

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2012**

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COMPANIES HOUSE

Registered Number 3310620

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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DIRECTORS AND ADVISORS

Directors

M J Mercer-Deadman (resigned 29 March 2012)

N Smith

G Farley

Company secretary and registered office

J Mackreth

24 Birch Street

Wolverhampton

WV1 4HY

Auditor

KPMG LLP

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Solicitors

CMS Cameron McKenna

Mitre House

160, Aldersgate Street

London

EC1A 4DD

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 March 2012

PRINCIPAL TRADING ACTIVITIES

The principal activity of the Company is to carry on the business of managing companies which design, build, finance and operate (DBFO) road projects in the United Kingdom as part of the Private Finance Initiative

During the year the Company provided management services to UK Highways M40 Limited, which is responsible for the M40 DBFO project for junctions 1 to 15 of the M40 motorway, and UK Highways A55 Limited, which is responsible for the A55 DBFO project for a new trunk road in Anglesey, North Wales

REVIEW OF THE YEAR

Business and Financial Performance

The Company performed in line with the Board's expectations. The profit on ordinary activities after taxation for the year was £15,000 (2011 £16,000)

Going Concern

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationship with its immediate parent company. More information is provided in note 1 to the financial statements

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 12

DIVIDENDS

The Directors do not recommend the payment of a dividend (2011 £nil)

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1

DIRECTORS' INTERESTS

No Director has, or has held at any time during the year, any interest in the share capital of the Company, or in the share capital of the Company's parent company, UK Highways Limited

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

PAYMENT TO CREDITORS

It is the Company's policy to comply with the terms of supply agreed with suppliers. Where payment terms are not negotiated the Company endeavours to adhere with the suppliers' standard terms. The average creditor days outstanding at the year end was 21 (2011 24)

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that

- As far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006

AUDITOR

Pursuant to sections 485-488 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will continue in office

On behalf of the Board



G Farley
Director
30 August 2012

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK HIGHWAYS MANAGEMENT SERVICES LIMITED

We have audited the financial statements of UK Highways Management Services Limited for the year ended 31 March 2012 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

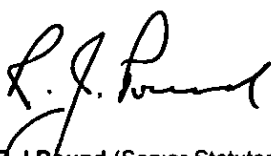
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


R. J. Pound (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

31st August 2012

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	697	654
Net operating costs	3	(679)	(635)
Operating profit		<u>18</u>	<u>19</u>
Net interest		-	-
Profit on ordinary activities before taxation		<u>18</u>	<u>19</u>
Tax on profit on ordinary activities	6	(3)	(3)
Profit for the financial year	13	<u>15</u>	<u>16</u>

A reconciliation of movements in shareholder's funds is given in note 14

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

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents

All gains and losses are recognised in the profit and loss account in both the current and preceding year, and therefore no separate statement of total recognised gains and losses has been presented

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets	7	56	35
Current assets			
Debtors - due within one year	8	21	28
Cash at bank and in hand		<u>214</u>	<u>221</u>
		235	249
Current liabilities			
Creditors amounts falling due within one year	9	(152)	(161)
Net current assets		<u>83</u>	<u>88</u>
Total assets less current liabilities		139	123
Provisions for liabilities	10	(5)	(4)
Net assets		<u>134</u>	<u>119</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	134	119
Shareholder's funds	14	<u>134</u>	<u>119</u>

The financial statements of UK Highways Management Services Limited, registered number 3310620, were approved by the Board of Directors and authorised for issue on 30 August 2012. They were signed on its behalf by



G Farley
Director
30 August 2012

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012

1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Accounting Standards in the United Kingdom and comply with the Companies Act 2006. As summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding year, is shown below.

The financial statements have been prepared in accordance with applicable UK accounting standards using the historical cost convention.

Under FRS1 the company is exempt from the requirement to prepare a cashflow statement as it qualifies as a small company.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The Directors have reviewed the company's cash flow forecasts and profit projections. The Directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost. Depreciation is calculated on a straight line basis in order to write down the cost of assets to their estimated residual value over their expected useful lives as follows:

- Office Equipment – 5 years
- Computer Hardware and Software – 5 years
- Motor vehicles – 5 years

Taxation

The charge for taxation is based on the result for each year and takes into account deferred taxation, calculated in accordance with the requirements of FRS19 Deferred Taxation. Deferred tax assets or liabilities are calculated on a non-discounted full provision basis in respect of timing differences expected to reverse in future periods.

Turnover

Turnover comprises charges to UK Highways M40 Limited and UK Highways A55 Limited for managing the DBFO projects net of VAT. Revenue is recognised on delivery of the service.

Interest receivable and similar income

Interest receivable and similar income is credited to the profit and loss account as earned.

Notes to the financial statements for the year ended 31 March 2012 (continued)

2 TURNOVER

	2012 £'000	2011 £'000
Turnover in the year is analysed as follows		
Management charges	697	654
	<u>697</u>	<u>654</u>

3 OPERATING PROFIT

	2012 £'000	2011 £'000
Operating profit is stated after charging		
Fees payable to the Company's auditor for the audit of the annual accounts	4	4
Fees payable to the Company's auditor and its associates for other services – Taxation services	4	4
Other operating charges	656	621
Depreciation of fixed assets	<u>15</u>	<u>6</u>

4 DIRECTORS' REMUNERATION

The directors did not receive any remuneration during the year (2011 £nil)

The company's directors act for the shareholders and do not allocate specific time to the company. As such an accurate apportionment of their remuneration is not made.

5 STAFF NUMBERS

The average number of persons employed by the Company during the year, analysed by category, was as follows

	Number of Employees	
	2012	2011
Administration	4	4
General Manager	1	1
	<u>5</u>	<u>5</u>

	2012 £'000	2011 £'000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	215	209
Social Security costs	25	23
Other pension costs	7	7
	<u>247</u>	<u>239</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
<u>Analysis of tax charge for the year</u>		
Current tax	(2)	-
Deferred tax (note 10)	(1)	(3)
Total tax charge on profit on ordinary activities	<u>(3)</u>	<u>(3)</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for the current year

The tax charge assessed on the profit on ordinary activities is lower than (2011 lower than) the standard rate of corporation tax in the UK of 26% (2011 28%) as described below

	2012 £'000	2011 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	18	19
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 26% (2010 - 28%)	(5)	(5)
Effects of		
Difference between accumulated depreciation and capital allowances	(2)	3
Decrease in trade losses carried forward	4	1
Adjustment in respect of small business rate	1	1
Total current tax charge for the year	(2)	-

Factors affecting current tax charges

The 2012 Budget on 21 March 2012 announced that the standard rate of UK corporation tax will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective 1 April 2012) was substantively enacted on 30 March 2012. This will reduce the company's future current tax charge accordingly.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

The company has trade losses available to be carried forward of £nil (2011 £15,000).

7 TANGIBLE FIXED ASSETS

	Motor Vehicles £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 April 2011	-	6	39	45
Additions	33	-	3	36
At 31 March 2012	33	6	42	81
Depreciation				
At 1 April 2011	-	(2)	(8)	(10)
Charge for the year	(6)	(1)	(8)	(15)
At 31 March 2012	(6)	(3)	(16)	(25)
Net book value				
At 31 March 2012	27	3	26	56
At 31 March 2011	-	4	31	35

8 DEBTORS

	2012 £'000	2011 £'000
Due within one year		
Trade debtors	14	19
Prepayments	7	9
	21	28

Notes to the financial statements for the year ended 31 March 2012 (continued)

9 CREDITORS

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade creditors	39	41
Amounts owed to parent undertaking	7	7
Corporation tax	2	-
Other taxation and social security	27	25
Accruals	77	88
	<u>152</u>	<u>161</u>

10 DEFERRED TAX

Deferred tax (liability)/asset	2012 £'000	2011 £'000
At beginning of year	(4)	(1)
Recognised in year	(1)	(3)
At end of year	<u>(5)</u>	<u>(4)</u>

Under FRS 19 full provision has been made for deferred taxation as follows

Difference between accumulated depreciation and capital allowances	(8)	(7)
Unrelieved tax losses	3	3
	<u>(5)</u>	<u>(4)</u>

11 CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The Company had no capital commitments at 31 March 2012 (2011: £nil)

12 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised, allotted, called up and fully paid 1 ordinary shares of £1 each	<u>-</u>	<u>-</u>

13 MOVEMENT IN RESERVES

	2012 £'000	2011 £'000
At beginning of year	119	103
Profit for the financial year	15	16
At 31 March 2012	<u>134</u>	<u>119</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	15	16
Net addition to shareholder's funds	<u>15</u>	<u>16</u>
Opening shareholder's funds	119	103
Closing shareholder's funds	<u>134</u>	<u>119</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

15 TRANSACTIONS WITH RELATED PARTIES

The shareholders of UK Highways Limited are Canillion Private Finance Limited, and John Laing Infrastructure Limited. Canillion Private Finance Limited and John Laing Infrastructure Limited are shareholders of UK Highways A55 (Holdings) Limited. Palio No 7 Limited and Sempenan Subholdings M40 Limited are the shareholders of UK Highways M40 (Holdings) Limited. The group has a management agreement with both companies to manage the DBFO projects. Other operating income receivable in respect of management fees was £246,213 (2011: £233,333) from UK Highways A55 Limited and £302,281 (2011: £283,229) from UK Highways M40 Limited.

On 29 November 2010 John Laing plc sold its shares in UK Highways M40 (Holdings) to Palio No 7 Limited, a subsidiary of John Laing Infrastructure Fund. At this time UK Highways M40 (Holdings) ceased to be a related party.

The shareholders of UK Highways Limited provide staff and other services to the group under management agreements to allow the company to perform its obligations to UK Highways A55 Limited and UK Highways M40 Limited. £170,302 was charged in aggregate by the shareholders in the year (2011: £149,617).

Balances outstanding with related parties are as follows:

	2012 £'000	2011 £'000
Debtors		
UK Highways A55 Limited	9	13
UK Highways M40 Limited	4	5
	<u>13</u>	<u>18</u>
Creditors		
Laing Investments Management Services Limited	29	27
	<u>29</u>	<u>27</u>

16 PARENT UNDERTAKING

The Company is a wholly owned subsidiary undertaking of UK Highways Limited. The accounts of that company can be obtained from 24 Birch Street, Wolverhampton WV1 4HY.