

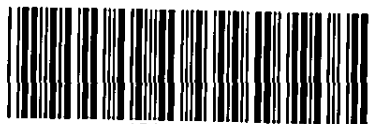
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Road Management Group Limited

Report and Financial Statements

31 December 2009

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30/06/2010

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COMPANIES HOUSE

Road Management Group Limited

Registered No 02804119

Directors

Peter Frederick Simpson (Resigned 27 January 2009)

John McDonagh (Resigned 19 March 2009)

Paul Anthony Evans (Resigned 26 June 2009)

Philip Smith

Jorge Graells Ferrandez

Michael Ryan (Resigned 19 March 2009)

Larry Jay Henry

Andrew Matthews (Appointed 9 December 2009)

Guilherme Carvalho (Appointed 19 March 2009, resigned 25 February 2010)

Simon Jeffrey Usher (Appointed 26 January 2009)

Daniel Vilanova Abad

David Bowler (Appointed 25 February 2010)

Secretary

Infrastructure Managers Limited

Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

PO Box 90

Erskine House

68-73 Queen Street

Edinburgh

EH2 4NH

Bankers

Lloyds TSB Bank Plc

St George's House

6-8 Eastcheap

London EC3M 1LL

Solicitors

Freshfields

65 Fleet Street

London EC4Y 1HS

Registered Office

Fifth Floor

100 Wood Street

London EC2V 7EX

Road Management Group Limited

Directors' report

The directors present their report and group financial statements for the year ended 31 December 2009

Results and dividends

The group profit for the year, after taxation amounted to £4,290,000 (2008 – £6,463,000) The directors have not declared or paid any dividends (2008 – £nil)

Principal activity and review of the business

On 8 February 1996, two subsidiaries of Road Management Group Limited entered into separate contracts with the Secretary of State for Environment, Transport and the Regions to design, build, finance, operate and maintain sections of the A1(M) and the A417/A419 trunk roads respectively The A1(M) project is an upgrade to motorway standard of existing stretches of the A1 trunk road between Alconbury and Peterborough The A417/A419 project involves upgrading the existing road to all-purpose dual carriageway standard, including the construction of three new bypass schemes and the operation and maintenance of the existing stretch of the road between Swindon and Gloucester

The finance for the two projects was raised by the issue of £165,000,000 in guaranteed secured bonds due 2002-2021 issued by Road Management Consolidated PLC, a special purpose company which is also a subsidiary of Road Management Group Limited The bonds are listed on the London Stock Exchange and have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by the monoline insurer AMBAC Further funds were raised by means of a £111,000,000 loan facility provided by the European Investment Bank 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 monoline insurers European Investment Fund Both the bond and European Investment Bank loan proceeds are being on-lent to the project companies

Financial close on the two projects was achieved on 28 March 1996 and progress has been satisfactory on all aspects of the Design, Build, Finance and Operate contracts since that time The construction phase of the A417/A419 project was successfully completed on 1 July 1998 whilst the A1(M) construction phase was completed on 18 December 1998 Following the completion of the new works the group has been successfully carrying out routine maintenance functions to the satisfaction of the Highways Agency

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

(1) The level of traffic passing along the road and its sustained growth Traffic volumes in the year were largely stable, showing an increase of 0.8% for A1(M) and 2.1% for A417/419 on the previous year on ordinary vehicles as a result of the economic downturn experienced during the year The directors are confident that the traffic volumes will show a year on year increase from 2010 onwards HGV's continue to perform well on both roads with traffic volumes exceeding the highest revenue-generating traffic-bands

(2) The achievement of cash flow targets as set out in the annual budgets The annual budgets are very accurate as a result of the experience gained during the last 14 years and did not vary significantly in 2009 Major maintenance on the roadways is occasionally deferred to suit site requirements

(3) The maintenance or improvement of the shareholders' internal rate of return as projected in financial models which are produced on a six-monthly 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

21 other KPIs are monitored on a monthly basis and regularly show an excellent performance They cover a broad range of subjects including response times, health and safety, network availability and traffic monitoring

Going concern

As more fully explained in Note 1 of the financial statements EIB may seek a repayment of the loan they have advanced to the company as a result of the ratings downgrade on the company's bonds It is the directors understanding that EIB will not seek such a repayment but due to the uncertainty the company has presented the amounts due to EIB within amounts due within one year

Road Management Group Limited

Directors' report

Directors and their interests

The Directors who served the Company during the year and up to the date of this report are listed on page 1

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 quarterly basis. The principal risks facing the group are broadly grouped as financial instrument and legislative risk.

Financial instrument risk

The group has raised finance through guaranteed secured bonds and bank borrowings, and places surplus cash in a fund of short term investments. All borrowings are made at fixed rates of interest. The group operates a long-term business and its policy is to finance it with long-term borrowings.

The group's exposure to and management of price risk, credit risk, interest rate risk and liquidity risk is detailed below.

Price risk

As at the year end the group has invested surplus cash in a Scottish Widows Investment Partnership Sterling short term cash fund. The movement in the market price of the units held has an impact on the carrying value of the short term investment which is classified as an "available for sale" financial asset.

The fund's objectives are to achieve superior returns to those of a direct money market investment by investing in short term instruments, however the value of the fund will be affected by normal market fluctuations, which may result in a change of value.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

Credit risk

The group's credit risk is concentrated as its principal cash-flows are due from the roadway concession assets.

The roadway concession cash-flows are secured under contract from the Highways Agency, a government body.

Interest rate risk

The group's policy is to manage its cost of borrowing using fixed rate debt. The fixed rate debt is not exposed to cash-flow interest rate risk but there is no opportunity for the group to enjoy a reduction in borrowing costs when rates fall. In addition, the fair value risk inherent in fixed rate borrowing means that the group would be exposed to unplanned costs should debt be repaid early as part of the liquidity management process.

Liquidity risk

The group aims to mitigate liquidity risk by at all times holding funds in a special reserve account equal to the sum required for the next debt service payment. This managed fund consists of a diversified portfolio of high quality sterling denominated money market instruments which can be realised within 24 hours. In addition the two operating subsidiary undertakings are required to maintain levels of net cash flow in each year equal to 1.2 times the annual debt service payments.

The roadway concession cash-flows are generated from traffic flows paid in the form of shadow tolls by the Highways Agency. The financial models for each project are regularly updated to reflect actual traffic performance and road maintenance experience. The financial models are subject to regular sensitivity tests to ensure that the group is able to meet its debt service cover ratios.

Legislative risks

The group faces legislative risks including increased fuel costs and vehicle taxation as a result of government policy, which could adversely affect the traffic flows on the two roadways.

Road Management Group Limited

Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

During the year ended 31 December 2009 Ernst & Young LLP resigned as auditors and were replaced by PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint them as the company's auditor will be put to the forthcoming Annual General Meeting.

The Directors' report was approved by the board on 28th Jan 2010 and signed on its behalf by



For and on behalf of

Infrastructure Managers Limited

Company Secretary

Edinburgh

Registered No 02804119

Road Management Group Limited

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year ended 31 December 2009. In preparing these financial statements, the Directors are required to

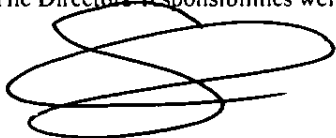
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware

- there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors' responsibilities were approved by the board on 28/06/10 and signed on its behalf by



Simon Jeffrey Usher

Director

Date

Independent auditors' report

to the members of Road Management Group Limited

We have audited the financial statements of Road Management Group Limited for the Year ended 31 December 2009 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Statement of Total recognised Gains and Losses, the Group Statement of Cash Flows 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).

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 Ethical Standards for Auditors.

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.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit and cash flows 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

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern, in light of the uncertainty as to the continuation of certain Group funding. These conditions along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

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.

Independent auditors' report

to the members of Road Management Group Limited (continued)

Matters on Which We are Required to Report by Exception

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

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



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered accountants and Statutory Auditors

Edinburgh

28 June 2010

Road Management Group Limited
Group profit and loss account
For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	2	39,301	41,773
External charges		(6,083)	(7,270)
Depreciation charge		(6,564)	(5,960)
Total operating expenses		(12,647)	(13,230)
Operating profit	4	26,654	28,543
Bank interest receivable		616	2,399
Interest payable and similar charges	9	(22,138)	(23,045)
		(21,522)	(20,646)
Profit on ordinary activities before taxation		5,132	7,897
Tax on profit on ordinary activities	8(a)	(842)	(1,434)
Profit for the financial year		4,290	6,463

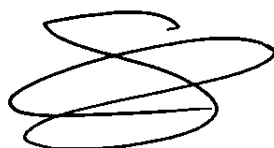
All amounts relate to continuing operations

Group statement of total recognised gains and losses
for the year ended 31 December 2009

	2009 £000	2008 £000
Profit for the year after taxation	4,290	6,463
Fair value adjustment on short term 'available for sale' investment	614	71
Total recognised gains and losses relating to the year	4,904	6,534

Road Management Group Limited
Group balance sheet
at 31 December 2009

	Notes	2009 £000	Restated 2008 £000
Fixed assets			
Tangible assets	10	270,239	276,671
Current assets			
Debtors	12	26,197	26,627
Short-term investments		16,094	15,480
Cash at bank and in hand		32,721	28,513
		75,012	70,620
Creditors' amounts falling due within one year	13	(104,354)	(104,471)
Net current assets		(29,342)	(33,851)
Total assets less current liabilities		240,473	242,820
Creditors' amounts falling due after more than one year	14	(143,543)	(150,424)
Provisions for liabilities and charges			
Deferred taxation	15	(5,750)	(5,696)
		(149,293)	(156,120)
		91,604	86,700
Capital and reserves			
Called up share capital	17	25,335	25,335
Profit and loss account	18	65,595	61,305
Fair value reserve	18	674	60
Equity shareholders' funds		91,604	86,700



Simon Jeffrey Usher
Director

Date 28/06/10

Road Management Group Limited
Company balance sheet
at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Investments	11	25,335	25,335
Current assets			
Debtors	12	14,324	12,753
Creditors amounts falling due within one year	13	(2,492)	(921)
Net current assets		11,832	11,832
Total assets less current liabilities		37,167	37,167
Creditors amounts falling due after more than one year			
Loans	14	(11,832)	(11,832)
		25,335	25,335
Capital and reserves			
Called up share capital	17	25,335	25,335
Profit and loss account	18	—	—
Equity shareholders' funds		25,335	25,335

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



Simon Jeffrey Usher
Director

Date 28/06/10

Road Management Group Limited
Group statement of cash flows
for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Net cash inflow from operating activities	20(a)	34,071	38,200
Returns on investments and servicing of finance	20(b)	(19,326)	(20,303)
Taxation	20(b)	-	-
Capital expenditure	20(b)	(132)	(65)
Equity dividend paid	20(b)	-	-
Management of liquid resources	20(b)	-	(1)
Financing	20(b)	(10,405)	(9,501)
Increase in cash		<u>4,208</u>	<u>8,330</u>

Reconciliation of net cash flow to movement in net debt

		2009 £000	2008 £000
Increase in cash		4,208	8,330
Decrease in loans		9,923	9,501
Increase in liquid resources		-	1
Other non-cash movements		614	(432)
Movement in net debt	20(c)	<u>14,745</u>	<u>17,400</u>
Net debt at 1 January	20(c)	<u>(186,724)</u>	<u>(204,124)</u>
Net debt at 31 December	20(c)	<u>(171,979)</u>	<u>(186,724)</u>

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and the Companies Act 2006

In particular as the group has listed bonds it has complied with the requirements of FRS 26 'Financial Instruments Measurement' and FRS 29 'Financial Instruments Disclosures'

1.2 Going concern

The directors have reviewed and are satisfied with the group's projected profits and cash flows which have been prepared on the basis of a detailed analysis of the group's finances, contracts and likely future traffic trends, covering accounting periods up to 31 December 2026

Following this review the directors are confident that the group will be able to comply with its loan covenant requirements and settle its liabilities as they fall due and accordingly that it is appropriate to prepare the financial statements on a going concern basis

Subsequent to the year-end the credit rating on the listed bonds issued by Road Management Consolidated PLC, a subsidiary company, was downgraded by Standard & Poors. As a result of this downgrade the European Investment Bank ('EIB') is entitled to seek repayment of its loan advanced to Road Management Consolidated PLC. If EIB requested repayment of its loan the Group would have to divest assets or seek additional funding

It is the Directors understanding that EIB will not seek to recall its loan but this is inherently uncertain and as the loan remains in technical breach, therefore repayable on demand, the balance due to EIB has been presented within amounts due within one year. As this position has existed since June 2008 the comparative results for 2008 have been restated accordingly

1.3 Basis of consolidation

The group financial statements consolidate the financial statements of Road Management Group Limited and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Road Management Group Limited as permitted by the Companies Act 2006. The group retained profit includes £nil contributed by the parent undertaking

1.4 Fixed assets

All fixed assets are initially recorded at cost. The cost of the road concession assets represents expenditure on the construction of the roadways up until the date of completion. This includes the direct cost of financing the construction, up until the date of completion

1.5 Depreciation

Depreciation of the road concession assets is calculated on the annuity basis over the remaining period of the concession contract after completion of the roadways

All other fixed assets are depreciated at rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition of each asset over its expected useful life, as follows

Plant and machinery	–	over 5 to 15 years
Land and buildings	–	over 26 years

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

1. Accounting policies (continued)

1.6 Recognition of income

Shadow tolls receivable from the Highways Agency which were in excess of net operating costs, maintenance, depreciation costs and income were deferred up until completion of the roadway improvements. Subsequent to the completion of the roadway improvements, all income earned has been recognised in the profit and loss account and the deferred shadow tolls are being amortised over the remaining life of the concession in line with the depreciation charge.

1.7 Financial assets and liabilities

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

(i) Financial assets

The group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end.

Financial assets are initially measured at fair value, plus, in the case of financial assets not at 'fair value through profit or loss', directly attributable transactions costs.

'Available for sale' assets are non-derivative financial assets that are designated as such or are not classified as either 'fair value through profit and loss', 'held to maturity investments' or 'loans and receivables'. 'Available for sale' assets are carried in the balance sheet at fair value with gains or losses recognised in reserves via the statement of total recognised gains and losses until the financial asset is derecognised or determined to be impaired, at which time the cumulative gain or loss held in the fair value reserve is recognised in the profit and loss account.

'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market do not qualify as trading assets and have not been designated as either 'fair value through profit or loss' or 'available for sale'. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Financial liabilities

Loans and borrowings are initially measured at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Finance charges and directly attributable transaction costs are accounted for in the profit and loss account, except during the construction phase when they are capitalised into the cost of the fixed asset, using the effective interest rate method, and added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

1. Accounting policies (continued)

1.8 Taxation

(i) Current tax

The charge for current taxation for the year is based on the profit for the year, adjusted for non assessable or disallowable items

(ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that

- Provision is made for tax on gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date

2. Turnover

Turnover, which is stated excluding VAT, represents amounts earned from the Highways Agency in the form of shadow tolls

3. Sector analysis

The group has one continuing activity, the operation of the Design, Build, Finance and Operate contracts and this is undertaken entirely in the United Kingdom

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

4. Operating profit

This is stated after charging

	2009 £000	2008 £000
Depreciation of owned fixed assets	6,564	5,960
Auditors' remuneration (see note 5)	40	60
	<u> </u>	<u> </u>

5. Auditors' remuneration

The remuneration of the auditors is further analysed as follows

	2009 £000	2008 £000
Audit of the financial statements	4	4
Other fees to auditors – statutory audit of subsidiary undertakings	36	56
– other services	-	-
– taxation services	-	-
	<u>40</u>	<u>60</u>
	<u> </u>	<u> </u>

6. Directors' emoluments

	2009 £	2008 £
Emoluments (including pension contributions)	158,104	125,236
	<u> </u>	<u> </u>

The emoluments excluding pension contributions of the highest paid director were £97,475 (2008 – £70,939)

During the year the executive directors were P A Evans and P Smith. The executive directors receive their emoluments directly from and are members of pension schemes in, shareholder companies. The emoluments disclosed have been estimated as being a fair proportion in respect of their time incurred in connection with the management of the affairs of this group.

The non-executive directors do not receive any emoluments (2008 – £nil)

7. Staff costs

The group does not have any direct employees (2008 – none), the staff charges are from the shareholder companies from whom the staff are seconded.

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

8. Tax

(a) Tax on profit on ordinary activities

	2009 £000	2008 £000
Current tax		
UK corporation tax	807	198
Adjustments in respect of previous periods	(19)	(419)
Total current tax (note 8(b))	788	(221)
Deferred tax		
Charge for the year	54	1,655
Tax charge on profit on ordinary activities	842	1,434

(b) Factors affecting the current tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower (2008 –lower) than the standard rate of corporation tax in the UK of 28% (2008 – 28.5%). The differences are reconciled below

	2009 £000	2008 £000
Profit on ordinary activities before tax	5,132	7,897
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28.5%)	1,436	2,251
Effects of		
Permanent differences	(160)	(898)
Accelerated capital allowances and depreciation of capitalised interest	212	(15)
Adjustments in respect of previous years	(19)	(419)
Utilisation of tax losses	(687)	(1,140)
Sundry tax adjusting items	6	-
Total current tax charge/(credit) (note 8(a))	788	(221)

(c) Factors that may affect future tax charges

The Directors have come to an agreement with HM Revenue & Customs to adopt an alternative taxation treatment for the group. The group is likely to apply a Composite Trader Tax Treatment from 1 January 2010 onwards. In the interim the group will continue to claim IBAs. The adoption of this treatment does not have an adverse impact on the operations of the group.

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

9. Interest payable and similar charges
Group

	2009 £000	2008 £000
Bank loans	8,193	8,562
Bond loans	11,892	12,393
Issue expenses amortised	182	503
Interest payable to controlling parties	1,571	1,587
	<u>22,138</u>	<u>23,045</u>

10. Tangible fixed assets
Group

	Cost related to road concessions £000	Plant and machinery £000	Land and buildings £000	Total £000
Cost				
At 1 January 2009	317,255	654	692	318,601
Additions	–	132	–	132
At 31 December 2009	<u>317,255</u>	<u>786</u>	<u>692</u>	<u>318,733</u>
Depreciation				
At 1 January 2009	41,255	582	93	41,930
Charged during the year	6,455	89	20	6,564
At 31 December 2009	<u>47,710</u>	<u>671</u>	<u>113</u>	<u>48,494</u>
Net book value				
At 31 December 2009	<u>269,545</u>	<u>115</u>	<u>579</u>	<u>270,239</u>
At 1 January 2009	<u>276,000</u>	<u>72</u>	<u>599</u>	<u>276,671</u>

The concessions to operate the roadways have been acquired from the Highways Agency for a period of thirty years. Expenditure on improvements to both of the roadways which were completed during 1998 is reflected in the Roadway Concession Asset and includes net capitalised finance costs of £34,511,000 (2008 – £34,511,000)

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

11. Investments

Company	£000
Shares in unlisted subsidiary undertakings at cost	
At 1 January 2009	25,335
At 31 December 2009	<u>25,335</u>

The investment represents 100 per cent of the issued share capital of the following

	% Holding of ordinary shares	Nature of business
Road Management Services (Peterborough) Limited	100	Road Concession Operator
Road Management Services (Gloucester) Limited	100	Road Concession Operator
Road Management Limited	100	Management Services
Road Management Consolidated Public Limited Company	100	Finance Company

Road Management Services (Peterborough) Limited and Road Management Services (Gloucester) Limited were established as the project companies to enter into DBFO contracts 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 30-year contract term, operate and maintain a 21-kilometre section of the A1(M) between Alconbury and Peterborough and a 52-kilometre section of the A419/A417 between Swindon and Gloucester respectively.

The finance for the two projects was raised by the issue of £165,000,000 in guaranteed secured bonds due 2002-2021 issued by Road Management Consolidated PLC, a special purpose company which is also a subsidiary of Road Management Group Limited. The bonds are listed on the London Stock Exchange and have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by the monoline insurer AMBAC. Further funds were raised by means of a £111,000,000 loan facility provided by the European Investment Bank. 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 monoline insurers European Investment Fund. Both the bond and European Investment Bank loan proceeds are being on-lent to the project companies.

Road Management Limited was set up for the purpose of the general administration of the Road Management Group companies and to enable them to bid for additional contracts of a similar nature.

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

12. Debtors

Group	2009 £000	2008 £000
Trade debtors	187	4,239
Other debtors	–	251
Amounts owed on loans to controlling parties	21,565	21,734
Prepayments and accrued income	4,445	403
	<u>26,197</u>	<u>26,627</u>

The Group has a concentration of credit risk with respect to trade debtors however counterparty risk is assessed to be low since the Group's customer is the Highways Agency, a UK Governmental agency. All trade debtors are due within 30 days. None of the trade debtors are past due, impaired or have had their credit terms re-negotiated.

The loans due to controlling parties are not interest bearing and are due on demand.

Company	2009 £000	2008 £000
Interest receivable on loan to subsidiary undertaking	2,492	921
Loans to subsidiary undertaking, due after more than one year	11,832	11,832
	<u>14,324</u>	<u>12,753</u>

13. Creditors: amounts falling due within one year

Group	2009 £000	Restated 2008 £000
Trade creditors	370	72
Other creditors	3,413	2,271
Accruals and deferred income	1,412	1,598
Deferred shadow tolls	441	–
Amounts owed to shareholder companies	–	108
Current element of Bond and EIB loans (note 14)	93,299	97,191
Current interest due on loan from controlling parties	2,492	921
Current interest due on Bond and EIB loans	1,122	1,148
Corporation tax creditor	997	208
Other taxes and social security	808	954
	<u>104,344</u>	<u>104,471</u>
Company	2009 £000	2008 £000
Current interest due on loan from controlling parties	2,492	921
	<u>2,492</u>	<u>921</u>

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

14. Creditors: amounts falling due after one year
Group

	2009 £000	Restated 2008 £000
Not wholly repayable within five years		
£165,000,000 of 9 18% Guaranteed Secured Bonds repayable in six-monthly instalments due September 2021	122,171	127,643
EIB loan of £111,000,000 at 9 10% per annum repayable in six-monthly instalments due September 2021	86,791	91,242
Loan from controlling parties at 12% per annum due March 2020	11,832	11,832
	<u>220,794</u>	<u>230,717</u>
Less included in creditors amounts falling due within one year Bond and EIB loans	(93,299)	(97,191)
	<u>127,495</u>	<u>133,526</u>
Deferred shadow tolls	16,048	16,898
	<u>143,543</u>	<u>150,424</u>
Company	2009 £000	2008 £000
Not wholly repayable within five years		
Loan from controlling parties at 12% per annum due March 2020	11,832	11,832
	<u>11,832</u>	<u>11,832</u>

The maturity of loans may be analysed as follows

	Group		Company	
	2009 £000	Restated 2008 £000	2009 £000	2008 £000
Within one year	93,299	97,191	-	-
In more than one year but not more than two years	7,118	6,508	-	-
In more than two years but not more than five years	25,624	23,425	-	-
	<u>126,041</u>	<u>127,124</u>	<u>-</u>	<u>-</u>
In more than five years	97,783	107,140	11,832	11,832
	<u>223,824</u>	<u>234,264</u>	<u>11,832</u>	<u>11,832</u>
Less unamortised issue expenses	(3,030)	(3,547)	-	-
	<u>220,794</u>	<u>230,717</u>	<u>11,832</u>	<u>11,832</u>

The loans are secured by charges and assignments over all the assets of Road Management Services (Peterborough) Limited, Road Management Services (Gloucester) Limited and Road Management Consolidated plc

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

15. Provisions for liabilities and charges

Deferred taxation

Group	2008 £000	2008 £000
Provision at 1 January	5,696	4,041
Charge/ (credit) for the year	54	1,655
Provision at 31 December	<u>5,750</u>	<u>5,696</u>

The deferred tax provision has been provided in full in the financial statements as follows

	2009 £000	2008 £000
Advanced capital allowances and depreciation of capitalised interest	8,856	9,339
Tax losses and other timing differences	(3,106)	(3,643)
	<u>5,750</u>	<u>5,696</u>

16. Accruals and deferred income

Group

		Deferred shadow tolls
	2009 £000	2008 £000
Balance as at 1 January	16,898	17,273
Released during the year	(409)	(375)
Balance as at 31 December	<u>16,489</u>	<u>16,898</u>

17. Share capital

	2009 £000	2008 £000
Authorised		
50,000,000 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid	£000	£000
25,335,004 ordinary shares of £1 each	<u>25,335</u>	<u>25,335</u>

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

18. Reconciliation of shareholders' funds and movement on reserves

Group	Share capital £000	Profit and loss account £000	Fair value reserve £000	Total share- holders' funds £000
At 31 December 2007	25,335	54,842	(11)	80,166
Profit for the year	–	6,463	–	6,463
Fair value gain on investment for the year	–	–	71	71
At 31 December 2008	25,335	61,305	60	86,700
Profit for the year	–	4,290	–	4,290
Fair value gain on investment for the year	–	–	614	614
At 31 December 2009	25,335	65,595	674	91,604

Company	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2008	25,335	–	25,335
Result for year	–	–	–
At 31 December 2008	25,335	–	25,335
Result for year	–	–	–
At 31 December 2009	25,335	–	25,335

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

19. Financial instruments

An explanation of the group's financial instrument risk management objectives, policies and strategies can be found in the Directors' report

Capital management

The group's capital and debt structure was set out in the concessions term financial model at the commencement of operations and remains unchanged

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the group's financial instruments

	Book value 2009 £000	Fair value 2009 £000	Book value 2008 £000	Fair value 2008 £000
Financial assets				
Cash at bank and in hand	32,721	32,721	28,513	28,513
Short term investments	16,094	16,094	15,480	15,480
Financial liabilities				
Bond loan (including accrued interest)	(122,757)	(126,508)	(128,321)	(129,811)
EIB loan (including accrued interest)	(87,252)	(111,255)	(91,712)	(118,928)
Loan from controlling parties (including accrued interest)	(14,324)	(14,324)	(12,753)	(12,753)

Market values have been used to determine the fair value of the short term investments and listed bond loan. The fair value of the other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The other financial instruments of the group that are not included in the above tables are short term items where the carrying amount is a reasonable approximation of fair value.

Interest rate risk profile of financial assets and financial liabilities

The disclosures below set out the carrying amount, by maturity, of the group's financial instruments that are exposed to interest rate risk.

Year ended 31 December 2009

	Within 1 year £000	1- 2 years £000	2- 3 years £000	3- 4 years £000	4- 5 years £000	Over 5 years £000	Total £000
Fixed rate							
EIB loan	(86,791)	-	-	-	-	-	(86,791)
Bond loan	(6,058)	(6,694)	(7,391)	(8,155)	(8,988)	(84,889)	(122,175)
Loan from controlling parties	-	-	-	-	-	(11,832)	(11,832)

Year ended 31 December 2009

	Within 1 year £000	1- 2 years £000	2- 3 years £000	3- 4 years £000	4- 5 years £000	Over 5 years £000	Total £000
Floating rate							
Cash at bank and in hand	32,721	-	-	-	-	-	32,721
Short term investments	16,094	-	-	-	-	-	16,094

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

19. Financial instruments (continued)

Restated year ended 31 December 2008

	Within 1 year £000	1– 2 years £000	2– 3 years £000	3– 4 years £000	4– 5 years £000	Over 5 years £000	Total £000
Fixed rate							
EIB loan	(91,242)	–	–	–	–	–	(91,242)
Bond loan	(5,469)	(6,051)	(6,688)	(7,384)	(8,146)	(93,905)	(127,643)
Loan from controlling parties	–	–	–	–	–	(11,832)	(11,832)

Restated year ended 31 December 2008

	Within 1 year £000	1– 2 years £000	2– 3 years £000	3– 4 years £000	4– 5 years £000	Over 5 years £000	Total £000
Floating rate							
Cash at bank and in hand	28,513	–	–	–	–	–	28,513
Short term investments	15,480	–	–	–	–	–	15,480

The fixed rate liabilities comprise a 9.18% bond loan, a 9.1% EIB loan and a 12% loan from the controlling parties.

The floating rate financial assets comprise cash and short term investments. The return on the short term investments is determined by the market value of the assets. The return on cash is determined at bank market interest rates.

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Credit risk

The group will service its loans with cash-flows generated from its roadway concession assets. The roadway concession assets 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. There are no debtors that are past due or impaired on the reporting date.

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

19 Financial instruments (continued)

Liquidity risk

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted payments

Year ended 31 December 2009

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Trade and other creditors and accruals	–	6,369	–	–	–	6,369
Shareholder loan	–	–	–	–	59,447	59,447
EIB loan	139,167	–	–	–	–	139,167
Bond loan	–	–	17,858	71,435	116,087	205,380
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Restated year ended 31 December 2008

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Trade and other creditors and accruals	–	5,211	–	–	–	5,211
Shareholder loan	–	–	–	–	59,447	59,447
EIB loan	158,093	–	–	–	–	158,093
Bond loan	–	–	17,858	71,435	133,934	223,227
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The group's policies for managing its liquidity are set out in the Directors Report

20. Notes to the statement of group cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2009 £000	2008 £000
Operating profit	26,654	28,543
Decrease in deferred shadow tolls	(850)	(375)
Decrease in debtors	261	4,330
Increase/(decrease) in creditors	1,442	(258)
Depreciation	6,564	5,960
Net cash inflow from operating activities	<u>34,071</u>	<u>38,200</u>

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

20. Notes to the statement of group cash flows (continued)

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2009 £000	2008 £000
Returns on investments and servicing of finance		
Interest received	785	2,399
Interest paid	(20,111)	(22,702)
	<u>(19,326)</u>	<u>(20,303)</u>
Taxation		
Corporation tax received/(paid)	-	-
Capital expenditure		
Payments to acquire tangible fixed assets	(132)	(65)
	<u>-</u>	<u>-</u>
Equity dividends payable	-	-
	<u>-</u>	<u>-</u>
Management of liquid resources		
Acquisition of short term investments	-	(1)
	<u>-</u>	<u>-</u>
Financing		
Payment of loans	(10,405)	(9,501)
	<u>(10,405)</u>	<u>(9,501)</u>

Liquid resources include government securities held in the balance sheet as current asset investments

(c) Analysis of changes in net debt

	1 January 2009 £000	Cash flow £000	Other non-cash movements £000	At 31 December 2009 £000
Cash at bank and in hand	28,513	4,208	-	32,721
Current asset investments	15,480	-	614	16,094
Debt due within one year	(10,400)	10,405	(11,374)	(11,369)
Debt due after more than one year	(220,317)	-	10,892	(209,425)
	<u>(186,724)</u>	<u>14,613</u>	<u>132</u>	<u>(171,979)</u>

Road Management Group Limited
Notes to the financial statements
at 31 December 2009

21. Related party transactions

During the year the group had the following transactions and balances with the shareholders of Road Management Group and their subsidiaries

	2009	2008
	£000	£000
Salary recharges to the company	919	910
Management fees charged to the company	497	426
Included in debtors	74	-
Included in accruals	6	263
	=====	=====

The group had the following transactions and balances with Road Management Services (A13) PLC, a related company operating another DBFO project with two of the same ultimate shareholders

	2009	2008
	£000	£000
Bid cost recovery and fees charged	189	487
Included in debtors	48	132
	=====	=====

In addition the group had the following transactions and balances with Road Management Services (Darrington) Limited, a related company operating another DBFO project with two of the same ultimate shareholders

	2009	2008
	£000	£000
Bid cost recovery and fees charged	155	192
Included in debtors	-	119
	=====	=====

In addition to these amounts the group had loans due to and from controlling parties which are disclosed in notes 12, 13 and 14. These represent accrued interest on subordinated loans, principals due on subordinated loans as well as amounts due on loans to shareholders which are not interest bearing and amounts due with respect to consortium tax relief which is also not interest bearing

22. Controlling parties

Road Management Group Limited is owned and jointly controlled by Kellogg Brown & Root Limited, Abertis Motorways UK Limited and Barclays Integrated Infrastructure Fund LP