## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers and Professional Advisers</td>
<td>1</td>
</tr>
<tr>
<td>Strategic Report</td>
<td>2</td>
</tr>
<tr>
<td>Directors' Report</td>
<td>5</td>
</tr>
<tr>
<td>Directors' Responsibilities Statement</td>
<td>6</td>
</tr>
<tr>
<td>Independent Auditors' Report to the Members of Road</td>
<td></td>
</tr>
<tr>
<td>Management Services (Gloucester) Limited</td>
<td>7</td>
</tr>
<tr>
<td>Statement of Comprehensive Income</td>
<td>10</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>11</td>
</tr>
<tr>
<td>Statement of Changes in Equity</td>
<td>12</td>
</tr>
<tr>
<td>Notes to the Annual Report and Financial Statements</td>
<td>13</td>
</tr>
</tbody>
</table>
Road Management Services (Gloucester) Limited

Officers and Professional Advisers

The Board of Directors
Larry Jay Henry
David William Bowler
Lee Johnson
Matthew James Edwards
Javier Carol Vilarasau
Victor Ensenat Coe
Peter John Meffan

Company Secretary
Infrastructure Managers Limited

Registered Office
Cannon Place
78 Cannon Street
London
EC4N 6AF

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Bankers
Lloyds Bank plc
St George's House
6-8 Eastcheap
London
EC3M 1LL

Solicitors
Dentons UKMEA LLP
Quatermile One
15 Lauriston Place
Edinburgh
EH3 9EP
Road Management Services (Gloucester) Limited

Strategic Report

Year Ended 31 December 2018

The directors present their strategic report on Road Management Services (Gloucester) Limited (“the Company”) for the year ended 31 December 2018.

Principal Objectives and Strategies

The principal objectives of the Company are to operate and maintain the Roadway Concession in line with the contracted terms. In doing so the Company intends to ensure that the full amount of income is collected in the form of shadow toll revenues as entitled under the contract.

On 8 February 1996, the Company entered into a design, build, finance and operate (‘DBFO’) contract with the Secretary of State for Environment, Transport and the Regions for a 52.1 kilometre section of the A417419 between Swindon and Gloucester. This includes three improvement bypass schemes totalling 26.5 kilometres. Under the contract the Company is obliged to design and construct the roadway and, for the 30 year contract term, is entitled and obliged to operate and maintain it and receive payments from the Secretary of State in the form of shadow toll revenues calculated by reference to the volume of traffic using the road.

Funding has been provided via a Guaranteed Secured Bond issue and a loan from the European Investment Bank. Funding was established via a fellow subsidiary undertaking Road Management Consolidated PLC, which has on-lent a proportion of the proceeds to this company.

The new work elements of the project were completed nine months early in December 1997 and the Company has been successfully maintaining the 26.5 kilometres of new road together with the 26 kilometres of existing road during the past 23 years.

Some resurfacing works are executed annually together with the normal routine maintenance of grass cutting to verges and landscaped areas, litter removal, sweeping, gully emptying, safety fence retensioning, winter maintenance and response to emergencies, all of which continue to be carried out to the satisfaction of Highways England. The contract is currently in year 23 of its term and will expire in 2026.

Results and Dividends

The profit for the financial year, after taxation, amounted to £2,936K (2017: £3,452K). As a result of the introduction Base Erosion and Profit Shifting legislation the results for the year have been impacted by a significant tax charge (see note 10).

The profit for the financial year will be transferred to reserves. No dividends have been declared or paid (2017: £nil).

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company’s activities in the coming financial year.

Performance Review

During the year the Company was fully compliant with the contractual terms and incurred no penalty points. The overall financial performance of the Company was in line with expectations and the cash flow forecasts prepared.

Future Developments

The directors intend for the business to continue to operate in line with the contractual terms and do not expect any strategic changes.
Road Management Services (Gloucester) Limited

Strategic Report (continued)

Year Ended 31 December 2018

Key Performance Indicators

Three key performance indicators are used to measure the performance of the Company:

(1) The level of traffic passing along the roads and its growth. In the year traffic volumes were seen to drop and this is being monitored regularly by the directors. However as growth in all the prior years of the project have exceeded expectations, the results for the year are not expected to impact on the Company’s ability to meet its obligations.

(2) The achievement of cash flow targets as set out in the annual budgets. The annual budgets are accurate as the result of the experience gained during the last 23 years and did not vary significantly in 2018.

(3) The maintenance or improvement of the shareholders’ internal rate of return as projected in financial models which are produced on a six-monthly basis. The level at the end of 2018 was consistent with that of 2017.

21 other KPIs, both financial and non-financial are monitored on a monthly basis and regularly show an excellent performance. They cover a broad range of subjects including response times, health and safety, network availability and traffic monitoring.

Principal Risks and Uncertainties

The risk management policy of the Company is designed to identify and manage risk at the earliest point. The Company keeps a detailed risk register which is periodically reviewed by the board. The Company’s exposure to price risk, credit risk, cash flow risk, liquidity risk, demand risk and legislative risks are detailed below.

Price Risk
A proportion of the 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 from Highways England, a government body. As such the directors the Company consider it to be exposed to very low credit risk.

Cash-flow Risk
The roadway concession cash-flows are generated from traffic flows paid in the form of shadow tolls by Highways England. As such the directors the Company consider it to be exposed to very low cash flow risk.

Liquidity Risk
The Company’s fellow subsidiary undertaking Road Management Consolidated PLC will at all times hold funds in a special reserve account equal to the sum required for the next debt service payment. This managed fund consists of a diversified portfolio of high quality Sterling denominated money market instruments which can be realised within 24 hours. In addition the Company is required to maintain levels of net cash flow in each year equal to 1.2 times the annual debt service payments. The Company’s debt service cover ratio at the end of the year was 1.22.
Demand Risk
The roadway concession cash-flows are generated from traffic flows paid in the form of shadow tolls by Highways England. The financial model is regularly updated to reflect actual traffic performance and road maintenance experience. The financial model is subject to regular sensitivity tests to ensure that the Company is able to meet its debt service cover ratios.

Legislative Risk
The Company faces indirect legislative risks including increased fuel costs and vehicle taxation as a result of government policy, which could adversely affect the traffic flows on the roadway.

This report was approved by the board of directors on 24/4/19 and signed on behalf of the board by:

[Signature]
Matthew Edwards
Director
Road Management Services (Gloucester) Limited

Directors' Report

Year Ended 31 December 2018

The directors present their report and the audited Annual Report and Financial Statements of the Company for the year ended 31 December 2018.

Directors

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

Larry Jay Henry
David William Bowler
Lee Johnson
Matthew James Edwards
Javier Carol Vilarasau
Victor Ensenat Coe
Peter John Meffan  (Appointed 16 October 2018)
Christopher Lavery  (Resigned 16 October 2018)

Dividends

The directors do not recommend the payment of a dividend.

Qualifying Third Party Indemnity Provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

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 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 30/4/19 and signed by order of the board by:

[Signature]

Infrastructure Manager
Company Secretary
Road Management Services (Gloucester) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2018

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 Annual Report and 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 (Gloucester) Limited

Independent Auditors’ Report to the Members of Road Management Services (Gloucester) Limited

Year Ended 31 December 2018

Report on the Audit of the Financial Statements

Opinion

In our opinion, Road Management Services (Gloucester) Limited’s financial statements:

• give a true and fair view of the state of the Company’s affairs as at 31 December 2018 and of its profit for the year then ended;

• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and

• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the “Annual Report”), which comprise: the Statement of Financial Position as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to Going Concern

ISAs (UK) require us to report to you when:

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

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company’s ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company’s trade, suppliers and the wider economy.
Road Management Services (Gloucester) Limited

Independent Auditors’ Report to the Members of Road Management Services (Gloucester) Limited (continued)

Year Ended 31 December 2018

Reporting on Other Information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors’ Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors’ Report for the year ended 31 December 2018 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.

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 set out on page 6, 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.
Road Management Services (Gloucester) Limited

Independent Auditors' Report to the Members of Road Management Services (Gloucester) Limited (continued)

Year Ended 31 December 2018

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

Use of This Report

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

Other Required Reporting

Companies Act 2006 Exception Reporting

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

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

We have no exceptions to report arising from this responsibility.

[Signature]

Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh
30 April 2019
Road Management Services (Gloucester) Limited

Statement of Comprehensive Income

Year Ended 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Turnover</td>
<td>4</td>
<td>17,787</td>
</tr>
<tr>
<td>Gross profit</td>
<td>17,787</td>
<td>17,959</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(10,597)</td>
<td>(10,297)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5</td>
<td>7,190</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>8</td>
<td>167</td>
</tr>
<tr>
<td>Interest payable and similar expenses</td>
<td>9</td>
<td>(2,819)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>4,538</td>
<td>4,294</td>
</tr>
<tr>
<td>Taxation on ordinary activities</td>
<td>10</td>
<td>(1,602)</td>
</tr>
<tr>
<td>Profit for the financial year and total comprehensive income</td>
<td>2,936</td>
<td>3,452</td>
</tr>
</tbody>
</table>

All the activities of the Company are from continuing operations.

The notes on pages 13 to 23 form part of the Annual Report and Financial Statements.
Road Management Services (Gloucester) Limited

Statement of Financial Position

As at 31 December 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>Fixed assets</th>
<th>2018 £000</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tangible assets</td>
<td>66,469</td>
<td>72,635</td>
</tr>
<tr>
<td></td>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debtors: amounts falling due within one year</td>
<td>15,799</td>
<td>15,544</td>
</tr>
<tr>
<td></td>
<td>Cash at bank and in hand</td>
<td>24,812</td>
<td>22,861</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40,611</td>
<td>38,405</td>
</tr>
<tr>
<td></td>
<td>Creditors: amounts falling due within one year</td>
<td>(17,697)</td>
<td>(14,308)</td>
</tr>
<tr>
<td></td>
<td>Net current assets</td>
<td>22,914</td>
<td>24,097</td>
</tr>
<tr>
<td></td>
<td>Total assets less current liabilities</td>
<td>89,383</td>
<td>96,732</td>
</tr>
<tr>
<td></td>
<td>Creditors: amounts falling due after more than one year</td>
<td>(18,596)</td>
<td>(28,783)</td>
</tr>
<tr>
<td></td>
<td>Provisions for liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Taxation including deferred taxation</td>
<td>(1,114)</td>
<td>(1,212)</td>
</tr>
<tr>
<td></td>
<td>Net assets</td>
<td>69,673</td>
<td>66,737</td>
</tr>
<tr>
<td></td>
<td>Capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Called up share capital</td>
<td>9,660</td>
<td>9,660</td>
</tr>
<tr>
<td></td>
<td>Retained earnings</td>
<td>60,013</td>
<td>57,077</td>
</tr>
<tr>
<td></td>
<td>Total shareholders' funds</td>
<td>69,673</td>
<td>66,737</td>
</tr>
</tbody>
</table>

The Annual Report and Financial Statements were approved by the board of directors and authorised for issue on 30/4/19, and are signed on behalf of the board by:

Matthew Edwards  
Director

Company registration number: 03044569

The notes on pages 13 to 23 form part of the Annual Report and Financial Statements.

- 11 -
Road Management Services (Gloucester) Limited

Statement of Changes in Equity

Year Ended 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Called up share capital £000</th>
<th>Retained earnings £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2017</td>
<td>9,660</td>
<td>53,625</td>
<td>63,285</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td></td>
<td>3,452</td>
<td>3,452</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>3,452</td>
<td>3,452</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>9,660</td>
<td>57,077</td>
<td>66,737</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td></td>
<td>2,936</td>
<td>2,936</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>2,936</td>
<td>2,936</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>9,660</td>
<td>60,013</td>
<td>69,673</td>
</tr>
</tbody>
</table>

The notes on pages 13 to 23 form part of the Annual Report and Financial Statements.
Road Management Services (Gloucester) Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 December 2018

1. General Information

Road Management Services (Gloucester) Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78 Cannon Street, EC4N 6AF.

On 8 February 1996, the Company entered into a design, build, finance and operate ("DBFO") contract with the Secretary of State for Environment, Transport and the Regions for a 52.1 kilometre section of the A417/419 between Swindon and Gloucester. This includes three improvement bypass schemes totalling 26.5 kilometres. Under the contract the Company is obliged to design and construct the roadway and, for the 30 year contract term, is entitled and obliged to operate and maintain it and receive payments from the Secretary of State in the form of shadow toll revenues calculated by reference to the volume of traffic using the road.

Funding has been provided via a Guaranteed Secured Bond issue and a loan from the European Investment Bank. Funding was established via a fellow subsidiary undertaking Road Management Consolidated PLC, which has on-lent a proportion of the proceeds to this company.

The new work elements of the project were completed nine months early in December 1997 and the Company has been successfully maintaining the 26.5 kilometres of new road together with the 26 kilometres of existing road during the past 23 years.

Some resurfacing works are executed annually together with the normal routine maintenance of grass cutting to verges and landscaped areas, litter removal, sweeping, gully emptying, safety fence retensioning, winter maintenance and response to emergencies, all of which continue to be carried out to the satisfaction of Highways England. The contract is currently in year 23 of its term and will expire in 2026.

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

2. Statement of Compliance

The individual financial statements of Road Management Services (Gloucester) Limited 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 judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.
Road Management Services (Gloucester) Limited

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2018

3. Accounting Policies (continued)

(b) Going concern

The directors have reviewed and are satisfied with the Road Management Group of companies projected profits and cash flows which have been prepared on the basis of a detailed analysis of the Group's finances, contracts and likely future traffic trends, covering accounting periods up to 31 December 2026.

As in previous years the credit rating assigned to the monoline insurer of the bonds issued by Road Management Consolidated PLC did not meet the minimum level required as part of the loan conditions for the company's borrowings from the European Investment Bank ('EIB'). As a result of this situation EIB would be entitled to request Road Management Consolidated PLC to obtain a replacement guarantor for the bonds. Road Management Consolidated PLC has received a written waiver from EIB which waives their right to request a replacement guarantor until the debt is fully repaid. Accordingly the loan balances due to EIB are presented in line with the scheduled maturity profile.

Following this review, the directors are confident that the group will be able to comply with its loan covenant requirements and settle its liabilities as they fall due and accordingly that it is appropriate to prepare the financial statements on a going concern basis.

(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 Group Limited which can be obtained from Cannon House, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) No cash flow statement has been presented for the Company.
(b) Disclosures in respect of financial instruments have not been presented.

The Company is wholly owned by Road Management Group 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.
3. Accounting Policies (continued)

(d) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements 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 compares 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) Revenue recognition

Turnover represents the income derived from the provision of roadways to highways England under a 30 year contract. Shadow tolls receivable from Highways England which were in excess of net operating, maintenance, depreciation costs and income were deferred up until the completion of the roadway improvements. Subsequent to the completion of the roadway improvements, all income earned has been recognised in the statement of comprehensive income and the deferred shadow tolls are being amortised over the remaining life of the concession in line with the depreciation charge.
3. Accounting Policies (continued)

(f) 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. Management periodically evaluates 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.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(g) 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.

(h) 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.
Road Management Services (Gloucester) Limited

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2018

3. Accounting Policies (continued)

(i) Tangible assets

All fixed assets are initially recorded at cost. The cost of the roadway concession asset represents expenditure on the improvements to the roadway up until the date of completion. This includes the direct cost of financing the improvements, up until the date of completion.

The Company is accounting for the concession asset based on the inability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a fixed asset within these financial statements.

(j) Depreciation

Depreciation of the roadway concession asset is calculated on the annuity basis over the remaining period of the concession contract after completion of the roadway.

All other fixed assets are depreciated at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life.

(k) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

(l) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

(m) 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.
3. Accounting Policies (continued)

   Financial instruments (continued)

   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 profit or loss, 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 profit or loss 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.

   Any reversals of impairment are recognised in profit or loss 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. Turnover

   Turnover arises from:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rendering of services</td>
<td>17,787</td>
<td>17,959</td>
</tr>
</tbody>
</table>

   The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.
5. Operating Profit

Operating profit or loss is stated after charging:

<table>
<thead>
<tr>
<th></th>
<th>2018 £000</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of tangible assets</td>
<td>6,166</td>
<td>5,642</td>
</tr>
</tbody>
</table>

6. Auditors' Remuneration

The audit fee of £22K (2017: £21K) includes fees relating to the audit of other group companies.

7. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year, including the Directors, amounted to nil (2017: nil). The Directors did not receive any remuneration from the Company during the year (2017: £nil).

8. Interest Receivable

<table>
<thead>
<tr>
<th></th>
<th>2018 £000</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on cash and cash equivalents</td>
<td>131</td>
<td>97</td>
</tr>
<tr>
<td>Interest from Group undertakings</td>
<td>36</td>
<td>32</td>
</tr>
</tbody>
</table>

Total: 167 129

9. Interest Payable and Similar Expenses

<table>
<thead>
<tr>
<th></th>
<th>2018 £000</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other interest payable and similar expenses</td>
<td>2,819</td>
<td>3,497</td>
</tr>
</tbody>
</table>

10. Taxation on Ordinary Activities

Major components of tax expense

<table>
<thead>
<tr>
<th></th>
<th>2018 £000</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK current tax expense</td>
<td>1,269</td>
<td>929</td>
</tr>
<tr>
<td>Adjustments in respect of prior periods</td>
<td>432</td>
<td>3</td>
</tr>
<tr>
<td>Total current tax</td>
<td>1,701</td>
<td>932</td>
</tr>
</tbody>
</table>

Deferred tax:

<table>
<thead>
<tr>
<th></th>
<th>2018 £000</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origination and reversal of timing differences</td>
<td>(99)</td>
<td>(90)</td>
</tr>
<tr>
<td>Taxation on ordinary activities</td>
<td>1,602</td>
<td>842</td>
</tr>
</tbody>
</table>
Road Management Services (Gloucester) Limited

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2018

10. Taxation on Ordinary Activities (continued)

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>£4,538</td>
<td>£4,294</td>
</tr>
<tr>
<td>Profit by rate of tax</td>
<td>862</td>
<td>826</td>
</tr>
<tr>
<td>Adjustment to tax charge in respect of prior periods</td>
<td>431</td>
<td>3</td>
</tr>
<tr>
<td>Effect of expenses not deductible for tax purposes</td>
<td>297</td>
<td>-</td>
</tr>
<tr>
<td>Change in tax rates</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Total tax charge</td>
<td>1,602</td>
<td>842</td>
</tr>
</tbody>
</table>

Factors that may affect future tax expense

The introduction of legislation restricting the tax deductibility of interest for UK companies with effect from 1 April 2017 has resulted in adjustments to the taxable profits of both the current and the prior year. In the prior year £2,313K of interest was disallowable under the new BEPS legislation, producing an increase in the tax charge of £439K. In the current year £1,561K of interest is disallowable, resulting in an increase to the current tax charge of £297K.

11. Tangible Assets

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings £000</th>
<th>Plant and machinery £000</th>
<th>Costs related to Roadway concession £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018 and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December 2018</td>
<td>177</td>
<td>811</td>
<td>122,786</td>
<td>123,774</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>118</td>
<td>557</td>
<td>50,464</td>
<td>51,139</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>6</td>
<td>33</td>
<td>6,127</td>
<td>6,166</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>124</td>
<td>590</td>
<td>56,591</td>
<td>57,305</td>
</tr>
<tr>
<td>Carrying amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>53</td>
<td>221</td>
<td>66,195</td>
<td>66,469</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>59</td>
<td>254</td>
<td>72,322</td>
<td>72,635</td>
</tr>
</tbody>
</table>

The concession to operate the roadway has been acquired from Highways England for a period of thirty years. Expenditure on improvements to the roadway is reflected in the roadway asset and includes capitalised interest up to the date of completion of £9,486K (2017: £9,486K). Interest charged to the Statement of Comprehensive income included within depreciation is £511K (2017: £419K).
Road Management Services (Gloucester) Limited

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2018

12. Debtors

Debtors amounts falling due within one year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Amounts owed by Group undertakings</td>
<td>13,675</td>
<td>13,662</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>2,115</td>
<td>1,877</td>
</tr>
<tr>
<td></td>
<td>15,799</td>
<td>15,544</td>
</tr>
</tbody>
</table>

The amounts owed by Group undertakings are non interest bearing and are repayable on demand.

13. Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>12</td>
<td>186</td>
</tr>
<tr>
<td>Amounts owed to Group undertakings</td>
<td>9,894</td>
<td>9,106</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>3,717</td>
<td>2,067</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>1,525</td>
<td>408</td>
</tr>
<tr>
<td>Taxation and social security</td>
<td>370</td>
<td>362</td>
</tr>
<tr>
<td>Other creditors</td>
<td>2,179</td>
<td>2,179</td>
</tr>
<tr>
<td></td>
<td>17,697</td>
<td>14,308</td>
</tr>
</tbody>
</table>

The amounts owed to Group undertakings includes £9,697K (2017: £8,770K) of capital due to Road Management Consolidated PLC in respect of intercompany loans, as detailed in note 14, together with accrued interest of £124K (2017: £115K) in respect of these loans, which are repayable upon demand.

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts owed to Group undertakings</td>
<td>13,780</td>
<td>23,408</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>4,816</td>
<td>5,375</td>
</tr>
<tr>
<td></td>
<td>18,596</td>
<td>28,783</td>
</tr>
</tbody>
</table>

Amounts owed to Group Undertakings relates to two intercompany loans due to Road Management Consolidated PLC. Interest on both loans is charged at commercial rates and is payable 6 monthly in June and December, with capital repayments being made on the same 6 monthly basis, with final repayment in June 2021. The loans are secured by charges and assignments in favour of that company, over all the assets of Road Management Services (Gloucester) Limited.

The loans from the fellow subsidiary undertaking are secured by charges and assignments in favour of Road Management Consolidated PLC, over all the assets of Road Management Services (Gloucester) Limited.
Road Management Services (Gloucester) Limited

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2018

15. Provisions for Liabilities

 Deferred tax (note 16)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>1,212</td>
<td></td>
</tr>
<tr>
<td>Movement through profit or loss</td>
<td>(98)</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td></td>
<td>1,114</td>
</tr>
</tbody>
</table>

16. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in provisions for liabilities (note 15)</td>
<td>1,114</td>
<td>1,212</td>
</tr>
</tbody>
</table>

The deferred tax account consists of the tax effect of timing differences in respect of:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated capital allowances</td>
<td>1,104</td>
<td>1,201</td>
</tr>
<tr>
<td>Short term timing differences</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>1,114</td>
<td>1,212</td>
</tr>
</tbody>
</table>

The net deferred tax liability expected to reverse in 2019 is £124K. This primarily relates to the reversal of timing differences on capital allowances together with other short term timing differences.

17. Called Up Share Capital

Issued, called up and fully paid

<table>
<thead>
<tr>
<th>Service</th>
<th>2018 No.</th>
<th>2018 £000</th>
<th>2017 No.</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of £1 each</td>
<td>9,660,002</td>
<td>9,660</td>
<td>9,660,002</td>
<td>9,660</td>
</tr>
</tbody>
</table>

18. Reserves

Retained earnings records retained earnings and accumulated losses.

19. Related Party Transactions

The Company is wholly owned by Road Management Group 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 (Gloucester) Limited

Notes to the Annual Report and Financial Statements (continued)

Year Ended 31 December 2018

20. Controlling Party

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

There is no ultimate parent and controlling party as Road Management Group Limited is jointly owned and controlled by Kellogg Brown & Root Limited, Abertis Motorways UK Limited and BiIF L.P.