

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 MARCH 2007**



Company Registration No 3310620

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

Directors

D Potts
M Mercer-Deadman
R C Turner

Company Secretary

A A Swift

Auditors

KPMG LLP
2 Cornwall Street
Birmingham B3 2DL

Principal Bankers

HSBC
27-32 Poultry
London
EC2P 2BX

Lawyers

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

Registered office

24 Birch Street
Wolverhampton
WV1 4HY

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 March 2007

PRINCIPAL TRADING ACTIVITIES

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

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

REVIEW OF THE YEAR

The profit on ordinary activities after taxation for the year was £6,000 (2006 £12,000 loss)

DIVIDENDS

The directors do not recommend the payment of a dividend

SHARE CAPITAL

Details of the authorised and issued share capital are shown in note 9

DIRECTORS

The following directors held office during the year and subsequently -

P G Shell (Resigned 27th June 2007)

M Mercer-Deadman

D Potts

R C Turner

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS (Continued)

POLICY ON PAYMENT OF CREDITORS

It is policy to comply with the terms of supply agreed with suppliers. Where payment terms are not negotiated the company endeavours to adhere with the suppliers' standard terms. The average number of creditor days outstanding for the company was 66 days (2006: 58 days).

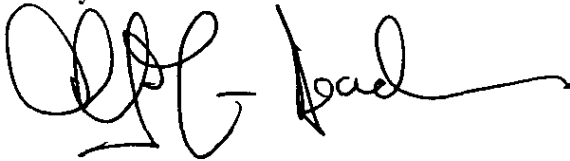
DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Pursuant to a shareholders resolution, the company is not obliged to re-appoint auditors annually and KPMG LLP, having so agreed, will therefore continue in office.

By Order of the Board



For and on behalf of UK Highways Management Services Ltd
M Mercer-Deadman
Director

19th July..... 2007

Registered Office: 24 Birch Street, Wolverhampton. WV1 4HY.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 that period.

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of UK Highways Management Services Limited

We have audited the financial statements of UK Highways Management Services Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of UK Highways
Management Services Limited (*continued*)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

19 July 2007

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 £'000	2006 £'000
Other operating income	2	586	525
Administrative costs		(582)	(546)
Operating profit/(loss)	3	<u>4</u>	<u>(21)</u>
Interest receivable		4	4
Profit/(loss) on ordinary activities before taxation		<u>8</u>	<u>(17)</u>
Tax on profit/(loss) on ordinary activities	5	(2)	5
Retained profit/(loss) for the financial year	10	<u>6</u>	<u>(12)</u>

All gains and losses are recognised in the profit and loss account


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

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 MARCH 2007

	Note	2007 £'000	2006 £'000
CURRENT ASSETS			
Debtors due within one year	6	38	18
Cash at bank and in hand		172	156
		<u>210</u>	<u>174</u>
CREDITORS: Amounts falling due within one year	7	(141)	(111)
NET ASSETS		<u>69</u>	<u>63</u>
 CAPITAL AND RESERVES			
Called up share capital	9	-	-
Profit and loss account	11	69	63
EQUITY SHAREHOLDERS' FUNDS	10	<u>69</u>	<u>63</u>

The financial statements on pages 8 to 13 were approved by the Board of Directors on ^{19 July} 2007 and were signed on its behalf by



M Mercer-Deadman
Director

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2007
NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with other group undertakings

The charge for taxation is based on the result for each year and takes into account deferred taxation, calculated in accordance with the requirements of FRS19. Deferred tax assets or liabilities, which arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, are calculated on a non-discounted full provision basis

Under FRS1 (revised 1996), the company is exempt from the requirement to prepare a Cashflow Statement as it qualifies as a small company

2. OTHER OPERATING INCOME

Other operating income comprises of charges to UK Highways M40 Limited and UK Highways A55 Limited for managing the DBFO projects

3. OPERATING PROFIT/(LOSS)

	2007	2006
	£'000	£'000
Operating profit/(loss) is stated after charging		
Fees paid to auditors		
- Fees paid to Company auditor	9	9
- Fees paid to other auditor for internal investigation work	-	8
	—	—

4. STAFF NUMBERS AND COSTS AND EMOLUMENTS OF DIRECTORS

The directors did not receive any remuneration during the year (2006 £nil)

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

	Number of employees	
	2007	2006
Administration	3	3
General Manager	1	1

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2007

NOTES TO THE ACCOUNTS (Continued)

4. STAFF NUMBERS AND COSTS AND EMOLUMENTS OF DIRECTORS (continued)

	2007 £'000	2006 £'000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	152	149
Social Security costs	17	19
	<u>169</u>	<u>168</u>

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

UK Corporation tax

	2007 £'000	2006 £'000
Current tax	1	-
Deferred tax (see note 6)	1	(5)
Total tax on profit/(loss) on ordinary activities	<u>2</u>	<u>(5)</u>

Current tax reconciliation

	2007 £'000	2006 £'000
Profit/(Loss) on ordinary activities before taxation	<u>8</u>	<u>(17)</u>
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	<u>2</u>	<u>(5)</u>
<i>Effects of -</i>		
(Decrease)/Increase in trade losses carried forward	(1)	5
Current tax charge for the year	<u>1</u>	<u>-</u>

6. DEBTORS

	2007 £'000	2006 £'000
Due within one year:		
Trade debtors	27	6
Deferred tax	11	12
	<u>38</u>	<u>18</u>

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2007

NOTES TO THE ACCOUNTS (Continued)

6. DEBTORS (Continued)

	2007 £'000	2006 £'000
Deferred tax		
At beginning of year	12	7
Recognised in year	(1)	5
At end of year	<u>11</u>	<u>12</u>

7. CREDITORS

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Trade creditors	83	63
Amounts owed to holding company	7	7
Other creditors including tax and social security	11	9
Corporation tax	8	7
Accruals	32	25
	<u>141</u>	<u>111</u>

8. CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2007 or at 31 March 2006

9. CALLED UP SHARE CAPITAL

	Number	£
<i>Authorised, allotted, called up and fully paid</i>		
- £1 ordinary shares at 31 March 2007 and 31 March 2006	1	1
	<u>1</u>	<u>1</u>

10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
Profit/(Loss) for the financial year	6	(12)
Opening equity shareholders' funds	63	75
Closing equity shareholders' funds	<u>69</u>	<u>63</u>

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2007

NOTES TO THE ACCOUNTS (Continued)

11. MOVEMENTS ON RESERVES

	Profit and Loss Account	
	2007	2006
	£'000	£'000
At beginning of year	63	75
Retained profit/(loss) for the year	6	(12)
	<hr/>	<hr/>
At end of year	69	63
	<hr/>	<hr/>

12. RELATED PARTY TRANSACTIONS

The shareholders of the company's immediate parent, UK Highways Limited, are Carillion Private Finance (Transport) Limited ("Carillion"), and John Laing Infrastructure Limited (a Laing subsidiary). John Laing Infrastructure Limited and M40 GP Limited (whose partners are Laing subsidiaries) are the shareholders in UK Highways M40 (Holdings) Limited. Carillion Private Finance (Transport) Limited and John Laing Infrastructure Limited are shareholders in UK Highways A55 (Holdings) Limited. The company has a management agreement with both companies to manage the DBFO projects. Other operating income receivable in respect of management fees were £255,202 (2006 £248,309) from UK Highways M40 Limited and £206,721 (2006 £201,825) from UK Highways A55 Limited.

The shareholders of UK Highways Limited provide staff and other services to the company under management agreements to allow the company to perform its obligations to UK Highways M40 Limited and UK Highways A55 Limited. £130,017 was charged in aggregate by the shareholders in the year (2006 £131,593).

Balances outstanding with related parties are as follows

	2007	2006
	£'000	£'000
Debtors		
UK Highways A55 Limited	14	2
UK Highways M40 Limited	13	4
	<hr/>	<hr/>
	27	6
	<hr/>	<hr/>
Creditors		
Carillion Construction Limited	28	22
Laing Investments Management Services Limited	42	31
	<hr/>	<hr/>
	70	53
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13. COMPANY STATUS

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