Financial Statements
Road Management Services (Darrington) Holdings Limited

For the year ended 31 December 2012

Registered number: 04612245

Company Information

Directors

N Rae
D W Bowler
L J Henry
A Matthew (resigned 22 May 2012)
P McCulloch (resigned 22 May 2012)
C A Snart
S J Usher (resigned 26 March 2013)
P J Dodd (appointed 22 May 2012)
B J Wynne-Simmons (appointed 22 May 2012)
R Barrientos (appointed 26 March 2013)

Company secretary

Semperian Secretariat Services Limited

Registered number

04612245

Registered office

St Martin's House
No 1 Gresham Street
London
EC2V 7BX

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Bankers

Citibank NA
5 Carmelite Street
London
EC4Y 0PA

Solicitors

CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC1A 4DD

Contents

Directors' Report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Directors' responsibilities statement

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 and of the profit or loss of the group for that period In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors confirm that

• so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and

• the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Principal activities

On 13 February 2003, Road Management Services (Darrington) Limited, a 100% subsidiary, entered into a design, build, finance and operate (DBFO) contract with the Secretary of State for the Environment, Transport and the Regions to upgrade the 53km section of the A1(M) in Yorkshire from Darrington to Dishforth

The new construction works comprised 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 has been 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

Directors' Report
For the year ended 31 December 2012

A new junction, Holmfield Interchange, has been built between the A1(M) and the M62, located to the north-west of Wentcliff 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 A1 southbound and A1 northbound to M62 eastbound Both of these movements continue to utilise the existing M62/A1 Junction 33 at Ferrybridge Due to free-flow design many of the link roads pass over or under link roads as well as the two motorways, resulting in the need for seven bridges with an additional two to allow 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 highway 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 road 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 which was upgraded to 3 lane and completed in July 2009 The previous A1 has been retained for local access purposes and was de-trunked and handed back to the local highway authority

Business review

The group continues to maintain the whole works 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 group is receiving annual Congestion Management Payments for carrying out the operation and maintenance of the roads to the satisfaction of the Highways Agency

Three key performance indicators are used to measure the performance of the group

1 The maximisation of the revenue from the Congestion Management Payments, which require the traffic to be moving at a minimum of 90 kilometres per hour

2 The achievement of cash flow targets as set out in the annual budgets At the year end the actual cash balance exceeded its target

3 The maintenance of the shareholders' internal rate of return as projected in the financial models which are produced on a regular basis A recently updated financial model shows sufficient levels of cash flow for the company to meet its financial obligations to its creditors and to maintain returns to shareholders

Eleven other performance indicators are measured on a monthly basis while a further seventeen are measured either quarterly or annually Each performance target has minimum performance levels and all of these were either matched or improved in the year They cover a broad range of subjects including response times, health and safety, network availability and traffic monitoring

Results and dividends

The profit for the year, after taxation, amounted to £3,154,000 (2011 - £3,757,000)

Profit is considered to be a Key Performance Indicator for the group and continues to be recognised in accordance with the groups financial model

The directors have paid a dividend of £2,653,860 (2011 £1,017,749)

Directors' Report

For the year ended 31 December 2012

Directors

The directors who served during the year were

N Rae
D W Bowler
L J Henry
A Matthew (resigned 22 May 2012)
P McCulloch (resigned 22 May 2012)
C A Snart
S J Usher (resigned 26 March 2013)
P J Dodd (appointed 22 May 2012)
B J Wynne-Simmons (appointed 22 May 2012)

Principal risks and uncertainties

Risk management policy

The risk management policy of the group is designed to identify and manage risk at the earliest possible point The group keeps a detailed risk register which is formally reviewed by the board on a bi-annual basis The principal risks and uncertainties facing the company are broadly grouped as financial instrument and legislative risk

Legislative risk

The group faces legislative risks such as any matters which would materially increase the flow of traffic on the roadway through restrictions placed on traffic movements on 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 the group as a result of potential pentalities or reduced recognised revenue These risks are managed by close monitoring by management of significant developments and maintaining an awareness regarding exposure to penalties

Financial instruments risk

The principal risk facing the group is the inability to meet its obligations in respect of interest and principal repayments on the bonds and European Investement Bank ("EIB") loan A Financial Guarantee provided by Ambac Assurance UK Limited ("Ambac") is in place to manage this risk Under the terms of the Guarantee, Ambac unconditionally and irrevocably agrees to pay all sums due and payable by the group in the event that the group fails to pay

The group's exposure to price risk, credit risk, interest rate risk and liquidity risk is detailed below and further detailed in Note 24

Future developments

The directors do not anticipate any change in the Company's activities

Financial instruments

Details of the group's financial risk management objectives and policies are included in note 24 to the accounts

Going Concern

Based upon the group's profitability for the year, which saw the continued recognition of profits in accordance with its financial model, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

Directors' Report
For the year ended 31 December 2012

The Board acknowledges that Citibank are no longer classified as a "qualifying" bank (as defined within the loan facility agreement) in respect of the European Investment Bank ("EIB") loan due to the downgrading of its rating Furthermore the AMBAC rating was also downgraded in November 2008 and April 2009 (to below BBB) These create uncertainty due to the risk that EIB may request that these institutions are replaced Given the continued discussions with EIB and wording within the loan facility agreement, the directors are assured that adequate safeguards are in place to enable this funding to remain in place for the foreseeable future The Board believes it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements of the group

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

Injurious affection (third party) claims

The group has received claims from third parties in respect of noise and nuisance caused by the new road, operated as part of the DBFO contract, for which it has made a provision, representing the directors' current assessment of the likely amount to settle these claims and associated costs, fees and interest, as described in note 16 Should claims eventually exceed the amount provided, this would adversely impact the group

This report was approved by the board and signed on its behalf

P J Dodd
Director

Date 21/05/2013

Grant Thornton

Independent Auditor's Report to the Members of Road Management Services (Darrington) Holdings Limited

We have audited the financial statements of Road Management Services (Darrington) Holdings Limited for the year ended 31 December 2012, which comprise the consolidated Profit and loss account, the consolidated and company Balance sheets, the consolidated Cash flow statement, the Reconciliation of Net Cash Flow Movement in Net Funds/Debt and the related notes 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 group's and of the parent 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 group's and of the parent 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 group's and of the parent 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, 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 Auditing Practices Board'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 group's and of the parent company's affairs as at 31 December 2012 and of the group's 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

Grant Thornton

Independent Auditor's Report to the Members of Road Management Services (Darrington) Holdings Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Grant Thornton UK LLP

Mark Cardiff
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Chartered Accountants, Statutory Auditor
London (Euston)
Date 22 May 2015

Consolidated Profit and Loss Account

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	1,2	**27,223**	33,627
Administrative expenses		**(6,051)**	(7,513)
Operating profit	3	**21,172**	26,114
Interest receivable and similar income	6	**348**	428
Interest payable and similar charges	7	**(17,970)**	(22,155)
Profit on ordinary activities before taxation		**3,550**	4,387
Tax on profit on ordinary activities	8	**(397)**	(630)
Profit for the financial year	18	**3,153**	3,757

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 11 to 28 form part of these financial statements

Consolidated Balance Sheet
As at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	9		**219,468**		222,320
Current assets					
Debtors	11	**42,115**		38,564	
Investments	12	**1,718**		1,719	
Cash at bank and in hand		**15,988**		18,203	
		59,821		58,486	
Creditors amounts falling due within one year	13	**(10,866)**		(11,603)	
Net current assets			**48,955**		46,883
Total assets less current liabilities			**268,423**		269,203
Creditors amounts falling due after more than one year	14		**(250,368)**		(251,429)
Provisions for liabilities					
Deferred tax	15	**(5,619)**		(5,254)	
Other provisions	16	**(50)**		(633)	
			(5,669)		(5,887)
Net assets			**12,386**		11,887
Capital and reserves					
Called up share capital	17		**520**		520
Profit and loss account	18		**11,866**		11,367
Shareholders' funds	19		**12,386**		11,887

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

P J Dodd
Director

Date 21/05/2013

The notes on pages 11 to 28 form part of these financial statements

Company Balance Sheet
As at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Investments	10		525		525
Current assets					
Debtors	11	24,127		24,877	
Creditors amounts falling due within one year	13	(9,377)		(9,471)	
Net current assets			14,750		15,406
Total assets less current liabilities			15,275		15,931
Creditors amounts falling due after more than one year	14		(14,755)		(15,411)
Net assets			520		520
Capital and Reserves					
Called up share capital	17		520		520
Shareholders' funds	19		520		520

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

P J Dodd
Director

Date 21/05/2013

The notes on pages 11 to 28 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	21	19,673	22,385
Returns on investments and servicing of finance	22	(9,191)	(9,435)
Taxation		(32)	-
Equity dividends paid		(2,654)	(1,018)
Cash inflow before management of liquid resources and financing		7,796	11,932
Management of liquid resources	22	1	(21)
Financing	22	(10,012)	(10,681)
(Decrease)/Increase in cash in the year		(2,215)	1,230

Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 31 December 2012

		2012 £000	2011 £000
(Decrease)/Increase in cash in the year		(2,215)	1,230
Cash (inflow)/outflow from (increase)/decrease in liquid resources	22	(1)	21
Cash outflow from decrease in debt and lease financing	22	10,012	10,681
Change in net debt resulting from cash flows		7,796	11,932
Other non-cash changes	23	(8,430)	(12,293)
Movement in net debt in the year		(634)	(361)
Net debt at 1 January 2012	23	(240,338)	(239,977)
Net debt at 31 December 2012		(240,972)	(240,338)

The notes on pages 11 to 28 form part of these financial statements

Notes to the Financial Statements
For the year ended 31 December 2012

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards As discussed in the directors report, the Board believes it is appropriate to continue to adopt the going concern basis in preparing the financial statements of the group

1.2 Basis of consolidation

The group financial statements comprise a consolidation of the accounts of the Company and all its subsidiaries for the year ended 31 December 2012 The results of companies acquired or disposed of (where applicable) are consolidated from the effective date of the aquisition or the effective date of disposal The Company has no associates or joint ventures

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

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), this margin being reviewed annually by reference to the risk related to the contracts stage of completion and an assessment of overall contract margin anticipated over its 33 year life No margin has been recognised during the construction phase of the concession contract

1.4 FRS 5 Application Note F 'Private Finance Initiative and Similar Contracts'

In accordance with the requirements of FRS 5 Application Note F 'Private Finance Initiative and similar Contracts', it has been determined that the balance of risks and rewards derived from the underlying asset is borne by the company and, accordingly, the asset created under the contract has been accounted for as a fixed asset

1 5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less 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
Roadway	-	on the annuity basis over remaining period of concession contract

The annuity basis is deemed to be the most appropriate systematic basis of depreciation, reflecting the consumption of the roadways economic benefit by the group, over its economic life

1 6 Investments

Investments in subsidiaries are valued at cost less provision for impairment

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies (continued)

1 7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies (continued)

1 8 Financial Instruments

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 balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account 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 The group and parent company financial satements comply with the requirements of FRS 26 "Financial instruments recognition and measurement"

Interest bearing loans and borrowings
Index-linked bonds and loans are recognised in the group and parent financial statements accordance with FRS 26, Application Guidance 7 All index-linked bonds and loans are recognised initially at an amount equal to the principal payable on maturity After initial recognition, periodic re-estimation of cash flows to reflect movements of interest rates are applied using an effective interest rate

Other interest-bearing loans and borrowings
All loans and borrowings are recognised initially at the fair value of the consideration received, net of issue costs associated with the borrowing

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process

Embedded derivatives
Embedded derivatives are separated from their host contract and are recorded immediately in the profit and loss account when their economic characteristics and risks are not closely related to the host contract and the hybrid instrument itself is not measured at fair value

Investments
All investments are initially recorded at the fair value of the consideration given and including acquisition costs associated with the investment All purchases and sales of investments are recognised using trade date accounting

Trade and other debtors
Trade and other debtors are measured initially at fair value, and subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment Any change in their value through impairment or reversal of impairment is recognised through the profit and loss account

Cash and cash equivalents
Cash and cash equivalents are included in the balance sheet at cost Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less

Notes to the Financial Statements
For the year ended 31 December 2012

2. Turnover

The whole of the turnover is attributable to the one principal activity of the group

All turnover arose within the United Kingdom

3. Operating profit

The operating profit is stated after charging

	2012	2011
	£000	£000
Depreciation of tangible fixed assets		
- owned by the group	**2,852**	2,625

4. Auditors' remuneration

	2012	2011
	£000	£000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	**4**	4
Fees payable to the company's auditor and its associates in respect of		
The auditing of accounts of associates of the company	**19**	19
Taxation compliance services	**4**	4
All assurance services not included above	**9**	9

5. Staff costs

The company has no employees other than the directors, who did not receive any remuneration (2011 - £NIL)

6. Interest receivable

	2012	2011
	£000	£000
Other loan interest receivable	**70**	141
Bank interest receivable	**278**	287
	348	428

Notes to the Financial Statements

For the year ended 31 December 2012

7. Interest payable

	2012 £000	2011 £000
Interest payable on bank borrowing	15,818	19,902
Interest payable on shareholder loans and other finance charges	2,152	2,253
	17,970	22,155

The European Investment Bank (EIB) loan instrument incorporates an embedded derivative in the form of step up interest payable if the credit rating of the guarantor falls below a certain grading For the EIB loan, the AMBAC rating downgrade in November 2008 and April 2009 (to below BBB), has led to additional interest charges of 0 45% and 0 85% respectively Management consider the embedded derivative in this case is likely to be closely related to the host loan payable and so would not be separated

8. Taxation

	2012 £000	2011 £000
Analysis of tax charge in the year		
Deferred tax		
Origination and reversal of timing differences - losses	397	1,279
Effect of increased tax rate on opening liability	-	(585)
Timing differences	-	(95)
Prior year deferred tax charge on consortium relief	-	31
Total deferred tax (see note 15)	397	630
Tax on profit on ordinary activities	397	630

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24 5% (2011 - 26 5%) The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	3,550	4,387
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 - 26 5%)	870	1,163
Effects of		
Capital allowances for year in excess of depreciation	93	93
Utilisation of tax losses	(963)	(1,256)
Current tax charge for the year (see note above)	-	-

Notes to the Financial Statements
For the year ended 31 December 2012

8. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges

9. Tangible fixed assets

Group	L/Term Leasehold Property £000	Plant & machinery £000	Road Construction Costs £000	Total £000
Cost				
At 1 January 2012 and 31 December 2012	**201**	**269**	**235,003**	**235,473**
Depreciation				
At 1 January 2012	**34**	**269**	**12,850**	**13,153**
Charge for the year	**7**	**-**	**2,845**	**2,852**
At 31 December 2012	**41**	**269**	**15,695**	**16,005**
Net book value				
At 31 December 2012	**160**	**-**	**219,308**	**219,468**
At 31 December 2011	167	-	222,153	222,320

The concession to operate the roadway has been acquired from the Highways Agency for a period of 33 years Expenditure on improvements to the roadway is reflected in the roadway concession asset and includes net capitalised finance costs up to the date of completion of £31,524,000 (2011 31,524,000)

10. Fixed asset investments

Company	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2012 and 31 December 2012	**525**
Net book value	
At 31 December 2012	**525**
At 31 December 2011	525

Notes to the Financial Statements

For the year ended 31 December 2012

11. Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Due after more than one year				
Amounts owed by group undertakings	**-**	-	**14,755**	15,411
Due within one year				
Trade debtors	**2,639**	21	**-**	-
Amounts due from loans to shareholders	**9,375**	9,485	**9,000**	9,078
Prepayments and accrued income	**30,101**	29,058	**372**	388
	42,115	38,564	**24,127**	24,877

12. Current asset investments

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Listed investments	**1,718**	1,719	**-**	-

Group listed investments

The market value of the listed investments at 31 December 2012 was £1,718,000 (2011 £1,719,000)

Company listed investments

The market value of the listed investments at 31 December 2012 was £NIL (2011 £NIL)

13. Creditors:
Amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Bank loans	**8,310**	8,831	**-**	-
Trade creditors	**50**	50	**-**	-
Loan from subsidiary undertaking	**-**	-	**9,000**	9,078
Social security and other taxes	**549**	558	**-**	-
Other creditors	**1,027**	1,043	**377**	393
Accruals and deferred income	**930**	1,121	**-**	-
	10,866	11,603	**9,377**	9,471

Notes to the Financial Statements

For the year ended 31 December 2012

14. Creditors:
Amounts falling due after more than one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Bank loans	**250,368**	251,429	**14,755**	15,411

Included within the above are amounts falling due as follows

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Between one and two years				
Bank loans	**6,776**	7,120	**655**	655
Between two and five years				
Bank loans	**23,107**	21,331	**1,965**	1,965
Over five years				
Bank loans	**220,485**	222,978	**12,135**	12,791

Notes to the Financial Statements

For the year ended 31 December 2012

14. Creditors:
Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Repayable by instalments	**220,485**	222,978	**12,135**	12,791

Loans due in greater than one year include the following

£126,040,000 Secured Guaranteed Sterling Index Linked Bond due 2035, listed on the London Stock Exchange, with a coupon rate of 2 8332% per annum index linked, repayable in six monthly instalments commencing 31 March 2007

£112,152,000 European Investment Bank at a coupon rate of 2 3774% per annum index linked, repayable in six monthly instalments commencing 31 March 2007

The Bond and EIB loan are secured by charges and assignments in favour of the group and over all the assets of Road Management Services (Darrington) Limited

The group's bonds and bank loan have the benefit of an unconditional and irrecoverable financial guarantee as to all payments of interest and principal issued, by the monoline insurer AMBAC

The loans falling due in greater than one year are shown net of unamortised loan issue expenses of £1,923,000 (2011 £2,115,000)

Subordinated debt facility of £18,339,950 provided by the shareholders in equal amounts Repayable in six monthly instalments commencing on 31 March 2008 over the period to the end of the concession agreement Interest is charged at 10%

15. Deferred taxation

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
At beginning of year	**5,254**	4,655	**-**	-
Charge for the year	**365**	599	**-**	-
At end of year	**5,619**	5,254	**-**	-

Notes to the Financial Statements

For the year ended 31 December 2012

15. Deferred taxation (continued)

The provision for deferred taxation is made up as follows

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Accelerated capital allowances	**6,765**	7,449	**-**	-
Tax losses brought forward	**(1,146)**	(2,195)	**-**	-
	5,619	5,254	**-**	-

16. Provisions

	Claims provision
Group	**£000**
At 1 January 2012	**633**
Release of provision	**(583)**
At 31 December 2012	**50**

Claims provision

The group has received claims in respect of noise and nuisance caused by the new road, operated as part of the DBFO contract At 31 December 2012, £50,000 remained as a provision representing the directors' assessment of the likely amount to settle all remaining legitimate claims and associated costs, fees and interest The Injurious Affection liability period ends in January 2013 and the directors' do not anticipate any future amounts to be payable, with the exception of one outstanding case

The group has no other provisions at 31 December 2012 (2011 £Nil)

There were no contingent liabilites in the group and parent financial statements for the year ended 31 December 2012 (2011 Nil)

The Company has no provisions

17. Share capital

	2012	2011
	£000	£000
Allotted, called up and fully paid		
520,248 (2011 - 520,250) Ordinary shares of £1 each	**520**	520

Notes to the Financial Statements

For the year ended 31 December 2012

18. Reserves

Group	**Profit and loss account £000**
At 1 January 2012	**11,367**
Profit for the year	**3,153**
Dividends	**(2,654)**
At 31 December 2012	**11,866**

Company	**Profit and loss account £000**
Profit for the year	**2,654**
Dividends	**(2,654)**
At 31 December 2012	**-**

19. Reconciliation of movement in shareholders' funds

Group	**2012 £000**	2011 £000
Opening shareholders' funds	**11,887**	9,148
Profit for the year	**3,153**	3,757
Dividends (Note 20)	**(2,654)**	(1,018)
Closing shareholders' funds	**12,386**	11,887

Company	**2012 £000**	2011 £000
Opening shareholders' funds	**520**	520
Profit for the year	**2,654**	1,018
Dividends (Note 20)	**(2,654)**	(1,018)
Closing shareholders' funds	**520**	520

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account

The profit for the year dealt with in the accounts of the company was £2,654,000 (2011 - £1,018,000)

Notes to the Financial Statements

For the year ended 31 December 2012

20. Dividends

	2012 £000	2011 £000
Dividends paid on equity capital (£5 10 per share)	**2,654**	1,018

21. Net cash flow from operating activities

	2012 £000	2011 £000
Operating profit	**21,172**	26,114
Depreciation of tangible fixed assets	**2,852**	2,625
Increase in debtors	**(3,552)**	(6,008)
Decrease in creditors	**(216)**	(172)
Decrease in provisions	**(583)**	(174)
Net cash inflow from operating activities	**19,673**	22,385

22. Analysis of cash flows for headings netted in cash flow statement

	2012 £000	2011 £000
Returns on investments and servicing of finance		
Interest received	**349**	428
Interest paid	**(9,540)**	(9,863)
Net cash outflow from returns on investments and servicing of finance	**(9,191)**	(9,435)

	2012 £000	2011 £000
Management of liquid resources		
Purchase of short term listed investments	**-**	(21)
Sale of short term listed investments	**1**	-
Net cash inflow/(outflow) from management of liquid resources	**1**	(21)

	2012 £000	2011 £000
Financing		
Repayment of loans	**(10,012)**	(10,681)

Notes to the Financial Statements

For the year ended 31 December 2012

23. Analysis of changes in net debt

	1 January 2012	Cash flow	Other non-cash changes	31 December 2012
	£000	£000	£000	£000
Cash at bank and in hand	18,203	(2,215)	-	15,988
Liquid resources:				
Current asset investments	1,719	(1)	-	1,718
Debt:				
Debts due within one year	(8,831)	3,141	(2,620)	(8,310)
Debts falling due after more than one year	(251,429)	6,871	(5,810)	(250,368)
Net debt	(240,338)	7,796	(8,430)	(240,972)

The other changes relate to the non-cash movements in indexation on the loans during the year

Notes to the Financial Statements

For the year ended 31 December 2012

24. Financial risk management objectives and policies

The risk management policy of the group is designed to identify and manage risk at the earliest possible point The group keeps a detailed risk register which is formally reviewed by the board on a quarterly basis

A subsidiary of the company, Road Management Services (Finance) PLC has raised finance through guaranteed secured bonds and bank borrowings and has on-lent these to a further subsidiary of the group, Road Management Services (Darrington) Limited, which has placed surplus cash in short term investments

The guaranteed secured bonds have a coupon of 2 8332% and the bank borrowings have a coupon of 2 3774% index linked A proportion of the group's investments are held in an index linked deposit fund to hedge the bond loans The group operates a long-term business and its policy is to finance it with long-term borrowings

The group's exposure to price risk, credit risk, interest rate risk and liquidity risk is detailed below (there have been no changes in the risk profile of the group from prior year)

Foreign currency risk

The Group has no foreign currency transactions All of the Group's borrowings are denominated in sterling

Price risk

The group is exposed to price risk in relation to its RPI index linked debt through movements in RPI RPI linked loans have cash flows that change in relation to changes in market variables The carrying value of the loan and bond represent the principal outstanding, an accrual of unpaid interest at coupon rate, unpaid RPI inflation on this interest based on actual RPI for the year and unpaid RPI inflation on the capital based on actual RPI for the year

This risk is mitigated as a proportion of the cash flows generated from the roadway concession increase in line with RPI inflaters

Credit risk

The group's principal trading debtors relate to cash flows from its roadway concession asset, creating a concentration of credit risk The roadway concession asset cash flows are secured under contract from the Highways Agency, a government body The maximum credit risk exposure relating to financial assets is represented by the carrying value at the balance sheet date

Notes to the Financial Statements

For the year ended 31 December 2012

Interest rate risk

The floating rate 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 The floating rate financial assets comprise cash and short term investments The return on cash is determined by bank market interest rates See table below for disclosure of the effective interest rates used

The European Investment Bank (EIB) loan instrument incorporates an embedded derivative in the form of step up interest payable if the credit rating of the guarantor falls below a certain grading For the EIB loan, the AMBAC rating downgrade in November 2008 and April 2009 (to below BBB), has led to additional interest charges of 0 45% and 0 85% respectively This step up interest payable forms part of the effective interest rate disclosed above

Interest on financial instruments classified as fixed rate is fixed until maturity of the investment Interest on financial instruments classified as floating rate is repriced at intervals of less than one year

The other financial instruments of the group that are not included in the table below are non-interest bearing and are therefore not subject to interest rate risk Other financial liabilities include trade creditors, other creditors, social security and other taxes and accruals and deferred income Other financial assets include trade debtors, amounts due from loans to shareholders and prepayments and accrued income All other financial instruments are due within one year

The following table sets out the carrying amounts by maturity dates and effective interest rates (when applicable) of the group's financial instruments that are exposed to interest rate risk

Year ended 31 December 2012	Effective interest rate	1 year or less	1-5 years	More than 5 years	Total
	%	£000	£000	£000	£000
Floating rate					
Cash at bank and in hand	-	15,988	-	-	15,988
Short term investment	-	1,718	-	-	1,718
Bond loan	2.83	(2,728)	(11,473)	(113,334)	(127,535)
EIB loan	3.22	(3,737)	(15,790)	(95,672)	(115,199)
		11,241	(27,263)	(209,006)	(225,028)

Year ended 31 December 2011	Effective interest rate	1 year or less	1-5 years	More than 5 years	Total
	%	£000	£000	£000	£000
Floating rate					
Cash at bank and in hand	-	18,203	-	-	18,203
Short term investment	-	1,719	-	-	1,719
Bond loan	2 83	(3,316)	(10,381)	(113,854)	(127,551)
EIB loan	3 22	(3,656)	(15,450)	(96,988)	(116,096)
		12,950	(25,832)	(210,842)	(223,724)

Notes to the Financial Statements
For the year ended 31 December 2012

Sensivivity analysis

The group has floating rate financial liabilities comprising index linked bonds and loans as part of the groups long term financing These impact the effective interest rates used in calculating the interest payable for a financial period

The following table illustrates the sensitivity of the effect on profit before tax to a reasonable possible changes in RPI of +2% and - 2% (2011 +2% and -2%), with effect from the beginning of the year

The calculations are based on the group's financial instruments held at each balance sheet date All other variables are held constant

	2012	2011
	£000	£000
Effect of profit before tax of 2% increase in RPI rate	**5,770,770**	4,166,860
Effect of profit before tax of 2% decrease in RPI rate	**(4,093,220)**	(5,584,835)

Notes to the Financial Statements

For the year ended 31 December 2012

Liquidity risk

The group under its finance arrangements is required to hold at all times funds in a special reserve account equal to the sum required for the next debt service payment Under the financing arrangements the group 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 In 2008 a shareholder loan was made amounting to £9,000,000, see Note 25 for related party disclosures In addition, the group 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 the funding contracts into which the group has entered The repayment profiles of the debt and loan commitments are set out in note 14 above The roadway concession cashflows are generated from Congestion Management Charges paid by the Highways Agency The financial model for the project will be regularly updated to reflect actual performance

As discussed in the directors report, Citibank are no longer classified as a "qualifying" bank (as defined within the loan facility agreement) in respect of the European Investment Bank ("EIB") loan due to the downgrading of its rating Furthermore the AMBAC rating was also downgraded in November 2008 and April 2009 (to below BBB) These create uncertainty due to the risk that EIB may request that these institutions are replaced Given the continued discussions with EIB and wording within the loan facility agreement, the directors are assured that adequate safeguards are in place to enable this funding to remain in place for the foreseeable future

Fair value of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the company's significant financial instruments that are carried in the financial statements

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial assets				
Cash at bank and in hand	15,988	15,988	18,203	18,203
Loans to shareholders	9,375	9,375	9,485	9,485
Short term investment	1,718	1,718	1,719	1,719
Financial liabilities				
Bond loan	(127,535)	(127,535)	(127,551)	(127,551)
EIB loan	(115,199)	(115,199)	(116,096)	(116,096)
Loans from controlling parties	(14,754)	(14,754)	(15,411)	(15,411)

The fair value of the listed bond loan and EIB loan would be calculated by discounting the expected future cash flows at prevailing interest rates Given these are floating rate instruments, the carrying value of the loans would not be dissimilar to the market value Interest charges for the year are calculated using the effective interest rate, being the sum of interest at coupon, actual RPI inflation on this interest and actual RPI inflation on capital

The other financial instruments of the group (including loans from shareholders) that are not included in the above tables are short term items where the carrying amount is a reasonable approximation of fair value

Notes to the Financial Statements

For the year ended 31 December 2012

25. Related party transactions

Road Management Services (Darrington) Holdings Limited Group have DRSA shareholder loans receivable of £3,000,000 (2011 £3,000,000) each with the following controlling shareholders Semperian PPP Holdings Limited, AM Holdco Limited and A1 PPP Infrastructure Holdings Limited

At 31 December 2012, accrued interest receivable on these loans totalled £371,900 (2011 £388,429)

The group has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Road Management Services (Darrington) Holdings Limited group

26. Controlling party

The group is jointly owned and controlled by Semperian PPP Holdings Limited, AM Holdco Limited, Kellogg Brown & Root Limited and A1 PPP Infrastructure Holdings Limited

27. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Road Management Services (Darrington) Limited	England	100%	Road concession operator
Road Management Services (Finance) PLC	England	100%	Road concession finance company