

Company Registration No. 03849374 (England and Wales)

COUNTYROUTE (A130) PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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COUNTYROUTE (A130) PLC

COMPANY INFORMATION

Directors	D Bradbury S Hsueh (Appointed 17 March 2016)
Secretary	T Hedges
Company number	03849374
Registered office	8 White Oak Square London Road Swanley BR8 7AG
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor 2 New Street Square London United Kingdom EC4A 3BZ
Bankers	Commerzbank AG London Branch PO Box 52715 London EC2P 2XY

COUNTYROUTE (A130) PLC

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COUNTYROUTE (A130) PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present the strategic report for the year ended 31 December 2016.

Business Review

The Company was set up for the design, financing, and construction of the new A130 dual carriageway road under a Concession Agreement between the Company and the Client, Essex County Council, dated 20 October 1999. The construction of the road was divided into a Northern Scheme, which was completed on 18 February 2002, and a Southern Scheme, completion of which was achieved on 8 September 2003.

Financial close was achieved on 20 October 1999. The concession period is 30 years. The completion certificate for the initial construction works was received on 8 September 2003.

Principal Risks and Uncertainties

The Company'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.

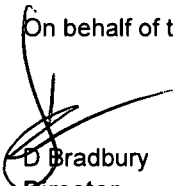
Future Developments

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

Key performance Indicators

There are a number of key performance indicators for the Company. Traffic volumes are compared against the latest traffic forecast and actual traffic levels are currently above forecast levels. The level of performance and unavailability deductions levied by the client are monitored since this reflects the quality of the service being provided. During the period, the Company suffered minimal deductions.

On behalf of the board



D Bradbury
Director
22 May 2017

COUNTYROUTE (A130) PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report and audited financial statements for the year ended 31 December 2016.

Principal activities

The Principal activity of the Company is the operation of the road for the remainder of the concession life of 30 years.

There have not been any significant changes in the Company's principal activities in the year under review. During the year, the road has continued to perform well. Traffic levels over the years have been slightly behind forecasts made at financial close, however this has now started to improve.

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

S Hsueh

T Brooks

(Appointed 17 March 2016)

(Resigned 17 March 2016)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

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

Financial risk management objectives and policies

Liquidity Risk

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

Interest Rate Risk

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

Credit Risk

The Company's principal financial assets are cash, financial assets and trade and other receivables. The Company'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 local government authority.

COUNTYROUTE (A130) PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Lifecycle Risk

Lifecycle expenditure is the main risk to the business. 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 at minimum once a year.

During 2016 two separate embankment slippages were detected along the A130 road. One slippage relates to the northern section of the road, while the other slippage relates to the southern section of the road.

The project has engaged technical advisors who have performed the necessary survey's and produced a report detailing the full work required to rectify these slippages. Quotes have been obtained for these works and a provision of £3.3 million has been recognised in the accounts to rectify the two separate embankment slippages detected along the road during 2016.

Future developments

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

Auditor

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

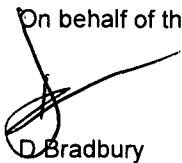
Statement of disclosure to auditor

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 Company'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 Company'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



D Bradbury

Director

22 May 2017

COUNTYROUTE (A130) PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

- select suitable accounting policies and then apply them consistently;
- make 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COUNTYROUTE (A130) PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNTYROUTE (A130) PLC

We have audited the financial statements of Countyroute (A130) PLC for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes on pages 10 - 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

COUNTYROUTE (A130) PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF COUNTYROUTE (A130) PLC

Matters on which we are required to report by exception

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

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

D. Winstone

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Daryl Winstone (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
2 New Street Square
EC4A 3BZ

22 May 2017

COUNTYROUTE (A130) PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	£'000	£'000
Turnover	3	1,929	1,795
Cost of sales		(1,466)	(1,530)
Gross profit		463	265
Interest receivable and similar income	7	5,287	5,495
Interest payable and similar charges	8	(5,826)	(6,093)
Loss before taxation		(76)	(333)
Taxation	9	-	-
Loss for the financial year		(76)	(333)
Other comprehensive income			
Fair value (loss)/gain arising on cash flow hedges in the year		(627)	4,217
Deferred tax relating to other comprehensive income		(117)	(1,291)
Total comprehensive (loss)/income for the year		(820)	2,593

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

COUNTYROUTE (A130) PLC

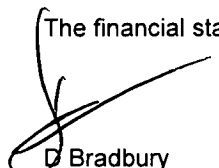
BALANCE SHEET

AS AT 31 DECEMBER 2016

		2016		2015	
	Notes	£'000	£'000	as restated £'000	£'000
Current assets					
Debtors falling due after one year	10	76,516		75,299	
Debtors falling due within one year	10	4,170		3,548	
Cash at bank and in hand		14,077		17,509	
		<u>94,763</u>		<u>96,356</u>	
Creditors: amounts falling due within one year	11	<u>(4,249)</u>		<u>(5,427)</u>	
Net current assets			90,514		90,929
Creditors: amounts falling due after more than one year	12		(115,312)		(118,207)
Provisions for liabilities	14		(3,300)		-
Net liabilities			<u>(28,098)</u>		<u>(27,278)</u>
Capital and reserves					
Called up share capital	15		850		850
Hedging reserve	15		(19,112)		(18,368)
Profit and loss reserves	15		(9,836)		(9,760)
Total deficit			<u>(28,098)</u>		<u>(27,278)</u>

The prior year financial statements and corresponding notes have been restated to remove the deferred tax asset relating to the 2014 losses which were incorrectly recognised in 2015. The tax debtor of £163k was reduced to £nil causing the debtors falling due within one year to decrease from £3,711k to £3,548k and the prior year reserves deficit to increase to £9,760k from £9,597k. The prior period error does not affect the loss for the financial year, which was correctly reported as £333k in 2015.

The financial statements were approved and signed by the director and authorised for issue on 22 May 2017


D Bradbury
Director

Company Registration No. 03849374

COUNTYROUTE (A130) PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2015		850	(21,294)	(9,427)	(29,871)
Year ended 31 December 2015:					
Loss for the year		-	-	(333)	(333)
Other comprehensive income:					
Fair value gain arising on cash flow hedges in the year		-	4,217	-	4,217
Deferred tax relating to other comprehensive income		-	(1,291)	-	(1,291)
Total comprehensive income for the year		-	2,926	(333)	2,593
Balance at 31 December 2015 as restated		850	(18,368)	(9,760)	(27,278)
Year ended 31 December 2016:					
Loss for the year		-	-	(76)	(76)
Other comprehensive income:					
Fair value loss arising on cash flow hedges in the year		-	(627)	-	(627)
Deferred tax relating to other comprehensive income		-	(117)	-	(117)
Total comprehensive loss for the year		-	(744)	(76)	(820)
Balance at 31 December 2016		850	(19,112)	(9,836)	(28,098)

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Countyroute (A130) PLC is a private company limited by shares domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, 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 pound 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 certain financial instruments at fair value and in accordance with FRS 102. The principal accounting policies adopted are set out below.

The Company is consolidated within the group accounts of Countyroute Limited. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes.

The Company is also considered to be a qualifying entity for the disclosure exemptions relating to the requirements of Section 11 Paragraphs 11.39 to 11.48A as the equivalent disclosures required by this FRS are included in the consolidated financial statements of the Group in which the Company is consolidated.

1.2 Going concern

The Company is in a net current liability position as at 31 December 2016. The Directors have reviewed the Company's forecasts and projections, taking into account reasonable possible changes in environmental conditions, in addition to asset and counterparty performance which show that the Company can continue to meet its debts as they fall due.

The Directors therefore, at the time of approving the financial statements, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

1.4 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.

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.5 Financial instruments

The Company 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 Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, 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.

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.

Service concession

The Company is a special purpose entity that has been established to provide services under certain private finance agreements with Essex County Council. Under the terms of these Agreements, the Essex County Council (as grantor) controls the services to be provided by the Company over the contract term. Based on the contractual arrangements the Company 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 Company 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 prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Council), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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.

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 Company 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 Company 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 receipts 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 Company after deducting all of its liabilities.

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.6 Equity instruments

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

1.7 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 Company does not hold or issue derivative financial instruments for speculative purposes.

Hedge accounting

The Company 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 Company 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 Company 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.

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.

1.8 Taxation

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

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 Company'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 when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company 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 it arises.

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 Company to have met the criteria for hedge accounting; the Company 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 derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Company 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 £24,167,000 (2015: £23,557,000 liability). The Directors do not consider the impact of own credit risk to be material.

Service concession arrangement

As disclosed in Note 1, the Company accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Company's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

Lifecycle

The project carries out annual lifecycle reviews to assess the level of major maintenance required on the project. Where relevant, advice is sought from external third parties and technical advisors to assess the risk and obtain a profile which is the most accurate forecast at that point in time. By combining the expertise of the management services provider and technical experts this gives a best estimate of the major maintenance profile at that point in time.

Major maintenance is capitalised on the basis that the works being carried per this specific profile are enhancing the value of the asset. This is separate from routine maintenance work which is carried out on a more regular basis. Costs of £3.3m relating to embankment slippage works have been capitalised under this policy.

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Turnover and other revenue

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

	2016 £'000	2015 £'000
Turnover		
Service fee income	1,929	1,795
	<u> </u>	<u> </u>
Other significant revenue		
Interest income	5,287	5,495
	<u> </u>	<u> </u>

Turnover analysed by geographical market

	2016 £'000	2015 £'000
United Kingdom	1,929	1,795
	<u> </u>	<u> </u>

4 Operating profit

	2016 £'000	2015 £'000
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the Company's auditor for the audit of the Company and the Company's parent company	17	17
	<u> </u>	<u> </u>

5 Employees

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

6 Directors' remuneration

No Directors received any remuneration for services to the Company during the current or prior year.

7 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest income		
Interest on bank deposits	-	31
Other interest income	5,287	5,464
	<u> </u>	<u> </u>
Total interest income	5,287	5,495
	<u> </u>	<u> </u>

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

8 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	5,568	5,803
Other interest on financial liabilities	63	69
Other interest	195	221
	<u> </u>	<u> </u>
Total interest expense	5,826	6,093
	<u> </u>	<u> </u>

9 Taxation

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits for the current period	(15)	(67)
	<u> </u>	<u> </u>
Total current tax	(15)	(67)
	<u> </u>	<u> </u>
Deferred tax		
Tax losses not recognised for deferred tax purposes	15	67
	<u> </u>	<u> </u>
Total tax charge	-	-
	<u> </u>	<u> </u>

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

	2016 £'000	2015 £'000
Loss before taxation	(76)	(333)
	<u> </u>	<u> </u>
Expected tax charge based on a corporation tax rate in the UK of 20.00% (2015: 20.25%)	(15)	(67)
	<u> </u>	<u> </u>
Tax losses not recognised for deferred tax purposes	15	67
Tax expense for the year	-	-
	<u> </u>	<u> </u>

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

9 Taxation

(Continued)

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:

	2016 £'000	2015 £'000
Deferred tax arising on:		
Deferred tax on interest rate swap fair value	(106)	759
Effect of change in tax rate on opening liability	223	532
Total tax recognised in other comprehensive income	117	1,291

For the year ended 31 December 2016, the UK rate of 20% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

10 Debtors

	2016 £'000	2015 as restated £'000
Amounts falling due within one year:		
Trade debtors	1,123	-
Financial asset	1,679	2,157
Prepayments and accrued income	1,368	1,391
	4,170	3,548
Amounts falling due after more than one year:		
	2016 £'000	2015 £'000
Financial asset	70,894	67,680
Prepayments and accrued income	1,707	3,587
Deferred tax asset	3,915	4,032
	76,516	75,299
Total debtors	80,686	78,847

Notes

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COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

10 Debtors

(Continued)

Prior year corporation tax recoverable balance of £163k has been restated to nil as this should not have been recognised in 2015.

11 Creditors: amounts falling due within one year

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts	13	3,531	4,386
Trade creditors		8	-
Other taxation		248	511
Accruals and deferred income		462	530
		<u>4,249</u>	<u>5,427</u>

12 Creditors: amounts falling due after more than one year

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts	13	72,719	76,224
Amounts due to parent undertakings	13	18,426	18,426
Derivative financial instruments		24,167	23,557
		<u>115,312</u>	<u>118,207</u>

Derivative Financial Instruments

The swaps have a fixed interest rate of 6.44% and expire in 2026. The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is six months' Libor. The Company will settle the difference between the fixed and floating interest rate on a net basis.

The fair value of the derivative financial instruments above comprise the fair value of the interest rate swap designated in an effective hedging relationship. The interest rate swap contract was designated as a cash flow hedge of variable interest rate risk of the Company's floating rate borrowings and a portion of its income respectively. 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 hedge was highly effective in the current and prior period and 100% of the change in fair value of the interest rate swap of a loss of £627,000 (2015: a gain of £4,217,000) was recognised in other comprehensive income in the period.

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

Payable by instalments	<u>71,205</u>	<u>68,137</u>
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COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

13 Loans and overdrafts

	2016 £'000	2015 £'000
Bank loans	76,250	80,610
Loans from parent undertakings	18,426	18,426
	<u>94,676</u>	<u>99,036</u>
Payable within one year	3,531	4,386
Payable after one year	<u>91,145</u>	<u>94,650</u>

The loans are secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company.

Bank loans

The Company has a £88 million facility provided by Commerzbank AG and a £5.5 million facility provided by Investec, which are to be used to finance the operation of the project over its remaining life. The loans are repayable in instalments based on an agreed percentage amount of the total facility per annum through to 2026.

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps to mitigate its interest rate exposure. The resulting fixed interest rate on the facility, after taking into consideration the swap, is 6.44%, during the operational phase.

Subordinated debt

At the year end the Company owed £9,375,000 of subordinated debt to the immediate parent company, Countyroute Limited.

The subordinated debt is unsecured and is subject to an agreed zero coupon rate of interest during the current and prior year. Accrued interest of £9,050,672 is outstanding at 31 December 2016 (2015: £9,050,672).

14 Provisions for liabilities

	2016 £'000	2015 £'000
Provision for embankment works	<u>3,300</u>	<u>-</u>

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Provisions for liabilities

(Continued)

During 2016 two separate embankment slippages were detected along the A130. One slippage relates to the northern section of the road, while the other slippage relates to the southern section of the road.

The project has engaged technical advisors who have performed the necessary survey's and produced a report detailing the full work required. Quotes have now been obtained and the current cost for these works are estimated to be £2.8 million in relation to the northern section of the road, and £0.5 million in relation to the southern section of the road.

A provision for the full estimated costs of £3.3 million have been recognised in the 2016 year end accounts.

Contingent Asset

In February 2017 an insurance claim relating to an embankment slippage from 2015 was submitted to the loss adjusters. The directors estimate an amount of £500k will be recovered from this insurance claim.

To date no claim has been submitted in relation to the two slippages that occurred in 2016, however it is the projects intention to submit a claim in the future.

15 Share capital

	2016	2015
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
850 Ordinary Shares of £1 each	850	850

Other Reserves

The Company'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.

16 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets	Assets
	2016	2015
Balances:	£'000	£'000
Deferred tax on interest rate swap fair value	3,915	4,032

COUNTYROUTE (A130) PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

16 Deferred taxation

(Continued)

	2016 £'000
Movements in the year:	
Liability/(Asset) at 1 January 2016	(4,032)
Credit to other comprehensive income	(106)
Effect of change in tax rate - other comprehensive income	223
	<hr/>
Liability/(Asset) at 31 December 2016	(3,915)
	<hr/>

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.

17 Related party transactions

No guarantees have been given or received.

As a wholly owned subsidiary of John Laing Group Plc, 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 John Laing Group Plc group. A copy of the published financial statements of John Laing Group Plc can be obtained from Companies House.

18 Controlling party

The Company's immediate parent companies are Countyroute Limited and CountyRoute 2 Limited, both Companies are incorporated in Great Britain and registered in England and Wales, with a registered address of 8 White Oak Square, London Road, Swanley, BR8 7AG. The smallest and largest group in which its results are consolidated is Countyroute Limited. Copies of the consolidated accounts are available from Companies House.

The Company's ultimate parent company and controlling entity is John Laing Group Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the accounts of John Laing Group Plc are available from the website www.laing.com.