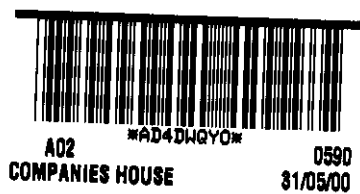


AUTOLINK CONCESSIONAIRES (M6) PLC

REPORT AND FINANCIAL STATEMENTS

31 December 1999



AUTOLINK CONCESSIONAIRES (M6) PLC

REPORT OF THE DIRECTORS

Directors: W J Barr
M J C Collard
D Limbert (Resigned 28 May 1999)
W A Lucas
D A Metter
B W Hendry (Appointed 28 May 1999)

Secretary: M C Shelley

The directors present their report together with the audited financial statements for the year ended 31 December 1999.

1. RESULTS AND DIVIDENDS

The loss for the year on ordinary activities after taxation was £78,211 (1998: £2,176,035). The directors do not recommend payment of a dividend.

2. PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

On 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 28 May 1999 B W Hendry was appointed as a director of the company, and on the same date D Limbert 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 1999	31 December 1998
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 7 (1998: 4) 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.

5. YEAR 2000

The company identified its key risk in relation to the Year 2000 to be reliance on two key suppliers. These were the construction joint venture who is responsible for all design, build and maintenance aspects of the road building project, and the supplier of the roadside traffic measuring equipment. The company obtained representations from these suppliers that they and any equipment supplied was Year 2000 compliant.

No significant factors affecting business activity have come to the attention of the directors in relation to the Year 2000, and they do not consider that there are any remaining issues to address in this area.

The cost of preparing for the Year 2000 has not been significant and no further liability is anticipated.

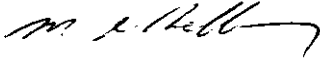
AUTOLINK CONCESIONAIRES (M6) PLC

REPORT OF THE DIRECTORS

6. 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

11th April 2000

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 12.

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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

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

13 April 2000

AUTOLINK CONCESSIONAIRES (M6) PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
		£000	£000
Turnover	1	17,353	4,993
Operating costs		(14,756)	(7,169)
Operating profit/(loss)		2,597	(2,176)
Interest payable and similar charges	2	(2,675)	-
Loss on ordinary activities before taxation	3	(78)	(2,176)
Taxation	4	-	-
Retained loss for the financial year	13	(78)	(2,176)

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

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

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

The notes on pages 7 to 12 form part of these financial statements.

AUTOLINK CONCESSIONAIRES (M6) PLC

BALANCE SHEET at 31 December 1999

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
		£000	£000
FIXED ASSETS			
Tangible assets	6	136,398	117,581
CURRENT ASSETS			
Debtors due within one year	7	3,383	1,969
Debtors due after one year	7	6,041	3,797
Investments	8	2,116	5,832
Cash and liquid resources		959	537
		<hr/>	<hr/>
		12,499	12,135
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(5,649)	(12,814)
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		6,850	(679)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		143,248	116,902
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(146,738)	(120,314)
		<hr/>	<hr/>
NET LIABILITIES		(3,490)	(3,412)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	79	79
Profit and loss account deficit	13	(3,569)	(3,491)
		<hr/>	<hr/>
Equity shareholders' funds	14	(3,490)	(3,412)
		<hr/>	<hr/>

Approved by the Board on

M J C Collard

M J C Collard 11th April 2000

and signed on its behalf by:-

Director

The notes on pages 7 to 12 form part of these financial statements.

AUTOLINK CONCESSIONAIRES (M6) PLC

CASH FLOW STATEMENT for the year ended 31 December 1999

	<u>1999</u>	<u>1998</u>
	£000	£000
Net cash inflow/(outflow) from operating activities	4,560	(2,391)
Returns on investments and servicing of finance		
Interest received	936	3,589
Interest paid	<u>(15,505)</u>	<u>(13,698)</u>
	(14,569)	(10,109)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(16,474)	(50,506)
Management of liquid resources		
Withdrawals from short term deposits	3,716	61,666
Financing		
New long term loans	23,189	-
Increase/(decrease) in cash	<u>422</u>	<u>(1,340)</u>

Notes to the cash flow statement:

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

Operating profit/(loss)	2,597	(2,176)
Depreciation	840	18
Amortisation of fees	87	-
Increase in debtors	(3,658)	(3,431)
Increase in creditors	4,694	3,198
Net cash outflow from operating activities	<u>4,560</u>	<u>(2,391)</u>

Reconciliation of net cash flow to movement in net debt:

Increase/(decrease) in cash	422	(1,340)
Cash inflow from decrease in liquid resources	(3,716)	(61,666)
Cash inflow from increase in debt	(23,189)	-
Finance charges	(521)	(469)
Movement in net debt in the period	<u>(27,004)</u>	<u>(63,475)</u>
Net debt at the start of the period	(110,103)	(46,628)
Net debt at the end of the year	<u>(137,107)</u>	<u>(110,103)</u>

Analysis of net debt

	At 1 January 1999	Cash Flow	Other non cash changes	At 31 December 1999
	£000	£000	£000	£000
Cash and liquid resources	537	422	-	959
Current asset investments	5,832	(3,716)	-	2,116
Loans due after one year	(116,472)	(23,189)	(521)	(140,182)
Net debt	<u>(110,103)</u>	<u>(26,483)</u>	<u>(521)</u>	<u>(137,107)</u>

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 1999

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 charged on a straight line basis 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 1999

2. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1999</u> £000	<u>1998</u> £000
Debenture loans	16,688	10,864
Less interest receivable	(1,090)	(3,505)
	<u>15,598</u>	<u>7,359</u>
Less amount capitalised to infrastructure assets	(12,923)	(7,359)
	<u>2,675</u>	<u>-</u>
Charged to the profit and loss account	<u><u> </u></u>	<u><u> </u></u>

3. LOSS ON ORDINARY ACTIVITIES

	<u>1999</u> £000	<u>1998</u> £000
This is arrived at after charging:		
Depreciation	840	18
Amortisation of fees	87	Nil
Auditors remuneration - audit	11	11
- non audit	6	Nil
Directors' emoluments	Nil	Nil
	<u><u> </u></u>	<u><u> </u></u>

4. TAXATION

The tax charge for the year is £Nil (1998: £Nil) because the company incurred a loss.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the year (1998: None) and £78,855 was paid to the controlling shareholders for directors' services (1998: £77,015).

6. TANGIBLE FIXED ASSETS

	Infrastructure Assets £000	Measuring Equipment £000	Leasehold Improvements £000	Total £000
Cost				
As at 1 January 1999	117,049	557	-	117,606
Additions	19,527	22	108	19,657
As at 31 December 1999	<u>136,576</u>	<u>579</u>	<u>108</u>	<u>137,263</u>
Depreciation				
As at 1 January 1999	-	25	-	25
Charge for year	821	19	-	840
As at 31 December 1999	<u>821</u>	<u>44</u>	<u>-</u>	<u>865</u>
Net book value 31 December 1999	<u><u>135,755</u></u>	<u><u>535</u></u>	<u><u>108</u></u>	<u><u>136,398</u></u>
Net book value 31 December 1998	<u><u>117,049</u></u>	<u><u>532</u></u>	<u><u>-</u></u>	<u><u>117,581</u></u>

The cost of infrastructure assets includes £21,064,813 (1998: £10,629,755) of capitalised interest.

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 1999

7. DEBTORS

	<u>1999</u> £000	<u>1998</u> £000
Trade debtors	2,529	241
Other debtors	697	1,728
Prepayments and accrued income	6,198	3,797
	<u>9,424</u>	<u>5,766</u>

Included in prepayments and accrued income is an amount of £6,041,277 which is due after more than one year (1998: £3,796,620).

8. INVESTMENTS

	<u>1999</u> £000	<u>1998</u> £000
Short term deposits	2,116	5,832
	<u>2,116</u>	<u>5,832</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1999</u> £000	<u>1998</u> £000
Trade creditors	190	153
Amounts owed to group undertaking	618	-
Accruals and deferred income	4,841	12,661
	<u>5,649</u>	<u>12,814</u>

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

	<u>1999</u> £000	<u>1998</u> £000
Secured debenture loan (a)	129,422	116,472
Unsecured debenture loan (b)	10,760	-
Accruals and deferred income	6,556	3,842
	<u>146,738</u>	<u>120,314</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. Further B1 loans were drawn down in the year for a consideration of £12,429,000.

(b) The unsecured debenture loan was issued at par during the year to Autolink Holdings (M6) Limited, the company's parent undertaking, for a consideration of £10,760,603. 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.

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 1999

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

	<u>1999</u> £000	<u>1998</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	580
Unsecured debenture loan at 18.5% per annum	10,760	-
	<u>148,569</u>	<u>125,380</u>
Less unamortised fees	(8,387)	(8,908)
	<u>140,182</u>	<u>116,472</u>

11. FINANCIAL INSTRUMENTS

The company has adopted the requirements of Financial Reporting Standard 13, Derivatives and Other Financial Instruments: Disclosures, which became effective during the year.

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. The exemption on grounds of practicality from providing comparatives, in this first year of application, has also been exercised where appropriate.

Financial Assets

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

	<u>1999</u> £000	<u>1998</u> £000
Cash - sterling denominated	959	537

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 debenture loans discussed in Note 10. The debenture loans are at a fixed rate of interest, denominated in sterling and have a carrying value of £140,182,000. The weighted average interest rate is 9.37% and the weighted average period for which the borrowing is fixed at 31 December 1999 is 22.9 years. The debenture loans are all repayable in more than five years. The company also has undrawn borrowing facilities of £6,454,000 which expire within one year.

The fair value of the secured debenture loans, which have a carrying value of £129,422,000, has been calculated to be £160,372,000, 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 £17,414,000, based upon the discounted amount of future cashflows.

AUTOLINK CONCESSIONAIRES (M6) PLC

Notes to the financial statements for the year ended 31 December 1999

12. SHARE CAPITAL

	<u>1999</u> £000	<u>1998</u> £000
Authorised:		
100,000 ordinary shares of £1 each	100	100
	<u>==</u>	<u>==</u>
Allotted and fully paid		
79,253 ordinary shares of £1 each	79	79
	<u>==</u>	<u>==</u>

13. PROFIT AND LOSS ACCOUNT

	<u>1999</u> £000	<u>1998</u> £000
As at 1 January 1999	(3,491)	(1,315)
Retained loss for the period	(78)	(2,176)
As at 31 December 1999	<u>(3,569)</u>	<u>(3,491)</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1999</u> £000	<u>1998</u> £000
Opening shareholders' funds	(3,412)	(1,236)
Loss for the financial year	(78)	(2,176)
Closing shareholders' funds	<u>(3,490)</u>	<u>(3,412)</u>

15. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £Nil (1998: £Nil).

16. RELATED PARTY TRANSACTIONS

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

During 1997 the company entered into a new build contract (£103,160,098) 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 £24,028,245 (1998: £49,720,876) 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 £3,337,763 (1998: £3,125,234) was paid to the joint venture during the year under this contract.

At the financial year end £1,789,614 (1998: £11,607,000) 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 £353,941 (1998: £304,328) 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.

17. ULTIMATE PARENT UNDERTAKING

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