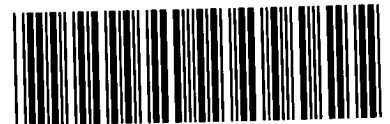


Company Registration No. 03600969 (England and Wales)

**UK HIGHWAYS A55 (HOLDINGS) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	K Rahuf T Cunningham	(Appointed 30 April 2019) (Appointed 30 April 2019)
<b>Secretary</b>	HCP Management Services Limited	
<b>Company number</b>	03600969	
<b>Registered office</b>	8 White Oak Square London Road Swanley Kent BR8 7AG	
<b>Auditor</b>	KPMG LLP Two Forbury Place 33 Forbury Road Reading RG1 3AD	
<b>Banker</b>	Mizuho Bank Ltd Mizuho House 30 Old Bailey London EC4M 7AU	
<b>Solicitors</b>	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD	

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# **UK HIGHWAYS A55 (HOLDINGS) LIMITED**

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# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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The Directors present the strategic report for the year ended 31 March 2020.

#### **Business Review and Principal Activities**

The principal activity of the Company is to act as a holding company, with a single subsidiary UK Highways A55 Limited.

The principle activity of the Group is to carry on the business of the design, financing, construction and operation of a new 31km dual two lane trunk road on a green field alignment in Anglesey, North Wales, and the operation and maintenance of 9km of existing trunk road for the Welsh Government. The A55 was completed and commenced operation on 16 March 2001. The concession for the maintenance and operation of the project road runs until December 2028.

#### *Business & Financial Performance*

Income and expenditure for the year have been in line with the Board's expectations. Turnover is linked to traffic volumes in a non-linear way; the charging mechanism is such that volume changes have to be significant to impact materially on reported turnover. Risks to turnover from normal traffic fluctuations are therefore seen as small. All operational costs are on fixed long-term contracts and again risks to these costs are perceived as being small.

The Group profit after taxation for the year is £4,155,000 (2019: £5,880,000) and the net assets of the Group are £26,913,000 (2019: £25,010,000).

Traffic levels started to drop at the year end as a result of the restrictions on movement imposed by the UK government due to Covid-19. The Directors continue to monitor traffic volumes on a weekly basis in light of going concern assumptions (as further explained in the Director's report and Note 1).

#### **Principal Risks**

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk, credit risk and lifecycle risk. These risks are further explained in the Directors' report.

#### **Development and performance**

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

#### **Key Performance Indicators**

The Group's operations are managed by a management services provider whose staff report to the directors. Operations are largely determined by the detailed terms of the DBFO contract which stipulates the monitoring of the key performance criteria on operational activities detailed in the following sections.

Penalty points are awarded by the client for poor or substandard performance, as stipulated in the contract, and these are monitored regularly by the Board. The project consistently produces acceptable results and few penalty points are accumulated at any one time.

#### *Traffic Volumes*

This year's traffic volumes on the A55 have decreased by 1.5% for cars and increased 0.6% for HGVs over the same period last year. In the prior year, traffic volumes increased by 0.3% for cars and 2.6% for HGVs. The reduction this year was primarily due to the restrictions on movement during the Covid-19 pandemic from mid-March 2020.

#### *Health & Safety Performance*

Health and safety reports are provided at every board meeting and are reviewed regularly by the Directors. The Board considers any events which would indicate a pattern for further review and action if required. The health and safety of the project is considered to be satisfactory.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Key performance indicators (continued)**

#### *Forecasts*

The Board regularly reviews costs and traffic levels against forecasts and accident statistics are compared against benchmarks. Traffic is monitored against forecasts which are based on independent data and revised every three years. Costs are measured against both the Group's own budgets and benchmarked against similar sub-contracts on other projects. Accidents are monitored against the Group's own database of historic data and also against the equivalent for the whole of Wales, as provided by the Welsh Government. Road safety performance has consistently exceeded the performance for the whole of Wales and this has resulted in a positive Safety Payment for every year of operation to date.

#### *Lifecycle*

The Group is responsible for all lifecycle costs on the project. The Directors manage this through close involvement in the project and regular monitoring of its performance. Regular surveys are done on the condition of the road and a full review of lifecycle forecasts is done every three years. Remedial repairs required as a result of defects identified in earlier surveys are carried out as required. The cost for this additional work in the current year was £3,282,000 (2019: £3,905,000).

On behalf of the board of directors



K Rahuf  
Director  
29 July 2020

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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The Directors present their annual report and audited financial statements for the year ended 31 March 2020.

#### Principal activities

The principal activity of the company and group continued to be that of operating the property and undertaking known as the A55 trunk road across Anglesey, North Wales under the Design, Build, Finance, Operate contract with the Welsh Government.

There have not been any significant changes in the Group's activities in the year under review.

The Company is wholly owned by JLIF (Holdings) A55 Limited whose ultimate parent company is Jura Holdings Limited.

#### Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Bradbury	(Resigned 30 April 2019)
J Heemelaar	(Resigned 30 April 2019)
K Rahuf	(Appointed 30 April 2019)
T Cunningham	(Appointed 30 April 2019)

#### Going concern

The Directors have assessed liquidity and covenant compliance for a period of at least twelve months from date of approval of the financial statements. These forecasts include the ability of the Group to meet all loan and interest repayments including the potential impact of Covid-19 on the project. The Group earns a unitary payment from the authority linked to traffic volumes. Following Covid-19 and the implementation of UK lockdown, traffic volumes on the road declined but have recently started to rise as lockdown is eased. The unitary payment for the year ending 31 March 2021 is based on traffic volumes for the year ending 31 March 2020 (i.e. is retrospective), and therefore the full impact of lower traffic volumes will only start to be seen within the year ending 31 March 2022 (i.e. from 1 April 2021). The Directors forecasts show that the Group can continue to fully meet its debt obligations (including covenant compliance and ensuring all reserves are all fully funded). The Directors have run various stress scenarios which show that the Group can continue to meet all its debt obligations (including covenant compliance and the funding of reserves) in the next twelve months, even if traffic volumes were to halve over the period to March 2021. The Group would also have further mitigating actions available to mitigate any further decline in traffic including dividend reductions.

The Directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis.

#### Results

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £2,803,000 (2019: £4,360,000). The Directors do not recommend payment of a final dividend.

#### Qualifying third party indemnity provisions

The Group 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.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### Financial risk management objectives and policies

#### **Liquidity risk**

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession.

#### **Interest rate risk**

The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Group uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates.

#### **Credit risk**

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a government authority.

#### **Lifecycle risk**

Lifecycle expenditure is the main risk to the Group. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every three years.

#### **Future developments**

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

#### **Auditor**

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Statement of disclosure to auditor**

Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



K Rahuf  
Director  
8 White Oak Square  
London Road  
Swanley, Kent  
BR8 7AG

29 July 2020

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report, 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 they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Group and the parent Company and of their profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF UK HIGHWAYS A55 (HOLDINGS) LIMITED

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#### Opinion

We have audited the financial statements of UK Highways A55 (Holdings) Limited ("the parent company") for the year ended 31 March 2020 which comprise the Group statement of comprehensive income, the Group balance sheet, the Company balance sheet, the Group statement of changes in equity, the Company statement of changes in equity, the Group statement of cash flows and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditors report is not a guarantee that the company will continue in operation.

#### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF UK HIGHWAYS A55 (HOLDINGS) LIMITED

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#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: <http://www.frc.org.uk/auditorsresponsibilities>.

#### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Robert Fitzpatrick (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Two Forbury Place  
33 Forbury Road  
Reading  
RG1 3AD

29 July 2020

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

		2020	2019
	Notes	£'000	£'000
Turnover	3	22,316	21,124
Cost of sales		(15,903)	(11,955)
<b>Operating profit</b>	4	6,413	9,169
Net interest payable	7,8	(1,344)	(1,999)
<b>Profit before taxation</b>		5,069	7,170
Tax on profit	9	(914)	(1,290)
<b>Profit for the financial year</b>		4,155	5,880
<b>Other comprehensive income</b>			
Cash flow hedges gain arising in the year	16	626	737
Tax relating to other comprehensive income	20	(75)	(125)
<b>Total comprehensive income for the year</b>		4,706	6,492

The notes on pages 14 to 32 form part of the financial statements.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## GROUP BALANCE SHEET

AS AT 31 MARCH 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	11		54,935		60,040
<b>Current assets</b>					
Debtors falling due after more than one year	14	280		787	
Debtors falling due within one year	14	459		1,768	
Cash at bank and in hand		16,399		18,851	
		17,138		21,406	
<b>Creditors: amounts falling due within one year</b>	15	(10,276)		(12,892)	
<b>Net current assets being total assets less current liabilities</b>			6,862		8,514
<b>Total assets less current liabilities</b>			61,797		68,554
<b>Creditors: amounts falling due after more than one year</b>	16		(30,520)		(43,544)
<b>Provisions for liabilities</b>	19		(4,364)		-
<b>Net assets</b>			26,913		25,010
<b>Capital and reserves</b>					
Called up share capital	21		500		500
Hedging reserve	21		(1,263)		(1,814)
Profit and loss reserves	21		27,676		26,324
<b>Total equity</b>			26,913		25,010

The notes on pages 14 to 32 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 29 July 2020 and are signed on its behalf by:



K Rahuf  
Director

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## COMPANY BALANCE SHEET

AS AT 31 MARCH 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	12		500		500
<b>Current assets</b>					
Debtors falling due after more than one year	14	1,763		2,205	
Debtors falling due within one year	14	484		489	
		<u>2,247</u>		<u>2,694</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(484)</u>		<u>(492)</u>	
<b>Net current assets</b>			1,763		2,202
<b>Total assets less current liabilities</b>			<u>2,263</u>		<u>2,702</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(1,763)		(2,205)
<b>Net assets</b>			<u>500</u>		<u>497</u>
<b>Capital and reserves</b>					
Called up share capital	21		500		500
Profit and loss reserves			-		(3)
<b>Total equity</b>			<u>500</u>		<u>497</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £2,806,000 (2019: £4,360,000).

The notes on pages 14 to 32 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 29 July 2020 and are signed on its behalf by:



K Rahuf  
Director

Company Registration No. 03600969

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Called up share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 April 2018 (restated)</b>		500	(2,426)	24,804	22,878
<b>Year ended 31 March 2019:</b>					
Profit for the year		-	-	5,880	5,880
Other comprehensive income:					
Cash flow hedges arising in the year		-	737	-	737
Tax relating to other comprehensive income		-	(125)	-	(125)
Total comprehensive income for the year		-	612	5,880	6,492
Dividends	10	-	-	(4,360)	(4,360)
<b>Balance at 31 March 2019</b>		500	(1,814)	26,324	25,010
<b>Year ended 31 March 2020:</b>					
Profit for the year		-	-	4,155	4,155
Other comprehensive income:					
Cash flow hedges gains arising in the year		-	626	-	626
Tax relating to other comprehensive income		-	(75)	-	(75)
Total comprehensive income for the year		-	551	4,155	4,706
Dividends	10	-	-	(2,803)	(2,803)
<b>Balance at 31 March 2020</b>		500	(1,263)	27,676	26,913

The notes on pages 14 to 32 form part of the financial statements.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Called up share capital £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 April 2018</b>		500	(3)	497
<b>Year ended 31 March 2019:</b>				
Profit and total comprehensive income for the year		-	4,360	4,360
Dividends	10	-	(4,360)	(4,360)
<b>Balance at 31 March 2019</b>		500	(3)	497
<b>Year ended 31 March 2020:</b>				
Profit and total comprehensive income for the year		-	2,806	2,806
Dividends	10	-	(2,803)	(2,803)
<b>Balance at 31 March 2020</b>		500	-	500

The notes on pages 14 to 32 form part of the financial statements.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	11,086	13,679
Income taxes paid		(838)	(1,205)
<b>Net cash inflow from operating activities</b>		<u>10,248</u>	<u>12,474</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(78)	-
Interest received		129	169
Movement in other investing activities		-	1,893
<b>Net cash generated from investing activities</b>		<u>51</u>	<u>2,062</u>
<b>Financing activities</b>			
Interest paid		(2,333)	(3,084)
Repayment of borrowings		(443)	(1,850)
Repayment of bank loans		(7,172)	(6,722)
Dividends paid to equity shareholders		(2,803)	(4,360)
<b>Net cash used in financing activities</b>		<u>(12,751)</u>	<u>(16,016)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(2,452)</u>	<u>(1,480)</u>
Cash and cash equivalents at beginning of year		18,851	20,331
<b>Cash and cash equivalents at end of year</b>		<u><u>16,399</u></u>	<u><u>18,851</u></u>



# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **1 Accounting policies**

#### **Company information**

UK Highways A55 (Holdings) Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pounds sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with FRS 102. The principal accounting policies adopted are set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its parent financial statements. The Company is consolidated in these financial statements. Exemptions have been taken in these parent company financial statements in relation to presentation of a company statement of cashflows.

#### **1.2 Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 March each year. The subsidiary has a year ended 31 March 2020.

#### **1.3 Going concern**

The Company exists to hold investments in its subsidiary that provides services under certain private finance agreements. The subsidiary is set up as a Special Purpose Company under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of 14 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Welsh Government (the "Authority").

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 1 Accounting policies

(Continued)

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Group's operating cash inflows are largely dependent on unitary charge receipts receivable from the Authority. The income receivable from the Authority is dependent on traffic volumes on the road with the income varying with reference to the traffic volume bands within the Contract.

Following Covid-19 and the implementation of UK lockdown, traffic volumes on the road declined but have recently started to rise as lockdown is eased. The unitary payment for the year ending 31 March 2021 is based on traffic volumes for the year ending 31 March 2020 (i.e. is retrospective), and therefore the full impact of lower traffic volumes will only start to be seen within the year ending 31 March 2022 (i.e. from 1 April 2021). The Directors base case assumes a reduction of 45% in HGV volumes and 75% in car volumes for a period of 3 months, followed by a stepped recovery to normal volumes over a period of 3 months, this would reduce toll revenue by 8% over the period to March 2021. A mitigating measure taken in this base case is that discretionary maintenance is deferred from FY22 to FY23. The base case forecasts show that the Group can continue to meet its debt obligations (including covenant compliance and ensuring all reserves are all fully funded).

The Directors have considered a reasonably probably downside stress scenario which show that the Group can continue to meet all its debt obligations (including covenant compliance), even if traffic volumes reduce further. This scenario considers a reduction of 45% in HGV volumes and 75% in car volumes for a period of 6 months, followed by a stepped recovery to normal volumes over a period of 6 months, this would reduce toll revenue by 38% over the period to March 2021. As a mitigating measure this scenario contains the same assumption as above over discretionary maintenance and also assumes that dividend distributions are suspended until 2022 in order to retain cash within the Group.

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Group or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Group has its own business continuity plans to ensure that service provision will continue.

The Directors believe the Group has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.4 Turnover

Turnover is derived entirely in the United Kingdom and is net of VAT and other sales related taxes, to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is earned based on the number of vehicles using the road during the year on the contractually agreed rates, and is recognised as earned.

Other income includes variation income which relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 1 Accounting policies

(Continued)

#### 1.5 Tangible fixed assets

Tangible fixed assets comprise:

- (i) freehold properties and improvements, being the depot covered by the Concession Agreement.
- (ii) infrastructure assets, being that section of the A55 road covered by the Concession Agreement (the "Project Road") together with its associated landscaping and over/under bridges.
- (iii) other assets, including fixed electrical and mechanical equipment, plant and machinery and fixtures and fittings.

##### Infrastructure assets

The Group is a special purpose entity that has been established to provide services under certain private finance agreements with the Welsh Government. Under the terms of these Agreements, the Welsh Government (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements. The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 April 2014). The nature of the asset has therefore not changed and will continue to be recognised as a tangible fixed asset.

The Project Road consists of part new road and part existing road, which includes the Menai Bridge ("the Bridge"). The existing part of the Project Road was handed over to the company at nil value. All expenditure on the Project Road specified in the Concession Agreement as related to the new road is treated as additions, and is included at cost less depreciation.

Depreciation is charged on the infrastructure assets over the life of the concession pro rata to usage. Annual depreciation on the main project road is a function of the proportion of traffic for the year over the total estimated traffic for the period of the concession.

##### Other assets

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold properties and improvements	25 years
Mechanical and electrical equipment	10 years
Plant, machinery and other equipment	3-10 years
Fixtures and fittings	3-5 years

#### 1.6 Fixed asset investments

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Fixed asset investments are held at cost less provision for any impairment.

#### 1.7 Cash and cash equivalents

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

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.8 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

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

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Loans and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### ***Classification of financial liabilities***

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 Group after deducting all of its liabilities.

##### ***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### ***Other financial liabilities***

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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 Group after deducting all of its liabilities.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

#### 1.9 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Group does not hold or issue derivative financial instruments for speculative purposes.

#### Hedge accounting

The Group designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

#### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is 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.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

#### **1.12 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **1.13 Major maintenance provision**

Provision for major maintenance of the Project Road is based on the expenditure required to maintain the Project Road in the condition laid down in the Concession Agreement. The charge made in the year reflects the costs to be borne by the Company in making good the wear and tear sustained by the road in the year. Cash expenditure is charged against the balance sheet provision as and when incurred, and to the extent that cash expenditure exceeds the amount provided to date, the balance is disclosed as a prepayment or accrual.

The annual cost of repair is calculated with reference to the expenditure required over the life of the Concession to maintain the Project Road to the specified standard and the annual traffic movements which give rise to the wear and tear. The annual cost of repair to structural and other assets is calculated with respect to the duration of the concession. The future cost has been discounted at a rate of 7.0%. The unwinding of the discount is recognised in the income statement with other finance costs.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### **2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

##### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### **Hedge accounting**

The Directors consider the Group to have met the criteria for hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

##### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

##### **Valuation of derivative financial instruments**

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases the, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £3,105,000 (2019: £4,677,000 liability). The Directors do not consider the impact of own credit risk to be material.

##### **Depreciation**

Depreciation on infrastructure assets is charged over the concession pro rata to usage. As such, the Directors judgement of expected traffic levels over the remaining concession (as supported by third party projections) determines the value of this charge.

##### **Major maintenance provision**

The Directors use their judgement to estimate both the value of major maintenance work still to be completed and expected traffic levels over the remaining concession. Third party advice is periodically sought to support these judgements. The Directors also have to judge a suitable discount factor to apply to the calculation. When determining a suitable discount factor, the Directors have considered typical discount rates applied to companies with similar risk profiles and the level of expected major maintenance expenditure remaining to the end of the concession.



# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2020	2019
	£'000	£'000
<b>Turnover analysed by class of business</b>		
Shadow Tolls	16,834	18,035
Deferred Income	5,443	2,742
Other Revenue	39	347
	<u>22,316</u>	<u>21,124</u>

Turnover relates wholly to amounts paid under the Concession Agreement in the United Kingdom and is considered to be one class of business.

Deferred income relates to remedial works carried out on the Project road during the current year.

#### 4 Operating profit

	2020	2019
	£'000	£'000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the financial statements of the Company	3	3
Fees payable to the company's auditor for the audit of the financial statements of the Group	22	17
Fees payable to the company's auditor and its associates for other services - Taxation services	1	5
Major maintenance costs	8,147	4,530
Operational costs	1,974	1,919
Other operating charges	573	535
Depreciation of tangible fixed assets	<u>5,183</u>	<u>4,946</u>

#### 5 Employees

The Group had no employees during the current or prior year.

#### 6 Directors' remuneration

No directors received any remuneration for services to the Group during the current or prior year.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 7 Interest receivable and similar income

	2020 £'000	2019 £'000
<b>Interest income</b>		
Interest on bank deposits	126	134
<b>Other income from investments</b>		
Gains on financial instruments measured at fair value through profit or loss	947	977
<b>Total income</b>	<u>1,073</u>	<u>1,111</u>
 Interest on financial assets measured at fair value through profit or loss	 <u>947</u>	 <u>977</u>

### 8 Interest payable and similar expenses

	2020 £'000	2019 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	2,274	2,891
Interest payable to group undertakings	143	219
<b>Total interest expense</b>	<u>2,417</u>	<u>3,110</u>

### 9 Taxation

	2020 £'000	2019 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	482	665
<b>Deferred tax</b>		
Origination and reversal of timing differences	524	459
Changes in tax rates	(92)	-
Cashflow hedge adjustment	-	166
<b>Total deferred tax</b>	<u>432</u>	<u>625</u>
<b>Total tax charge</b>	<u>914</u>	<u>1,290</u>

For the year ended 31 March 2020, the UK corporation tax rate of 19% is applied.

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the group's future current tax charge accordingly. The deferred tax asset at 31 March has been calculated at 19% (2019: 17%).

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2020 £'000	2019 £'000
Profit before taxation	5,069	7,170
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	963	1,362
Tax effect of expenses that are not deductible in determining taxable profit	-	1
Effect of change in corporation tax rate	(92)	-
Changes in deferred tax	43	(73)
Taxation charge	914	1,290

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £'000	2019 £'000
Deferred tax arising on:		
Revaluation of financial derivative instruments treated as cash flow hedges	75	125

### 10 Dividends

	2020 £'000	2019 £'000
Interim paid	2,803	4,360

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 11 Tangible fixed assets

Group	Freehold properties £'000	Infrastructure assets £'000	Menai Bridge £'000	Vehicles, plant and equipment £'000	Total £'000
<b>Cost</b>					
At 1 April 2019	496	119,645	1,926	285	122,352
Additions	78	-	-	-	78
At 31 March 2020	574	119,645	1,926	285	122,430
<b>Depreciation and impairment</b>					
At 1 April 2019	325	60,579	1,123	285	62,312
Depreciation charged in the year	18	5,080	85	-	5,183
At 31 March 2020	343	65,659	1,208	285	67,495
<b>Carrying amount</b>					
At 31 March 2020	231	53,986	718	-	54,935
At 31 March 2019	171	59,066	803	-	60,040

Included within infrastructure asset cost is £10,607,000 (2019: £10,607,000) of interest capitalised during the construction phase. The NBV of interest capitalised is £4,700,000 (2019: £5,200,000).

The Group has the right to the benefits derived from the operation of the Concession fixed assets throughout the term of the Concession, but in certain circumstances has no legal title to those assets. The Group has an obligation to maintain the Concession fixed assets throughout the Concession period and to hand them back to the Welsh Government at the end of the Concession in an agreed condition.

### 12 Fixed asset investments

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Investments in subsidiaries	13	-	-	500	500

The investment in subsidiaries is an equity instrument measured at cost less impairment.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 12 Fixed asset investments (Continued)

#### Movements in fixed asset investments Company

Shares in  
group  
undertakings  
£'000

#### Cost or valuation

At 1 April 2019 and 31 March 2020

500

#### Carrying amount

At 31 March 2020

500

At 31 March 2019

500

### 13 Subsidiaries

Details of the Company's subsidiaries at 31 March 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
UK Highways A55 Limited	8 White Oak Square, London Road, Swanley, BR8 7AG	Design, finance, construction and operation of the A55 Trunk Road from Llandegai to Holyhead.	Ordinary shares	100.00

### 14 Debtors

#### Amounts falling due within one year:

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Trade debtors	4	4	27	-	-
Corporation tax recoverable		129	-	-	-
Amounts due from subsidiary undertakings		-	-	443	444
Prepayments and accrued income		326	1,741	41	45
		<u>459</u>	<u>1,768</u>	<u>484</u>	<u>489</u>

#### Amounts falling due after more than one year:

Amounts due from subsidiary undertakings		-	-	1,763	2,205
Deferred tax asset	20	280	787	-	-
		<u>280</u>	<u>787</u>	<u>1,763</u>	<u>2,205</u>
<b>Total debtors</b>		<u>739</u>	<u>2,555</u>	<u>2,247</u>	<u>2,694</u>

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 14 Debtors

(Continued)

#### Unsecured loan notes

At the year end, the Company was owed £2,206,000 (2019: £2,649,000) in unsecured loan notes and accrued interest of £38,000 (2019: £45,000) from its subsidiary UK Highways A55 Limited. The loan notes are subject to interest at 5% plus six-month LIBOR calculated at 15 June and 15 December each year. They are repayable by 15 December 2024 or before if funds allow.

### 15 Creditors: amounts falling due within one year

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Bank loans and overdrafts	18	7,651	7,061	-	-
Trade creditors		67	102	-	-
Unsecured loan notes	18	443	444	443	444
Amounts owed to parent undertakings		38	45	41	48
Corporation tax payable		-	227	-	-
Other taxation and social security		494	533	-	-
Accruals and deferred income		1,583	4,480	-	-
		<u>10,276</u>	<u>12,892</u>	<u>484</u>	<u>492</u>

### 16 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Bank loans and overdrafts	18	23,562	31,207	-	-
Amounts due to parent undertaking	18	1,763	2,205	1,763	2,205
Derivative financial instruments	17	3,105	4,677	-	-
Deferred income		2,090	5,455	-	-
		<u>30,520</u>	<u>43,544</u>	<u>1,763</u>	<u>2,205</u>

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 16 Creditors: amounts falling due after more than one year

(Continued)

##### Deferred income

Deferred income includes settlement funds received for the remedial repairs on the Project road over the next three years.

##### Hedge accounted derivative financial instruments

In 1998, as part of its interest rate management and in accordance with the terms of its credit agreement, the Company entered into 30 year interest rate hedging agreements to be applied to the future borrowings of the Company under the loan facility until 15 December 2023. The swap agreements with MizuhoBank and Commerzbank fix the interest at 5.70%. The interest rate swaps settle on a quarterly basis with the floating rate being three months LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis.

The interest rate swap contracts are designated as a hedge of variable interest rate risk of the Company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap.

The fair value of the derivative financial instruments above comprises the fair value of the interest rate swaps designated in an effective hedging arrangement. The change in fair value of the interest rate swaps that was recognised in other comprehensive income in the year was a gain of £626,000 (2019: gain £737,000).

##### Other derivative financial instruments

There is a further swap agreement with Royal Bank of Scotland to fix the interest rate on the above loan facility at 3.17% plus RPI, with RPI adjusted on an annual basis. The change in fair value of the interest rate swap that was recognised in the profit and loss account in the year was a gain of £947,000 (2019: gain £977,000).

Amounts included above which fall due after five years are as follows:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Payable by instalments	-	434	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>17 Financial instruments</b>				
	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Carrying amount of financial liabilities</b>				
Measured at fair value through profit or loss				
- Other financial liabilities	3,105	4,677	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 18 Loans and overdrafts

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Bank loans	31,213	38,268	-	-
Loans due to parent undertakings	2,206	2,649	2,206	2,649
	<u>33,419</u>	<u>40,917</u>	<u>2,206</u>	<u>2,649</u>
Payable within one year	8,094	7,505	443	444
Payable after one year	25,325	33,412	1,763	2,205
	<u>33,419</u>	<u>40,917</u>	<u>2,206</u>	<u>2,649</u>

#### Bank Loans

Bank loans are made under a £132 million facility to fund the construction of the A55 provided by a syndicate of banks. Repayment is in instalments with the final payment falling due in December 2023. Interest is charged at rates linked to LIBOR. The facilities are secured, by way of first fixed charge, over the Company's Shares and any other stocks, shares, debentures, bonds or other securities and investments in the Company and all their related rights. They are also secured by way of a floating charge over the Company's undertakings and assets, present and future, not otherwise assigned.

#### Unsecured loan notes

During the year unsecured loan notes of £443,000 (2019: £1,850,000) were redeemed. The unsecured loan notes are repayable by 15 December 2024, or before if funds allow.

### 19 Provisions for liabilities

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
	<u>4,364</u>	<u>-</u>	<u>-</u>	<u>-</u>

Movements on provisions:

Group	Major maintenance provision £'000
At 1 April 2019	-
Reclassified from deferred income	3,136
Charge to profit and loss account	1,228
At 31 March 2020	<u>4,364</u>



# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 19 Provisions for liabilities

(Continued)

#### Major maintenance provision

At the year end a proportion of deferred income was reclassified to major maintenance provision. The major maintenance provision is based on projected future cashflows and has been discounted at a rate of 7.0%, which is considered an appropriate rate of discount.

The provision is expected to increase over the next 7 years for major maintenance expenditure forecast towards the end of the DBFO concession

### 20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group, and movements thereon:

	Assets 2020	Assets 2019
Group	£'000	£'000
Other timing differences	(1,328)	(1,300)
Tax losses	1,018	1,292
Tax related to fair value movement on financial derivatives through other comprehensive income	296	371
Tax related to fair value movement on financial derivatives through profit and loss	294	424
	<u>280</u>	<u>787</u>
	Group 2020	Company 2020
Movements in the year:	£'000	£'000
Asset at 1 April 2019	787	-
Credit to profit or loss	(432)	-
Credit to other comprehensive income	(75)	-
	<u>280</u>	<u>-</u>
Asset at 31 March 2020	<u>280</u>	<u>-</u>

The deferred tax liability in relation to other timing differences set out above is expected to reverse over the concession length and relates to a difference in accounting and taxation treatment of certain expenses and the losses brought forward.

The deferred tax asset in relation to the interest rate swap liability is expected to affect profit or loss over the period to maturity of the interest rate swap.

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 21 Called up share capital

	Group and company	
	2020	2019
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
500,200 Ordinary shares of £1 each	500	500

#### Other reserves

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

### 22 Controlling party

The Company's immediate parent company is JLIF Holdings (A55) Limited. The smallest and largest group in which the Company's results are consolidated is A55 (Holdings) Limited.

The Company's ultimate parent and controlling entity is Jura Holdings Limited.

### 23 Cash generated from group operations

	2020	2019
	£'000	£'000
Profit for the year after tax	4,155	5,880
Adjustments for:		
Taxation charged	914	1,290
Finance costs	1,344	1,999
Depreciation and impairment of tangible fixed assets	5,183	4,946
Increase in provisions	4,364	-
(Decrease) in deferred income	(5,443)	(2,742)
Movements in working capital:		
Decrease in debtors	1,440	1,642
(Decrease)/increase in creditors	(871)	664
Cash generated from operations	11,086	13,679

# UK HIGHWAYS A55 (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 24 Analysis of changes in net debt

	2020 £'000
<b>Opening net funds/(debt)</b>	
Cash and cash equivalents	18,851
Loans	(40,917)
Net derivative financial instruments	(4,677)
	<u>(26,743)</u>
<b>Changes in net debt arising from:</b>	
Cash flows of the entity	6,618
	<u>(20,125)</u>
Closing net funds/(debt) as analysed below	<u><u>(20,125)</u></u>
<b>Closing net funds/(debt)</b>	
Cash and cash equivalents	16,399
Loans	(33,419)
Net derivative financial instruments	(3,105)
	<u><u>(20,125)</u></u>