



Road Management Services (Darrington) Limited
Annual Report and Financial Statements
31 December 2021



Road Management Services (Darrington) Limited

Annual Report and Financial Statements

Year Ended 31 December 2021

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Road Management Services (Darrington) Limited

Officers and Professional Advisers

Year Ended 31 December 2021

The Board of Directors	M J Edwards R Little N Rae J D Cole D North
Company Secretary	Infrastructure Managers Limited
Registered Office	Cannon Place 78 Cannon Street London EC4N 6AF
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Citibank N.A CGC Centre Canary Wharf London E14 5LB
Solicitors	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD

Road Management Services (Darrington) Limited

Strategic Report

Year Ended 31 December 2021

The directors present their Strategic Report on Road Management Services (Darrington) Limited ("the Company") for the year ended 31 December 2021.

Principal Objectives and Strategies

The principal objectives of the Company are to operate and maintain the Roadway Concession in line with the contracted terms. In doing so the Company intends to ensure that the full amount of income is collected in the form of Congestion Management Payments as entitled under the contract.

On 13 February 2003, the Company entered into a design, build, finance and operate (DBFO) contract with the Secretary of State for the Environment, Transport and the Regions to upgrade a 53km section of the A1(M) in Yorkshire from Dishforth to Darrington. The contract is in the operational phase and in year 18 of its 33 year term, expiring in May 2036.

The new construction works comprised of two major schemes to upgrade the road to motorway standard.

The first scheme was the improvement of the A1 between Darrington and Hook Moor, the junction with the M1, and is referred to as the A1(M) Ferrybridge to Hook Moor Scheme. The existing dual two lane all-purpose trunk road was upgraded to a dual three lane motorway constructed to a new alignment, amounting to 16.5Km, bypassing the communities of Knottingley, Ferrybridge, Brotherton and Fairburn.

A new junction, known as Holmfild Interchange, was built between the A1(M) and the M62, located to the north-west of Westcliffe Hill and to the north of Pontefract, close to Ferrybridge Power Station. The interchange caters for six of the possible eight movements between the proposed motorway and the M62. The two movements not accommodated are the M62 westbound to the A1 southbound and the A1 northbound to the M62 eastbound. Both of these movements continue to utilise the existing M62/A1 Junction 33 at Ferrybridge. Due to free-flow design, many link roads pass over or under the link roads as well as the two motorways, resulting in the need for seven bridges with an additional two to allow for the motorway to cross adjacent side roads.

The scheme also includes works to de-trunk parts of the existing A1 trunk road, some of which have become two-lane single carriageway roads, handed back to the local authority.

The second scheme was to upgrade the existing A1 motorway standard between Wetherby and Walshford on a new alignment, amounting to 5.3Km of new road to the east of the existing roadway. The motorway is typically dual three lane standard, except for a short length of two lane standard at the southbound tie-in with Wetherby Bypass. The existing A1 was retained for local access purposes, de-trunked and handed back to the local authority.

The two lane section at Wetherby Bypass was upgraded by National Highways Limited with completion in July 2009, such that the whole length of the Project road is dual three lane standard.

The Company continues to maintain the Project Road and will continue to do so in accordance with the requirements of the DBFO contract for the remaining term of the concession.

Commencing on 7 May 2003 and for a period of 33 years, the Company is receiving annual Congestion Management Payments for carrying out the operation and maintenance of the roads to the satisfaction of National Highways Limited.

Road Management Services (Darrington) Limited

Strategic Report *(continued)*

Year Ended 31 December 2021

Results and Dividends

The profit for the financial year, after taxation, amounted to £3,488K (2020: £4,201K).

Particulars of dividends paid are detailed in note 11 to the financial statements.

The profit for the financial year will be transferred to reserves.

Performance Review and Going Concern

The Company has taken on the activity, as detailed above and is risk averse in its trading relationships with customers, funders and sub-contractors as determined by the terms of the respective PFI (Private Finance Initiative) contracts. In extreme circumstances, the Company could be exposed to sub-contractor failure to perform their obligations. The directors monitor the financial stability of its sub-contractors and has contingency plans in place to ensure the continuity of service provisions to its client should the sub-contractor become unable to perform its obligations. The financial risks and the measures taken to mitigate these risks are detailed within the Directors report.

The Company is dependent upon intra-group loan agreements for funding, which is funded by Road Management Services (Finance) PLC, a subsidiary of the Company. Road Management Services (Finance) PLC has raised finance through guaranteed secured bonds and bank borrowing and has on-lent these to the Company.

The bond and bank loan have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by AMBAC. Under the terms of the Bond Trust Deed, entered into in 2003, AMBAC are required to use reasonable endeavours to maintain a credit rating of AAA or Aaa by S&P or Moody's, as ratings agencies, whilst the bond remains outstanding. Adherence to this undertaking is required under the terms of the Collateral Deed which was also entered into at the same time in conjunction with EIB, AMBAC and Citicorp Trustee Company Limited as Security and Bond Trustee. The directors acknowledge that the AMBAC rating was downgraded in November 2008 and April 2009 (to below BBB) following the impact of the global financial crisis at that time and this rating is at odds to the requirements of both deeds. This is an event of default under the terms of the collateral deed, the consequence of which created uncertainty due to the risk that EIB could request that this institution be replaced or may require repayment of outstanding debt per clause 13.1(d) of the collateral deed. Were repayment of the debt to be requested, the Group would need to seek alternative financing, which is not currently in place and which may not be able to be obtained. Consistent with previous years, EIB have provided a letter dated 29th April 2022 waiving their rights in respect of the consequences of this downgrade, which covers the period to the end of April 2023. The directors take comfort from the fact that EIB have issued similar waivers on an annual basis for the last 13 years (i.e. since 2009) and therefore have a reasonable expectation that, save for an increase in the AMBAC rating above the required thresholds, EIB will continue to do so. It is on that basis that the directors believe the funding will remain in place for the foreseeable future and therefore appropriate to continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

However, the Directors acknowledge that without a waiver letter for the default event covering the full going concern period, which is 12 months from the date of signing these financial statements, there is a risk that Road Management Services (Finance) PLC may be unable to continue to provide financing to the Company, requiring the company to seek alternative financing, which is not currently in place and which may not be able to be obtained. Therefore, a material uncertainty exists which could cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts,

Road Management Services (Darrington) Limited

Strategic Report *(continued)*

Year Ended 31 December 2021

the directors have made assumptions based upon their view of the current and future economic conditions, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

Future Developments

The directors intend for the business to continue to operate in line with the contractual terms and do not expect any strategic changes.

Key Performance Indicators

Three key performance indicators are used to measure the performance of the Company:

- (1) The maximisation of the revenue from the Congestion Management Payments, which require the traffic to be moving at a minimum of 90 km per hour. This is monitored regularly by the directors.
- (2) The achievement of cash flow targets as set out in the annual budgets. The annual budgets are accurate as the result of the experience gained during the last 18 years and did not vary significantly in 2021.
- (3) The maintenance and improvement of the shareholders' internal rate of return as projected in financial models which are produced on a six-monthly basis. This is monitored regularly by the directors through regular reporting by the management team as details in Section 172 of this report.

Principal Risks and Uncertainties

The risk management policy of the Company is designed to identify and manage risk at the earliest point. The Company keeps a detailed risk register which is formally reviewed by the board on a bi-annual basis.

The Company's exposure to financial instruments and interest rate risk, price risk, credit risk, liquidity risk, major maintenance replacement risk and legislative risks are detailed below:

Financial instruments and interest rate risk

A subsidiary of the Company, Road Management Services (Finance) Public Limited Company, has raised finance through guaranteed secured bonds and has on-lent these to Road Management Services (Darrington) Limited.

Interest on financial instruments is fixed until maturity of the investment. As such, there is no associated interest rate risk. However, the financial liabilities comprise a 2.8332% (coupon rate) Index Linked Guaranteed Secured Bond and a 2.3774% (coupon rate) Index Linked European Investment Bank loan and are therefore affected by fluctuations in RPI. This forms part of the Company's risk strategy, used to offset the effect of RPI on the Company's income. The financial assets comprise cash and short term investments. The return on cash is determined by bank market interest rates. The terms of the financial instruments ensure that the profile of the debt service costs is tailored to match expected revenues arising from the contract. The Company does not undertake financial instrument transactions that are speculative or unrelated to the trading activities.

Road Management Services (Darrington) Limited

Strategic Report *(continued)*

Year Ended 31 December 2021

Price Risk

A proportion of the cash-flows generated from the roadway concession increase in line with RPI inflators and this covers all expenditure which is affected by inflation.

Credit Risk

The roadway concession cash-flows are secured under contract with the National Highways Limited, a government body. As such the directors of the Company consider it to be exposed to very low credit risk.

Liquidity Risk

The Company is required to hold at all times funds in a special reserve account equal to the sum required for the next two debt service payments. Under the financing arrangements the Company can elect to make a loan to the shareholders, via its immediate parent undertaking, from this reserve account in return for Letters of Credit amounting to the same value. During 2008 such a loan was made amounting to £9,000,000. In addition the Company is required to maintain levels of net cash flow in each year equal to 1.125 times the annual debt service payments.

The liquidity risk is further managed via intra-group loan agreements in place to define funding arrangements between the Company and Road Management Services (Darrington) Holdings Limited.

Major Maintenance replacement risk

The Company takes the risk that its projections for ongoing major maintenance replacement of the roadway are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

Legislative Risk

The Company faces legislative risks such as any matters which would normally materially increase the flow of traffic on the roadway through restrictions placed on traffic movements of any alternative routes, a policy which forces traffic onto this roadway, or by major developments in the locality which increases traffic volumes, which could adversely impact on the Company. These risks are managed by close monitoring by management of significant developments and maintaining an awareness regarding exposure to penalties.

Road Management Services (Darrington) Limited

Strategic Report *(continued)*

Year Ended 31 December 2021

S172 Statement

The following disclosure describes how the Board has had regard to the matters set out in section 172 (1) (a) to (f) and forms the Directors Statement required under section 414CZA of the Companies Act 2006.

The purpose of the Company is to design, build, finance and operate the A1 road between Darrington and Dishforth over a concession period of 33 years to the satisfaction of Highways England. The Company's aim is to work in partnership with National Highways Limited to provide effective infrastructure, in which congestion is managed and with a focus on the safety performance of the road. This shapes the Company's values and objectives and defines long term success. Decisions are taken in the context of this ethos of working in partnership. The Company has the long term funding in place, as described in the directors report. The detailed PFI contracts set out the relationships with National Highways Limited, debt funders, maintenance, and operations contractors. These parties are the Company's main stakeholders. The Company also works with the local authority to ensure their requirements are met. Debt funders are provided with operational and financial performance reports on a quarterly basis. The operational management team works closely with National Highways Limited and the maintenance and operations contractors to programme major works on the road. National Highways Limited receive regular updates on programmed works and applications for road closures to enable major works, so that disruption to the public can be kept to a minimum. The Company ensures that the road is maintained to the required standards and works collaboratively to ensure that factors impacting traffic flow are addressed between the parties. The Company does not have any employees.

The Board is an experienced team with representatives of all shareholders. The Board members have experience of workings with other key stakeholders, which enables them to identify the long term consequences of the principal decisions. The Board meet on a quarterly basis and information is provided at the meetings by the operational and financial management teams. This information will have regard to health and safety matters, the operational and financial performance of the project, planned major maintenance works and relationships with the client and the main sub-contractors. The operational and financial management team make recommendations to the Board of directors. These are considered at the quarterly board meetings. These Board meetings are minuted and actions arising are monitored. Decisions made by the directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the Company are those that are key to the Company's success. These include but are not limited to: decisions impacting upon the relationships between the parties, decisions impacting upon the availability and safety of the road and decisions impacting the return to the shareholders.

The principal decisions made by the Board of directors during the year ended 31 December 2021 related in the main to major maintenance expenditure and payment of dividends.

Major maintenance expenditure is planned following asset condition surveys, with the aim to maintain the asset at the required contractual standards and to ensure that the asset will meet the required contractual standards at the end of the concession. The delivery of these works is carefully planned with the maintenance and operation contractors and client, to ensure minimum disruption to the users of the roads and the safety of the contractors' employees.

The above decisions ensure that the relationships between the parties that work together in partnership continue and that the road is maintained with minimum disruption to users. The safety performance of the road is maintained both in terms of users and the health and safety of the contractors' staff. These decisions ensure the long term success of the project, which protects shareholder returns.

Road Management Services (Darrington) Limited

Strategic Report *(continued)*

Year Ended 31 December 2021

Dividends are declared only after having had regard to the Company's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the Company to allow it to continue providing an asset to its client, for use by the public.

This report was approved by the board of directors on Jun 30, 2022 and signed on behalf of the board by:



Matthew Edwards
Director

Road Management Services (Darrington) Limited

Directors' Report

Year Ended 31 December 2021

The directors present their report and the audited Annual Report and Financial Statements of Road Management Services (Darrington) Limited ("the Company") for the year ended 31 December 2021.

Principal Activities

On 13 February 2003, the Company entered into a design, build, finance and operate (DBFO) contract with the Secretary of State for the Environment, Transport and the Regions to upgrade a 53km section of the A1(M) in Yorkshire from Dishforth to Darrington. The contract is in the operational phase and in year 18 of its 33 year term, expiring in May 2036.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

M J Edwards	
R Little	
N Rae	
J D Cole	
D North	(Appointed 13 April 2022)
P J Meffan	(Resigned 13 April 2022)
N Sparrow	(Resigned 13 April 2022)

Dividends

Particulars of recommended dividends are detailed in note 11 to the Annual Report and Financial Statements.

Financial Instruments

Risks associated with financial instruments are disclosed in the Strategic Report.

Qualifying Indemnity Provision

During the year, and at the date of this report, the Company has in place qualifying third party indemnity provisions for the benefit of its directors.

Disclosure of Information in the Strategic Report

Please refer to the Strategic report for full details of risks, principals and objectives and performance of the Company.

Disclosure of Information to Auditors

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

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The independent auditors, PricewaterhouseCoopers LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

Road Management Services (Darrington) Limited

Directors' Report *(continued)*

Year Ended 31 December 2021

This report was approved by the board of directors on Jun 30, 2022 and signed by order of the board by:



Mike Forrest on behalf of Infrastructure Managers Limited
Company Secretary

Road Management Services (Darrington) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2021

The directors are responsible for preparing the Strategic Report, Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Road Management Services (Darrington) Limited

Independent Auditors' Report to the Members of Road Management Services (Darrington) Limited

Year Ended 31 December 2021

Report on the audit of the financial statements

Opinion

In our opinion, Road Management Services (Darrington) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3b to the financial statements concerning the company's ability to continue as a going concern. Road Management Services (Finance) PLC provides financing for the company via a loan agreement with the European Investment Bank. Under the terms of this agreement, entered into in 2003, AMBAC are required to use reasonable endeavours to maintain a credit rating of AAA or Aaa by S&P or Moody's. The AMBAC rating was downgraded in November 2008 and April 2009 (to below BBB), which is an event of default. The waiver letter issued by EIB dated 29 April 2022 does not cover the full going concern period. Consequently EIB may request replacement of AMBAC or may require immediate repayment of outstanding debt per the terms of the collateral deed. Were repayment of the debt to be requested, Road Management Services (Finance) PLC may be unable to continue to provide financing to the Company, requiring the company to seek alternative financing, which is not currently in place and which may not be able to be obtained to allow it to meet its liabilities as they fall due. These conditions, along with the other matters explained in note 3b to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Road Management Services (Darrington) Limited

Independent Auditors' Report to the Members of Road Management Services (Darrington) Limited

Year Ended 31 December 2021

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Road Management Services (Darrington) Limited

Independent Auditors' Report to the Members of Road Management Services (Darrington) Limited

Year Ended 31 December 2021

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and deter irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their key accounting estimates;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, impacting revenue and distributable reserves.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Road Management Services (Darrington) Limited

Independent Auditors' Report to the Members of Road Management Services (Darrington) Limited *(Continued)*

Year Ended 31 December 2021

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
30 June 2022

Road Management Services (Darrington) Limited

Statement of Comprehensive Income

Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	30,591	29,587
Cost of sales		(11,566)	(10,962)
Gross profit		19,025	18,625
Administrative expenses		(908)	(869)
Operating profit	5	18,117	17,756
Interest receivable and similar income	8	5	55
Interest payable and similar expenses	9	(12,110)	(11,994)
Profit before taxation		6,012	5,817
Tax on profit	10	(2,524)	(1,616)
Profit for the financial year and total comprehensive income		<u>3,488</u>	<u>4,201</u>

All the activities of the company are from continuing operations.

The notes on pages 18 to 30 form part of these Financial Statements.

Road Management Services (Darrington) Limited

Statement of Financial Position

Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	12	179,484	185,558
Investments	13	50	50
		<u>179,534</u>	<u>185,608</u>
Current assets			
Debtors: amounts falling due within one year	14	29,651	27,773
Cash at bank and in hand		21,216	25,125
		<u>50,867</u>	<u>52,898</u>
Creditors: amounts falling due within one year	15	(17,426)	(17,799)
Net current assets		<u>33,441</u>	<u>35,099</u>
Total assets less current liabilities		<u>212,975</u>	<u>220,707</u>
Creditors: amounts falling due after more than one year	16	(179,678)	(188,995)
Provisions for liabilities	17	(5,940)	(4,713)
Net assets		<u>27,357</u>	<u>26,999</u>
Capital and reserves			
Called up share capital	19	525	525
Profit and loss account	20	26,832	26,474
Shareholders funds		<u>27,357</u>	<u>26,999</u>

The Financial Statements were approved by the board of directors and authorised for issue on Jun 30, 2022, and are signed on behalf of the board by:



Matthew Edwards
Director

Company registration number: 04612119

The notes on pages 18 to 30 form part of these Financial Statements.

Road Management Services (Darrington) Limited

Statement of Changes in Equity

Year Ended 31 December 2021

		Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2020		525	24,718	25,243
Profit for the financial year		—	4,201	4,201
Total comprehensive income for the year		—	4,201	4,201
Dividends paid and payable	11	—	(2,445)	(2,445)
Total investments by and distributions to owners		—	(2,445)	(2,445)
At 31 December 2020		525	26,474	26,999
Profit for the financial year		—	3,488	3,488
Total comprehensive income for the year		—	3,488	3,488
Dividends paid and payable	11	—	(3,130)	(3,130)
Total investments by and distributions to owners		—	(3,130)	(3,130)
At 31 December 2021		<u>525</u>	<u>26,832</u>	<u>27,357</u>

The notes on pages 18 to 30 form part of these Financial Statements.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2021

1. General Information

Road Management Services (Darrington) Limited is a private company limited by shares and is incorporated and domiciled in the England and Wales. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

On 13 February 2003, the Company entered into a design, build, finance and operate (DBFO) contract with the Secretary of State for the Environment, Transport and the Regions to upgrade a 53km section of the A1(M) in Yorkshire from Dishforth to Darrington. The contract is in the operational phase and in year 18 of its 33 year term, expiring in May 2036.

The Company's functional and presentation currency is the pound sterling.

2. Statement of Compliance

The individual financial statements of Road Management Services (Darrington) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

3. Accounting Policies *(continued)*

(b) Going concern

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12-month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future i.e., at least 12 months from the date of authorisation of these financial statements.

On 26 February 2004, Road Management Services (Finance) Public Limited Company, which is a subsidiary of the Company authorised the creation and issue of £113,240,000 in aggregate principal amount of 2.8332 per cent Secured Guaranteed Sterling Index Linked Bonds due 2035. It also entered into a loan agreement with the European Investment Bank ("EIB") under which EIB granted a loan of £105,000,000 at 2.3774 per cent Index Linked. The bonds and bank loan have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by the monoline insurer AMBAC. All funds were on-loaned to the Company on the same back to back terms. Road Management Services (Darrington) Limited is dependent on this financing.

The bond and bank loan have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by AMBAC. Under the terms of the Bond Trust Deed, entered into in 2003, AMBAC are required to use reasonable endeavours to maintain a credit rating of AAA or Aaa by S&P or Moody's, as ratings agencies, whilst the bond remains outstanding. Adherence to this undertaking is required under the terms of the Collateral Deed which was also entered into at the same time in conjunction with EIB, AMBAC and Citicorp Trustee Company Limited as Security and Bond Trustee. The directors acknowledge that the AMBAC rating was downgraded in November 2008 and April 2009 (to below BBB) following the impact of the global financial crisis at that time and this rating is at odds to the requirements of both deeds. This is an event of default under the terms of the collateral deed, the consequence of which created uncertainty due to the risk that EIB could request that this institution be replaced or may require repayment of outstanding debt per clause 13.1(d) of the collateral deed. Were repayment of the debt to be requested, the Group would need to seek alternative financing, which is not currently in place and which may not be able to be obtained. Consistent with previous years, EIB have provided a letter dated 29th April 2022 waiving their rights in respect of the consequences of this downgrade, which covers the period to the end of April 2023. The directors take comfort from the fact that EIB have issued similar waivers on an annual basis for the last 13 years (i.e., since 2009) and therefore have a reasonable expectation that, save for an increase in the AMBAC rating above the required thresholds, EIB will continue to do so. It is on that basis that the directors believe the funding will remain in place for the foreseeable future and therefore appropriate to continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

However, the Directors acknowledge that without a waiver letter for the default event covering the full going concern period, which is 12 months from the date of signing these financial statements, there is a risk that Road Management Services (Finance) PLC may be unable to continue to provide financing to the Company, requiring the company to seek alternative financing, which is not currently in place and which may not be able to be obtained. Therefore, a material uncertainty exists which could cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2021

3. Accounting Policies *(continued)*

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Road Management Services (Darrington) Holdings Limited which can be obtained from Cannon House, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) The disclosures required by Sections 11 and 12 of FRS 102 (Basic Financial Instruments and Other Financial Instruments Issues respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company is wholly owned by Road Management Services (Darrington) Holdings Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

(d) Revenue recognition

Turnover is recognised to reflect the value of services provided through applying a margin on the expenditure incurred over the life of the contract (including operating costs, depreciation and net finance costs), the margin being reviewed annually by reference to the risk related to the contract's stage of completion and an assessment of the overall contract margin anticipated over its 33 year life. No margin was recognised during the construction phase of the concession.

(e) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost less any impairment losses, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compare that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

3. Accounting Policies *(continued)*

use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

(f) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

The Company is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £14,765K (2020: £14,903K).

(h) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

3. Accounting Policies *(continued)*

(i) Tangible assets

The Company has elected to take exemption under FRS102 paragraph 35.10(i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS102. This has resulted in the measurement of fixed assets being different from that which would have resulted had the requirements of FRS102 Section 34 been fully adopted. The costs incurred in constructing the assets under the PFI contract have therefore been treated as a tangible fixed asset. This treatment arose from applying the guidance within previous UK GAAP which indicated that under the project's principal agreement, the risks and rewards relating to the assets reside primarily with the Company.

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

L/Term Leasehold property	- over 30 years
Plant & machinery	- over 5 to 15 years
Road construction costs	- on an annuity basis over the remaining periods of the concession's contract

The annuity basis is deemed to be the most appropriate systematic basis of depreciation, reflecting the consumption of the roadway's economic benefit by the Company over its economic life.

(j) Investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

(k) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

3. Accounting Policies *(continued)*

(l) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

(m) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. Turnover

Turnover arises from:

	2021	2020
	£000	£000
Rendering of services	<u>30,591</u>	<u>29,587</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2021	2020
	£000	£000
Depreciation of tangible assets	<u>6,074</u>	<u>5,583</u>

6. Auditors' Remuneration

	2021	2020
	£000	£000
Fees payable for the audit of the annual report and financial statements	<u>21</u>	<u>20</u>

Included in the fee above is £7K (2020: £7K) for the audit of the Company's subsidiary and the immediate parent entity Road Management Services (Darrington) Holdings Limited.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

7. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2020: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2020: £ nil).

8. Interest Receivable and Similar Income

	2021 £000	2020 £000
Interest on cash and cash equivalents	4	45
Interest from Group undertakings	–	10
Other interest receivable and similar income	1	–
	<u>5</u>	<u>55</u>

9. Interest Payable and Similar Expenses

	2021 £000	2020 £000
Interest due to Group undertakings	11,503	11,356
Other interest payable and similar expenses	607	638
	<u>12,110</u>	<u>11,994</u>

10. Tax on Profit

Major components of tax expense

	2021 £000	2020 £000
Current tax:		
UK current tax expense	1,297	1,247
Deferred tax:		
Origination and reversal of timing differences	1,227	369
Tax on profit	<u>2,524</u>	<u>1,616</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £000	2020 £000
Profit before taxation	6,012	5,817
Profit before taxation by rate of tax	1,143	1,105
Change in tax rates	1,381	511
Total tax charge	<u>2,524</u>	<u>1,616</u>

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

10. Tax on Profit *(continued)*

Factors that may affect future tax expense

During the year, as a result of the increase in the UK main corporation tax rate from 19% to 25% that was enacted in May 2021 to take effect from 1 April 2023, the relevant deferred tax balances have been remeasured at 25%. This change has increased the deferred tax liability at the balance sheet date, and so has decreased the profit in the year by £154K.

11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2021 £000	2020 £000
Interim dividend of £5.96 (2020: £4.66) per ordinary shares	<u>3,130</u>	<u>2,445</u>

12. Tangible Assets

	Long leasehold property £000	Plant and machinery £000	Road construction costs £000	Total £000
Cost				
At 1 January 2021 and 31 December 2021	<u>201</u>	<u>269</u>	<u>235,003</u>	<u>235,473</u>
Depreciation				
At 1 January 2021	93	269	49,553	49,915
Charge for the year	<u>8</u>	<u>—</u>	<u>6,066</u>	<u>6,074</u>
At 31 December 2021	<u>101</u>	<u>269</u>	<u>55,619</u>	<u>55,989</u>
Carrying amount				
At 31 December 2021	<u>100</u>	<u>—</u>	<u>179,384</u>	<u>179,484</u>
At 31 December 2020	<u>108</u>	<u>—</u>	<u>185,450</u>	<u>185,558</u>

The concession to operate the roadway has been acquired from Highways England for a period of 33 years. Expenditure on improvements to the roadway is reflected in the roadway construction assets and includes net capitalised finance costs up to the date of completion of £31,524K (2020: £31,524k).

13. Investments

	Shares in group undertakings £000
Cost	
At 1 January 2021 and 31 December 2021	<u>50</u>
Impairment	
At 1 January 2021 and 31 December 2021	<u>—</u>

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

13. Investments *(continued)*

	Shares in group undertakings £000
Carrying amount	
At 31 December 2021	<u>50</u>
At 31 December 2020	<u>50</u>

The Company owns 100% of the issued share capital of Road Management Services (Finance) Public Limited Company.

	2021 £	2020 £
Aggregate capital and reserves	50	50
Result for the year	—	—

The carrying value of the investment is supported by the net assets of the subsidiary. The investment represents 100% of the issued share capital of the following: The registered address of Road Management Services (Finance) Public Limited Company is Cannon Place, 78 Cannon Street, London EC4N 6AF.

14. Debtors: Amounts Falling due Within One Year

	2021 £000	2020 £000
Trade debtors	3,258	2
Amounts owed by Group undertakings	9,314	9,007
Prepayments and accrued income	3,155	3,021
Corporation tax repayable	85	—
Other debtors	<u>13,839</u>	<u>15,743</u>
	<u>29,651</u>	<u>27,773</u>

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

14. Debtors: Amounts Falling due Within One Year *(continued)*

The Company under its finance agreement is required at all times to hold funds in a special reserve account equal to the sum required for the next two debt service periods. Under the financing agreements the Company can elect to make a loan to the shareholders, from this reserve account, in return for Letters of Credit amounting to the same value. In 2008 the Company made such loans to its shareholders totalling £9,000K (2020: £9,000K). The loans attracted interest at LIBOR less 25 basis points within the year, and is payable semi-annually on 31 March and 30 September. The loans are repayable if certain conditions are not met, for example, compliance with debt covenant ratios as specified in the senior loan agreements. The final maturity date of the loans is 31 March 2035 and interest accrued but not paid at 31 December 2021 amounted to £2K (2020: £2K). The balance are trading balances and are non-interest bearing and repayable upon demand.

The company is currently in discussions with the shareholders to replace the LIBOR reference in the loan agreement with SONIA, adjusted for a historic credit adjustment spread.

The Other debtors represents accrued income in relation to the Group's policy of revenue recognition through applying a margin on expenditure, as described in the Accounting Policies.

15. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	376	314
Amounts owed to group undertakings	16,099	16,607
Accruals and deferred income	236	179
Corporation tax	—	2
Taxation and social security	715	697
	<u>17,426</u>	<u>17,799</u>

Amounts owed to Group undertakings includes £13,707K (2020: £14,124K) of capital due to Road Management Services (Finance) PLC in respect of intercompany loans, together with accrued interest of £1,418K (2020: £1,493K) in respect of those loans. In addition Amounts owed to Group undertakings includes accrued subordinated loan interest due to Road Management Services (Darrington) Holdings Limited, totalling £223K (2020: £240K) and capital due within the year on those loan notes of £656K (2020: £656K). The balance relates to trading balances which are non-interest bearing and repayable upon demand.

16. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Amounts owed to group undertakings	179,229	188,512
Accruals and deferred income	449	483
	<u>179,678</u>	<u>188,995</u>

Included within creditors: amounts falling due after more than one year is an amount of £127,692K (2020: £137,115K) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

16. Creditors: amounts falling due after more than one year *(continued)*

Amounts owed to Group undertakings includes capital of £8,197K (2020: £8,853K) due to Road Management Services (Darrington) Holdings Limited in respect of loan notes issued. Interest on the loan notes issued is charged at 10% and is payable 6 monthly in March and September. The loan note capital is also repayable in 6 monthly instalments and are fully repayable in March 2035.

The remaining balance relates to two intercompany loans due to Road Management Services (Finance) PLC. Interest on both loans is charged at the same terms as financing raised by the Company's subsidiary, Road Management Services (Finance) PLC and is payable 6 monthly in March and September, with capital repayments being made on the same 6 monthly basis, with final repayment due in March 2035 (please see note 3).

The loans from the fellow subsidiary undertaking are secured by charges and assignments in favour of Road Management Services (Finance) PLC, over all the assets of Road Management Services (Darrington) Limited.

17. Provisions for Liabilities

	Deferred tax (note 18) £000
At 1 January 2021	4,713
Other movements	1,227
At 31 December 2021	<u>5,940</u>

18. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

	2021 £000	2020 £000
Included in provisions for liabilities (note 17)	<u>5,940</u>	<u>4,713</u>
	2021 £ 000	
Opening balance	4,713	
Movement through the profit or loss	1,227	
Closing balance	<u>5,940</u>	

The net deferred tax liability expected to reverse in 2022 is £183K (2020: £154K). This primarily relates to the reversal of timing differences on capital allowances.

Road Management Services (Darrington) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2021

19. Called Up Share Capital

Issued, called up and fully paid

	2021		2020	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>525,248</u>	<u>525</u>	<u>525,248</u>	<u>525</u>

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

20. Reserves

Retained earnings records retained earnings and accumulated losses.

21. Related Party Transactions

The Company is wholly owned by Road Management Services (Darrington) Holdings Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

The Company paid £244K (2020: £239K) to Semperian PPP Investments Limited for the provision of 2 directors.

The Company paid £374K (2020: £285K) to BIIF Bidco Limited for the provision of 2 directors and the provision of management services.

The Company paid £122K (2020: £120K) to Kellogg Brown & Root Limited for the provision of 2 directors.

22. Controlling Party

The immediate parent undertaking is Road Management Services (Darrington) Holdings Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Road Management Services (Darrington) Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

On 13 April 2022 25% of the shares of Road Management Services (Darrington) Holdings Limited previously held by Kellogg Brown & Root Limited were sold to Semperian PPP Investment Partners No 2 Limited. This resulted in Semperian PPP Investment Partners Holdings Limited becoming the ultimate parent and controlling party, owning 75% of the shares in Road Management Services (Darrington) Holdings Limited. The remaining 25% of the shares in Road Management Services (Darrington) Holdings Limited are owned by AM Holdco Limited, a company registered in England & Wales. Semperian PPP Investment Partners Holdings Limited is a company registered in Jersey and is owned by a number of investors with no one investor having individual control.