract (£103,175,098) with a construction joint venture comprised of subsidiaries of the company's controlling shareholders. Subsequent variations to the contract have totalled £603,937. A total of £1,283,431 (1999: £24,028,245) was paid to the joint venture during the year.

During 1997 the company also entered into a five year Routine Operating and Maintenance Contract with the same joint venture and a total of £3,529,057 (1999: £3,337,763) was paid to the joint venture during the year under this contract.

At the financial year end £516,783 (1999: £1,789,614) was owed to the joint venture, and included in creditors due within one year.

The company paid subsidiaries of its controlling shareholders a total of £428,302 (1999: £353,941) for the provision of staff and other services.

The company is a wholly owned subsidiary of Autolink Holdings (M6) Limited and has taken advantage of the exemption which is conferred by Financial Reporting Standard Number 8, Related Party Disclosures, that allows it not to disclose transactions with group undertakings.

18. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of Autolink Holdings (M6) Limited which is registered in England and Wales.