COMPANY REGISTRATION NUMBER: 4612245

Road Management Services (Darrington) Holdings Limited

Annual Report and Consolidated Financial Statements

31 December 2022

Road Management Services (Darrington) Holdings Limited

Annual Report and Consolidated Financial Statements

Year Ended 31 December 2022

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Officers and Professional Advisers

The Board of Directors	M J Edwards R Little N Rae 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) Holdings Limited

Strategic Report

Year Ended 31 December 2022

The directors present their Strategic Report on Road Management Services (Darrington) Holdings Limited ("the Group") for the year ended 31 December 2022.

Principal Activities, Objectives and Strategies

The principal activity of the Company during the year was that of a holding company for Road Management Services (Darrington) Limited and its subsidiary, Road Management Services (Finance) PLC. The principal objectives of Road Management Services (Darrington) Limited were to operate and maintain the Roadway Concession in line with the contracted terms. In doing so the entity 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's subsidiary, Road Management Services (Darrington) Limited 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 19 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 Holmfield 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 Group 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 Group is receiving annual Congestion Management Payments for carrying out the operation and maintenance of the roads to the satisfaction of National Highways Limited.

Results and Dividends

The profit for the financial year, after taxation, amounted to £7,733K (2021: £3,488K).

Dividends of £415K (2021: £3,130K) were paid in the year (see 10).

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

The directors are satisfied with the overall performance of the Company and the Group and do not foresee any significant change in the Company's activities in the coming financial year.

Performance Review and Going Concern

The Group 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 Group 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 Group is dependent upon loan agreements for funding, which Road Management Services (Finance) PLC has raised through guaranteed secured bonds and bank borrowing. Road Management Services (Finance) PLC is a subsidiary of Road Management Services (Darrington) Limited which is 100% owned by the Company.

On 26 February 2004, the Road Management Services (Finance) PLC 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. The bonds are listed on the London Stock Exchange. Road Management Services (Finance) PLC 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 Road Management Services (Darrington) Limited.

On 31 March 2015 Road Management Services (Darrington) Limited cancelled variation bonds with a nominal value of £1,500,000 against a corresponding portion of on-loan from the Company, reducing the nominal value of the bond from £113,240,000 to £111,740,000.

The directors acknowledge that the AMBAC rating was downgraded in November 2008 and April 2009 (to below BBB) and that this created uncertainty due to the risk that EIB may request that this institution be replaced. Consistent with previous years, we note a waiver letter was provided in respect of the AMBAC downgrade, dated 27 March 2023, which covers the period to 1 May 2024. Given the continued discussions with EIB, the directors are assured that adequate safeguards are in place to enable this funding to remain in place for the foreseeable future.

The Group prepare 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 and the Group have adequate resources to continue in operational existence for the foreseeable future, including a period of 12 months from the authorisation of this set of financial statements.

In light of this, the directors continue to adopt the going concern basis of accounting in preparing the Group and 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 Group:

(1) The maximisation of the revenue from the Congestion Management Payments, which require the traffic to be moving at a minimum of 90km 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 2022.

(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.

Climate Change

The directors recognise that it is important to disclose their view of the impact of climate change on the Group. The Group's key operational contracts are long-term and with a small number of known counterparties. In most cases, the cashflows from these contracts can be predicted with reasonable certainty for at least the medium-term. Having considered the Group's operations, its contracted rights and obligations and forecast cash flows, there is not expected to be a significant impact upon the Group's operational or financial performance arising from climate change.

Principal Risks and Uncertainties

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

The Group'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 Group, Road Management Services (Finance) PLC, 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 ("EIB") loan and are therefore affected by fluctuations in RPI. This forms part of the Group's risk strategy, used to offset the effect of RPI on the Group'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 Group does not undertake financial instrument transactions that are speculative or unrelated to the trading activities.

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 Group consider it to be exposed to very low credit risk.

Liquidity Risk

The Group 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 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. During 2008 such a loan was made amounting to £9,000K. 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 intra-group loan agreements in place to define funding arrangements between the Group and Road Management Services (Darrington) Holdings Limited.

Major Maintenance Replacement Risk

The Group 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 Group 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 Group. These risks are managed by close monitoring by management of significant developments and maintaining an awareness regarding exposure to penalties.

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 Group 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 National Highways Limited. The Group'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 Group's values and objectives and defines long term success. Decisions are taken in the context of this ethos of working in partnership. The Group 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 Group's main stakeholders. The Group 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 Group 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 Group does not have any employees.

The Board is an experienced team with representatives of all shareholders. The Board members have experience of working 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.

Principle decisions of the Group are those that are key to the Group'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 2022 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.

Dividends are declared only after having had regard to the Group's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the Group 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 27 April 2023 and signed on behalf of the board by:

Neil Rae
Neil Rae (Apr 27, 2023 11:05 GMT+1)

N Rae
Director

Road Management Services (Darrington) Holdings Limited

Directors' Report

Year Ended 31 December 2022

The directors present their report and the audited Annual Report and Consolidated Financial Statements of Road Management Services (Darrington) Holdings Limited ("the Company") for the year ended 31 December 2022.

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	
D North	(Appointed 13 April 2022)
P J Meffan	(Resigned 13 April 2022)
N Sparrow	(Resigned 13 April 2022)

Dividends

Details of the dividends paid in the year are disclosed in the Strategic Report.

Financial Instruments

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

Qualifying Third Party Indemnity Provisions

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) Holdings Limited

Directors' Report *(continued)*

Year Ended 31 December 2022

This report was approved by the board of directors on 27 April 2023 and signed by order of the board by:

Mike Forrest on behalf of Infrastructure Managers Limited
Company Secretary

Road Management Services (Darrington) Holdings Limited

Directors' Responsibilities Statement

Year Ended 31 December 2022

The directors are responsible for preparing the Annual Report and Consolidated Financial Statements and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements 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). Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors' responsibilities were approved by the board on 27 April 2023 and signed on its behalf by:

Neil Rae
Neil Rae (Apr 27, 2023 11:05 GMT+1)

N Rae
Director

Independent auditors' report to the members of Road Management Services (Darrington) Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Road Management Services (Darrington) Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Consolidated and Company Statements of Financial Position as at 31 December 2022; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows 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 group 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.

Our audit approach

Overview

Audit scope

- The group's financial statements comprise three components, each of which was subject to a full scope audit.

Key audit matters

- Revenue recognition (group)
- Impairment of investments (parent)

Materiality

Overall group materiality: £477,600 (2021: £300,650) based on 5% of profit before tax.

- Overall company materiality: £180,390 (2021: £180,780) based on 2% of total assets (capped at allocation of group materiality).
- Performance materiality: £358,200 (2021: £225,490) (group) and £135,293 (2021: £135,585) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impairment of investments (parent) is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (group) The Group entered into a design, build, finance and operate (DBFO) contract with the Secretary of State for the Environment, Transport and the Regions (the "Authority") to upgrade the 53km section of the A1 (M) in Yorkshire from Darrington to Dishforth. The Group accounts for the asset created under this service concession arrangement as a fixed asset. The congestion management payments received monthly from the Authority are adjusted to reflect the revenue that has been earned during the year, based on a margin calculated on the expenditure (including operating costs, depreciation and net finance costs) incurred during the year. This can result in an accrued or deferred position, currently disclosed within the 'Other debtors' in the financial statements. Due to the estimates required to calculate the margin and its impact on the recognition of revenue and other debtors, we consider this risk to be a key audit matter. (Refer to note 14 to the financial statements).	Our audit procedures for addressing this risk included the following: - We tested the congestion management payments received from the Authority against invoices and evidence of cash receipt and used this to determine an expectation for total congestion management payments received in the year. We re-performed the calculation of what revenue was to be recognised and therefore what adjustment was to be made to the congestion management payments received and posted to other debtors. We compared the margin applied to costs to determine revenue to be recognised for the current year against the margin applied in the prior year and investigated any differences. Our audit work did not highlight any issues and we therefore concluded that revenue was not materially misstated.
Impairment of investments (parent) The company holds an investment in Road Management Services (Darrington) Limited. The carrying value of the investment at 31 December 2022 is £525,000. As per the company's accounting policies, a review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. We focused on this area due to the material quantum of the value of the investment in the separate financial statements of the parent. (Refer to note 12 to the financial statements).	Our audit procedures for addressing this risk included the following: - We obtained and reviewed management's valuation of the investments to confirm that the fair value exceeded the carrying amount. - We reviewed management's evaluation to ensure it is not contradicted by work performed throughout our audit of the Group. - We reviewed minutes of board meetings to identify any matters that may be indicative of the investment being impaired. Our audit work did not highlight any issues and we therefore concluded that the recoverable amount of the investment exceeds its carrying value.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group comprises of 3 components; being the holding company, Road Management Services (Darrington) Holdings Limited; the operating subsidiary, Road Management Services (Darrington) Limited, and the financing vehicle of the project, Road Management Services (Finance PLC). The principal objectives of the group are to operate and maintain the Roadway Concession in line with the contracted terms under the Private Finance Initiative ('PFI'). All of the group's operations are within the UK and are partially funded by the debts listed on the London Stock Exchange.

Two of the components are individually financially significant, however, we perform a full scope audit over all components.

All audit work was performed by the same engagement team within the UK.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£477,600 (2021: £300,650).	£180,390 (2021: £180,780).
How we determined it	5% of profit before tax	2% of total assets (capped at allocation of group materiality)
Rationale for benchmark applied	Profit on ordinary activities before taxation is a generally accepted auditing benchmark for profit generating activities.	The company is a holding company to the group and as such total assets is considered the most appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £180,390 and £477,600. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £358,200 (2021: £225,490) for the group financial statements and £135,293 (2021: £135,585) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £47,760 (group audit) (2021: £30,000) and £18,000 (company audit) (2021: £18,100) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and assessing management's going concern assessment and cash flow forecasts covering the expected life of the asset, including the 12-month period from the date the financial statements are signed. Based on the review of the assessment and forecasts, the company has adequate resources to continue in operational existence for the foreseeable future (including a period of 12 months from the authorisation of this set of financial statements) and to make timely repayments to the EIB; and
- assessing the covenants and other terms and conditions, including the qualifying status of the Guarantor to the loan, laid out in the collateral deed. In response to the credit rating downgrade of the Guarantor (AMBAC), which resulted in AMBAC losing its qualifying status, the client obtained a waiver letter from the bank confirming that the bank will not seek to replace the Guarantor for a period of at least 12 months from the date of this report. Based on the assessment no non-compliance during the year was noted, nor is non-compliance forecasted in for a period of 12 months from the date of this report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 group's and 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 group or 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. 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 group 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 in order to improve reported performance and financial position. 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 detect irregularities;
- Challenging management on assumptions and judgements made in their significant accounting estimates; and
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, for example 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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.

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 company 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
27 April 2023

Road Management Services (Darrington) Holdings Limited

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	4	**47,420**	30,591
Cost of sales		**(12,220)**	(11,566)
Gross profit		**35,200**	19,025
Administrative expenses		**(977)**	(908)
Operating profit	5	**34,223**	18,117
Interest receivable and similar income	7	**447**	5
Interest payable and similar expenses	8	**(25,118)**	(12,110)
Profit before taxation		**9,552**	6,012
Tax on profit	9	**(1,819)**	(2,524)
Profit for the financial year and total comprehensive income		**7,733**	3,488

All the activities of the group are from continuing operations.

The notes on pages 24 to 39 form part of these Annual Report and Consolidated Financial Statements.

Road Management Services (Darrington) Holdings Limited

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	11	172,905	179,484
Current assets			
Debtors: amounts falling due within one year	13	38,890	29,651
Cash at bank and in hand		30,520	21,217
		69,410	50,868
Creditors: amounts falling due within one year	14	(18,759)	(17,382)
Net current assets		50,651	33,486
Total assets less current liabilities		223,556	212,970
Creditors: amounts falling due after more than one year	15	(183,109)	(179,678)
Provisions for liabilities			
Taxation including deferred taxation	16	(5,777)	(5,940)
Net assets		34,670	27,352
Capital and reserves			
Called up share capital	18	520	520
Profit and loss account	19	34,150	26,832
Total shareholders' funds		34,670	27,352

The Financial Statements were approved by the board of directors and authorised for issue on 27 April 2023, and are signed on behalf of the board by:

Neil Rae
Neil Rae (Apr 27, 2023 11:05 GMT+1)

N Rae
Director

Company registration number: 4612245

The notes on pages 24 to 39 form part of these Annual Report and Consolidated Financial Statements.

Road Management Services (Darrington) Holdings Limited

Company Statement of Financial Position

As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Investments	12	**525**	525
Current assets			
Debtors: amounts falling due within one year	13	**9,973**	9,881
Debtors: amounts falling due after more than one year	13	**7,541**	8,197
		17,514	18,078
Creditors: amounts falling due within one year	14	**(9,978)**	(9,886)
Net current assets		**7,536**	8,192
Total assets less current liabilities		**8,061**	8,717
Creditors: amounts falling due after more than one year	15	**(7,541)**	(8,197)
Net assets		**520**	520
Capital and reserves			
Called up share capital	18	**520**	520
Profit and loss account	19		
At beginning of year		**–**	–
Profit for the year		**415**	3,130
Dividends paid		**(415)**	(3,130)
At end of year		**–**	–
Total shareholders' funds		**520**	520

The profit for the financial year of the parent company was £415K (2021: £3,130K).

The Financial Statements were approved by the board of directors and authorised for issue on 27 April 2023, and are signed on behalf of the board by:

Neil Rae
Neil Rae (Apr 27, 2023 11:05 GMT+1)

N Rae
Director

Company registration number: 4612245

The notes on pages 24 to 39 form part of these Annual Report and Consolidated Financial Statements.

Road Management Services (Darrington) Holdings Limited

Consolidated Statement of Changes in Equity

Year Ended 31 December 2022

		Called up share capital £000	Profit and loss account £000	**Total £000**
At 1 January 2021		520	26,474	26,994
Profit for the financial year			3,488	3,488
Total comprehensive income for the year		-	3,488	3,488
Dividends paid and payable	**10**	-	(3,130)	(3,130)
Total investments by and distributions to owners		-	(3,130)	(3,130)
At 31 December 2021		520	26,832	**27,352**
Profit for the financial year			7,733	**7,733**
Total comprehensive income for the year		-	7,733	**7,733**
Dividends paid and payable	**10**	-	(415)	**(415)**
Total investments by and distributions to owners		-	(415)	**(415)**
At 31 December 2022		520	34,150	**34,670**

The notes on pages 24 to 39 form part of these Annual Report and Consolidated Financial Statements.

Road Management Services (Darrington) Holdings Limited

Company Statement of Changes in Equity

Year Ended 31 December 2022

	Note	Called up share capital £000	Profit and loss account £000	**Total £000**
At 1 January 2021		520	–	520
Profit for the financial year			3,130	3,130
Total comprehensive income for the year		–	3,130	3,130
Dividends paid and payable	**10**	–	(3,130)	(3,130)
Total investments by and distributions to owners		–	(3,130)	(3,130)
At 31 December 2021		520	–	**520**
Profit for the financial year			415	**415**
Total comprehensive income for the year		–	415	**415**
Dividends paid and payable	**10**	–	(415)	**(415)**
Total investments by and distributions to owners		–	(415)	**(415)**
At 31 December 2022		520	–	**520**

Road Management Services (Darrington) Holdings Limited

Consolidated Statement of Cash Flows

Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Cash generated from operations	20	**31,616**	22,812
Interest paid		**(7,033)**	(7,214)
Interest received		**448**	5
Tax paid		**(861)**	(1,696)
Net cash generated from operating activities		**24,170**	13,907
Cash flows from financing activities			
Repayments of borrowings		**(13,796)**	(14,030)
Repayments of loans from group undertakings		**(656)**	(656)
Dividends paid		**(415)**	(3,130)
Net cash used in financing activities		**(14,867)**	(17,816)
Net increase/(decrease) in cash and cash equivalents		**9,303**	(3,909)
Cash and cash equivalents at beginning of year		**21,217**	25,126
Cash and cash equivalents at end of year		**30,520**	21,217

The notes on pages 24 to 39 form part of these Annual Report and Consolidated Financial Statements.

1. General Information

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

The principal activity of the Company during the year was that of a holding company for Road Management Services (Darrington) Limited and its subsidiary Road Management Services (Finance) PLC. The principal objectives of Road Management Services (Darrington) Limited were to operate and maintain the Roadway Concession in line with the contracted terms. In doing so the entity intends to ensure that the full amount of income is collected in the form of Congestion Management Payments as entitled under the contract.

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

2. Statement of Compliance

The individual and consolidated financial statements of Road Management Services (Darrington) Holdings 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.

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 Group'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.

3. Accounting Policies *(continued)*

(b) Going concern

The Group prepare 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 and the Group have adequate resources to continue in operational existence for the foreseeable future, including a period of 12 months from the authorisation of this set of financial statements.

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

On 26 February 2004, Road Management Services (Finance) PLC, which is a member of the Road Management Services (Darrington) Holdings Limited group of companies, 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's subsidiary, Road Management Services (Darrington) Limited on the same back to back terms.

The bond and bank loan have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principle issued by AMBAC. The directors acknowledge that the AMBAC rating was downgraded in November 2008 and April 2009 (to below BBB) and that this created uncertainty due to the risk that EIB may request that this institution be replaced. Consistent with previous years, we note a waiver letter was provided in respect of the AMBAC downgrade, dated 27 March 2023, which covers the period to 1 May 2024. Given the continued discussions with EIB, the directors are assured that adequate safeguards are in place to enable this funding to remain in place for the foreseeable future.

(c) Disclosure exemptions

The parent Company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

(a) Disclosures in respect of each class of share capital have not been presented.
(b) No cash flow statement has been presented for the Company.
(c) Disclosures in respect of financial instruments have not been presented.
(d) No disclosure has been given for the aggregate remuneration of key management personnel.

(d) Consolidation

The consolidated financial statements include the Company and all its Group undertakings from the date of acquisition up to the date of the financial period end.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual Statement of Comprehensive Income. The profit of the Company was £415K (2021: £3,130K).

3. Accounting Policies *(continued)*

(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 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) 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.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

3. Accounting Policies *(continued)*

(g) 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 also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

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.

(h) 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 £18,567K (2021: £14,765K).

3. Accounting Policies *(continued)*

(i) 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.

(j) Tangible assets

The Group 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 Group.

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 Group over its economic life.

(k) Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

(l) 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.

3. Accounting Policies *(continued)*

Impairment of fixed assets *(continued)*

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 largely independent of the cash inflows from other assets or groups of assets.

(m) 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.

(n) 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.

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:

	2022	2021
	£000	£000
Rendering of services	**47,420**	30,591

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

5. Operating Profit

Operating profit or loss is stated after charging:

	2022	2021
	£000	£000
Depreciation of tangible assets	**6,579**	6,074
Fees payable for the audit of the annual report and consolidated financial statements	**23**	21

The auditors' remuneration relates to the costs for all companies within the Group and was borne by Road Management Services (Darrington) Limited. The Road Management Services (Darrington) Holdings Limited company audit fee was £3K (2021: £2K), with a fee of £5K (2021: £6k) relating to its subsidiary Road Management Finance PLC.

6. Particulars of Employees and Directors

The average number of persons employed by the Group and Company during the financial year amounted to nil (2021: nil). The directors are not employed by the Company and Group did not receive any remuneration from the Company or Group during the year (2021: £nil).

7. Interest Receivable and Similar Income

	2022 £000	2021 £000
Interest on cash and cash equivalents	340	4
Interest from Group undertakings	107	–
Other interest receivable and similar income	–	1
	447	5

8. Interest Payable and Similar Expenses

	2022 £000	2021 £000
Interest payable on bank borrowings	23,670	11,503
Interest payable on other loans and finance charges	1,448	607
	25,118	12,110

9. Tax on Profit

Major components of tax expense

	2022 £000	2021 £000
Current tax:		
UK current tax expense	1,982	1,297
Deferred tax:		
Origination and reversal of timing differences	(163)	1,227
Tax on profit	1,819	2,524

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £000	2021 £000
Profit before taxation	9,552	6,012
Profit before taxation by rate of tax	1,815	1,143
Change in tax rates	4	1,381
Total tax charge	1,819	2,524

10. Dividends

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

	2022	2021
	£000	£000
Interim dividend of £0.79 (2021: £6.02) per ordinary shares	**415**	3,130

11. Tangible Assets

Group	L/Term leasehold property £000	Plant and machinery £000	Road construction costs £000	**Total £000**
Cost				
At 1 January 2022 and 31 December 2022	201	269	235,003	**235,473**
Depreciation				
At 1 January 2022	101	269	55,619	**55,989**
Charge for the year	9	–	6,570	**6,579**
At 31 December 2022	110	269	62,189	**62,568**
Carrying amount				
At 31 December 2022	91	–	172,814	**172,905**
At 31 December 2021	100	–	179,384	179,484

The company has no tangible assets.

The concession to operate the roadway has been acquired from National Highways Limited 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 (2021: £31,524k).

12. Investments

The group has no investments.

Company	**Shares in Group undertakings £000**
Cost	
At 1 January 2022 and 31 December 2022	**525**
Impairment	
At 1 January 2022 and 31 December 2022	**–**
Carrying amount	
At 1 January 2022 and 31 December 2022	**525**
At 31 December 2021	525

12. Investments *(continued)*

Shares in Group Companies

The Company owns 100% of the issued share capital of Road Management Services (Darrington) Limited which is registered at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

	2022 £000	2021 £000
Aggregate capital and reserves (Road Management Services (Darrington) Limited)	34,725	27,357
Profit for the year (Road Management Services (Darrington) Limited)	7,733	3,488

The carrying value of the investment is supported by the net assets of the subsidiary.

Road Management Services (Darrington) Limited was established as the project company to enter into a design, build, finance and operation contract with the Secretary of State for Environment, Transport and the Regions. Under these contracts they were granted the right, and undertook the obligation to design, build, finance and, for the 33-year contract term, operate and maintain two sections of the A1(M) in Yorkshire.

The finance for the projects was raised via Road Management Services (Finance) PLC, a subsidiary company with 100% of its share capital owned by Road Management Services (Darrington) Limited. On 26 February 2004, the Road Management Services (Finance) PLC 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, which are listed on the London Stock Exchange. It also entered into a loan agreement with the EIB under which the EIB granted it a loan of £105,000,000 at 2.3774 per cent Index Linked. On 31 March 2005, variation bonds with a nominal value of £1,500,000 were cancelled, reducing the nominal value of the bond to £111,740,000. A portion of this loan facility has the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by European Investment Fund. Both the bond and EIB loan proceeds are being on-lent to the Road Management Services (Darrington) Limited.

The registered address for each of the companies in which the Company holds an investment is Cannon Place, 78 Cannon Street, London EC4N 6AF.

13. Debtors

Debtors amounts falling due within one year are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade debtors	**–**	3,258	**–**	–
Amounts owed by Group undertakings	**9,110**	9,314	**9,973**	9,881
Prepayments and accrued income	**3,460**	3,155	**–**	–
Corporation tax repayable	**–**	85	**–**	–
Other debtors	**26,320**	13,839	**–**	–
	38,890	29,651	**9,973**	9,881

Debtors amounts falling due after more than one year are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Amounts owed by Group undertakings	**–**	–	**7,541**	8,197

The Group, under its finance agreements is required at all times to hold funds in a special reserve account equal to the sum required for the next two debt service payments. Under the financing agreements the Group can elect to make a loan to the shareholders from this reserves account, in return for letters of credit amounting to the same value. In 2008 the Company's subsidiary Road Management Services (Darrington) Limited made such a loan to the Company. The Company then made loans amounting to the same total value to certain of its shareholders. The loans attracted interest at the equivalent rate received from bank deposits placed 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.

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.

14. Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Bank loans and overdrafts	**13,835**	13,708	**–**	–
Trade creditors	**571**	376	**–**	–
Amounts owed to Group undertakings	**1,188**	929	**9,978**	9,886
Accruals and deferred income	**2,002**	1,654	**–**	–
Corporation tax	**400**	–	**–**	–
Taxation and social security	**763**	715	**–**	–
	18,759	17,382	**9,978**	9,886

14. Creditors: amounts falling due within one year *(continued)*

Amounts owed to Group undertakings by the Group includes accrued interest in respect of loan notes issued totalling £207K (2021: £223K) as well as capital repayments due in respect of those loan notes, payable within the year of £656K (2021: £656K). The remaining sums are trading balances and are non-interest bearing and repayable upon demand. Amounts owed to Group undertakings by the Company relates to the pass through of shareholder loans as detailed in note 13, which were extended to the subsidiary company on the same terms.

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

		Group		Company
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Amounts owed to Group undertakings	**7,541**	8,197	**7,541**	8,197
Accruals and deferred income	**416**	449	**–**	–
Bank loans and overdrafts	**175,152**	171,032	**–**	–
	183,109	179,678	**7,541**	8,197

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

Amounts owed to Group undertakings relate to subordinated loan notes issued with capital of £7,541K (2021: £8,197K) payable after more than one year. Interest on the loan notes 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. Also included in Amounts owed to Group undertakings is the shareholders loans entered into as part of the debt security, as detailed in note 13.

On 26 February 2004, Road Management Services (Finance) PLC 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. Road Management Services (Finance) PLC also entered into a loan agreement with EIB under which EIB granted it a loan of £105,000,000 at 2.3774 per cent Index Linked. On 31 March 2005, variation bonds with a nominal value of £1,500,000 were cancelled, reducing the nominal value of the bond to £111,740,000.

At the year end the 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, held a liability of £109,102K (2021: £104,628K). An amount of £4,636K (2021: £5,753K) is included in amounts falling due within one year, and £104,465K (2021: £98,875K) is included in amounts falling due in greater than one year.

At the year end the EIB loan at an interest rate of 2.3774% per annum index linked, repayable in six monthly instalments commencing 31 March 2007, held a liability of £80,491K (2021: £80,811K). An amount of £9,287K (2021: £8,048K) is included in amounts falling due within one year and £71,204K (2021: £72,763K) is included in amounts falling due in greater than one year.

The loans are shown net of unamortised loan issue expenses of £606K (2021: £670K) of which £453K (2021: £502K) relates to the Bond and £152K (2021: £198K) the EIB Loan. £517K (2021: £606K) is included in amounts falling due in greater than one year.

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 irrevocable financial guarantee as to all payments of interest and principal issued, by the monoline insurer AMBAC.

Included within creditors: amounts falling due after more than one year is an amount of £120,097,539 (2021: £127,691,799) for the group and £Nil (2021: £6,558,000) for the company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

16. Provisions for Liabilities

Group	Deferred tax (note 17) £000
At 1 January 2022	5,940
Deferred tax	(163)
At 31 December 2022	**5,777**

The Company does not have any provisions.

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17. Deferred Tax

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

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Included in provisions for liabilities (note 16)	**5,777**	5,940	**–**	–

	2022
	£
Opening balance	5,940
Movement through the profit or loss	(163)
Closing balance	**5,777**

The net deferred tax liability expected to reverse in 2023 is £289K (2022: £183K). This primarily relates to the reversal of timing differences on capital allowances.

18. Called Up Share Capital

Issued, called up and fully paid

	2022		2021	
	No.	**£000**	No.	£000
Ordinary shares of £1 each	**520,248**	**520**	520,248	520

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

19. Reserves

Retained earnings records retained earnings and accumulated losses.

20. Cash Generated from Operations

	2022	2021
	£000	£000
Profit for the financial year	**7,733**	3,488
Adjustments for:		
Depreciation of tangible assets	**6,579**	6,074
Interest receivable and similar income	**(447)**	(5)
Interest payable and similar expenses	**25,118**	12,110
Tax on profit	**1,819**	2,524
Accrued income	**(33)**	(34)
Changes in:		
Trade and other debtors	**(9,640)**	(1,482)
Trade and other creditors	**487**	137
	31,616	22,812

21. Analysis of Changes in Net Debt

	At 1 Jan 2022	Cash flows	Non-cash movements	At 31 Dec 2022
	£000	£000	£000	£000
Cash at bank and in hand	21,217	9,303	–	**30,520**
Debt due within one year	(14,637)	14,452	(14,305)	**(14,490**
Debt due after one year	(179,299)	–	(3,394)	**(182,693)**
	(172,719)	23,755	(17,993)	**(166,957)**

Movements in RPI which have impacted upon the total capital repayments made to senior borrowing costs in the year are reflected in "Non-cash movements".

22. Related Party Transactions

Group

The Group paid £391K (2021: £244K) to Semperian PPP Investments Limited for the provision of 2 directors.

The Group paid £402K (2021: £374K) to BIIF Bidco Limited for the provision of 2 directors and the provision of management services.

The Group paid £nil (2021: £122K) to Kellogg Brown & Root Limited for the provision of 2 directors.

During the year to 31 December 2022 the Group was charged subordinated loan interest by its shareholders. The amount charged was £214K (2021: £230K) by each of Semperian PPP Holdings Limited, A1 PPP Infrastructure Holdings Limited, AM Holdco Limited and Semperian PPP Investment Partners No 2 Limited. (In the prior year £230k had been charged by Kellogg Brown Root Limited.)

At 31 December 2022, the amount due in respect of subordinated debt and related interest was £2,049K (2021: £2,213K) and £51K (2021: £56K) respectively to each of Semperian PPP Holdings Limited, A1 PPP Infrastructure Holdings Limited, AM Holdco Limited and Semperian PPP Investment Partners No 2 Limited. Please see Controlling Party note 23 in respect of the change in ownership of 25% of the total subordinated debt within the year.

Road Management Services (Darrington) Holdings Limited Group has shareholder loans receivable of £3,000K (2021: £3,000K) from each of the following shareholders: Semperian PPP Holdings Limited, A1 PPP Infrastructure Holdings Limited, AM Holdco Limited. At 31 December 2022 accrued interest receivable on these loans totalled £110K (2021: £2K), split in equal portions between the three shareholders detailed above.

23. Controlling Party

Road Management Services (Darrington) Holdings Limited is the largest and smallest group to consolidate these financial statements as at 31 December 2022.

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.