

Midland Expressway Limited



MEL MD&A
January 2007

Management Discussion and Analysis

Overview

This report outlines the operational and financial performance of Midland Expressway Ltd (MEL or the Company) from 1 July 2006 to 31 December 2006. MEL now reports its traffic and revenue on a quarterly basis and this report will highlight performance for the two quarters to 31 December 2006.

A revised tolling strategy was announced in November 2006 and implemented on 1 January 2007. Our planning for this pricing revision and the resulting operational changes were implemented with the assistance of the Highways Agency, demonstrating the solid working relationship between us. The revised signage, use of variable message signs and communication with customers has enabled the toll revision to be conducted effectively. Since January 2007 traffic levels are being sustained.

Additional information on the Company may be obtained and accessed via our website at www.m6toll.co.uk.

Forward-Looking Statement

We expect to see traffic levels positively impacted by the ongoing roadworks on the competing section of the M6 until July 2007, however growth in 2007 is not expected to be as strong as 2006 when there was a significant amount of roadworks on the competing section of the M6.

Cost savings and greater efficiencies in the use of resources are being driven across all departments. MEL aims to further reduce cash collection by attended methods and will seek to continually promote payment by credit card/ tag and automatic coin machines (ACM). Automatic collection of tolls now accounts for approximately 70% of all transactions, enhancing efficiency and convenience for customers.

Discussions with CAMBBA, the consortium responsible for the construction of the M6 Toll, are moving towards a satisfactory conclusion. Correction of the remaining road defects has nearly been completed and MEL will subsequently take on full maintenance of the asset.

Corporate Background

MEL was awarded the concession to construct and operate the Birmingham Northern Relief Road (later called the M6 Toll) in 1991 (the Concession). Permit to Use was achieved on 8 December 2003, six weeks ahead of schedule, and the road was fully opened on 11 December 2003. The Concession will run until 2054.

The M6 Toll, which is the UK's first toll road, runs for approximately 27 miles from junction 3a on the M6, arching around the north east of the West Midlands and rejoining the M6 at junction 11a (see map at Appendix 1). The road is a vital link in one of the UK's main arterial routes.

MEL is a private company, wholly owned by Macquarie Infrastructure Group (MIG) – an international toll road operator with more than a decade of experience. Under the Concession, MEL has discretion to set tolls. The tolling regime is enshrined within UK legislation under the New Road and Street Works Act (NRSWA) 1991.

MEL also has the right to build a motorway service area (MSA) which has been exercised. The MSA service facilities were opened in December 2003 with the amenity building and hotel opening in April 2004. This facility is operated by RoadChef under a full repairing and insuring lease for a term of 25 years. The key commercial terms of this lease are on a turnover basis with MEL receiving 20% of audited gross turnover, excluding petrol. Trading from the MSA since opening has shown excellent growth. RoadChef now have their UK headquarters at Norton Canes (on the M6 Toll) and have agreed to lease the former Touchbase premises guaranteeing an additional income stream of £200,000 over five years.

Business Strategy

The Company's Mission

The Company's mission is "to provide a reliable free flowing route that exceeds customer expectations in bypassing Birmingham, the UK's second largest city."

The Company closely aligns itself to the corporate aims of its shareholder MIG. MEL is cognisant of its position as a leading business in the West Midlands and seeks to recruit personnel and suppliers from the local community. Our vision is to continue to enhance services to the travelling public, while seeking greater efficiencies through cross training of personnel, cost minimisation and cash flow maximisation. We strive to enhance the performance and reliability of the asset, and to be an important part of the local regional community and in doing so enhance revenue growth. Our intention to invest in projects that enhance customer satisfaction should lead to repeat business. Good progress is being made on two projects: the M42 merge works and the M54 Link. Both schemes should aid customer satisfaction and improve connectivity.

MEL strives to continually upgrade strategic signage and is in constant communication with the Highways Agency to better customers' understanding of their route choices. MEL has co-ordinated a strategic review of signage within the region and has, under the Concession, the right to provide additional signage within 20 kilometres of the motorway. Tenders for this work will be issued shortly and the work is scheduled for completion in the summer of 2007.

MEL also seeks to provide information to customers on the benefits of our automated payment methods in order to enhance automatic payments and ultimately enhance the performance of the Company.

MEL is involved in assisting Transport for London (TFL) in their trials of tag technology. We recognise the importance of interoperability and the use of credit cards to promote throughput.

We continue to strive to use innovative practices and appropriate technology to provide a well maintained, highly efficient, safe and profitable motorway, thereby satisfying shareholders' expectations. As the sole tolled motorway in the UK, we are recognised as the benchmark operator, adopting and leading industry best practice, particularly in areas such as environmental health and safety management.

MEL has instigated as a best practice review, a coordinated health and safety strategic group comprising all of the bridge managers on major toll routes, e.g. Severn, Dartford, Tamar, Humber and Forth. The MEL team now chairs this strategic innovation group which meets quarterly.

MEL is an active participant in the annual bridge managers' meeting where shared experiences engender the generation of new ideas and technology. MEL remains committed to fostering good relations with these groups to facilitate the enhancement of toll technology and interoperability.

We recognise our importance to the region and play an active part in its economic as well as physical regeneration, whilst also addressing the needs of our customers, community groups, the environment and commuters.

MEL will continue with its policy of supporting both national and local charities via our annual charity drive with one day's net toll revenue to be divided between three nominated charities and the air ambulance. In 2006, £166,000 was donated to these groups.

MEL will continue its policy of working wherever possible with local suppliers.

Business Update

The roll-out of initiatives continues. The restructure of the finance, systems, motorway operations and tolling departments have resulted in a leaner team. This equally applies to the management team with some departures enabling our succession planning to be efficiently implemented. Various staff members have taken on additional responsibilities and some internal promotions are underway in the tolling department. The MEL headcount has been reduced to 143 and we will continue to review this in line with operational needs and the desire to further enhance efficiency. Revised shift patterns for tolling staff are underway. At the same time, we will communicate with our customers on the benefits of automatic transactions.

The Company's ability to generate value stems from its capability to sustain and enhance revenue growth via repeat business, new customers and toll increases. In addition, we constantly review operational expenditure to enhance efficiencies throughout the business.

Revenue growth remains dependent upon the future demand for our service as a bypass to Birmingham as well as the level of tolls levied. Local factors that will positively impact future demand include the ongoing review of the Lichfield Local Plan, business park developments proposed in Staffordshire and the expansion of Birmingham Airport. Other factors that will contribute in the medium term include the creation of a direct link with the M54 to be built by MEL and will open up access to markets in Telford, Shrewsbury and North Wales. The Active Traffic Management on the M42 has improved running conditions and the Highways Agency is proposing to expand the scheme. Future growth will also be impacted by our pricing policies which are designed to sustain free flowing conditions and the possible expansion of services within the MSA.

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In the long term, growth will occur as a result of enhanced use of the motorway network and corridor which MEL has under surveillance via our screenline reporting and analysis. Trends over the last two quarters of 2006 have illustrated the strategic importance of the M6 Toll when roadworks are in place on the M6. Like 2004, we have seen strong traffic growth across all classes during periods of roadworks on the M6.

Detailed planning has commenced for both the M42 and M54 projects. Options for the M42/M6 Toll are being evaluated and construction is scheduled to commence by the end of 2007.

The M54 link, which remains subject to consents, is anticipated to be completed after 2012. The concept will be fully designed with our input. There remains strong local support for the M54 Link.

Both schemes should increase patronage as well as improve the level of service and future cash flow. MEL has a dedicated resource utilising the residual construction team to manage this process.

Claim Update

During the last six months good progress has been made towards resolving the claim lodged by CAMBBA against MEL and the Secretary of State (SoS). It is expected that the final account will be signed within the next three months.

MEL will, as part of the agreement, take over responsibility for completing certain works for example at Langley Mill Embankment. This section of motorway embankment has had to be re-levelled several times by CAMBBA because of gradual settlement which was a result of inadequate compaction. It is expected that one subsequent and final re-levelling will be needed within the next five years at an estimated cost of £25,000.

CAMBBA has finalised most of the disputed defects and agreements are being reached for those that remain outstanding.

MEL is now responsible for the landscape maintenance, which will be outsourced owing to the specialist nature of the works. Detailed negotiations are currently underway with several contractors to ensure best value.

Standards of Excellence

Compliance with standards ISO 9001 (Quality) OHSAS 18001 (Health and Safety) and ISO 14001 (Environment) has been maintained, providing a sound Management System.

MEL has recently had its annual independent audit (by NQA, the external certification body for ISO 9001/ 14001 and also the British Safety Council for OHSAS 18001) of our Management System which is rigidly maintained and updated and was proven to be fully compliant in all respects.

MEL's Risk Policy and Risk Management Plan has been fully reviewed and updated and a full Asset Register identifying the top 10-15 risks has been developed.

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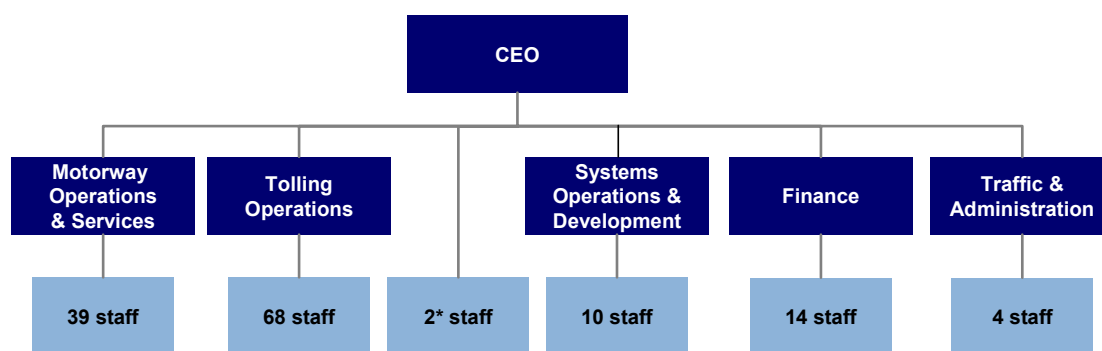
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MEL's Health and Safety System ensures compliance with the relevant legislation. The system's aims are to adopt a system of continuous improvement, set and reach achievable targets, install safe working practices and procedure and improve awareness.

MEL's environmental management policy ensures compliance with relevant legislation and ongoing commitments from the construction phase of the project. The policy's main aims are to: fulfil ecological commitments, prevent pollution from operation and maintenance activities and promote a culture of awareness. In December MEL achieved accreditation to ISO 14001 for environmental management.

Operations Overview

Following the comprehensive review of the business, MEL now operates under a revised structure. The revised structure provides for greater efficiencies within a leaner team.



143 MEL M6 Toll operational staff

Motorway Operations and Services

MEL's policy is to continue to self perform all functions that have a direct effect on the level of service provided, including the operation and routine maintenance of the highway infrastructure. A dedicated motorway operations team, including a control room, provides a 24/7 customer focussed service. Incident support units patrol the motorway offering assistance to customers who have broken down or been involved in an incident. They also assist the Police and Highways Agency Traffic Officers at incidents. Close working relationships have been developed with the Motorway Police and the Highways Agency Traffic Officer service through the Highways Agency Regional Control Centre, to ensure efficient operation of the motorway.

MEL has produced and continuously reviews its contingency plans for major incidents and extreme weather conditions to ensure continuation of service. These plans have been tested as part of 'desktop' exercises organised by both MEL and the Highways Agency.

Routine maintenance of the highway infrastructure is carried out in a preventative maintenance manner, thus reducing the impact on service and expenditure.

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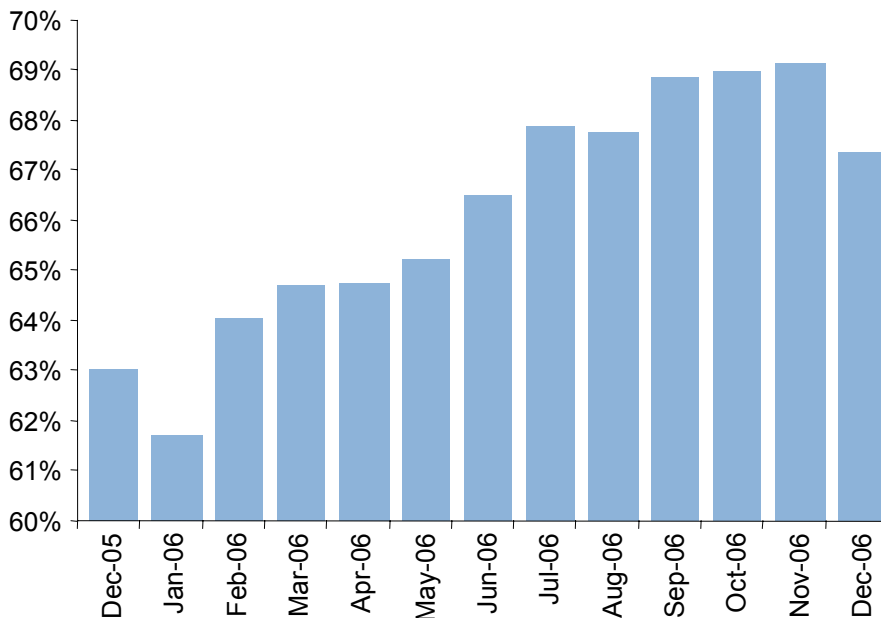
The first three months of the winter season (full season runs from October to the end of April) has seen extremely mild weather conditions. Salt usage to date is just over 20% of that used last season. Conditions throughout early January and February have not been as favourable yet, to date, salt usage accounts for only 57% of the usage during the 2005-2006 winter season.

Tolling Operations

The percentage of automatic payments which is defined as ETC, credit and debit cards and ACM collection continues to rise steadily. This is now in the order of 68-69% on average (see Figure.1) although a number of individual days have seen this figure rise above 71%, having grown from 61% in December 2005, and we anticipate the upward trend will continue. MEL has recently reviewed the number of tolling staff it requires as a result of the upturn in automatic toll collection, as rates of manual cash collection fall correspondingly. Due to the implementation of a new split-shift working system, tolling staff resources have also been reviewed, meaning that small toll stations are unattended at night. Consideration is now also being given to operating these smaller stations, such as Burntwood and Shenstone, unattended during the day due to the ongoing increase in automatic payment methods.

An additional credit card lane has been introduced at the mainline toll plazas to attract more credit card payment and this, together with the toll price revision, is encouraging customers to pay by credit card.

Figure 1: Automatic Payment as % of Total traffic – Average Per Day



Systems Operations and Development

MEL's decision to perform its own first line maintenance, where the system may have a direct effect on our ability to function and/or is cost effective, has allowed us to respond to technical problems quickly and efficiently through a 24/7 technical team. This team has been proactively carrying out a programme of routine maintenance in order to minimise equipment failures and limit any inconvenience experienced by customers and operations. This team has been responsible for many of the upgrades completed so far and provides a cost effective way to continuously improve our technological systems.

Examples of these initiatives include:

- Lane software modifications to increase throughput
- Provision of an M6 Toll website content management system to allow modifications to be made in house
- Reduction in leased line charges by rerouting data onto Highways Agency and M6 Toll fibre-optic networks
- Provision of enhanced disaster recovery facilities in the event of total loss of the Weeford Control Office
- Provision of UPS remote monitoring system to allow UPS and generator performance during mains outages to be monitored
- Real Time Traffic Monitoring as vehicles enter the road. This gives the tolling department advance warning of surges of traffic

The Company has renegotiated the service level agreement with Ascom to outsource the second-line maintenance of the toll system. The toll system is kept operational by the joint efforts of the MEL Systems Team and the service provider Ascom, under the current service level agreement that expired in December 2006. MEL has made savings in negotiating the agreement, amounting to £80,000 p.a.

MEL is currently conducting studies on the implications and cost effectiveness of:

- Adding redundancy to the existing Wide Area Network by migrating the CCTV and Intercom data onto the new TCP/IP Gigabit network
- Upgrading the central computer system Uninterruptible Power Supply to provide improved protection
- Upgrading Toll Central, Toll Station and Email servers to give better resilience and improved performance
- The possibility of providing an additional ETC processing lane in the dedicated Tag lane. This would lessen the effect of non tag customers holding up tag customers when they use the dedicated tag lane in error.

Promotion

The customer facility at the MSA is currently being upgraded to enhance customer service and information available to potential users. MEL continues to roll out the provision of trial tags at the MSA (deposit of £5.00 plus £35.00 credit) which allows customers to trial the road ahead of registering for an account.

MEL will continue to concentrate on providing better information to customers via indirect methods such as email, word of mouth communication at toll lanes and other indirect methods.

In the next quarter MEL will be pursuing a customer service survey by way of a mystery shopper campaign in order to measure our progress since last year.

MEL is assisting the Drivers Vehicle Licence Agency (DVLA) arm of the Department for Transport (DfT) to secure agreement from the Information Commissioner to allow MEL to reach customers through the DVLA in order to stimulate their awareness of the tag. MEL will pass details of the number plates of regular users of the toll road to the DVLA who will in turn pass on information to the driver.

MEL has entered into an arrangement with the Police for them to provide, at their cost, automatic number plate recognition (APNR) that the police use to track offenders. The mutual use of this technology is envisaged to aid customer outreach in partnership with the DVLA. MEL will agree the message sets to be despatched to the drivers who will be asked by the DVLA to communicate directly with the company.

Traffic and Revenue

Toll revenues are seasonal in nature and are influenced by economic conditions, the tolling structure and traffic volumes on competing routes. The M6 Toll competes with three other routes crossing the region, the M6, A38 and A5. The M6 Toll has consistently attracted traffic away from these routes and we expect this trend to continue. Major roadworks were put in place by the Highways Agency during 2004 on some of the competing routes which enhanced the traffic flows on the M6 Toll. A similar set of roadworks on the M6 were in place during 2006 and the M6 Toll experienced additional traffic as a result. Currently ongoing are a separate set of roadworks at junction 8 of the M6, which have led to periods of congestion on the connecting route. These works are anticipated to be in place for until mid-2007 and an increased level of traffic is expected to be captured by the M6 Toll as a result.

The period from July to December 2006 saw average daily traffic levels consistently higher than those seen in both 2004, despite the higher toll charge, and 2005 suggesting some year-on-year growth was occurring. The months of August, September and October were particularly strong, eclipsing flows in previous corresponding periods. Initial signs following the price increase in January 2007 indicate that traffic flows continue to remain strong despite the 50p increase to £4 for Class 2 vehicles at the mainline plazas.

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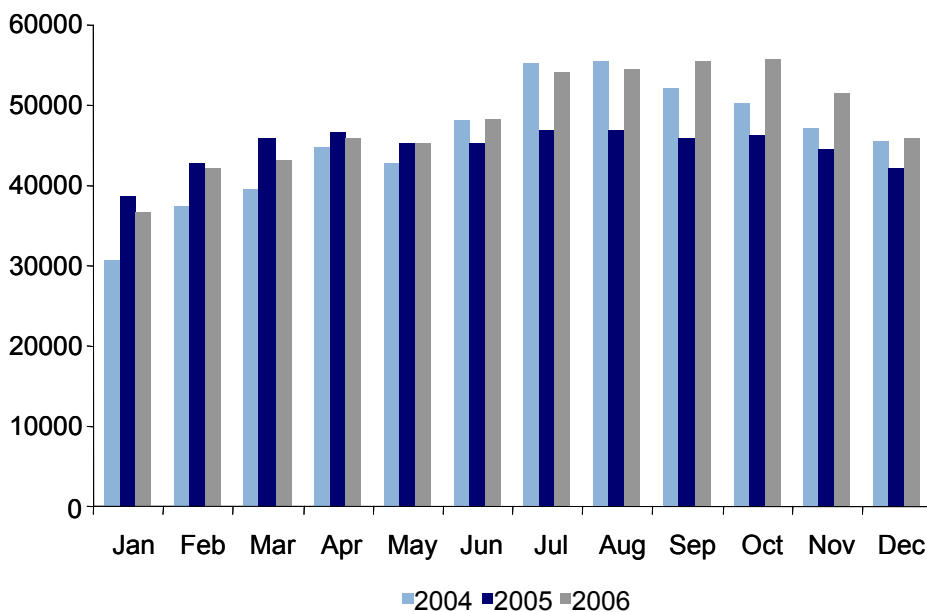
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Figure 2: Average Daily Traffic Levels

Summary	6 Months to June '04	6 Months to Dec '04	6 Months to June '05	6 Months to Dec '05	6 Months to Jun '06	6 Months to Dec '06
Total Traffic	7,369,663	9,373,182	7,980,186	8,364,163	7,886,468	9,728,729
Average Daily Traffic						
Workdays	43,223	53,524	48,216	49,009	48,350	57,204
Weekends & Public Holidays	34,505	44,776	35,138	37,389	32,906	43,226
All Days	40,493	50,926	44,090	45,456	43,588	52,874
Average Daily Revenue	£85,676	£143,507	£135,875	£162,513	£155,189	£191,118
Tag Penetration Rate	1.33%	3.93%	6.55%	7.79%	9.15%	10.44%
Number of Tags in Circulation	5,599	14,124	20,316	23,885	25,873	28,586
Unpaid Tolls & Violations	0.05%	0.06%	0.05%	0.09%	0.11%	0.12%

1. Total traffic represents the number of vehicles recorded by the toll collection system in the period
2. Average daily revenue is calculated from the gross toll revenue as recorded by the Toll Collection System in the period
3. Tag penetration rate is the ratio of Tag transactions to total traffic in the period
4. Tags in circulation are measured at the end of the reporting period based on the number of tags registered to customers
5. Unpaid tolls & violations is the ratio of their net value to gross toll revenue in the period.

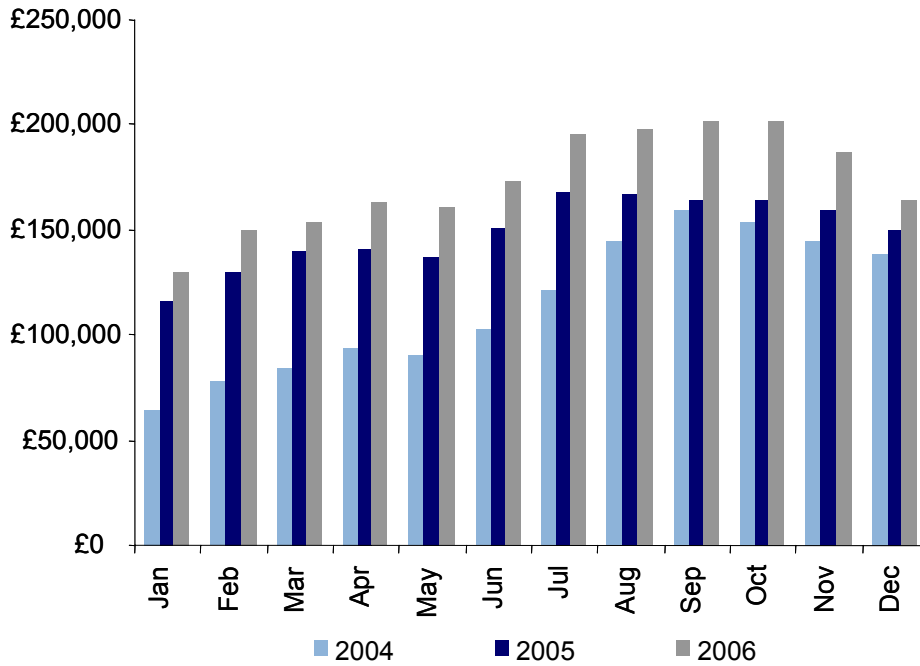
Figure 3: Average Daily Traffic



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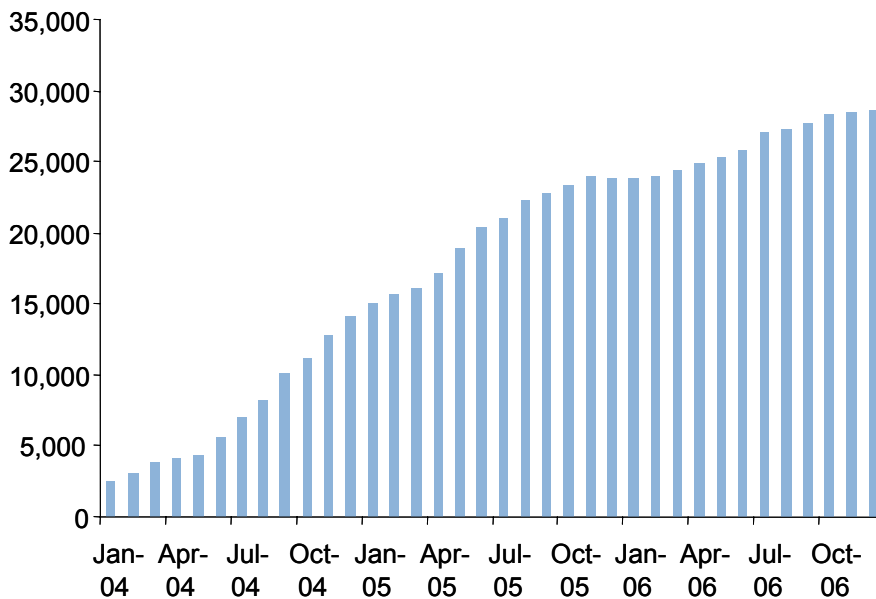
Figure 4: Average Daily Gross Revenue



Electronic Toll Collection (Tag) Transactions

The demand for tags has continued to increase, with the number of tags in circulation increasing to almost 29, 000 in December 2006, as illustrated in Figure 5.

Figure 5: Number of M6 Toll Tags in circulation



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RoadChef continue to sell M6 Toll tags from Norton Canes MSA.

Average Weekday Tag Transactions are now consistently higher than 5,000 per day (see Figure 6) and for the latter months of 2006 were consistently above 6,000 transactions per day. These are now consistently averaging around 9% of total daily payment. In terms of split by class, Class 2 tag payments continue to run at around 8% of total daily payments, Class 4 at around 15% and Class 5 at around 50% (see Figures 7 & 8).

Figure 6: Average Workday Tag Transactions

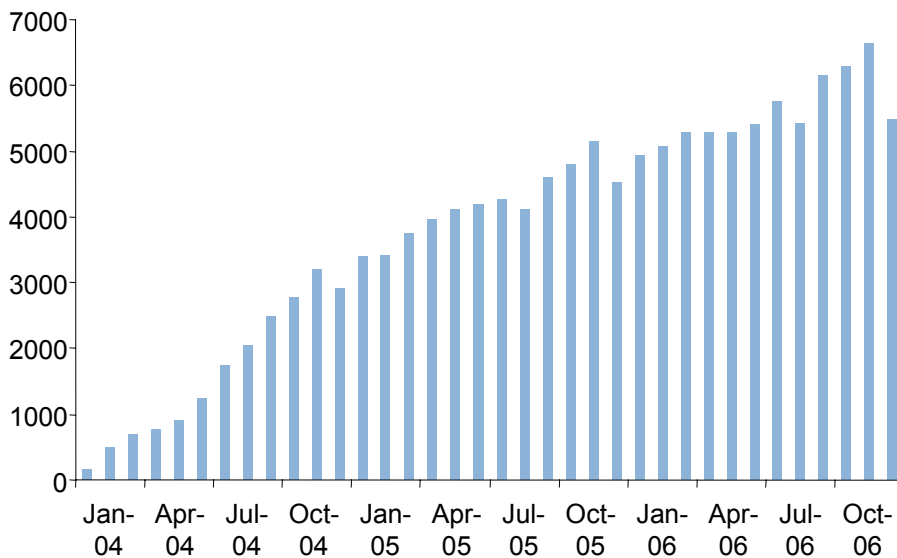
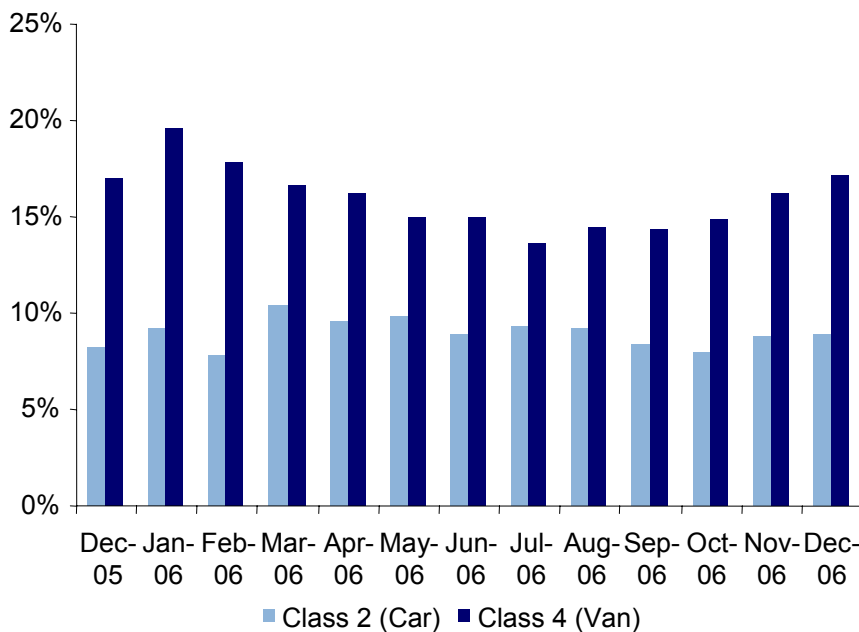


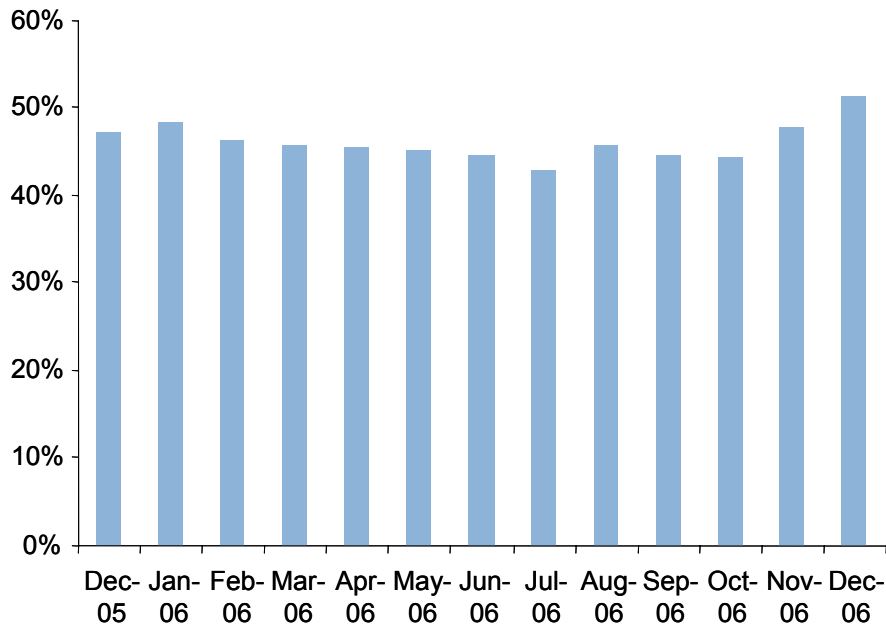
Figure 7: Workday Tag Penetration Classes 2&3



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Figure 8: Workday tag penetration Class 5 (HGV)



In addition to the tags, the Company has issued over 8,000 Mobility Exemption Passes to disabled drivers to allow them free passage on the M6 Toll. In the period MEL has reviewed the cost of the provision of the MEP. The cost for these passes increased from £5 to £15 to better meet the cost of administering the scheme.

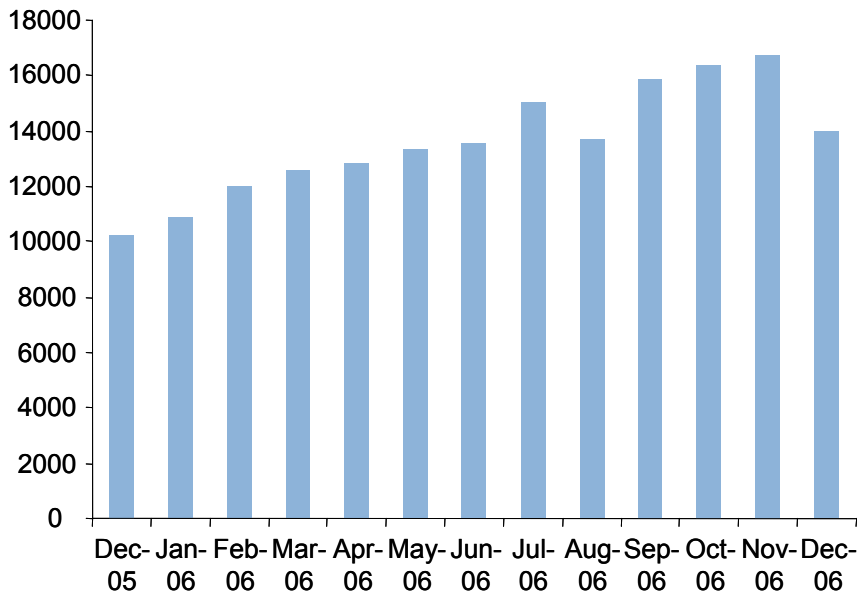
Credit and Debit Card Transactions

The use of credit and debit cards to pay tolls has increased steadily since road opening. In January 2004, they accounted for 5% of workday transactions. By December 2004 this proportion had grown to over 15% and by December 2006 to 26%. Just fewer than 16,000 card transactions are now processed on an average day, and the trend continues. MEL is adopting a gradual progression approach to stimulate the move from manual cash transactions to ACM, credit cards and tags. This includes the recent provision of another dedicated card lane at the mainline stations, and we now operate generally with four card lanes during peak times. Dedicated card lanes have also been introduced at the smaller tolling stations.

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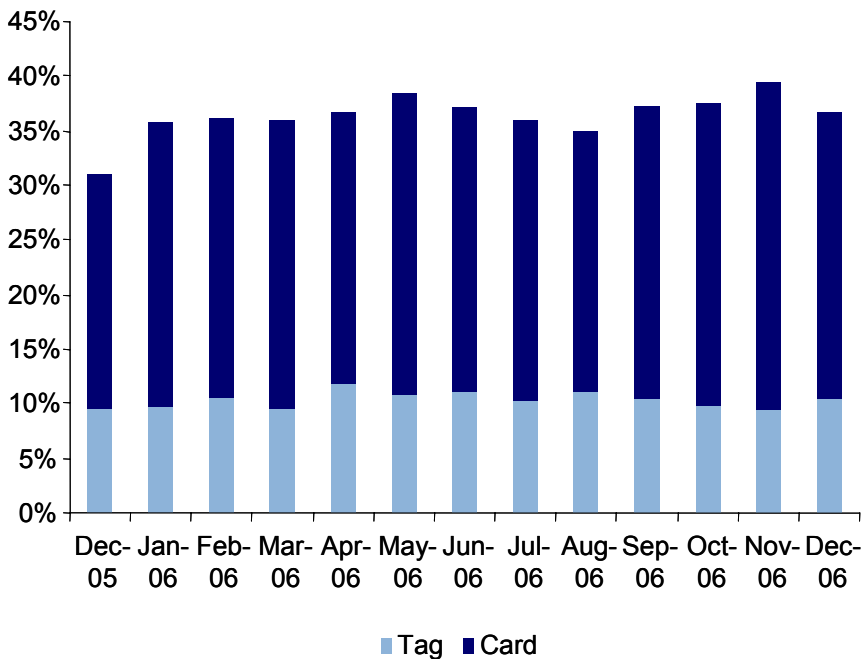
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Figure 9: Average Workday Card Transactions



Total non-cash transactions (tag plus card) continue to increase steadily and by the final quarter of 2006 reached levels of almost 40%. This trend appears to be continuing into 2007 mainly for two reasons, a change in operating conditions via the provision of more dedicated lanes and also the price change.

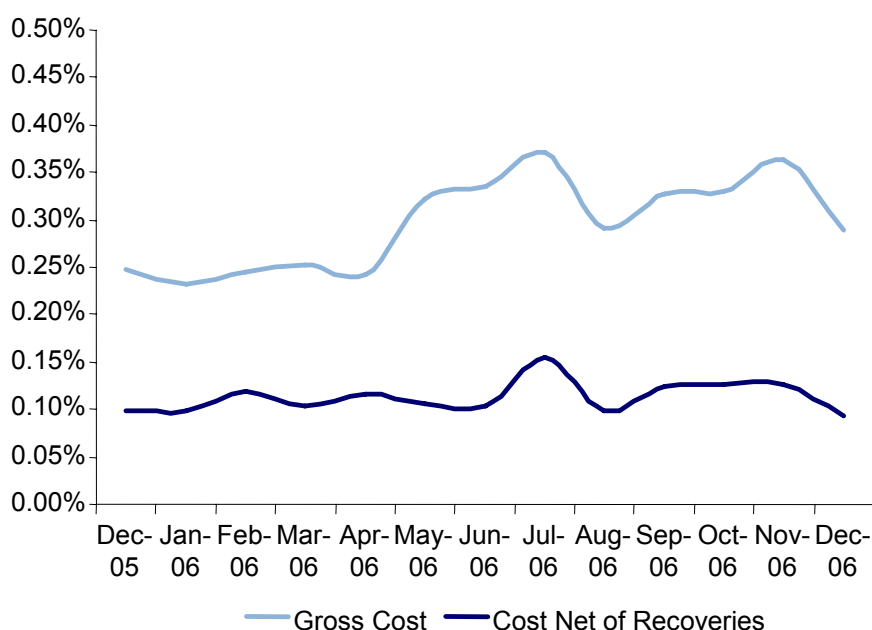
Figure 10: Tag & Card penetration – Workdays



Unpaid Tolls & Violations

Customers who use the M6 Toll but do not have any means of payment are issued with an Unpaid Toll Report (UTR) which allows them to pay within two working days without penalty. The TCS takes an image of all vehicles whose drivers cannot or will not pay to enable registration numbers of such drivers to be sent electronically to the DVLA to obtain registered keeper details for onward enforcement. Levels of unpaid tolls have remained low over the last three months, with the net cost representing less than 0.12% of gross toll revenue. See Figure 11 below.

Figure 11: UTR's & violations as % of Gross Toll Revenue



Motorway Service Area Income

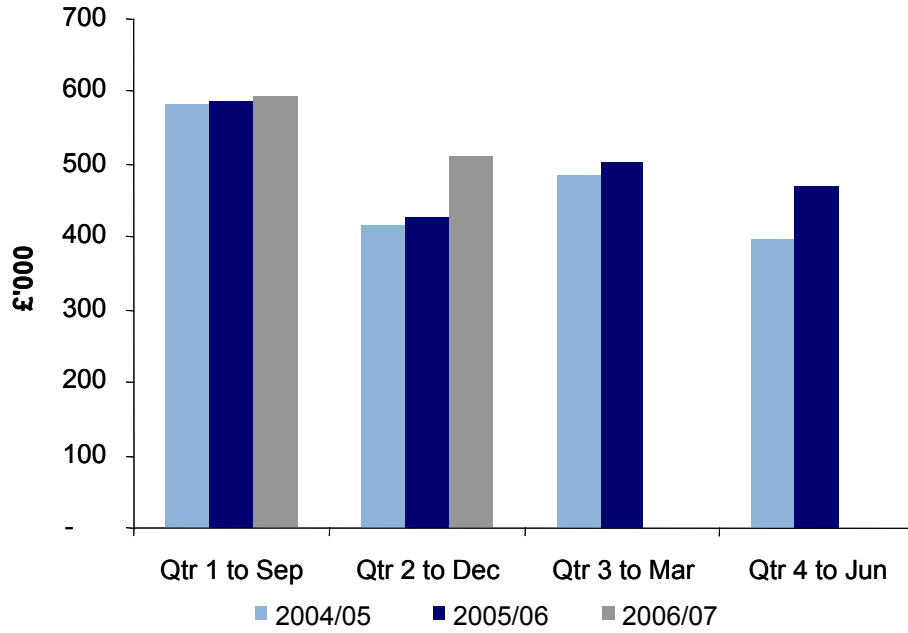
The Norton Canes Motorway Service Area (MSA) was designed and constructed to a high specification by MEL at a cost of £13 million. The MSA is operated by RoadChef under a full repairing and insuring lease. RoadChef pays a turnover rental (20%) which is calculated as a percentage of MSA revenue, excluding petrol.

The MSA continues to be a successful operation, generating rental income to MEL of £2.0 million in the last 12 months (Figure 12). The MSA is operating close to capacity and RoadChef is considering the expansion of the facilities. MEL anticipates that revenue contribution from the MSA will continue at a similar level until those expansion plans are realised.

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Figure 12: MSA Rental Income (£'000) Financial Year Ending 30 June



* Excludes £40,000 per annum for use of Touchbase Centre from July 2005

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Results of Operations (£'000)

Summary of results

Figure 13

Results	Qtr 2 to Dec-05 £'000	Qtr 3 to Mar-06 £'000	Qtr 4 to Jun-06 £'000	Qtr 1 to Sep-06 £'000	Qtr 2 to Dec-06 £'000
Revenue	12,715	11,284	13,166	15,835	14,715
Operating Costs	(2,069)	(2,091)	(2,127)	(2,143)	(2,000)
Operating EBITDA	10,646	9,193	11,039	13,692	12,715
Operating EBITDA%	83.7%	81.5%	83.8%	86.5%	86.4%
Commercial administration	(780)	(169)	(220)	(334)	(121)
EBITDA	9,866	9,024	10,819	13,358	12,594
Depreciation & Amortisation	(6,400)	(4,355)	(4,352)	(8,597)	(5,173)
Interest and Similar Charges	(10,266)	(10,150)	(11,076)	(14,820)	(14,603)
Net Loss	(6,800)	(5,481)	(4,609)	(10,059)	(7,182)

Commercial Administration is shown separately from ongoing operating costs and is not anticipated to be a long term cost.

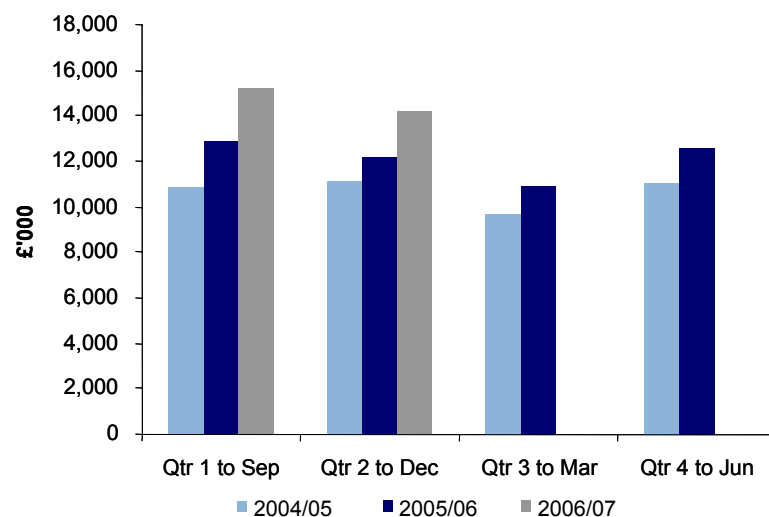
There were exceptional one off charges on refinancing in August 2006.

- Amortisation of the arrangement fee of £4.4m on the original bank finance
- Swap termination payments of £3.0m

Toll Revenues

Toll revenues (net of VAT) reached £29.4 million in the first half of 2006/07, an increase of £4.3 million or 17.1% over the corresponding period last year (Figure 13 above). The rise was largely driven by road works on the competing M6. There was no increase in toll charges. Figure 14 compares quarterly revenue since opening.

Figure 14: Toll Revenues (£'000) Financial Year Ending 30 June



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Operating Costs

The company continues to focus on reducing operating costs across all departments. The economies realised are demonstrated within Figures 15 and 16.

For the first three years of the Concession, the cost of landscaping has been assumed by the contractor CAMBBA. From January 2007, this became a MEL responsibility. No major interventions under the periodic maintenance budgets are anticipated before 2010.

Figure 15: Operating Costs (£'000) Financial Year Ending 30 June

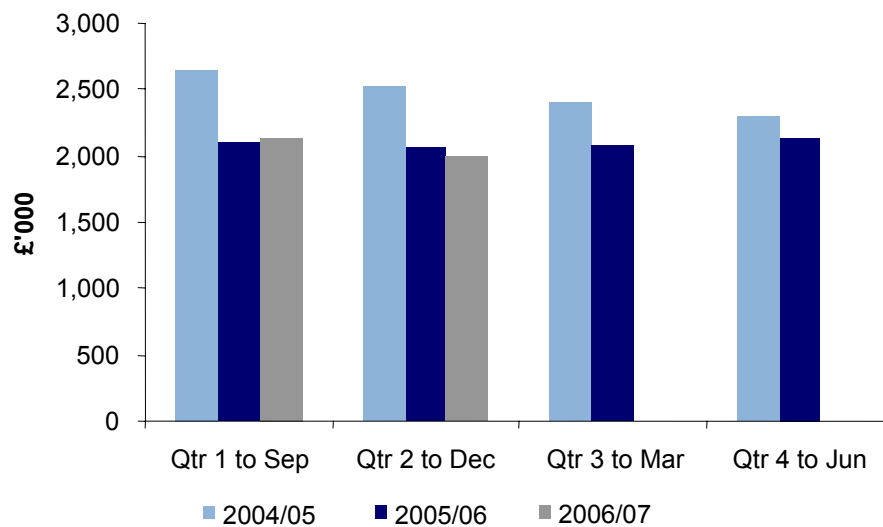


Figure 16

Operating Costs	Qtr 2 to	Qtr 3 to	Qtr 4 to	Qtr 1 to	Qtr 2 to
	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06
	£'000	£'000	£'000	£'000	£'000
General Management	173	194	194	145	137
Motorway Operations	387	396	340	414	470
Tolling Operations	420	405	375	417	373
Systems	252	273	269	248	252
Finance & Administration	518	458	492	592	501
Marketing	58	112	112	78	17
Insurance	261	253	253	249	250
Total	2,069	2,091	2,035	2,143	2,000

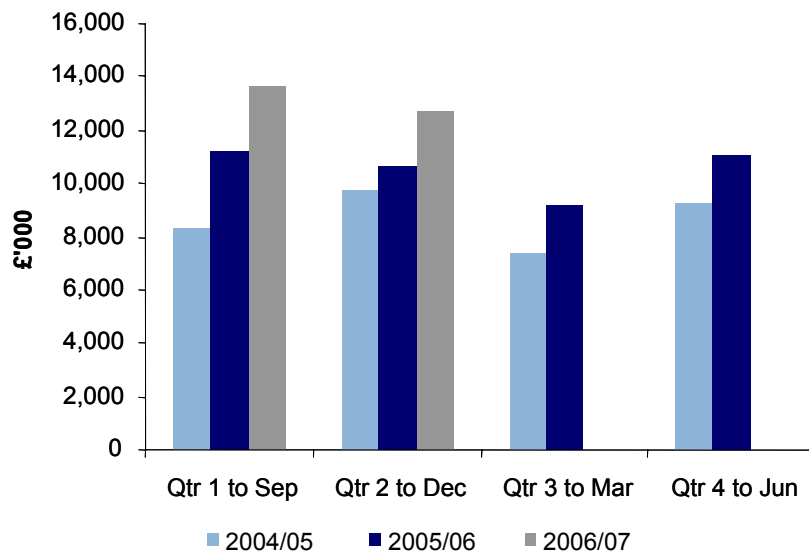
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Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)

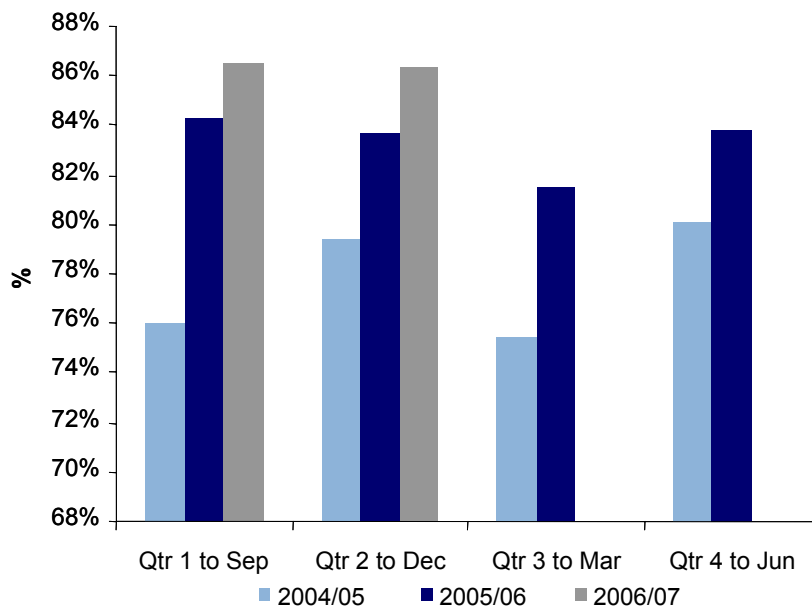
Operating EBITDA for the six months to December 2006 was £26.4 million, an increase of £4.5 million on the corresponding period in 2005. See Figure 17.

Figure 17 Operating EBITDA (£'000) Financial Year Ending 30 June



When expressed as a percentage of revenue, Operating EBITDA for the six months to December 2006 at 86.5% compares favourably with the corresponding period in 2005 (83.9%), shown in Figure 18 below.

Figure 18 Operating EBITDA (%) Financial Year Ending 30 June



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Balance Sheet

Summary (£'000)

Figure 19

	Dec-05	Jun-06	Sep-06	Dec-06
Fixed Assets				
Cost	688,583	689,648	689,746	689,822
Depreciation	(33,094)	(41,012)	(44,950)	(49,811)
Net Book Value	655,489	648,636	644,797	640,011
Land Fund	50,485	51,375	51,481	53,446
	705,974	700,011	696,278	693,457
Current Assets				
Inventory	213	206	184	156
Debtors	424	307	353	1,810
Prepayments	595	1,035	1,152	795
Construction Reserve Account	35,917	36,470	-	-
Land Fund account	-	-	8,000	8,000
Bank & Cash	18,256	17,699	4,251	2,814
	55,405	55,717	13,940	13,575
Current Liabilities				
Trade Creditors	(1,713)	(701)	(927)	(1,077)
Other Creditors & Accruals	(3,251)	(3,489)	(3,770)	(3,514)
VAT Creditor	(1,042)	(1,448)	(1,876)	(2,023)
	(6,006)	(5,638)	(6,573)	(6,614)
Net Current Assets	49,399	50,079	7,368	6,961
Long Term Liabilities				
Long Term Loans	(619,909)	(619,909)	(577,319)	(577,319)
Prepaid Loan Issue Costs	4,585	4,586	-	-
Land Fund Liability	(62,220)	(66,828)	(68,647)	(72,602)
	(677,544)	(682,351)	(645,966)	(649,921)
Net Assets/(Liabilities)	77,829	67,739	57,679	50,497
Shareholders Funds				
Share Capital	1,470	1,470	1,470	1,470
Share Premium Account	-	-	144,060	144,060
Reserves - P&L a/c	(69,171)	(79,261)	(89,321)	(96,503)
Loan Stock	145,530	145,530	-	-
	77,829	67,739	67,739	50,497

Fixed Assets

Additions to fixed assets in the last six months totalled £203k and consisted primarily of design costs relating to the M6 Toll/M42 upgrade (£97k), residual construction costs (£41k) and IT upgrades (£55k).

Depreciation of the road is based on actual and forecast vehicle usage over the asset life.

The Land Fund valuation continued to rise within forecasted levels. The settlement of Part One compensation claims by the Highways Agency has progressed at a slower rate than expected and we seek to monitor the progress of the District Valuer. It is the District Valuer's intention to be able to make approximately 6,000 Part One offers, out of 9,500 claims that have been submitted, by the end of February. Part One compensation is payable under the Land Compensation Act 1973 where parties are affected by a road improvement (where no part of the property is required for the scheme) which may result in a depreciation in value.

Current Liabilities

Current liabilities at 31 December 2006 comprise the unpaid contractor, supplier and payroll costs and VAT due for the last three months.

Liquidity and Capital Resources

The company's debt facility was refinanced August 2006 as part of a group refinance scheme.

All external loans were repaid and replaced by equity and an internal group loan from Macquarie Motorways Group Limited.

Net cash inflows from operating activities in the six months to 31 December 2006 were sufficient to meet all debt service requirements.