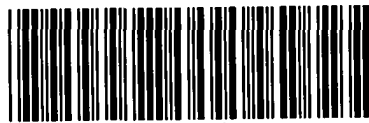


Road Management Services (Finance) PLC
Annual Report and Financial Statements
31 December 2020

WEDNESDAY



SA7R9U07

SCT

30/06/2021

#173

COMPANIES HOUSE

Road Management Services (Finance) PLC

Annual Report and Financial Statements

Year Ended 31 December 2020

Contents	Page
Officers and Professional Advisers	1
Strategic Report	2
Directors' Report	8
Directors' Responsibilities Statement	9
Independent Auditors' Report to the Members of Road Management Services (Finance) PLC	10
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Equity	20
Notes to the Annual Report and Financial Statements	21

Road Management Services (Finance) PLC

Officers and Professional Advisers

The Board of Directors

P J Meffan
N Rae
R Little
M Edwards
N Sparrow

Company Secretary

Infrastructure Managers Limited

Registered Office

Cannon Place
78 Cannon Street
London
EC4N 6AF

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants & statutory auditor
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Bankers

Citibank N.A
CGC Centre
Canary Wharf
London
E14 5LB

Solicitors

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

Road Management Services (Finance) PLC

Strategic Report

Year Ended 31 December 2020

The directors present their Strategic Report on Road Management Services (Finance) PLC ("the Company") for the year ended 31 December 2020.

Principal Objectives and Strategies

The principal activity of the company during the year was as a financing vehicle for the Design, Build, Finance and Operation contract which was entered into with the Secretary of State for Environment, Transport and the Regions on 13 February 2003 by its parent Road Management Services (Darrington) Limited. The contract is in year 17 of its 33 year term, expiring in May 2036.

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 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 2005, the Road Management Services (Darrington) Limited cancelled variation bonds with a nominal value of £1,500,000 against a corresponding portion of on-loan from the Company, reducing the nominal value of the bond from £113,240,000 to £111,740,000.

Results and Dividends

The result for the financial year, after taxation, amounted to £nil (2019: £nil).

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

Road Management Services (Finance) PLC

Strategic Report *(continued)*

Year Ended 31 December 2020

Going concern

Covid-19 was declared a pandemic in March 2020 and since then there has been widespread disruption in the UK. As set out in the KPI section of these statements, the performance of the Company's parent, Road Management Services (Darrington) Limited, is important when considering and assessing the Company's going concern status. The parent's income is availability based and due from Highways England, so the risk of non-payment is considered remote, and to date the parent has continued to receive payment in line with the contract terms. Alongside this, neither the parent nor Company have experienced material variation from their projected levels of expenditure. The directors have considered the current performance and the future financial impact to the parent and the Company of this pandemic, taking into account the sources of income and expenditure and it is the directors' view that although the likely full impact is unknown, and at this stage it is not possible to quantify, it is not expected to materially impact on the operations or financial position of the parent or Company.

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. As in previous years a waiver letter has been provided in respect of the AMBAC downgrade dated 11 June 2021 which covers the period to 30 June 2022. This letter postpones testing of the covenant until after that date. 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.

As set out in the KPI section of these statements, the performance of the Company's parent, Road Management Services (Darrington) Limited, is important when considering and assessing the Company's going concern status. The parent prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the parent and therefore the Company has adequate resources to continue in operational existence for the foreseeable future.

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

Road Management Services (Finance) PLC

Strategic Report *(continued)*

Year Ended 31 December 2020

Principal Risks and Uncertainties

The risk management policy of the Company is linked to the risk management policy of the Company's immediate parent company, Road Management Services (Darrington) Limited (the "Parent"), being designed to identify and manage risk at the earliest point.

The Parent's exposure to financial instruments, price risk, credit risk, liquidity risk, major maintenance replacement risk and legislative risks are detailed below:

Financial instrument risk

The Company has raised finance through guaranteed secured bonds and has on-lent these to Road Management Services (Darrington) Limited.

Interest on financial instruments is fixed until maturity of the investment. As such, there is no associated interest rate risk. However, the financial liabilities comprise a 2.8332% (coupon rate) Index Linked Guaranteed Secured Bond and a 2.3774% (coupon rate) Index Linked European Investment Bank loan and are therefore affected by fluctuations in RPI. This forms part of the Parent's risk strategy, used to offset the effect of RPI on the Parent's income. The financial assets comprise cash and short term investments. The return on cash is determined by bank market interest rates.

The terms of the financial instruments ensure that the profile of the debt service costs is tailored to match expected revenues arising from the contract. The Company does not undertake financial instrument transactions that are speculative or unrelated to the trading activities.

Price Risk

A proportion of the Parent's cash-flows generated from the roadway concession increase in line with RPI inflators and this covers all expenditure which is affected by inflation.

Credit Risk

The roadway concession cash-flows are secured under contract with Highways England, a government body. As such the directors of the Company consider it to be exposed to very low credit risk.

Liquidity Risk

The Parent is required to hold at all times funds in a special reserve account equal to the sum required for the next two debt service payments. Under the financing arrangements the Parent can elect to make a loan to the shareholders, via its immediate parent undertaking, from this reserve account in return for Letters of Credit amounting to the same value. During 2008 such a loan was made amounting to £9,000,000. In addition the Parent is required to maintain levels of net cash flow in each year equal to 1.125 times the annual debt service payments.

The liquidity risk is further managed via intra-group loan agreements in place to define funding arrangements between the Parent and Road Management Services(Darrington) Holdings Limited.

Major Maintenance replacement risk

The Parent takes the risk that its projections for ongoing major maintenance replacement of the roadway are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

Road Management Services (Finance) PLC

Strategic Report *(continued)*

Year Ended 31 December 2020

Legislative Risk

The Parent faces legislative risks such as any matters which would normally materially increase the flow of traffic on the roadway through restrictions placed on traffic movements of any alternative routes, a policy which forces traffic onto this roadway, or by major developments in the locality which increases traffic volumes, which could adversely impact on the Company. These risks are managed by close monitoring by management of significant developments and maintaining an awareness regarding exposure to penalties.

Key Performance Indicators

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

Prior year adjustment

During the year, material misstatements were identified in relation to the classification of various balances, impacting debtors and creditors, disclosed in the financial statements for the year ended 31 December 2019. Those financial statements incorrectly understated the amounts owed to group undertakings and payable within one year by £3,167K and overstated the amounts owed to group undertakings and payable within more than one year by £3,167K due to an error in the calculation for repayments which were due within one year. In addition, bank loans and overdrafts payable within the year were understated by £3,167K and senior debt payable within more than one the year was overstated by £3,167k due to a calculation error in the repayments which were due within one years. The impact of these adjustments upon these financial statements, with regards to both total assets and liabilities, is nil. There is also nil impact on the profit for the prior and current financial year.

Road Management Services (Finance) PLC

Strategic Report *(continued)*

Year Ended 31 December 2020

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 vehicle 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 the long term funding in place, as described in the Strategic Report and has on-loaned these to Road Management Services (Darrington) Limited. The detailed PFI contracts set out the relationships with Highways England, debt funders, maintenance and operations contractors. These parties are the Company's main stakeholders. The Company also works with the local authority to ensure their requirements are met. Debt funders are provided with operational and financial performance reports on a quarterly basis. The operational management team works closely with Highways England and the maintenance and operations contractors to programme major works on the road. Highways England receive regular updates on programmed works and applications for road closures to enable major works, so that disruption to the public can be kept to a minimum. The group ensures that the road is maintained to the required standards and works collaboratively to ensure that factors impacting traffic flow are addressed between the parties. The Company does not have any employees. As described in the Strategic Report the principal risk of the Company is the ability of the parent company to meet its debt service obligations to the Company. The success of the Company is therefore dependent upon the success of the parent company.

The Board is an experienced team with representatives of all shareholders. The Board members have experience of working with other key stakeholders, which enables them to identify the long term consequences of the principal decisions. The Board meet on a quarterly basis and information is provided at the meetings by the operational and financial management teams. This information will have regard to health and safety matters, the operational and financial performance of the project, planned major maintenance works and relationships with the client and the main sub-contractors. The operational and financial management team make recommendations to the Board of directors. These are considered at the quarterly board meetings. These Board meetings are minuted and actions arising are monitored. Decisions made by the directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the group are those that are key to the Company's success. These include but are not limited to: decisions impacting upon the relationships between the parties, decisions impacting upon the availability and safety of the road and decisions impacting the return to the shareholders.

Road Management Services (Finance) PLC

Strategic Report *(continued)*

Year Ended 31 December 2020

The above decisions ensure that the relationships between the parties that work together in partnership continue and that the road is maintained with minimum disruption to users. The safety performance of the road is maintained both in terms of users and the health and safety of the contractors' staff. These decisions ensure the long term success of the project, which protects shareholder returns.

This report was approved by the board of directors on 16 June 2021, and signed on behalf of the board by:

neil rae
neil rae (Jun 16, 2021 11:39 GMT+1)

Neil Rae
Director

Road Management Services (Finance) PLC

Directors' Report

Year Ended 31 December 2020

The directors present their report and the audited Annual Report and Financial Statements of Road Management Services (Finance) PLC ("the Company") for the year ended 31 December 2020.

Principal Activities

The principal activity of the company during the year was as a financing vehicle for the Design, Build, Finance and Operation contract which was entered into with the Secretary of State for Environment, Transport and the Regions on 13 February 2003 by its parent Road Management Services (Darrington) Limited. The contract is in year 17 of its 33 year term, expiring in May 2036.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

P J Meffan

N Rae

R Little

M Edwards

N Sparrow

D Bowler

(Died 20 July 2020)

C Snart

(Resigned 31 March 2020)

Dividends

Directors do not recommend the payment of a dividend.

Qualifying Indemnity Provision

During the year, and at the date of this report, the Company has in place qualifying third party indemnity provisions for the benefit of its directors.

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

The auditors, PricewaterhouseCoopers LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on ...**Jun.16, 2021**.. and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Road Management Services (Finance) PLC

Directors' Responsibilities Statement

Year Ended 31 December 2020

The directors are responsible for preparing the Strategic Report, Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Annual Report and Financial Statements; and
- prepare the Annual Report and 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 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.

Road Management Services (Finance) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC

Year Ended 31 December 2020

Report on the Audit of the Financial Statements

Opinion

In our opinion, Road Management Services (Finance) PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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, which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and 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 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.

We have provided no non-audit services to the company in the period under audit.

Road Management Services (Finance) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC *(continued)*

Year Ended 31 December 2020

Our Audit Approach

Overview

Audit scope

- The company's financial statements comprise just one component which was subject to a full scope audit.

Key audit matters

- Impact of Covid-19

Materiality

- Overall materiality: £256,300 (2019: £196,000) based on 1% of total assets.
- Performance materiality: £192,200.

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and Health and Safety laws and regulations, 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 in order to improve reported performance and financial position. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, impacting revenue and distributable reserves.
- Reading minutes of relevant meetings.

Road Management Services (Finance) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC (continued)

Year Ended 31 December 2020

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Recoverability of loans to group undertakings, which was a key audit matter last year, is no longer included because of the counterparty from which the amounts are due has been assessed and does not show an indication that they have inability to provide funds and so our risk assessment associated with this has been lowered to normal. This has been tested through our audit approach. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Impact of Covid-19</p> <p>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, specifically around the assessment of going concern and the level and depth of disclosures in the financial statements.</p> <p>We 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.</p> <p>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 the UK Government has confirmed its intention that all supplier payments will be maintained in accordance with the terms of the original contracts</p>	<p>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:</p> <ul style="list-style-type: none">• we made enquiries of management to understand the impact of COVID-19 on the company's financial performance, business operations and financial position.• we reviewed management's going concern assessment. <p>Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements.</p>

Road Management Services (Finance) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC *(continued)*

Year Ended 31 December 2020

Key audit matter	How our audit addressed the key audit matter
<p>between suppliers the and 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 impact.</p> <p>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. As a result of the uncertain impact of Covid-19 on the company, we identified this as a key audit matter.</p>	<p>We also assessed the adequacy of disclosures related to COVID-19 included in the financial statements and assessed these to be appropriate. Our conclusions in relation to going concern are set out elsewhere in this report.</p>

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.

The company is a financing vehicle, and issuer of listed senior bonds on the London Stock Exchange. It had no trading activities during the year. It operates in one geographic location. As a result we were able to perform a full scope audit over the key line items.

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 company materiality	£256,300 (2019: £196,000).
How we determined it	1% of total assets
Rationale for benchmark applied	The company is a financing company to the group and as such total assets is considered the most appropriate benchmark. As the resulting materiality calculated using the total assets benchmark was in excess of the group overall materiality, it has been capped at £256,000.

Road Management Services (Finance) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC *(continued)*

Year Ended 31 December 2020

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £192,200 for the company financial statements.

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

We agreed with the directors that we would report to them misstatements identified during our audit above £25,600 (2019: 9,800) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

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

- assessing management's going concern models for reasonableness, including the review of the inputs and assumptions used in those models;
- testing the underlying data generated to prepare the forecasted model and determined whether there was adequate support for the assumptions underlying the forecasts;
- reading the terms of the senior loan to obtain an understanding of the debt covenants, and ensure that the forecasts show that the company will remain in compliance with them;
- ensuring that there was sufficient cash available to repay the group's debt liabilities in line with the terms of the loan agreements in place;
- and reviewing managements going concern disclosures

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Road Management Services (Finance) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC *(continued)*

Year Ended 31 December 2020

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 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) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC *(continued)*

Year Ended 31 December 2020

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Road Management Services (Finance) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC *(continued)*

Year Ended 31 December 2020

Use of This Report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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) PLC

Independent Auditors' Report to the Members of Road Management Services (Finance) PLC *(continued)*

Year Ended 31 December 2020

Appointment

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 7 years, covering the years ended 31 December 2014 to 31 December 2020.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & statutory auditor
Edinburgh
16 June 2021

Road Management Services (Finance) PLC

Statement of Comprehensive Income

Year Ended 31 December 2020

		2020	2019
	Note	£000	£000
Interest receivable and similar income	6	11,009	12,457
Interest payable and similar expenses	7	(11,009)	(12,457)
Result before taxation		—	—
Tax on result		—	—
Result for the financial year and total comprehensive income		—	—

All the activities of the company are from continuing operations.

The notes on pages 21 to 28 form part of these Financial Statements.

Road Management Services (Finance) PLC

Statement of Financial Position

As at 31 December 2020

	Note	2020 £000	2019 (restated) £000
Current assets			
Debtors: due within one year	8	15,667	16,385
Debtors: due after more than one year	8	179,659	189,471
Cash at bank and in hand		1	1
		<u>195,327</u>	<u>205,857</u>
Creditors: amounts falling due within one year	9	<u>(15,618)</u>	<u>(16,336)</u>
Net current assets		<u>179,709</u>	<u>189,521</u>
Total assets less current liabilities		<u>179,709</u>	<u>189,521</u>
Creditors: amounts falling due after more than one year	10	<u>(179,659)</u>	<u>(189,471)</u>
Net assets		<u>50</u>	<u>50</u>
Capital and reserves			
Called up share capital	12	50	50
Profit and loss account	13	—	—
Shareholders funds		<u>50</u>	<u>50</u>

For details on the prior year restated amounts, refer to Note 11.

The Financial Statements were approved by the board of directors and authorised for issue on Jun 16, 2021, and are signed on behalf of the board by:

Neil Rae
neil.rae (Jun 16, 2021 11:19 GMT+1)

N Rae
Director

Company registration number: 04608449

The notes on pages 21 to 28 form part of these Financial Statements.

Road Management Services (Finance) PLC

Statement of Changes in Equity

Year Ended 31 December 2020

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2019	50	—	50
Result for the financial year		—	—
At 31 December 2019	50	—	50
Result for the financial year		—	—
At 31 December 2020	<u>50</u>	<u>—</u>	<u>50</u>

The notes on pages 21 to 28 form part of these Financial Statements.

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2020

1. General Information

Road Management Services (Finance) PLC is a public company limited by shares and is incorporated and domiciled in England & Wales. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The principal activity of the company during the year was as a financing vehicle for the Design, Build, Finance and Operation contract which was entered into with the Secretary of State for Environment, Transport and the Regions on 13 February 2003 by its parent Road Management Services (Darrington) Limited. The contract is in year 17 of its 33 year term, expiring in May 2036.

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

2. Statement of Compliance

The individual financial statements of Road Management Services (Finance) PLC have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(b) 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. As in previous years a waiver letter has been provided in respect of the AMBAC downgrade dated 11 June 2021 which covers the period to 30 June 2022. This letter postpones testing of the covenant until after that date. 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.

As set out in the KPI section of these statements, the performance of the Company's parent, Road Management Services (Darrington) Limited, is important when considering and assessing the Company's going concern status. The parent prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the directors have made assumptions based upon their view of the current and future economic conditions, including the impact of Covid-19, that will prevail over the forecast period. Based on these forecasts the directors have a reasonable expectation that the parent and therefore the Company has adequate resources to continue in operational existence for the foreseeable future.

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

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Road Management Services (Darrington) Holdings Limited which can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) The disclosures required by Sections 11 and 12 of FRS 102 (Basic Financial Instruments and Other Financial Instruments Issues respectively) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company is wholly owned by Road Management Services (Darrington) Holdings Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(d) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compare that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

(e) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2020

3. Accounting Policies *(continued)*

(g) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(h) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2020

3. Accounting Policies (continued)

Financial instruments (continued)

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2019: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2019: £nil).

5. Auditor's Remuneration

The auditors' remuneration of £5K (2019: £5K) was borne by the parent company, Road Management Services (Darrington) Limited and was not recharged.

6. Interest Receivable and Similar Income

	2020	2019
	£000	£000
Interest from Group undertakings	<u>11,009</u>	<u>12,457</u>

7. Interest Payable and Similar Expenses

	2020	2019
	£000	£000
Interest payable on senior debt	10,371	11,905
Other bank charges and similar fees	638	552
	<u>11,009</u>	<u>12,457</u>

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2020

7. Interest Payable and Similar Expenses (continued)

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.

8. Debtors

Debtors amounts falling due within one year are as follows:

	2020	2019 (restated)
	£000	£000
Amounts owed by Group undertakings	<u>15,667</u>	<u>16,385</u>

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

	2020	2019 (restated)
	£000	£000
Amounts owed by Group undertakings	<u>179,659</u>	<u>189,471</u>

Amounts owed by Group undertakings of £195,276,000 (2019: £205,807,000) 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 and loan referred to.

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

Please refer to the Strategic Report with regards the restatement of the 2019 comparative balances.

9. Creditors: amounts falling due within one year

	2020	2019 (restated)
	£000	£000
Bank loans and overdrafts	14,124	14,775
Accruals and deferred income	<u>1,494</u>	<u>1,561</u>
	<u>15,618</u>	<u>16,336</u>

Please refer to the Strategic Report with regards the restatement of the 2019 comparative balances.

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2020

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

	2020	2019 <i>(restated)</i>
	£000	£000
Senior debt	<u>179,659</u>	<u>189,471</u>

Included within creditors: amounts falling due after more than one year is an amount of £130,331K (2019: £167,105K) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

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 £108,463K (2019: £113,777K). An amount of £6,639K (2019: £7,756K) is included in amounts falling due within one year, and £101,824K (2019: £106,021K) 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 £86,122K (2019: £91,381K). An amount of £7,587K (2019: £7,301K) is included in amounts falling due within one year and £78,535K (2019: £87,419K) is included in amounts falling due in greater than one year.

The loans are shown net of unamortised loan issue expenses of £802K (2019: £912K) of which £585K (2019: £653K) relates to the Bond and £217K (2019: £259K) the EIB Loan. £700K (2019: £802K) 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.

Please refer to the Strategic Report with regards the restatement of the 2019 comparative balances.

Road Management Services (Finance) PLC

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2020

11. Prior Period Errors

During the year, material misstatements were identified in relation to the classification of various balances, impacting debtors and creditors, disclosed in the financial statements for the year ended 31 December 2019. Those financial statements incorrectly understated the amounts owed to group undertakings and payable within one year by £3,167K and overstated the amounts owed to group undertakings and payable within more than one year by £3,167K due to an error in the calculation for repayments which were due within one year. In addition, bank loans and overdrafts payable within the year were understated by £3,167K and senior debt payable within more than one the year was overstated by £3,167k due to a calculation error in the repayments which were due within one years. The impact of these adjustments upon these financial statements, with regards to both total assets and liabilities, is nil. There is also nil impact on the profit for the prior and current financial year.

12. Called Up Share Capital

Issued, called up and fully paid

	2020		2019	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>50,000</u>	<u>50</u>	<u>50,000</u>	<u>50</u>

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

13. Reserves

Retained earnings records retained earnings and accumulated losses.

14. Controlling Party

The immediate parent undertaking is Road Management Services (Darrington) Limited.

The ultimate parent undertaking is Road Management Services (Darrington) Holdings Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Road Management Services (Darrington) Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

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.