

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 MARCH 2010**



Company Registration No 3310620

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

Directors

M Mercer-Deadman
N Smith
G Farley

Company Secretary

A A Swift

Auditors

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Principal Bankers

HSBC
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

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 2010

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 £8,000 (2009 £18,000 loss)

DIVIDENDS

The directors do not recommend the payment of a dividend (2009 £nil)

DIRECTORS

The following directors held office during the year and subsequently

M Mercer-Deadman

N Smith

R C Turner (Resigned 8th June 2009)

G Farley (Appointed 8th June 2009)

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 section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will continue in office

By Order of the Board

For and on behalf of UK Highways Management Services Ltd



G. Farley
Director

3 August 2010

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 and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for the 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

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 2010 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

R J Pound

R J Pound (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

3 August 2010

One Snowhill,
Snow Hill Queensway,
Birmingham, B4 6GH

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £'000	2009 £'000
Turnover	1	721	707
Administrative costs		(712)	(737)
Operating profit/(loss)	2	<u>9</u>	<u>(30)</u>
Interest receivable		1	5
Profit/(loss) on ordinary activities before taxation		<u>10</u>	<u>(25)</u>
Tax on profit/(loss) on ordinary activities	4	(2)	7
Profit/(loss) for the financial year	11	<u>8</u>	<u>(18)</u>

There were no recognised gains and losses in either the current or preceding financial year other than the profit/(loss) stated above

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

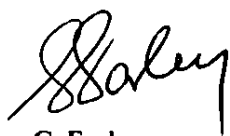
There were no material differences between the results as stated above and the results as stated on a historic cost basis

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 MARCH 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible Fixed Assets	6	20	4
CURRENT ASSETS			
Debtors due within one year	7	34	82
Cash at bank and in hand		287	280
		<u>321</u>	<u>362</u>
CREDITORS: Amounts falling due within one year	8	(238)	(271)
NET CURRENT ASSETS		<u>83</u>	<u>91</u>
NET ASSETS		<u>103</u>	<u>95</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	103	95
EQUITY SHAREHOLDER'S FUNDS	12	<u>103</u>	<u>95</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 30 July 2010 and were signed on its behalf by



G. Farley
Director

Company Registration Number 3310620

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2010

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

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

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors have reviewed the company's cash flow forecasts and profit projections. The directors believe it is appropriate for the financial statements to be prepared on a going concern basis

Tangible Fixed Assets and Depreciation

Tangible Fixed Assets are stated at historical cost. Depreciation is calculated on a straight line basis in order to write down the cost of assets to their estimated residual value over their expected useful lives as follows

Office Equipment – 5 years
Computer Hardware and Software – 5 years

Taxation

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

Turnover

Turnover comprises charges to UK Highways M40 Limited and UK Highways A55 Limited for managing the DBFO projects net of VAT

2. OPERATING PROFIT/(LOSS)

	2010 £'000	2009 £'000
Operating profit/(loss) is stated after charging		
Auditors Remuneration		
- Fees payable to the Company's auditor for the audit of the annual accounts	4	4
- Fees payable to the Company's auditor and its associates for other services – Taxation services	4	4

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

3 STAFF NUMBERS AND COSTS AND EMOLUMENTS OF DIRECTORS

The directors did not receive any remuneration during the year (2009 £nil)

The company's directors act for the shareholders and do not allocate specific time to the company. As such an accurate apportionment of their emoluments is not made.

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

	Number of employees	
	2010	2009
Administration	4	3
General Manager	1	1
	<hr/> 5	<hr/> 4

	2010 £'000	2009 £'000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	205	159
Social Security costs	22	17
	<hr/> 227	<hr/> 176

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

a Analysis of tax charge/(credit) for the year

	2010 £'000	2009 £'000
Current tax	-	(4)
Prior year adjustment to current tax	-	(2)
Deferred tax (note 5)	2	(1)
Total tax on profit/(loss) on ordinary activities	<hr/> 2	<hr/> (7)

b Factors affecting the tax charge/(credit) for the year

The tax credit assessed on the profit/(loss) on ordinary activities is lower than (2009 lower than) the standard rate of corporation tax in the UK as described below

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (Continued)

Current tax reconciliation	2010 £'000	2009 £'000
Profit/(Loss) on ordinary activities before taxation	10	(25)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	3	(7)
Effects of -		
Capital Allowances for the period in excess of depreciation	(6)	-
Increase in trade losses carried forward	3	1
Impact of change in rate on losses carried back	-	2
Current tax charge/(credit) for the year	-	(4)

c Factors affecting current tax charges

The company has trade losses available to be carried forward of £18,767 (2009 £7,147), which will be available to set against trading profits arising in future periods

5 DEFERRED TAX

Deferred tax asset/liability	2010 £'000	2009 £'000
At beginning of year	1	-
Recognised in year	(2)	1
At end of year	(1)	1

Under FRS 19 full provision has been made for deferred taxation as follows

	2010 £'000	2009 £'000
Deferred Tax balance provided at 20% (2009 20%)		
Difference between accumulated depreciation and capital allowances	(4)	-
Unrelieved tax losses	3	1
	(1)	1

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

6. TANGIBLE FIXED ASSETS

	Office Equipment £'000	Computer Equipment £'000	Total £'000
Cost			
At 1 April 2009	4	-	4
Additions	-	20	20
At 31 March 2010	4	20	24
Accumulated Depreciation			
At 1 April 2009	-	-	-
Charge for the year	1	3	4
At 31 March 2010	1	3	4
Net book value			
At 31 March 2010	3	17	20
At 1 April 2009	4	-	4

7. DEBTORS

	2010 £'000	2009 £'000
Due within one year:		
Trade debtors	30	77
Corporation tax	4	4
Deferred tax (Note 5)	-	1
	34	82

8. CREDITORS

	2010 £'000	2009 £'000
Amounts falling due within one year:		
Trade creditors	52	241
Amounts owed to holding company	7	7
Other creditors including tax and social security	21	16
Deferred Tax (Note 5)	1	-
Accruals	157	7
	238	271

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

9. CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2010 or at 31 March 2009

10. CALLED UP SHARE CAPITAL

	Number	£
<i>Authorised, allotted, called up and fully paid</i>		
- £1 ordinary shares at 31 March 2010 and 31 March 2009	1	1
	—	—

11. PROFIT AND LOSS ACCOUNT

	2010 £'000	2009 £'000
At beginning of year	95	113
Profit/(Loss) for the year	8	(18)
	—	—
At end of year	103	95
	—	—

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2010 £'000	2009 £'000
Profit/(loss) for the financial year	8	(18)
Opening equity shareholder's funds	95	113
	—	—
Closing equity shareholder's funds	103	95
	—	—

13. RELATED PARTY TRANSACTIONS

The shareholders of the company's immediate parent, UK Highways Limited, are Carillion Private Finance Limited, and John Laing Infrastructure Limited. John Laing Infrastructure Limited and Semperian Subholdings M40 Limited are the shareholders in UK Highways M40 (Holdings) Limited. Carillion Private Finance 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 was £276,788 (2009 £256,845) from UK Highways M40 Limited and £225,030 (2009 £225,030) 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. £152,307 was charged in aggregate by the shareholders in the year (2009 £144,354).

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

YEAR ENDED 31 MARCH 2010

NOTES TO THE ACCOUNTS (Continued)

13. RELATED PARTY TRANSACTIONS (Continued)

Balances outstanding with related parties are as follows

	2010 £'000	2009 £'000
Debtors		
UK Highways A55 Limited	6	2
UK Highways M40 Limited	15	-
	<hr/>	<hr/>
	21	2
	<hr/>	<hr/>
 Creditors	 2010 £'000	 2009 £'000
Laing Investments Management Services Limited	37	73
UK Highways M40 Limited	-	82
	<hr/>	<hr/>
	37	155
	<hr/>	<hr/>

14. 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.