Company Registration No. 03600969 (England and Wales)

UK HIGHWAYS A55 (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

UK HIGHWAYS A55 (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	K Rahuf T Cunningham N Rouse	 (Appointed 21 April 2021)
Secretary	Vercity Management Services Limited	
Company number	03600969	
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG	
Auditor	Goodman Jones LLP 29/30 Fitzroy Square London W1T 6LQ	
Banker	Mizuho Bank Ltd Mizuho House 30 Old Bailey London EC4M 7AU	
Solicitors	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD	

UK HIGHWAYS A55 (HOLDINGS) LIMITED

CONTENTS

UK HIGHWAYS A55 (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present the strategic report for the year ended 31 March 2021.

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 principal 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 £808,000 (2020: £4,155,000) and the net assets of the Group are £28,262,000 (2020: £26,913,000).

Traffic levels started to drop in mid-March 2020, and traffic levels continued to be depressed throughout the year ended 31 March 2021, 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 37.1% for cars and decreased by 12.0% for HGVs over the same period last year. In the prior year, traffic volumes decreased by 1.5% for cars and increased by 0.6% 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.

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 £1,950,000 (2020: £3,282,000).

On behalf of the board

K Rahuf
Director
21 July 2021

UK HIGHWAYS A55 (HOLDINGS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their annual report and audited financial statements for the year ended 31 March 2021.

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:

K Rahuf
T Cunningham
N Rouse (Appointed 21 April 2021)

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 2022 is based on traffic volumes for the year ending 31 March 2021 (i.e. is retrospective), and therefore toll revenue cash flows will continue to be impacted until at least mid-2022. 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 only achieve an average of 63% of 2019-20 actual traffic levels in the year ended March 2022. The Company would also have further mitigating actions available to mitigate any further decline in traffic including continuing to restrict shareholder distributions.

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

Results and dividends
The results for the year are set out on page 10.

No interim dividends were paid in the current year (2020: £2,803,000). 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.

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 swaps 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
KPMG LLP resigned as auditors during the year and Goodman Jones LLP were appointed as auditor to the *group. Goodman Jones LLP is deemed to be reappointed under section 487 (2) of the Companies Act 2006.*

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Group is aware of that information.

On behalf of the board

K Rahuf
Director

21 July 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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), 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 Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and 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 Group or 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 Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UK HIGHWAYS A55 (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of UK Highways A55 (Holdings) Limited ("the Parent Company") for the year ended 31 March 2021, 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Company's affairs as at 31 March 2021 and of the group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UK HIGHWAYS A55 (HOLDINGS) LIMITED

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and parent and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities 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, and for 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.

In preparing the financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UK HIGHWAYS A55 (HOLDINGS) LIMITED

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Goodman Jones LLP

Paul Bailey (Senior Statutory Auditor)
for and on behalf of Goodman Jones LLP
Chartered Accountants
Statutory Auditor

21 July 2021
29/30 Fitzroy Square
London
W1T 6LQ

UK HIGHWAYS A55 (HOLDINGS) LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	17,159	22,316
Cost of sales		(14,644)	(15,903)
Operating profit	4	2,515	6,413
Net interest payable	7,8	(1,512)	(1,344)
Profit before taxation		1,003	5,069
Tax on profit	9	(195)	(914)
Profit for the financial year		808	4,155
Other comprehensive income			
Cash flow hedges gain arising in the year	16	668	626
Tax relating to other comprehensive income	20	(127)	(75)
Total comprehensive income for the year		1,349	4,706

The notes on pages 16 to 35 form part of the financial statements.

The group statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		48,797		54,935
Current assets					
Debtors falling due after more than one year	14	70		280	
Debtors falling due within one year	14	679		459	
Cash at bank and in hand		14,580		16,399	
		15,329		17,138	
Creditors: amounts falling due within one year	15	(11,290)		(10,276)	
Net current assets being total assets less current liabilities			4,039		6,862
Total assets less current liabilities			52,836		61,797
Creditors: amounts falling due after more than one year	16		(19,942)		(30,520)
Provisions for liabilities	19		(4,632)		(4,364)
Net assets			28,262		26,913
Capital and reserves					
Called up share capital	21		500		500
Hedging reserve	21		(722)		(1,263)
Profit and loss reserves	21		28,484		27,676
Total equity			28,262		26,913

The notes on pages 16 to 35 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 21 July 2021 and are signed on its behalf by:

K Rahuf
Director

UK HIGHWAYS A55 (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments	**12**		500		500
Current assets					
Debtors falling due after more than one year	**14**	1,320		1,763	
Debtors falling due within one year	**14**	469		484	
		1,789		2,247	
Creditors: amounts falling due within one year	**15**	(469)		(484)	
Net current assets			1,320		1,763
Total assets less current liabilities			1,820		2,263
Creditors: amounts falling due after more than one year	**16**		(1,320)		(1,763)
Net assets			500		500
Capital and reserves					
Called up share capital	**21**		500		500
Total equity			500		500

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 £Nil (2020: £2,806,000).

The financial statements were approved by the board of directors and authorised for issue on 21 July 2021 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 2021

	Notes	Share capital £'000	*Hedging reserve* £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2019		500	(1,814)	26,324	25,010
Year ended 31 March 2020:					
Profit for the year		-	-	4,155	4,155
Other comprehensive income:					
Cash flow hedges gains		-	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)
Balance at 31 March 2020		500	(1,263)	27,676	26,913
Year ended 31 March 2021:					
Profit for the year		-	-	808	808
Other comprehensive income:					
Cash flow hedges gains		-	668	-	668
Tax relating to other comprehensive income		-	(127)	-	(127)
Total comprehensive income for the year		-	541	808	1,349
Balance at 31 March 2021		500	(722)	28,484	28,262

The notes on page 16 to 35 form part of the financial statements.

UK HIGHWAYS A55 (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Called up share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2019		500	(3)	497
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	2,806	2,806
Dividends	**10**	-	(2,803)	(2,803)
Balance at 31 March 2020		500	-	500
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 March 2021		500	-	500

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Cash generated from operations	**24**		8,318		11,086
Income taxes paid			(259)		(838)
Net cash inflow from operating activities			8,059		10,248
Investing activities					
Purchase of tangible fixed assets		-		(78)	
Interest received		19		129	
Net cash generated from investing activities			19		51
Financing activities					
Interest paid		(1,803)		(2,333)	
Repayment of borrowings		(443)		(443)	
Repayment of bank loans		(7,651)		(7,172)	
Dividends paid to equity shareholders		-		(2,803)	
Net cash used in financing activities			(9,897)		(12,751)
Net decrease in cash and cash equivalents			(1,819)		(2,452)
Cash and cash equivalents at beginning of year			16,399		18,851
Cash and cash equivalents at end of year			14,580		16,399

1 Accounting policies

Company information

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

The group consists of UK Highways A55 (Holdings) Limited and all of its subsidiaries.

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 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.

Amendments to FRS102: Interest rate reform

The group's hedged items and hedging instruments continue to be linked to Sterling LIBOR. The group has early adopted the transitional provisions set out in the amendments to FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Interest Rate Benchmark Reform, issued in December 2019, to those hedging relationships directly affected by LIBOR reform. In accordance with these amendments, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the group assumes that the benchmark interest rate is not altered as a result of LIBOR reform and can continue to apply hedge effectiveness throughout the transition period.

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 of 31 March 2021.

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").

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 2022 is based on traffic volumes for the year ending 31 March 2021 (i.e. is retrospective), and therefore toll revenue cash flows will continue to be impacted until at least mid-2022. The Directors base case assumes a reduction of 20% in HGV volumes and 35% in car volumes against 2019-20 traffic levels in the three months to June 2021, followed by a stepped recovery to normal volumes over the nine months to March 2022. 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 slower speed of recovery to normal traffic levels over the nine months to March 2022, assuming an average traffic level of 63% against 2019-20 traffic levels in the year ended March 2022. Again in this downside stress scenario the Group can continue to meet its debt obligations (including covenant compliance) and all reserves are fully funded.

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 Group 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.

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's subsidiary 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 group 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.

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, cash and bank balances and other financial assets, 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.

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. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments.

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.

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 the group statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the group statement of comprehensive income 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, 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 the group statement of comprehensive income, 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 the group statement of comprehensive income in the periods when the hedged item is recognised in the group statement of comprehensive income 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Any gain or loss previously recognised in other comprehensive income is reclassified to the statement of comprehensive income when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.11 Taxation

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

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the group statement of comprehensive income 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.

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% (2020: 7.0%). The unwinding of the discount is recognised in the income statement with other finance costs.

2 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 cash flow 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.

The fair value of the swaps recorded in the accounts are based on Mark to Market estimates provided by the Bank. It is expected that changes to the hedging instrument and the loan will be materially consistent and limited to the transition from LIBOR to the new benchmark, as both the loan and the swap will be transitioned to the new benchmark at similar times in a broadly matching fashion.

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 £1,773,000 (2020: £3,105,000 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.

3 Turnover and other revenue

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

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Shadow Tolls	14,900	16,834
Deferred Income	1,958	5,443
Other Revenue	301	39
	17,159	22,316

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

	2021 £'000	2020 £'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	10	22
Fees payable to the company's auditor and its associates for other services - Taxation services	-	1
Major maintenance costs	5,084	8,147
Operational costs	2,773	1,974
Other operating charges	636	573
Depreciation of tangible fixed assets	6,138	5,183

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.

7 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	19	126
Other income from investments		
Gains on financial instruments measured at fair value through profit or loss	664	947
Total income	683	1,073
Interest on financial assets measured at fair value through profit or loss	664	947

8 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,784	2,274
Interest payable to group undertakings	106	143
Other finance costs:		
Unwinding of discount on provisions	305	-
Total interest expense	2,195	2,417

9 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	112	482
Deferred tax		
Origination and reversal of timing differences	83	524
Changes in tax rates	-	(92)
Total deferred tax	83	432
Total tax charge	195	914

9 Taxation **(Continued)**

For the year ended 31 March 2021, the UK corporation tax rate of 19% is applied.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The deferred tax asset as at 31 March 2021 has been calculated based on a rate of 19%.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. If enacted the deferred tax asset would have increased by £22,059.

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

	2021	**2020**
	£'000	**£'000**
Profit before taxation	1,003	5,069
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	191	963
Effect of change in corporation tax rate	-	(92)
Change in deferred tax	-	43
Underprovision of tax in prior years	4	-
Taxation charge for the year	195	914

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:

	2021	**2020**
	£'000	**£'000**
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	127	75

10 Dividends

	2021	**2020**
	£'000	**£'000**
Interim paid	-	2,803

11 Tangible fixed assets

Group	Freehold properties	Infrastructure assets	Menai Bridge	Vehicles, plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020 and 31 March 2021	574	119,645	1,926	285	122,430
Depreciation and impairment					
At 1 April 2020	343	65,659	1,208	285	67,495
Depreciation charged in the year	26	6,027	85	-	6,138
At 31 March 2021	369	71,686	1,293	285	73,633
Carrying amount					
At 31 March 2021	205	47,959	633	-	48,797
At 31 March 2020	231	53,986	718	-	54,935

Included within infrastructure asset cost is £10,607,000 (2020: £10,607,000) of interest capitalised during the construction phase. The NBV of interest capitalised is £4,200,000 (2020: £4,700,000).

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 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Investments in subsidiaries	13	-	-	500	500

Movements in fixed asset investments

Company	Shares in group undertakings £'000
Cost or valuation	
At 1 April 2020 and 31 March 2021	500
Carrying amount	
At 31 March 2021	500
At 31 March 2020	500

13 Subsidiaries

Details of the Company's subsidiaries at 31 March 2021 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

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Amounts falling due within one year:					
Trade debtors		295	4	-	-
Corporation tax recoverable		276	129	-	-
Amounts owed by group undertakings		-	-	469	484
Prepayments and accrued income		108	326	-	-
		679	459	469	484
Amounts falling due after more than one year:	**Notes**				
Amounts owed by group undertakings		-	-	1,320	1,763
Deferred tax asset	**20**	70	280	-	-
		70	280	1,320	1,763
Total debtors		749	739	1,789	2,247

Unsecured loan notes

At the year end, the Company was owed £1,763,000 (2020: £2,206,000) in unsecured loan notes and accrued interest of £26,000 (2020: £38,000) 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 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Bank loans	18	8,036	7,651	-	-
Trade creditors		87	67	-	-
Amounts owed to parent undertakings	18	469	481	469	484
Other taxation		616	494	-	-
Accruals and deferred income		2,082	1,583	-	-
		11,290	10,276	469	484

16 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Bank loans	18	15,647	23,562	-	-
Amount due to parent undertakings	18	1,320	1,763	1,320	1,763
Derivative financial instruments measured at fair value through profit or loss	17	1,773	3,105	-	-
Deferred income		1,202	2,090	-	-
		19,942	30,520	1,320	1,763

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 two 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 Group entered into 30 year interest rate hedging agreements to be applied to the future borrowings of the Group 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 Group 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 Group'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 £668,000 (2020: gain £626,000).

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 £664,000 (2020: gain £947,000).

17 Financial instruments

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Financial assets				
Financial assets measured at amortised cost	14,924	16,403	1,789	2,247
Financial Liabilities				
Derivative financial instruments measured at fair value through the profit and loss	1,773	3,105	-	-
Financial liabilities measured at amortised cost	26,756	34,025	1,789	2,247
	28,529	37,130	1,789	2,247

Financial assets measured at amortised cost comprise of trade debtors, accrued income and cash.

Financial liabilities measured at amortised cost comprise of trade creditors, accruals and loans. The derivative is accounted for as a hedge of variable interest rate risk, in accordance with FRS102 and has a fair value of a liability of £1,773,000 (2019: liability of £3,105,000) at the year end. The cash flow arising from the interest rate swaps will continue until their maturity in 2023, coinciding with the repayment of the bank loans.

The fair values of the interest rate swap and RPI Swap have been determined by reference to prices available from the markets on which the instruments involved are traded.

18 Loans and overdrafts

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Bank loans	23,683	31,213	-	-
Loans from group undertakings	1,763	2,206	1,763	2,206
	25,446	33,419	1,763	2,206
Payable within one year	8,479	8,094	443	443
Payable after one year	16,967	25,325	1,320	1,763
	25,446	33,419	1,763	2,206

18 Loans and overdrafts **(Continued)**

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 shares of UK Highways A55 Limited 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 (2020: £443,000) were redeemed. The unsecured loan notes are repayable by 15 December 2024, or before if funds allow. The loan notes are subject to interest rates at an agreed arms length rate of six month LIBOR plus 5%. Accrued interest of £26,000 (2020: £38,000) is outstanding as at 31 March 2021.

19 Provisions for liabilities

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Major maintenance provision	4,632	4,364	-	-

Movements on provisions:

Group	Major maintenance provision £'000
At 1 April 2020	4,364
Paid in the year	(3,171)
Unwinding of discount	305
Charge to profit and loss account	3,134
At 31 March 2021	4,632

Major maintenance provision
The major maintenance provision is based on projected future cashflows and has been discounted at a rate of 7.0% (2020: 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:

Group	Assets 2021 £'000	Assets 2020 £'000
Other timing differences	(1,181)	(1,328)
Tax losses	914	1,018
Tax related to fair value movement on financial derivatives through other comprehensive income	169	296
Tax related to fair value movement on financial derivatives through profit and loss	168	294
	70	280

Movements in the year:	Group 2021 £'000	Company 2021 £'000
Liability at 1 April 2020	280	-
Credit to profit or loss	(83)	-
Credit to other comprehensive income	(127)	-
Liability at 31 March 2021	70	-

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.

21 Share capital

	Group and company 2021 £'000	2020 £'000
Ordinary share capital		
Issued and fully paid		
'H' ordinary shares: 225,090 of £1 each	225	225
'L' ordinary shares: 137,555 of £1 each	138	138
'T' ordinary shares: 137,555 of £1 each	138	138
	500	500

21 Share capital **(Continued)**

All share classes have the same rights and rank pari passu.

Other reserves
The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses less dividends paid.

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 *Related party transactions*

As a wholly indirectly owned subsidiary of Fenton Holdco Limited, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the Fenton Holdco Limited group.

23 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 Equitix Fund V LP, a partnership incorporated in Great Britain and registered in England and Wales, with a registered address of 200 Aldersgate Street, London, EC1A 4HD. Copies of the financial statements of Equitix Fund V LP are available from 200 Aldersgate Street, London, EC1A 4HD on request.

24 Cash generated from group operations

	2021 £'000	2020 £'000
Profit for the year after tax	808	4,155
Adjustments for:		
Taxation charged	195	914
Finance costs	2,195	2,417
Investment income	(683)	(1,073)
Depreciation and impairment of tangible fixed assets	6,138	5,183
(Decrease)/increase in provisions	(37)	4,364
Decrease in deferred income	(1,958)	(5,443)
Movements in working capital:		
(Increase)/decrease in debtors	(78)	1,440
Increase/(decrease) in creditors	1,738	(871)
Cash generated from operations	8,318	11,086

25 Analysis of changes in net debt - group

	1 April 2020	Cash flows	Other non-cash changes	31 March 2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	16,399	(1,819)	-	14,580
Borrowings excluding overdrafts	(33,419)	8,094	(121)	(25,446)
Interest rate swap	(3,105)	-	1,332	(1,773)
	(20,125)	6,275	1,211	(12,639)