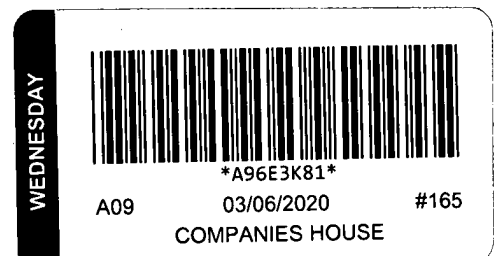


Registration number: 04608449

Road Management Services (Finance) Public Limited Company

Annual Report and Financial Statements

for the Year Ended 31 December 2019



Road Management Services (Finance) Public Limited Company

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Road Management Services (Finance) Public Limited Company

Company Information

Directors

PJ Meffan
N Rae
D Bowler
R Little (Alternate)
M Edwards (Alternate)
N Sparrow (Alternate)

Company secretary

Semperian Secretariat Services Limited

Registered office

Third Floor
Broad Quay House
Prince Street
Bristol
BS1 4DJ

Solicitors

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

Bankers

Citibank N.A
5 Carmelite Street
London
EC4Y 0PA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

Road Management Services (Finance) Public Limited Company

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

Road Management Services (Finance) Public Limited Company is a special purpose company established to be the financing vehicle for the Design, Build, Finance and Operate contract which was entered into with the Secretary of State for Environment, Transport and the Regions on 13 February 2003 by its parent company Road Management Services (Darrington) Limited.

On 26 February 2004, Road Management Services (Finance) Public Limited Company 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 under which the European Investment Bank granted it 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 the on-loan from Road Management Services (Finance) Public Limited Company, reducing the nominal value of the bond from £113,240,000 to £111,740,000.

Results and review of business

The result for the year is set out in the profit and loss account on page 16. The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

Principal risks and uncertainties

The financial risks and the measures taken to mitigate them are as detailed in note 11 of these financial statements.

Key performance indicators ('KPIs')

The company's key performance indicators are loan covenant ratios, all of which have been satisfactorily met in the year.

Road Management Services (Finance) Public Limited Company

Strategic Report for the Year Ended 31 December 2019 (continued)

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 company is a special purpose company established to be the financing vehicle for the design, build, finance and operate contract which was entered into by its parent company, Road Management Services (Darrington) Limited. The parent company operates the A1 road between Darrington and Dishforth over a concession period of 33 years to the satisfaction of Highways England. The group headed by the parent company's aim is to work in partnership with Highways England 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 company has long term funding in place, as described above under principal activities, and has on loaned these funds to Road Management Services (Darrington) Limited. The detailed PFI contracts set out the relationships with The Highways Agency, debt funders and maintenance and operations contractors. These parties are the group's main stakeholders. The group also works with local authorities to ensure their requirements are met. Debt funders are provided with operational and financial performance reports on a quarterly basis. The operational management team work closely with Highways England and the maintenance and operations contractor to programme major works on the road. Highways England receives 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 company does not have any employees. As described in the Director's report the principal risk of the company is the ability of its parent company to meet its debt service obligations to the company. The success of the company is therefore dependent on the success of the parent company.

The board is an experienced team with representatives of all the shareholders. The board members have experience of working with the 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 these 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 work and relationships with the client and the main subcontractor. 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 monitored. Decisions made by the Directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the group are those that are key to the company's success, these include but are not limited to: decisions impacting the relationships between the parties, decisions impacting 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 2019 were:

- Major Maintenance expenditure
- Deed of variation to extend the main contractors Operation and Maintenance Contract
- Payment of dividends

Major maintenance expenditure is planned following asset condition surveys 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 operations contractor and client to ensure minimum disruption to the users of the road and the safety of the contractor's employees.

Road Management Services (Finance) Public Limited Company

Strategic Report for the Year Ended 31 December 2019 (continued)

In agreeing to the extension of the operation and maintenance contract the Board had regard to the excellent relationship between the contractor, the group and Highways England. The contractor's performance to date was considered and it was also noted that the contractors record and focus on health and safety was exemplary. Further, the contract term considered was aligned to the expected life of plant and equipment, ensuring the contract was beneficial to all parties. The remaining contract term, which would require a further operation and maintenance contract, was considered to be of a suitable length, given the expected life of plant and equipment.

The above decisions ensured 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 contractor's 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 company's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the company to allow it to continue providing an asset to its client, for use by the public.

Approved by the Board on 30 April 2020 and signed on its behalf by:



N Rae
Director

Road Management Services (Finance) Public Limited Company

Directors' Report for the Year Ended 31 December 2019

Registration number: 04608449

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Future developments

No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

Dividends

No dividend was paid during the year, (2018: £nil).

Coronavirus (COVID-19) impact on the financial statements

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity and include limiting the movement of people and the temporary closure of businesses and schools.

The company acts as a financing vehicle for its parent company Road Management Services (Darrington) Limited. As such, the company does not generate any turnover or have any costs other than financing costs, which are on-loaned to Road Management Services (Darrington) Limited. The company would therefore only be impacted by the coronavirus outbreak insofar as this impacted the ability of its parent company to service its debt obligations to the company. The impact of the coronavirus outbreak on Road Management Services (Darrington) Limited is detailed in the Director's report of that company's annual financial statements for the year ended 31 December 2019. There is expected to be no impact on the cashflows of Road Management Services (Darrington) Limited and therefore the Director's consider that Road Management Services (Darrington) Limited will be able to service its debt obligations to the company as they fall due. Consequently, the Director's consider that the company will be able to meet its debt ratio covenants and service its debt obligations as they fall due. The opinion of the Director's is that the coronavirus outbreak will have no impact on the company's ability to continue as a going concern.

Financial risk management

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

The company's principal financial assets are loans due from its immediate parent undertaking, Road Management Services (Darrington) Limited. Based on the projected future cash flows of Road Management Services (Darrington) Limited, the directors consider that this company will be able to meet its debt service obligations to the company as they fall due for the foreseeable future.

The company's exposure to price risk, credit risk, interest rate risk and liquidity risk is detailed below. There have been no changes in the risk profile of the company from the prior year.

Price Risk

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

This risk is mitigated by the loans to Road Management Services (Darrington) Limited also being RPI index linked, through movements in RPI, and a proportion of the parent's cash flows generated from the roadway concession increasing in line with RPI inflators.

Road Management Services (Finance) Public Limited Company

Directors' Report for the Year Ended 31 December 2019 (continued)

Interest rate risk

The interest rate on the bank borrowings and bonds have been fixed until maturity as set out in note 10. As such, there is no associated interest rate risk. However, as noted above the bank borrowings and bond are index linked and are therefore affected by fluctuations in RPI.

The financial assets comprise cash and short term investments. The return on cash is determined by bank market interest rates.

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The company's principal financial assets relate to the on loans made to Road Management Services (Darrington) Limited. As noted above, the directors consider that Road Management Services (Darrington) Limited will be able to meet its debt service obligations to the company as they fall due. Road Management Services (Darrington) Limited is the main trading company of the group. Road Management Services (Darrington) Limited's principal trading debtors relate to cash flows from its roadway concession asset, creating a concentration of credit risk. The roadway concession asset cash flows are secured under contract from Highways England, a government body. The maximum credit risk exposure relating to financial assets is represented by the carrying value at the balance sheet date.

Brexit risk

The directors have assessed the impact, on the company, arising from the uncertainty attached to the terms of the United Kingdom's withdrawal from the European Union. At this stage the impact cannot be fully understood, and political and economic commentators differ in their assessment of the potential severity of the risks associated with each potential outcome.

As the company operates solely in the United Kingdom the directors do not expect the company will be directly impacted by changes to future trading arrangements, with the EU and the rest of the world, however the directors continue to monitor any potential impact arising from the wider financial markets and the company's supply chain.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

L Henry (resigned 31 May 2019)

PJ Meffan

N Rae

D Bowler

C Snart (resigned 31 March 2020)

R Little (Alternate)

M Edwards (Alternate)

N Sparrow (Alternate) - (appointed 31 May 2019)

Road Management Services (Finance) Public Limited Company

Directors' Report for the Year Ended 31 December 2019 (continued)

Going concern

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 Board acknowledges 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. Similar to previous years we note a waiver letter was provided in respect of the AMBAC downgrade, dated 05 March 2020, which covers the period to 30 April 2021. This letter postpones testing of the covenant until 30 April 2021.

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.

After making enquiries of management, existing shareholders and existing and potential financiers, the Board have a reasonable expectation that the company has the necessary resources to continue in operational existence. Appropriate measures have been put in place in respect of the company's financing arrangements and the directors therefore consider expected future cashflows to be sufficient to support the company for a period of at least 12 months from the date of approval of these financial statements.

The Board believes it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements of the company.

In assessing the company's ability to continue as a going concern the Directors have considered the impact of Covid-19, as described in the Directors' report.

Corporate governance

The Board are appointed by the shareholders and meet quarterly to review the financial and operational performance of the company. The company's business is confined to those activities detailed in the Strategic Report and is restricted by the contracts which it has entered into. The board has an experienced operational management and finance team who monitor the company's compliance with those contracts as well as reporting financial and operational performance to the board. Internal audit and risk management processes and systems are also in place to monitor, report and address any significant issues identified.

For the year ended 31 December 2019, the company did not have securities carrying voting rights admitted to trading on a regulated market and therefore disclosures required by paragraph 13 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) are not applicable.

Road Management Services (Finance) Public Limited Company

Directors' Report for the Year Ended 31 December 2019 (continued)

Statement of directors' responsibilities

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 prepared the 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 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 or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors

The independent auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

Approved by the Board on 30 April 2020 and signed on its behalf by:



N Rae
Director

Road Management Services (Finance) Public Limited Company

Independent Auditors' Report to the members of Road Management Services (Finance) Public Limited Company

Report on the audit of the financial statements

Opinion

In our opinion, Road Management Services (Finance) Public Limited Company's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared 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); 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 Balance Sheet as at 31 December 2019; the Profit and Loss Account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board of Directors.

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 company 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

Materiality

- Overall materiality: £2,059,000 (2018: £2,139,000), based on 1% of Total assets.

Audit scope

- As the company is a single purpose financing entity, no scoping was required and we conducted an audit of the complete financial information of the company.

Key audit matter

- Impact of the outbreak of COVID-19 on the financial statements
- Recoverability of loans to group undertakings

Road Management Services (Finance) Public Limited Company

Independent Auditors' Report to the members of Road Management Services (Finance) Public Limited Company (continued)

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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. 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 to manipulate financial performance, management bias in accounting estimates and significant one-off or unusual transactions. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Incorporated unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of debtors (see related key audit matter below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

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.

Road Management Services (Finance) Public Limited Company

Independent Auditors' Report to the members of Road Management Services (Finance) Public Limited Company (continued)

Key audit matter

Impact of the outbreak of COVID-19 on the financial statements

Given the significance of the impact of COVID-19 on society and the wider economy we determined that a key area of focus was the consideration of the impact of the virus on the business including specifically considering if it represented an adjusting event, the impact on the assessment of going concern and the level and depth of disclosures in the financial statements.

In the context of this we note that the directors have considered the impact on the financial statements and have concluded that the matter is a non-adjusting post balance sheet event.

We also note that the Company's only activity is the provision of finance to the group headed by Road Management Services (Darrington) Holdings Limited ("the Group"), the recovery of amounts lent to the Group is dependent on the Group being able to continue its activities. The directors of the Group have considered the nature of the operations undertaken by the Group noting that its operations are undertaken entirely to support public infrastructure for an agency of the UK Government. They also note that UK Government has confirmed its intention that all supplier payments will be maintained in accordance with the terms of the original contracts between suppliers and the relevant government agency. They have also reviewed the nature of the services provided and the contractual terms under which those services are provided and concluded that the expected levels of future income streams will not be significantly impacted.

On the basis of the above considerations made by the directors of the Group, the Company's directors have concluded that the going concern basis of preparation is appropriate

How our audit addressed this key audit matter

We critically assessed management's conclusion that the matter be treated as a non-adjusting post balance sheet event and that the going concern basis of preparation is appropriate. We considered:

- The timing of the development of the outbreak across the world and in the UK; and
- How the financial statements and business operations of the company might be impacted by the disruption.

In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from COVID-19. Our procedures in respect of going concern included:

- We made enquiries of management to understand the potential impact of COVID-19 on the company's financial performance, business operations and financial position.
- We reviewed management's going concern assessment.

Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements, and concur with management's assessment that the matter is a non-adjusting event and the going concern basis of preparation remain appropriate.

We also assessed the adequacy of disclosures related to COVID-19 included in the financial statements and assessed these to be appropriate.

Road Management Services (Finance) Public Limited Company

Independent Auditors' Report to the members of Road Management Services (Finance) Public Limited Company (continued)

Recoverability of loans to group undertakings

Road Management Services (Finance) Public Limited Company has borrowings in the form of Secured Guaranteed Sterling Index linked bonds listed on the London Stock Exchange (LSE) and other external borrowings. The amounts payable at the balance sheet date in respect of these borrowings are set out in notes 9 and 10 to the financial statements. All borrowings are loaned to group undertakings and the repayment of the external borrowings is dependent on the recoverability and timely receipt of the amounts loaned on to group undertakings. Due to the long term nature of the project, there are inherent risks and uncertainties that need to be kept under review.

As a result of its significance to the financial statements and to our audit, we have identified this to be a key audit matter.

How our audit addresses this key matter

In order to obtain evidence as to the recoverability of the loans to group undertakings, we considered the financial position of the counterparty from which the amounts were due, and their ability to provide funds to the company when needed. We also read the terms of the bond agreement to understand the repayment schedule and any terms which might trigger earlier repayment. We found no indications that earlier repayment would be required, nor that the counterparties did not have sufficient realisable net assets to be able to provide the necessary funds to enable the company to meet the repayment schedule for the foreseeable future.

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 company, the accounting processes and controls, and the industry in which it operates.

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:

Overall materiality	£2,059,000 (2018: £2,139,000).
How we determined it	1% of Total assets.
Rationale for benchmark applied	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, given its main activity is to issue and service the external debt using cash generated by the Group.

We agreed with the Directors that we would report to them misstatements identified during our audit above £103,000 (2018: £107,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

Road Management Services (Finance) Public Limited Company

Independent Auditors' Report to the members of Road Management Services (Finance) Public Limited Company (continued)

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Road Management Services (Finance) Public Limited Company

Independent Auditors' Report to the members of Road Management Services (Finance) Public Limited Company (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 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 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.

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.

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 received 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 financial statements are not in agreement with the accounting records and returns.

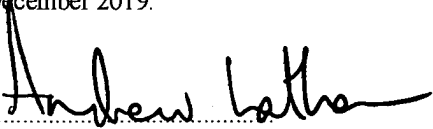
We have no exceptions to report arising from this responsibility.

Road Management Services (Finance) Public Limited Company

**Independent Auditors' Report to the members of Road Management Services (Finance)
Public Limited Company (continued)**

Appointment

Following the recommendation of the Board of Directors, we were appointed by the directors on 10 February 2015 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2014 to 31 December 2019.



Andrew Latham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 30 April 2020

Road Management Services (Finance) Public Limited Company

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Interest receivable and similar income	5	12,457	14,856
Interest payable and similar expenses	6	(12,457)	(14,856)
Result before taxation		-	-
Result for the financial year		-	-

The above results were derived from continuing operations.

The company has no recognised gains and losses after the result above and therefore no separate Statement of Comprehensive Income has been presented.

The notes on pages 19 to 30 form an integral part of these financial statements.

Road Management Services (Finance) Public Limited Company

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Current assets			
Debtors: Amounts falling due after more than one year	7	192,638	198,722
Debtors: Amounts falling due within one year	8	13,218	15,228
Cash at bank and in hand		<u>1</u>	<u>1</u>
		205,857	213,951
Creditors: Amounts falling due within one year	9	<u>(13,169)</u>	<u>(15,179)</u>
Total assets less current liabilities		192,688	198,772
Creditors: Amounts falling due after more than one year	9	<u>(192,638)</u>	<u>(198,722)</u>
Net assets		<u>50</u>	<u>50</u>
Capital and reserves			
Called up share capital	12	<u>50</u>	<u>50</u>
Total equity		<u>50</u>	<u>50</u>

The financial statements on pages 16 to 30 were approved by the Board on 30 April 2020 and signed on its behalf by:



N Rae
Director

The notes on pages 19 to 30 form an integral part of these financial statements.

Road Management Services (Finance) Public Limited Company

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up Share capital £ 000	Total equity £ 000
At 1 January 2018	50	50
At 31 December 2018	50	50

	Called up Share capital £ 000	Total equity £ 000
At 1 January 2019	50	50
At 31 December 2019	50	50

The notes on pages 19 to 30 form an integral part of these financial statements.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

Road Management Services (Finance) Public Limited Company is a special purpose company established to be the financing vehicle for the Design, Build, Finance and Operate contract which was entered into with the Secretary of State for Environment, Transport and the Regions by its parent company Road Management Services (Darrington) Limited.

The company is a public company limited by shares and is incorporated and domiciled in England.

The address of its registered office is:

Third Floor
Broad Quay House
Prince Street
Bristol
BS1 4DJ

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

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 judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern

The bond and bank loan have the benefit of an unconditional and irrevocable financial guarantee as to all payments of interest and principal issued by AMBAC. The board acknowledges 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.

Similar to previous years, we note a waiver letter was provided in respect of the AMBAC downgrade, dated 20 March 2020, which covers the period to 30 April 2021. This letter postpones testing of the covenant until 30 April 2021.

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.

After making enquiries of management, existing shareholders and existing and potential financiers, the Board have a reasonable expectation that the company has the necessary resources to continue in operational existence. As detailed in the Directors' report, appropriate measures have been put in place in respect of the company's financing arrangements and the directors therefore consider expected future cash flows to be sufficient to support the company for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

In assessing the company's ability to continue as a going concern the Directors have considered the impact of Covid-19, as described in the Directors' report.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash balances are held in bank accounts which are subject to controls, exercised by the providers of the company's long term debt facilities, under the terms of its facility agreements.

Financial Instruments

The company has chosen to adopt IAS 39 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Other financial assets are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Interest accrues on the index-linked bond and loan on a daily basis, at their respective coupon rates. Indexation on the interest costs is uplifted semi-annually, with reference to the Retail Price Index. For accounting purposes the indexation is pro-rated evenly over the relevant six month period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Called up share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The exemptions which the company has taken are:

- (i) the requirement to prepare a statement of cash flows;
- (ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (iii) the requirement to disclose related party transactions with members of the same group that are wholly owned.

3 Critical accounting judgements and estimation uncertainty

Judgements, estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Actual results may subsequently differ from these estimates.

Certain critical accounting judgements and estimates as applicable, adopted by management, in applying the company's accounting policies are described below:

Treatment of derivatives

The directors have adopted a policy of cash flow hedge accounting for derivative financial instruments and have assessed that the company's interest rate swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cash flow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

Estimates

Impairment of debtors

Management makes an estimate of the likely recoverable value of loans and amounts owed by group undertakings by considering factors including the current credit rating, the ageing profile and the historical experience of the respective debtor. See notes 7 and 8 for the carrying value of these balances.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Operating result

The company had no employees during the year (2018: none), other than the directors, who did not receive any remuneration (2018: £nil).

The audit fee in respect of the company was £4,635 for the year (2018: £4,500).

The audit fee has been borne on the company's behalf by its parent company, Road Management Services (Darrington) Limited, for which no recharge has been made during the current or previous year.

5 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest and related charges receivable from group undertakings	11,905	14,288
Other interest receivable	552	568
	<u>12,457</u>	<u>14,856</u>

6 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest payable on senior debt	11,905	14,288
Other bank charges and similar fees	552	568
	<u>12,457</u>	<u>14,856</u>

The European Investment Bank (EIB) loan instrument incorporates an embedded derivative in the form of step up interest payable if the credit rating of the guarantor falls below a certain grading. For the EIB loan, the AMBAC rating downgrade in November 2008 and April 2009 (to below BBB), has led to an additional interest charge of 0.45% and 0.85% respectively. Management consider that the embedded derivative in this case is likely to be closely related to the host loan payable and so would not be separated.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Debtors: Amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Loans to group undertakings	192,638	198,722

8 Debtors: Amounts falling due within one year

	2019 £ 000	2018 £ 000
Loans to group undertakings	11,608	13,557
Amounts owed by group undertakings	1,610	1,671
	13,218	15,228

Loans to group undertakings and £1,561,000 (2018: £1,622,000) of amounts owed by group undertakings relate to the on-loan of the company's senior debt to its parent company, Road Management Services (Darrington) Limited. Repayment of and interest payable on the on-loan are aligned with the Secured Guaranteed Sterling Index Linked Bond and the European Investment Bank loan detailed in note 10. The on-loan also carries the same guarantees as the bond and loan referred to.

Other amounts owed by group undertakings are unsecured, have no fixed repayment date and are recoverable on demand.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Creditors

	Note	2019 £ 000	2018 £ 000
Amounts falling due within one year			
Senior debt	10	11,608	13,557
Accruals and deferred income		1,561	1,622
		<u>13,169</u>	<u>15,179</u>

Amounts falling due after more than one year

Senior debt	10	<u>192,638</u>	<u>198,722</u>
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10 Loans and borrowings

	2019 £ 000	2018 £ 000
Loans and borrowings falling due within one year		
Senior debt	<u>11,608</u>	<u>13,557</u>

	2019 £ 000	2018 £ 000
Loans and borrowings falling due between one and five years		
Senior debt	<u>41,955</u>	<u>55,648</u>

	2019 £ 000	2018 £ 000
Loans and borrowings falling due after more than five years		
Senior debt	<u>150,683</u>	<u>143,074</u>

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Loans and borrowings (continued)

On 26 February 2004, the company 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 under which the European Investment Bank 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 £113,777,000 (2018: £117,549,000). An amount of £7,756,000 (2018: £6,814,000) is included in amounts falling due within one year, and £106,021,000 (2018: £110,735,000) is included in amounts falling due in greater than one year.

At the year end the European Investment Bank 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 £91,381,000 (2018: £95,758,000). An amount of £3,962,000 (2018: £6,860,000) is included in amounts falling due within one year and £87,419,000 (2018: £88,898,000) is included in amounts falling due in greater than one year.

The loans are shown net of unamortised loan issue expenses of £912,000 of which £653,000 relates to the Bond and £259,000 the EIB Loan (2018: £1,029,000 of which £725,000 relates to the Bond and £304,000 the EIB loan). £802,000 (2018: £912,000) 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 company and over all the assets of Road Management Services (Darrington) Limited.

The company'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.

The maturity of gross contractual liabilities, including finance costs, due as at year end is as follows:

	31 Dec 2019	31 Dec 2018
	£'000	£'000
Less than one year	21,134	20,088
Between one and two years	20,281	21,195
Between two and five years	54,356	58,045
In more than five years	230,999	247,047
	326,770	346,375

11 Financial risk management objectives and policies

The company has considered the amendments to FRS 102 that provide certain reliefs in connection with interest rate benchmark reform. These are mandatory for periods commencing on or after 1 January 2020 but have been early adopted by the company. Below are details of the significant interest rate benchmarks to which the entity's hedging relationships are exposed. The company is monitoring the FRC's phase two plans in respect of interest rate benchmark reform.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Financial risk management objectives and policies (continued)

The interest rate swaps are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are forward interest rates.

At 31 December 2019	Effective interest rate	1 year or less	1-5 years	More than 5 years	Total
	%	£'000	£'000	£'000	£'000
Amounts owed by group undertaking	3.01	11,608	41,955	150,683	204,246
Bond loan	2.83	(7,688)	(19,043)	(86,393)	(113,124)
EIB loan	3.22	(3,920)	(22,912)	(64,290)	(91,122)
		-	-	-	-

At 31 December 2018	Effective interest rate	1 year or less	1-5 years	More than 5 years	Total
	%	£'000	£'000	£'000	£'000
Amounts owed by group undertaking	3.01	13,557	55,648	143,074	212,279
Bond loan	2.83	(6,742)	(24,391)	(85,691)	(116,824)
EIB loan	3.22	(6,815)	(31,257)	(57,383)	(95,455)
		-	-	-	-

Liquidity risk

Repayment of the index linked bond is due in 57 six-monthly instalments which commenced in 2007 and will end in 2035. Repayments of the index linked loan is due in 49 six-monthly instalments which commenced in 2007 and will end in 2031. The repayments are funded by an on-loan agreement to Road Management Services (Darrington) Limited.

The company aims to mitigate liquidity risk by requiring its immediate parent undertaking 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 arrangements the immediate parent undertaking can elect to make a loan to the shareholders from this reserve account in return for letters of credit amounting to the same value. During 2008 such a loan was made amounting to £9,000,000. In addition, Road Management Services (Darrington) Limited is required to maintain levels of net cash flow in each year equal to 1.125 times the annual debt service payments. The financial model will be subject to regular sensitivity tests to ensure the company is able to meet its debt service cover ratio requirements.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Financial risk management objectives and policies (continued)

The liquidity risk is further managed via the funding contracts into which the group has entered. The repayment profiles of the debt and loan commitments are set out in note 10 above. The roadway concession cash flows are generated from Congestion Management Charges paid by Highways England. The financial model for the project will be regularly updated to reflect actual performance.

The AMBAC rating was downgraded in November 2008 and April 2009 (to below BBB). These factors create uncertainty due to the risk that EIB may request that these institutions are replaced. Given the continued discussions with EIB and wording within the loan facility agreement, the directors are assured that adequate safeguards are in place to enable this funding to remain in place for the foreseeable future.

Fair values

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

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents	1	1	1	1
Loans and receivables	205,158	240,452	213,308	247,132
Financial liabilities				
Financial liabilities held at amortised cost	(205,158)	(240,452)	(213,308)	(247,132)

The fair value of the EIB loan would be calculated by discounting the expected future cash flows at prevailing interest rates. Given this is a variable rate loan which has been calculated using the effective interest rate method, the carrying value of the loan would not be dissimilar to the market value. The amount due from the parent undertaking exactly matches the external loans payable and its fair value is not considered to be materially different from the fair value of the external loan.

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.

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Financial risk management objectives and policies (continued)

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

The company's principal financial assets are loans due from its immediate parent undertaking, Road Management Services (Darrington) Limited. Based on the projected future cash flows of Road Management Services (Darrington) Limited, the directors consider that this company will be able to meet its debt service obligations to the company as they fall due for the foreseeable future.

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

Price risk

The company is exposed to price risk in relation to its RPI index linked debt through movements in RPI. This is mitigated by the loans due from the parent undertaking also being RPI index linked, through movements in RPI, and a proportion of the parent's cash flows generated from the roadway concession increasing in line with RPI inflators.

Credit risk

The company's principal financial assets are loans due from its immediate parent undertaking, Road Management Services (Darrington) Limited, creating a concentration of credit risk. The loans due from the parent undertaking are secured by charges and assignments in favour of the company over all assets of Road Management Services (Darrington) Limited. Road Management Services (Darrington) Limited will service the loans with the cash flows generated from its roadway concession asset. The roadway concession asset cash flows are secured under contract from Highways England, a government body. There are no debtors that are past due, or impaired, at the reporting date.

The maximum credit risk exposure relating to financial assets is represented by the carrying value at the balance sheet date.

The company'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.

Interest rate risk

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 loan and are therefore affected by fluctuations in RPI. This forms part of the company's risk strategy, used to offset the effect of the 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 European Investment Bank (EIB) loan instrument incorporates an embedded derivative in the form of step up interest payable if the credit rating of the guarantor falls below a certain grading. For the EIB loan, the AMBAC rating downgrade in November 2008 and April 2009 (to below BBB), has led to additional interest charges of 0.45% and 0.85% respectively. This step up interest payable forms part of the effective interest rate disclosed below.

The following table sets out the carrying amounts by maturity date and effective interest rate (where applicable) of the company's financial instruments:

Road Management Services (Finance) Public Limited Company

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Called up share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000

13 Related party transactions

As a wholly owned subsidiary of Road Management Services (Darrington) Holdings Limited, the company has taken advantage of the exemption under FRS 102 paragraph 33.1A from disclosing transactions between it and other group companies.

14 Parent and ultimate parent undertaking

The company's immediate parent is Road Management Services (Darrington) Limited, incorporated in England and Wales.

The ultimate parent and controlling party is Road Management Services (Darrington) Holdings Limited, incorporated in England and Wales. The smallest group and largest group to consolidate these financial statements is Road Management Services (Darrington) Holdings Limited.

Road Management Services (Darrington) Holdings Limited is jointly owned and controlled by Semperian PPP Holdings Limited, AM Holdco Limited, Kellogg Brown & Root Limited and A1 PPP Infrastructure Holdings Limited.

These financial statements are available upon request from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.