

ROAD LINK (A69) LIMITED

Report and Financial Statements

31 March 2015

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REPORT AND FINANCIAL STATEMENTS 2015

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J K Fowler
G Geddo
S A Carr
E J Boot

SECRETARY

C R Franklin

REGISTERED OFFICE

Stocksfield Hall
Stocksfield
Northumberland
NE43 7TN

BANKERS

Lloyds Bank plc

SOLICITORS

Pinsent Masons LLP
5 Old Bailey
London

AUDITOR

Mazars LLP
Gelderd Road
Leeds

STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's principal activity is to maintain the A69 road on behalf of the Secretary of State for Transport and Highways England.

The financial year to 31 March 2015 is the 19th year of trading for the company, and the results and the relationships with suppliers/contractors remain good.

The prospects for the company are promising with 11 years of the concession to maintain the A69 remaining.

The contract is for a fixed term until 31 March 2026 with turnover being related to traffic flow. The directors do not anticipate any material shortfalls in revenue from traffic.

RESULTS AND FUTURE PROSPECTS

The results for the financial year are set out in detail in the profit and loss account on page 6. The financial position of the company at 31 March 2015 is shown in the balance sheet on page 7.

Key performance indicators (KPIs) are used to provide a comprehensive analysis of the performance of the company. The KPIs used include revenues, gross profit and operating profit. KPIs are evaluated by comparing the results to management forecasts. For the year ended 31 March 2015, actual results were in line with management's forecasts for revenue and exceeded management's forecasts by approximately £0.4 million for operating profit.

The directors are satisfied with the company's performance for the financial year and are confident of continued profitable trading in future years given a stable or growing economy.

GOING CONCERN

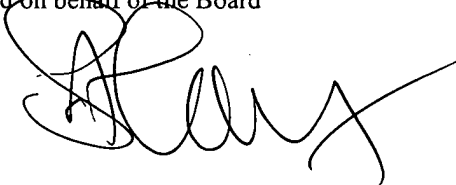
The company operates under the terms of a PFI contract, for which both finance and facilities are in place for the term of the contract. The directors believe that the company is well placed to manage its business risks successfully. The directors therefore have concluded that the company has adequate resources to continue in operational existence for the duration of the contract. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The board has considered the risks faced by the company and has sought to address these risks by establishing appropriate governance, management arrangements and robust operational policies. The board considers that these arrangements have been effective throughout the period being reported.

The company's principal risks relate to compliance with applicable laws and regulations which include Health and Safety matters, as well as compliance with terms attached to the PFI contract under which the company operates. Other risks faced by the company include those related to the management of cash flow and liquidity and the ability to source, develop and retain skilled employees.

Approved by the Board of Directors
and signed on behalf of the Board



S A Carr
Director

23 September 2015

DIRECTORS' REPORT

DIRECTORS

The directors of the company, who served throughout the financial year and subsequently, are as shown on page 1.

DIVIDENDS

The directors paid a final dividend of £1,000,000 (2014 - £1,500,000) in respect of the prior year and interim dividends of £3,250,000 (2014 - £3,750,000) in respect of the current year.

POST BALANCE SHEET EVENT

Subsequent to the year-end, the directors have proposed a dividend of £1,250,000 (2014 - £1,000,000).

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved:

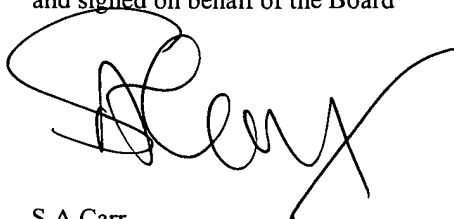
- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

During the year Deloitte LLP resigned as the company's auditor and Mazars LLP were appointed.

Mazars LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'S A Carr', written over a horizontal line.

S A Carr
Director

23 September 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROAD LINK (A69) LIMITED

We have audited the financial statements of Road Link (A69) Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit 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 Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic and Directors' Reports for the financial year for which the financial statements are prepared are consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Craig Manson (Senior statutory auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Gelderd Road, Leeds, United Kingdom

Date... 23 September 2015

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2015

	Note	2015 £	2014 £
TURNOVER	2	11,162,066	11,044,307
Cost of sales		(4,578,477)	(3,844,178)
GROSS PROFIT		6,583,589	7,200,129
Administrative expenses		(440,609)	(430,766)
OPERATING PROFIT	4	6,142,980	6,769,363
Interest receivable and similar income		9,011	6,071
Interest payable and similar charges	5	(79,393)	(174,244)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,072,598	6,601,190
Tax on profit on ordinary activities	6	(1,275,581)	(1,517,827)
PROFIT FOR THE FINANCIAL YEAR	15	<u>4,797,017</u>	<u>5,083,363</u>

All amounts derive from continuing operations.

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented.

BALANCE SHEET
As at 31 March 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	8	4,831,043	5,601,975
CURRENT ASSETS			
Debtors	9	709,775	836,898
Cash at bank and in hand		2,520,700	2,303,641
		3,230,475	3,140,539
CREDITORS: amounts falling due within one year	10	(1,666,095)	(2,942,343)
NET CURRENT ASSETS		1,564,380	198,196
TOTAL ASSETS LESS CURRENT LIABILITIES		6,395,423	5,800,171
CREDITORS: amounts falling due after more than one year	11	(722,700)	(794,970)
PROVISIONS FOR LIABILITIES	13	(1,528,404)	(1,407,899)
NET ASSETS		4,144,319	3,597,302
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Profit and loss account	15	4,144,317	3,597,300
SHAREHOLDER'S FUNDS	15	4,144,319	3,597,302

The financial statements of Road Link (A69) Limited, registered number 3125840, were approved by the Board of Directors and authorised for issue on 23 September 2015.

Signed on behalf of the Board of Directors


S A Carr
Director

CASH FLOW STATEMENT
Year ended 31 March 2015

	Note	2015 £	2014 £
Net cash inflow from operating activities	16	7,524,148	7,881,607
Returns on investments and servicing of finance			
Interest received		9,011	6,071
Interest paid		(79,393)	(174,244)
Net cash outflow from returns on investments and servicing of finance		(70,382)	(168,173)
UK corporation tax paid		(1,426,258)	(1,460,294)
Investing activities			
Payments to acquire tangible fixed assets		(397,913)	(197,825)
Net cash outflow from investing activities		(397,913)	(197,825)
Equity dividends paid		(4,250,000)	(5,250,000)
Net cash inflow before financing		1,379,595	805,315
Financing			
Bank loan repaid	17	(1,162,536)	(1,162,536)
Net cash outflow from financing		(1,162,536)	(1,162,536)
Increase/(decrease) in cash in the year	17 & 18	217,059	(357,221)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom generally accepted accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The company operates under the terms of a PFI contract, for which both finance and facilities are in place for the term of the contract. The directors believe that the company is well placed to manage its business risks successfully. The directors therefore have concluded that the company has adequate resources to continue in operational existence for the duration of the contract. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Tangible fixed assets

Tangible fixed assets are stated at cost less provision for any impairment. Tangible fixed assets are depreciated in equal annual instalments over their estimated useful lives. Provision is made for any impairment identified. The rates of depreciation are as follows:

Roads	- Haltwhistle by-pass	- 5% per annum
	- Improvements	- Remainder of concession
Plant and equipment	- traffic counting equipment	- 10% per annum
	- office furniture and equipment	- 20% per annum
	- computer equipment	- 33 ¹ / ₃ % per annum

Road and structure maintenance work

Maintenance work carried out on the A69 road, by-pass road and structures on the roads is assessed, for each particular case, as to the element of capital and revenue expenditure. Where work of a capital nature is identified, the costs associated with that work are capitalised and written off over the remaining life of the concession. Work of a revenue nature is written off in the year incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable in accordance with the rules of the scheme. Amounts paid in excess of the annual charge are shown as prepayments at the year-end. An accrual is recorded where the annual charge exceeds the payment made.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

2. TURNOVER AND REVENUE RECOGNITION

Turnover is stated net of VAT and trade discounts. Turnover represents revenue due from Highways England as calculated by the DBFO (Design, Build, Finance & Operate) contract. The calculation of "shadow tolls" is based on vehicle usage of the A69 in the period of account.

The turnover and pre-tax profit, which arise in the United Kingdom, are attributable to the company's principal activity. Revenue is recognised in relation to the period in which the service is provided.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2015 No.	2014 No.
Average number of persons employed (including directors)		
Directors	4	4
Company secretary	1	1
Administration	7	7
	<u>12</u>	<u>12</u>
	£	£
Staff costs		
Wages and salaries	246,781	239,812
Social security costs	30,643	29,553
Other pension costs	22,939	21,908
	<u>300,363</u>	<u>291,273</u>

Directors' emoluments

No directors received remuneration from this company during the current or the prior financial year for their services to this company. The directors are remunerated by the parent companies for their services and it is considered that the amount receivable in respect of qualifying services to this company is £nil (2014 - £nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

4. OPERATING PROFIT

	2015 £	2014 £
Operating profit is stated after charging		
Depreciation of tangible fixed assets – owned assets	1,168,844	1,147,258
Operating lease rentals – other	23,387	23,387
Auditor's remuneration – audit fees	6,750	8,650
– tax compliance fees	2,750	5,104
– paid in year to previous auditor	621	-
	<u>1,199,351</u>	<u>1,184,403</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Bank loan commission and fees	15,071	22,724
Bank loan interest	64,322	151,444
Other interest	-	76
	<u>79,393</u>	<u>174,244</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £	2014 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 21% (2014 – 23%)	(1,275,581)	(1,518,258)
Adjustment in respect of prior years	-	431
Total current tax	<u>(1,275,581)</u>	<u>(1,517,827)</u>

During 2013 reductions to the UK tax rate were announced. The reductions have seen a decrease in the corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Both were substantively enacted on 2 July 2013. The proposed changes are not expected to materially affect the tax charge of the company.

The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £	2014 £
Profit on ordinary activities before tax	6,072,598	6,601,190
Tax on profit on ordinary activities before tax at 21% (2014 – 23%)	(1,275,246)	(1,518,274)
Factors affecting charge for the year		
Prior period adjustments	-	431
Expenses not deductible for tax purposes	(465)	(193)
Capital allowances in excess of depreciation	130	209
Current tax charge for the year	<u>(1,275,581)</u>	<u>(1,517,827)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

7. DIVIDENDS

	2015 £	2014 £
Final paid - £500,000 (2014 - £750,000) per share	1,000,000	1,500,000
First interim paid - £1,000,000 (2014 - £1,250,000) per share	2,000,000	2,500,000
Second interim paid - £625,000 (2014 - £625,000) per share	1,250,000	1,250,000
	<u>4,250,000</u>	<u>5,250,000</u>

8. TANGIBLE FIXED ASSETS

	A69 Haltwhistle by-pass £	A69 improve- ments £	Plant and equipment £	Total £
Cost				
At 1 April 2014	16,983,000	5,643,427	170,805	22,797,232
Additions	-	380,233	17,680	397,913
Disposals	-	-	(4,067)	(4,067)
At 31 March 2015	<u>16,983,000</u>	<u>6,023,660</u>	<u>184,418</u>	<u>23,191,078</u>
Accumulated depreciation				
At 1 April 2014	14,223,262	2,833,298	138,697	17,195,257
Charge for the year	849,150	313,075	6,620	1,168,845
Disposals	-	-	(4,067)	(4,067)
At 31 March 2015	<u>15,072,412</u>	<u>3,146,373</u>	<u>141,250</u>	<u>18,360,035</u>
Net book value				
At 31 March 2015	<u>1,910,588</u>	<u>2,877,287</u>	<u>43,168</u>	<u>4,831,043</u>
At 31 March 2014	<u>2,759,738</u>	<u>2,810,129</u>	<u>32,108</u>	<u>5,601,975</u>

9. DEBTORS

	2015 £	2014 £
Trade debtors	703,395	827,617
Prepayments	6,380	9,281
	<u>709,775</u>	<u>836,898</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Bank loan	-	1,162,536
Trade creditors	122,968	90,050
Amounts owed to related parties (see note 20)	13,941	281
Corporation tax	667,581	818,258
Other creditors including taxation and social security	452,116	454,899
Accruals and deferred income	409,489	416,319
	<u>1,666,095</u>	<u>2,942,343</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £	2014 £
Deferred income	722,700	794,970
	<u>722,700</u>	<u>794,970</u>

12. BORROWINGS

	2015 £	2014 £
Analysis of bank loan repayments		
Within one year	-	1,162,536
	<u>-</u>	<u>1,162,536</u>

The bank loan which was secured by a specific equitable charge over the Haltwhistle by-pass and fixed and floating charges over the remaining assets of the company was settled in full during the year.

The company has applied to have all charges removed now that its obligations have been met.

13. PROVISIONS FOR LIABILITIES

	2015 £	2014 £
Life cycle provision		
At 1 April	1,407,899	1,435,287
Charged to profit and loss account	984,410	681,842
Utilised	(863,905)	(709,230)
At 31 March	<u>1,528,404</u>	<u>1,407,899</u>

The company is committed, under the terms and conditions of the DBFO contract, to carry out repair and maintenance work to roads and structures in order to maintain the standard of the roads during the contract term and to leave them with a ten-year life at the end of the contract period.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

14. CALLED UP SHARE CAPITAL

	2015 £	2014 £
Called up, allotted and fully paid		
2 ordinary shares of £1 each	2	2

15. STATEMENT OF MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Share capital £	Profit and loss account £	2015 £	2014 £
At 1 April	2	3,597,300	3,597,302	3,763,939
Profit for the financial year	-	4,797,017	4,797,017	5,083,363
Dividends	-	(4,250,000)	(4,250,000)	(5,250,000)
At 31 March	2	4,144,317	4,144,319	3,597,302

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £	2014 £
Operating profit	6,142,980	6,769,363
Depreciation	1,168,845	1,147,258
Decrease in debtors	127,123	93,316
Decrease in creditors	(35,305)	(100,942)
Increase/(decrease) in provisions	120,505	(27,388)
Net cash inflow from operating activities	7,524,148	7,881,607

17. ANALYSIS OF NET FUNDS

	At 1 April 2014 £	Cash flow £	At 31 March 2015 £
Cash at bank and in hand	2,303,641	217,059	2,520,700
	2,303,641	217,059	2,520,700
Debt due within one year	(1,162,536)	1,162,536	-
	1,141,105	1,379,595	2,520,700

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2015 £	2014 £
Increase/(decrease) in cash in the year	217,059	(357,221)
Cash outflow from decrease in debt financing	1,162,536	1,162,536
Movement in net funds in the year	1,379,595	805,315
Net funds brought forward	1,141,105	335,790
Net funds carried forward	<u>2,520,700</u>	<u>1,141,105</u>

19. OPERATING LEASE COMMITMENTS

At 31 March, the company had no (2014: no) annual commitments under non-cancellable operating leases.

20. RELATED PARTY TRANSACTIONS

During the year, the company has been re-charged costs (excluding VAT) incurred by the following companies (these companies are either shareholders of the parent company or companies controlled by the shareholders):

	Costs £	Balance owed at 31 March 2015 £	Costs £	Balance owed at 31 March 2014 £
Henry Boot Construction Limited	5,139	1,817	2,143	-
Henry Boot PLC	35,968	4,630	21,909	281
Pell Frischmann Consultants Ltd	73,017	7,494	-	-
	<u>114,124</u>	<u>13,941</u>	<u>24,052</u>	<u>281</u>

21. PARENT UNDERTAKINGS AND CONTROLLING PARTY

The company's immediate parent undertaking is Road Link (A69) Holdings Limited, a company incorporated in England and Wales. Copies of its financial statements may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

The ultimate parent undertaking of Road Link (A69) Holdings Limited is Henry Boot PLC, the financial statements of which are publicly available. Henry Boot PLC is incorporated in England and Wales and owns 61.2% of the issued share capital of Road Link (A69) Holdings Limited. This is the smallest and largest group in which the results of the company are included.

The directors are of the opinion that there is no ultimate controlling party.

22. POST BALANCE SHEET EVENT

Subsequent to the year-end, the directors have proposed and paid a dividend of £1,250,000 (2014 - £1,000,000).



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