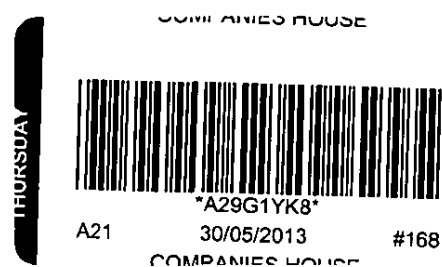


Amey Hallam Highways Limited
Annual report and financial statements
For the period 27 June 2012 to 31 December 2012
Company Number 8121168



Amey Hallam Highways Limited
Annual report and financial statements
For the period 27 June 2012 to 31 December 2012

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Amey Hallam Highways Limited
Directors' report
For the period 27 June 2012 to 31 December 2012

The Directors present their report together with the audited financial statements for the period from 27 June 2012 to 31 December 2012

Principal activities

The Company was incorporated on 27 June 2012 and the financial statements for the period from this date to 31 December 2012 are the first financial statements issued by the Company.

The Company's principal activities are to finance, rehabilitate, operate and maintain the Sheffield Highways under a PFI/PPP concession for the period of 25 years from July 2012 to August 2037 pursuant to a project agreement dated 31 July 2012.

Results, business review and dividends

The results for the period are shown on page 6 in the income statement. This shows total revenue for the period of £41,630,000 and operating profit of £174,000. Net finance expense for the period amounted to £170,000 and then profit after tax was £3,000.

The Company's performance reflects the position under the various PFI/PPP concession contracts

The Directors do not recommend the payment of a dividend.

Key performance indicators

The Directors consider revenue, operating profit, profit before tax and profit after tax and achievement of Milestones under the PFI/PPP concessions to be the key performance indicators of the Company and are satisfied with the performance in the year.

Principal risks and uncertainties

Under the terms of the PFI/PPP concession contracts the Company is required to meet certain key performance targets. The Directors review actual performance against those targets on a regular basis to mitigate risks arising from contract activities.

The Company's main commercial risks during the period are attributable to the delivery of the capital infrastructure on the PFI/PPP concession contract. The risk of operational revenue deductions on the service and the maintenance elements of the PFI/PPP concession contract are passed to the sub-contractors as a pass-through cost, as is the risk of asset renewal expenditure.

The Company has committed term loan facilities which are secured on the assets and future revenues of the Company. Project revenues are linked to inflation at the inception of each financial year. The terms of the Company's financial instruments are such that the profile of the debt service cost is tailored to match the expected revenue.

The Company's cash flow risk is managed by monitoring cash flow as part of the day-to-day control procedures. The Directors consider cash flow projections to ensure appropriate facilities are available to be drawn upon as necessary.

The Company's interest rate risk is managed by entering into fixed interest rate swaps to mitigate interest rate exposure on the long-term facilities. The Company does not undertake speculative financial instrument transactions.

The Company's credit risk is primarily attributable to its receivables on the PFI/PPP contract which is held with a local authority. This risk is mitigated by maintaining a strong relationship with the Company's customer.

Amey Hallam Highways Limited

Directors' report For the period 27 June 2012 to 31 December 2012 (Continued)

Going concern

The Company is to be financed through a mixture of shareholder loans and project related bank term loans. Details of all loans are set out in note 12 of these financial statements.

Despite the Company having a net liability position as at 31 December 2012 and losses being expected in the short term, the Directors have reviewed the financial forecasts and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the company during the period, and up to the date of this report were:

J G Connelly	appointed 27 June 2012	
K Cottrell	appointed 27 June 2012	
N Covington	appointed 13 November 2012	(alternate to Y C Ottenwaelder)
A Ghafoor	appointed 27 June 2012	(alternate to J G Connelly and K Cottrell)
W J Haughey	appointed 27 June 2012	
G A Jackson	appointed 27 June 2012	
Y C Ottenwaelder	appointed 27 June 2012	
N G B Parker	appointed 27 June 2012	

Payment policy and practice

The Company recognises the importance of good relationships with its suppliers and subcontractors. Although the Company does not follow a particular code or standard on payment practice, its payment policy is to.

- agree payment terms in advance of any commitment being entered into;
- ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order or contract, and
- make payments in accordance with terms, wherever possible, providing that the documentation presented is complete and accurate

Trade creditors in the Company at the period end amounted to 0 days of average supply for the financial period.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

BDO LLP were appointed as auditors during the period and have expressed their willingness to continue in office. A resolution to dispense with the requirement to reappoint auditors annually was passed on 18 December 2012.

Amey Hallam Highways Limited

**Directors' report
For the period 27 June 2012 to 31 December 2012
(Continued)**

Directors' responsibilities for the financial statements

Directors' responsibilities

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

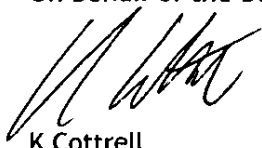
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under Company law the Directors 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 statement of comprehensive income of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

On behalf of the Board



K Cottrell
Director

26th March 2013

Amey Hallam Highways Limited

Auditor's report For the period 27 June 2012 to 31 December 2012

Independent Auditor's report to the members of Amey Hallam Highways Limited

We have audited the financial statements of Amey Hallam Highways Limited for the 6 month period ended 31 December 2012 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flow, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Amey Hallam Highways Limited
Auditor's report
For the period 27 June 2012 to 31 December 2012

Matters on which we are required to report by exception

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

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

BDO LLP

David Campbell (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU
Date. *26* March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Amey Hallam Highways Limited
Income statement
For the period 27 June 2012 to 31 December 2012

	Notes	6 month period to 31 December 2012 £'000
Revenue	4	41,630
Cost of sales		(40,401)
		<hr/>
Gross Profit		1,229
Administrative expenses		(1,055)
		<hr/>
Profit from operations	5	174
Finance income	7	719
Finance expense	7	(889)
		<hr/>
Profit before tax		4
Tax expense	8	(1)
		<hr/>
Profit after tax from continuing operations		3
		<hr/>

All of the above relates to continuing activities.

The notes on pages 12 to 29 form part of these financial statements

Amey Hallam Highways Limited
Statement of comprehensive income
For the period 27 June 2012 to 31 December 2012

	Notes	6 month period to 31 December 2012 £'000
Profit after tax for the year		3
Other comprehensive expense		
Loss recognised on derivative financial instruments	3	(7,583)
Deferred tax recognised on instruments	14	<u>1,744</u>
Total other comprehensive expense		(5,839)
Total comprehensive expense		(5,836)
Loss and total comprehensive expense for the year attributable to:		
Equity shareholder of the company		<u>(5,836)</u>

The notes on pages 12 to 29 form part of these financial statements

Amey Hallam Highways Limited

**Balance Sheet
As at 31 December 2012**

Company number: 8121168

	Note	2012 £'000
Assets		
Non-current assets		
PFI/PPP financial assets	9	24,166
Deferred tax assets	14	1,744
Trade and other receivables	11	540
		<hr/> 26,450
Current assets		
PFI/PPP financial assets	9	2,317
Trade and other receivables	11	407
Cash and cash equivalents		15,658
		<hr/> 18,382
Total assets		<hr/> 44,832 <hr/>
Liabilities		
Current liabilities		
Trade and other payables	12	2,985
Loans and borrowings	13	2,471
Derivative financial liabilities	10	1,736
Corporation tax liability		1
		<hr/> 7,193 <hr/>

Amey Hallam Highways Limited
Balance Sheet
As at 31 December 2012 (Continued)

	Notes	2012 £'000
Non-current liabilities		
Loans and borrowings	13	37,610
Derivative financial liabilities	10	5,847
		<u>43,457</u>
Total liabilities		<u>50,650</u>
NET LIABILITIES		<u>(5,818)</u>
Issued capital and reserves attributable to Equity shareholder of the Company		
Share capital	15	18
Hedge reserve	16	(5,839)
Retained earnings	16	3
TOTAL SHAREHOLDERS' DEFICIT		<u>(5,818)</u>

The financial statement on pages 6 to 29 were approved and authorised for issue by the Board of Directors on 26 March 2013 and were signed on its behalf by:

K Cottrell
Director



The notes on pages 12 to 29 form part of these financial statements

Amey Hallam Highways Limited
Statement of cash flows
For the period 27 June 2012 to 31 December 2012

	Notes	2012 £'000
Cash flows from operating activities		
Profit before tax for the year		4
<i>Adjustments for:</i>		
Finance income	7	(719)
Finance expense	7	889
		<u>174</u>
Increase in trade and other receivables		(947)
Increase in trade and other payables		496
		<u>(277)</u>
Cash generated from operations		
Interest received		1
Interest paid		(886)
Commitment fees		(5,273)
		<u>(6,435)</u>
Net cash flows from operating activities		(6,435)
Cash flow from Investing activities		
PFI/PPP Financial Asset		(23,276)
		<u>(29,711)</u>
Cash flow from Financing activities		
Issue of ordinary shares, net of issue costs		18
Proceeds from bank borrowings		45,351
		<u>15,658</u>
Net cash from financing activities		15,658
Net increase in cash and cash equivalents		15,658
Cash and cash equivalents at beginning of year		<u>-</u>
Cash and cash equivalents at end of year		15,658

Amey Hallam Highways Limited

**Statement of changes in equity
For the period 27 June 2012 to 31 December 2012**

	Share capital £'000	Hedge Reserve £'000	Retained earnings £'000	Total Equity £'000
Issue of equity shares on incorporation	18	-	-	18
Profit after tax for the period	-		3	3
Other comprehensive expense	-	(5,839)	-	(5,839)
At 31 December 2012	18	(5,839)	3	(5,818)

The notes on pages 12 to 29 form part of these financial statements

Amey Hallam Highways Limited

Notes forming part of the financial statements For the period 27 June 2012 to 31 December 2012

1 Accounting policies

Basis of preparation

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

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The financial statements have been prepared on an accruals basis and on the historical cost basis except for derivative financial instruments which are measured at fair value. Cost is based on fair value of consideration given in exchange for assets.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

New standards, interpretations and amendments effective from 1 January 2012

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The Company has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU, relevant to its operations and effective for accounting periods beginning 1 January 2012.

The new or revised standards or interpretations that are effective for accounting periods commencing on or after 1 January 2012 and that are applicable to the Company are as follows. The adoption of these standards does not lead to any changes in the Company's accounting policies and have no material impact on the financial statements.

- *IFRS 7 (amended) - Disclosures on transfers of financial assets*
- *IAS 12 (amended) - Deferred tax, recovery of underlying assets*

The following new or revised standards or interpretations that are applicable to the Company but which have not been adopted early are as follows:

Effective for accounting periods commencing on or after 1 January 2013:

- *Annual improvements 2009 - 2011*

Effective for accounting periods commencing on or after 1 January 2014:

- *IFRS 10 - Consolidated financial statements*
- *IFRS 13 - Fair Value Measurement*

In addition, the following new or revised standards are applicable to the Company, subject to adoption by the EU

Effective for accounting periods commencing on or after 1 January 2015:

- *IFRS 9 - Financial Instruments this may affect the classification and measurement of financial instruments*

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2012 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements

Amey Hallam Highways Limited

Notes forming part of the financial statements For the period 27 June 2012 to 31 December 2012 (Continued)

1 Accounting policies (Continued)

Revenue

PFI revenue has been accounted for using the financial asset model, where it has been determined that the Company has an unconditional right to receive cash for the construction service. Revenue is determined by the fair value of consideration received or receivable in respect of goods and services provided in the same way as other long-term contracts. The amounts recoverable from the infrastructure enhancement element of PFI contracts are shown separately on the face of the balance sheet as PFI financial assets.

The revenue is measured at the present value of cash inflows expected to be recovered at a discount rate which reflects the time value of money. The unwinding of the discount is included in interest receivable and similar income.

Revenue from other contract activities represents fee income receivable in respect of services provided during the year. Estimates are included of amounts not yet invoiced.

All revenue excludes Value Added Tax.

Financial assets

The Company classifies its financial assets as loans and receivables as discussed below. The Company has not classified any of its financial assets as held to maturity or available for sale.

Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

(1) Financial asset - loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables) under PFI/PPP contracts but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment. For PFI/PPP contracts, cost is determined by the fair value of goods and services as adjusted for the expected payment date at the time of providing the services. Interests bearing financial assets are subsequently measured at amortised costs using the effective interest rate (EIR) method. Interest calculated in accordance with this policy is recognised in finance income in the income statement.

The other loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Amey Hallam Highways Limited

Notes forming part of the financial statements For the period 27 June 2012 to 31 December 2012 (Continued)

1 Accounting policies (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

(i) Financial liabilities - fair value through profit or loss

This category comprises only out-of-the-money derivatives (see Financial assets for in-the-money derivatives). They are carried in the balance sheet at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

(ii) Financial liabilities - other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings are recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, are recognised at amortised cost

IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 3). The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

1 Accounting policies (Continued)

Hedge accounting

Hedge accounting is applied to financial assets and liabilities only where all of the following criteria are met,

- at the inception of the hedge, there is a formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for the undertaking;
- for cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect income or expense;
- the cumulative change in the fair value of the hedging instruments is expected to be between 80% and 125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged, i.e. it is expected to be highly effective
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on a regular basis and remains highly effective.

The Company does not hold or issue derivative instruments for speculative purposes, although derivatives not meeting the above criteria are designated for accounting purposes at fair value through the income statement as appropriate.

Derivative financial instruments at fair value - cash flow hedges

The Company uses derivative financial instruments ("derivatives") to manage interest rate risk and, where the hedge accounting criteria are met, designates these as cash flow hedges. Changes in the fair value of the effective portion of derivatives that are designated as qualifying hedges are recognised in other comprehensive income.

Changes in the fair value of the ineffective portion of cash flow hedges are recognised in the income statement. Amounts accumulated in equity are transferred to the income statement when the underlying transaction occurs or, if the transaction results in a non-financial asset or liability are included in the initial cost of the asset or liability.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

1 Accounting policies (Continued)

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets are recovered.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable company.

Amey Hallam Highways Limited

Notes forming part of the financial statements For the period 27 June 2012 to 31 December 2012 (Continued)

2 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

(a) Revenue recognition and contract costs

A significant amount of the Company's activities are undertaken via long term contracts which are accounted for in accordance with IFRIC 12 Service Concession Agreements.

Management base their judgement of contract costs and revenue on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenue are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates are updated regularly and significant changes are highlighted through established internal control procedures. The impacts of the changes in accounting estimates are then reflected in the ongoing results.

(b) Fair value of financial instruments

The Company determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

The methods and assumptions applied, and the valuation techniques used, are disclosed in note 9.

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

3 Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Cash flow interest rate risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Financial assets
- Floating rate bank loans
- Interest rate swaps

Amey Hallam Highways Limited

Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)

3 Financial instruments - Risk Management (Continued)

Principal financial instruments (Continued)

A summary of the financial instruments held by category is provided below

Financial Assets

Financial assets are classified as trade and other receivables and PFI/PPP financial assets.

Financial Liabilities

- *Financial instruments measured at fair value*

The Company has no Level 1 or Level 3 financial assets or liabilities. The amounts held at level 2 basis of valuation and included within the Balance Sheet in respect of derivative contracts which is a non current liability is as follows:

	Fair value measurement At 31 December using Level 2
	2012 £'000
Financial liabilities	
Derivative financial instruments	7,583
	<hr/>
	7,583
	<hr/>
Deferred taxation	(1,744)
Included in the statement of comprehensive income in respect of financial liabilities	5,839
	<hr/>

As a condition of the lending, the Company is required to take out interest rate hedges to fix the interest rate to hedge against cash flow interest rate risk until the debt has been repaid. This expires in 2036.

All financial liabilities with the exception of derivatives are classified as other financial liabilities measured at amortised cost

Amey Hallam Highways Limited

Notes forming part of the financial statements For the period 27 June 2012 to 31 December 2012 (Continued)

3 Financial instruments - Risk Management (Continued)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Company's main financial assets are cash and cash equivalents, a PFI/PPP financial asset as well as trade and other receivables and the PFI financial asset represent the Company's maximum exposure to credit risk in connection with its financial assets. The Company's credit risk is mainly attributable to its public sector trade receivables from local authorities. The amounts are carried on the balance sheet net of any provision for doubtful receivables estimated by the Directors based on experience and an evaluation of prevailing economic circumstances.

None of the financial assets are past due. The PFI/PPP Financial asset will be recovered over the life of the contract

Interest rate risk

The Company is exposed to interest rate risk from long-term borrowings at variable rate. The Company's exposure to variable rate long-term borrowings is eliminated through the use of interest rate hedge contracts. A sensitivity analysis has not been performed on the basis that the majority of variable interest rates are swapped for fixed rates and therefore the exposure to interest rate risk is minimised.

Liquidity risk

Liquidity risk is defined as the risk that the Company would not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, as well as related processes and policies, are overseen by management. The Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility. In accordance with IFRS 7 (Financial Instruments Disclosures), the table below sets out the repayment of principal and associated interest payments.

	Due in 2013	Due in 2014	Due in 2015	Due in 2016 and later	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
PFI non-recourse loans	2,360	3,991	6,144	170,190	182,688
Derivatives	1,731	2,927	3,976	68,861	77,496
Total	4,091	6,918	10,120	239,055	260,184

Details of the committed funding to be drawn down, is disclosed in note 12

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

3 Financial instruments - Risk Management (Continued)

Liquidity risk (Continued)

More details in regard to the line items are included in the respective notes

- Trade and other payables - note 11
- Loans and borrowings - note 12
- Derivative financial liabilities - note 9

Capital Structure

The Company manages its cash, bank loans and overdrafts and equity as capital. The Company's principal objective is to ensure that the Company has sufficient capital to fund its operations. In developing business plans, management consider the likely capital requirements and how to fund these requirements.

The Company's capital was summarised as follows:

	2012 £'000
Cash and cash equivalents	(15,658)
Bank loans	40,081
Total shareholders' deficit	<u>(5,818)</u>
Total capital	<u>18,605</u>

4 Revenue

The turnover and profit on ordinary activities before taxation are attributable to the continuing operations and principal activities carried on within the United Kingdom. All turnover arises solely in the United Kingdom.

5 Operating profit

Operating profit is stated after charging.

	2012 £'000
Auditors remuneration	<u>17</u>

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

6 Directors and Key management personnel remuneration

No staff were directly employed by the company. Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charge.

None of the Directors received emoluments directly from the Company. A payment is made for services of Directors to their employers.

7 Finance income and expense

Recognised in the Statement of Comprehensive income

	2012 £'000
Finance income	
Interest income on financial assets measured at amortised cost	719
Total finance income	719
	2012 £'000
Bank charges	1
Interest expense on financial liabilities measured at amortised cost	888
Total finance expense	889
Net finance expense recognised in the income statement	(170)

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

8 Income tax expense

	2012 £'000
Current tax expense	
Current tax on profits for the year	(1)
Total current expense	(1)
Profit for the year	4
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 24%	(1)
Total income expense	(1)

9 PFI/PPP Financial assets

	2012 £'000
Current	24,166
Non-current	2,317
	26,483

The PFI/PPP financial asset is a fixed rate financial asset and bore interest during the year at an average rate of 6.51%.

10 Derivative financial liabilities

	2012 £'000
Derivatives designated as hedging instruments: -Interest rate swaps	7,583
Total derivative financial liabilities	7,583
Current	1,736
Non-current	5,847
	7,583

Amey Hallam Highways Limited

Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)

10 Derivative financial instruments (Continued)

Cash flow interest rate swaps

The Company manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Normally the Company raises long-term borrowings at floating rates and then fixes the interest rate by entering into an interest rate swap contract "derivative"

The notional principal amounts of outstanding floating to fixed interest rate swap contracts designated as derivative financial instruments in cash flow interest rate hedges of variable rate debt at 31 December 2012 totalled £166,647,680

At 31 December 2012, the main floating rates were based on LIBOR. Gains and losses recognised in the cash flow hedging reserve in equity (note 15) on interest rate swap contracts as at 31 December 2012 will be released to the statement of comprehensive income as the related interest expense is recognised. Information on the maturities of the loans is provided in note 12

11 Trade and other receivables

	2012 £'000
Prepayments	888
Other receivables	59
Total trade and other receivables	947
Included in the balance sheet as follows	
Current	407
Non-current	540
	947

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

12 Trade and other payables

	2012 £'000
Trade payables	22
Accruals	2,963
	<hr/>
Total financial liabilities, excluding loans and borrowings classified as financial liability measured at amortised cost	2,985
	<hr/>
Total trade and other payables	2,985
	<hr/>

Book values approximate to fair value at 31 December 2012

13 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

	Book and fair value 2012 £'000
Current	
<i>Bank loans</i>	
secured	2,471
Non-Current	
<i>Bank loans</i>	
secured	37,610
	<hr/>
Total loans and borrowings	40,081
	<hr/>

Book value and the fair value are not materially different

Amey Hallam Highways Limited
Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)

13 Loans and borrowings (Continued)

Principal terms and the debt repayment schedule of the Company's loans and borrowings are as follows as at 31 December 2012:

	Currency	Nominal rate %	Year of maturity
Term loan floating interest rate	Sterling	2.93	2036

Bank Borrowings

The fair values of both current and non-current bank borrowings are based on cash flows discounted using rates based on the applicable market rate. The discount rates applied were within the range 0.4735% to 4.13712%.

The Company has undrawn committed borrowing facilities available at 31 December to be drawn as follows:

	Floating rate £'000	Total £'000
2012		
Within 1 year	57,435	57,435
Within 1 and 2 years	89,368	89,368
In more than 2 years	19,846	19,846
Facility arrangement cost	(5,270)	(5,270)
Total	161,379	161,379

The facilities are secured by fixed charge over authorised investments, credit balances, receivables and any other assets and by first floating charge over all its secured assets

Amey Hallam Highways Limited

Notes forming part of the financial statements For the period 27 June 2012 to 31 December 2012 (Continued)

14 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23%.

The movement on the deferred tax account is as shown below:

	2012 £'000
Tax credit	
<i>Recognised in other comprehensive income</i>	
Deferred tax on loss on derivative financial instruments (cash flow hedges)	1,744
	<hr/>
At 31 December	1,744
	<hr/>

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered

Deferred tax is calculated in full on temporary differences under the liability method using a rate of 23%. Finance Act 2012, enacted on 17 July 2012, included provision for the main rate of corporation tax to reduce from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. Accordingly, the 23% has been applied to deferred tax balances which are expected to reverse after 1 April 2013.

It was also announced in the 2012 Autumn Statement that the main rate of corporation tax will further reduce to 21% from 1 April 2014. This will reduce the company's future tax charge. The measure had not been substantively enacted at the balance sheet, however, and deferred tax balances do not, therefore, reflect the additional rate reduction.

Details of the deferred tax asset, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Debited to equity	Total
	£'000	£'000
Other temporary and deductible differences	1,744	1,744
	<hr/>	<hr/>
Tax asset at 31 December 2012	1,744	1,744
	<hr/>	<hr/>

Amey Hallam Highways Limited

**Notes forming part of the financial statements
For the period 27 June 2012 to 31 December 2012
(Continued)**

15 Share capital

	2012 Number	Authorised 2012 £'000
Ordinary shares of £1 each	18,000	18
	<hr/>	<hr/>
	Issued and fully paid	
	2012 Number	2012 £'000
Ordinary shares of £1 each Issued on incorporation	18,000	18
	<hr/>	<hr/>
At end of the year	18,000	18
	<hr/>	<hr/>

16 Reserves

The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
Hedging reserve	Gains/losses arising on the effective portion of interest rate hedging instruments carried at fair value in a qualifying interest rate hedge.
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

Analysis of amount recognised in other comprehensive income

	Interest rate hedging reserve £'000	Retained earning £'000
Period to 31 December 2012		
Profit after tax	-	3
<i>Interest rate hedges</i>		
Loss recognised on derivative financial instruments	(7,583)	-
Deferred taxation (Note 13)	1,744	-
	<hr/>	<hr/>
	(5,839)	3
	<hr/>	<hr/>

Amey Hallam Highways Limited

Notes forming part of the financial statements For the period 27 June 2012 to 31 December 2012 (Continued)

17 Related party transactions

Trading transactions

During the period the Company entered into the following transactions with related parties.

	Sale of goods / services £'000	Purchase of good / services £'000	Amounts owed to related parties £'000
2012			
Amey UK PLC and Subsidiaries			
Amey LG Limited	5,152	5,121	22
Amey Ventures Limited	-	17,400	-
Amey Ventures Management Service Limited	-	143	-
Amey Ventures Asset Holdings Limited	-	245	-
Equitix Highways 2 Limited			
Equitix Highways 2 Limited	-	250	-
Lloyds Bank UK Infrastructure Partners LP Subsidiaries			
Uberior Infrastructure Investments (No 5) Limited	-	5	-
Uberior Infrastructure Investments (No 6) Limited	-	245	-
	5,152	23,409	22

18 Ultimate parent undertaking

The immediate parent Company is Amey Hallam Highways Holdings Limited, a Company incorporated in United Kingdom

Amey Hallam Highways Holdings Limited has no ultimate parent undertaking or controlling related party by virtue of the Company's joint ownership and control by Amey Ventures Assets Holdings Limited, Uberior Infrastructure Investments (No 5) Limited and Equitix Highways 2 Limited.

Amey Ventures Assets Holdings Limited is a wholly owned subsidiary within the Amey UK plc group, whose ultimate parent is Ferrovial, SA, a company incorporated in Spain.

Uberior Infrastructure Investments (No 5) Limited is a wholly owned subsidiary of Lloyds Bank UK Infrastructure Partners LP, which is a fund managed by Uberior Fund Manager Limited, a wholly owned subsidiary of Lloyds Banking Group Plc.

Equitix Highways 2 Limited's ultimate parent undertaking is Equitix Fund II LP, an English Limited Partnership.