

Company Registration No. 03679991 (England and Wales)

COUNTYROUTE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



COUNTYROUTE LIMITED

COMPANY INFORMATION

Directors	D Bradbury T Witjes (Appointed 25 May 2020)
Company secretary	Vercity Management Services Limited
Company number	03679991
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ
Banker	Commerzbank AG London Branch PO Box 52715 London EC2P 2XY

COUNTYROUTE LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Directors' responsibilities statement	4
Independent auditor's report	5 - 8
Group statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Notes to the financial statements	15 - 31

COUNTYROUTE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Business Review

The principal activity of the Company is the holding of an unlisted investment of 849,999 ordinary shares in CountyRoute (A130) plc, a Special Purpose Company set up to fulfil obligations under a PFI contract with Essex County Council.

The Group 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.

Countyroute (A130) Plc is currently in a position of default under the Facilities Agreement and the senior debt lenders have reserved their rights in relation to this position. Countyroute (A130) Plc continues to be in positive discussions with the senior debt lenders to resolve this issue, who remain supportive of the long-term future of the project as evidenced by the senior debt lenders recently approving the latest financial model. The Directors have also reviewed Countyroute (A130) Plc's forecasts and projections, taking into account the impact of Covid-19 on the project, as detailed in the Directors' Report.

The Group profit after taxation for the year is £264,000 (2019: £631,000) and the net liabilities of the Group are £15,895,000 (2019: £17,874,000).

Principal Risks and Uncertainties

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk, credit risk, lifecycle risk and traffic 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 Group'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 are currently in line with 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 year, the Company suffered minimal deductions.

On behalf of the board



D Bradbury
Director
28 April 2021

COUNTYROUTE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The Principal activity of the Group 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 Group's principal activities in the year under review. During the year, the road has continued to perform well.

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

A Gates

T Witjes

(Resigned 11 November 2020)

(Appointed 25 May 2020)

Going concern

Countyroute (A130) Plc is currently in a position of default under the Facilities Agreement and the senior debt lenders have reserved their rights in relation to this position. Countyroute (A130) Plc continues to be in positive discussions with the senior debt lenders to resolve this issue, who remain supportive of the long-term future of the project as evidenced by the senior debt lenders recently approving the latest financial model. The Directors have also reviewed the Company's forecasts and projections, taking into account the impact of Covid-19 on the project. The Company's revenue is partly linked to traffic volume and the implementation of the UK lockdown has had an impact on traffic volume on the road. This year's traffic volumes on the road decreased by 24% for cars and 8% for HGVs compared to the prior year, although traffic volumes have since risen as lockdown is eased. The revenue reconciliation with the client is such that the cash flow impact of traffic reductions in the contract year ended 31 March 2021 will not be recognised until the following contract year i.e. from 1 April 2021. The Directors forecasts show that the Company can continue to meet its debts as they fall due. The Directors also have other mitigating factors available to them including parental support from its shareholder, if required. On this basis the Directors continue to prepare the financial statements on a going concern basis.

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 a period of at least twelve months from the date when the financial statements are authorised for issue. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid (2019: £nil). The directors do not recommend payment of a further 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 instruments

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 external parties to ensure that the Group has sufficient funds over the life of the PFI concession.

COUNTYROUTE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Traffic Risk

The Group's revenue is based on both road usage and road availability. The variability in traffic levels against forecast will impact the revenue of the project and as such a decline in traffic volume represents a risk to the project. This is mitigated by regular monitoring of traffic flows and review of traffic forecasts.

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 local government authority.

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.

Future developments

Future developments are covered in the Strategic Report.

Auditor

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

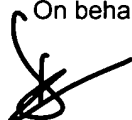
Statement of disclosure to auditor

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 Group's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

On behalf of the board



D Bradbury
Director

28 April 2021

COUNTYROUTE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COUNTYROUTE LIMITED

Independent auditor's report to the members of Countyroute Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Countyroute Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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
- the related notes on pages 15 - 31.

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).

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 *Auditor's 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 UK, including the FRC'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 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.

COUNTYROUTE LIMITED

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

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, 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's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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 auditor's 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.

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

COUNTYROUTE LIMITED

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the documentation of the policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the area of revenue recognition. The specific procedures performed to address the risk of fraud in this area include agreeing the unitary payments from Essex County Council to the original invoices issued and tracing the receipt of these amounts to the entity's bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

COUNTYROUTE LIMITED

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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.

D. Winstone

Daryl Winstone FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor

London,

28 April 2021

COUNTYROUTE LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	1,554	2,339
Cost of sales		(1,208)	(1,513)
Gross profit		<u>346</u>	<u>826</u>
Interest receivable and similar income	7	4,524	4,759
Interest payable and similar expenses	8	(4,606)	(4,954)
Profit before taxation		<u>264</u>	<u>631</u>
Tax on profit	9	-	-
Profit for the financial year		<u>264</u>	<u>631</u>
Other comprehensive income			
Cash flow hedges gain arising in the year	14	1,812	2,228
Tax relating to other comprehensive income	18	(97)	(379)
Total comprehensive income for the year		<u><u>1,979</u></u>	<u><u>2,480</u></u>

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

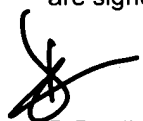
COUNTYROUTE LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors falling due after more than one year	13	55,064	60,432
Debtors falling due within one year	13	5,417	4,990
Cash at bank and in hand		19,045	17,516
		<u>79,526</u>	<u>82,938</u>
Creditors: amounts falling due within one year	14	(65,538)	(69,143)
Net current assets			13,795
Creditors: amounts falling due after more than one year	15	(29,883)	(31,669)
Net liabilities		<u>(15,895)</u>	<u>(17,874)</u>
Capital and reserves			
Called up share capital	19	850	850
Hedging reserve		(8,530)	(10,245)
Profit and loss account		(8,215)	(8,479)
Total deficit		<u>(15,895)</u>	<u>(17,874)</u>

The financial statements were approved by the board of directors and authorised for issue on 28 April 2021 and are signed on its behalf by:



D Bradbury
Director

COUNTYROUTE LIMITED

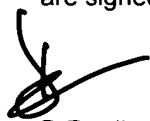
COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	11		-		850
Current assets					
Debtors	13	15,165		18,426	
Net current assets			15,165		18,426
Total assets less current liabilities			15,165		19,276
Creditors: amounts falling due after more than one year	15		(18,426)		(18,426)
Net (liabilities)/assets			(3,261)		850
Capital and reserves					
Called up share capital	19		850		850
Profit and loss account			(4,111)		-
Total (deficit)/equity			(3,261)		850

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £4,111,000 (2019: £nil).

The financial statements were approved by the board of directors and authorised for issue on 28 April 2021 and are signed on its behalf by:



D Bradbury
Director

Company Registration No. 03679991

COUNTYROUTE LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2019	850	(12,094)	(9,110)	(20,354)
Year ended 31 December 2019:				
Profit for the year	-	-	631	631
Other comprehensive income:				
Cash flow hedges gains	-	2,228	-	2,228
Tax relating to other comprehensive income	-	(379)	-	(379)
Total comprehensive income for the year	-	1,849	631	2,480
Balance at 31 December 2019	850	(10,245)	(8,479)	(17,874)
Year ended 31 December 2020:				
Profit for the year	-	-	264	264
Other comprehensive income:				
Cash flow hedges gains	-	1,812	-	1,812
Tax relating to other comprehensive income	-	(97)	-	(97)
Total comprehensive income for the year	-	1,715	264	1,979
Balance at 31 December 2020	850	(8,530)	(8,215)	(15,895)

COUNTYROUTE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2019	850	-	850
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	850	-	850
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2020:			
Loss and total comprehensive income for the year	-	(4,111)	(4,111)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	850	(4,111)	(3,261)
	<hr/>	<hr/>	<hr/>

COUNTYROUTE LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	£'000	2019 £'000	£'000
Cash flows from operating activities					
Cash generated from operations	23		11,518		10,976
Financing activities					
Interest paid		(4,683)		(4,762)	
Repayment of bank loans		(5,306)		(4,805)	
Net cash used in financing activities			(9,989)		(9,567)
Net increase in cash and cash equivalents			1,529		1,409
Cash and cash equivalents at beginning of year			17,516		16,107
Cash and cash equivalents at end of year			19,045		17,516

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Countyroute Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

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

The financial statements are prepared in 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 on the historical cost convention. 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 and provision of information on related party transactions.

1.2 Basis of consolidation

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

1.3 Going concern

The Group is in a net liabilities position as at 31 December 2020. The Directors have reviewed the Group's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the Group can continue to meet its debts as they fall due.

Countyroute (A130) Plc is currently in a position of default under the Facilities Agreement and the senior debt lenders have reserved their rights in relation to this position. Countyroute (A130) Plc continues to be in positive discussions with the senior debt lenders to resolve this issue, who remain supportive of the long-term future of the project as evidenced by the senior debt lenders recently approving the latest financial model. The Directors have also reviewed Countyroute (A130) Plc's forecasts and projections, taking into account the potential impact of Covid-19 on the project. Countyroute (A130) Plc's revenue is partly linked to traffic volume, the implementation of the UK lockdown has had an impact on traffic volume on the road, with this year's traffic volumes on the road decreasing by 24% for cars and 8% for HGVs compared to the prior year, although traffic volumes have since risen as lockdown is eased. The revenue reconciliation with the client is such that the cash flow impact of traffic reductions in the contract year ended 31 March 2021 will not be recognised until the following contract year i.e. from 1 April 2021. The Directors forecasts show that the Company can continue to meet its debts as they fall due even if traffic levels were to further fall within the next 12 months. The Directors also have other mitigating factors available to them including parental support from its shareholder, if required. On this basis the Directors continue to prepare the financial statements on a going concern basis.

The Directors therefore, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least twelve months from the date when the financial statements are authorised for issue. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 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.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

1.5 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.

1.6 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.

1.7 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.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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 Group has been established to provide services under certain private finance agreements with Essex County Council (the Council). Under the terms of these Agreements, Essex County Council (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 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 Group 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.

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.

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, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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.

Derecognition of financial liabilities

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

1.8 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.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.9 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 profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss 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.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.10 Taxation

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

Current tax

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

1.11 Amendments to FRS102: Interest rate reform

The company's hedged items and hedging instruments continue to be linked to Sterling LIBOR. The company 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 IBOR 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 company assumes that the benchmark interest rate is not altered as a result of IBOR reform and can continue to apply hedge effectiveness throughout the transition period.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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 financial statements 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 derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, 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 £11,457,000 (2019: £13,243,000 liability). The Directors do not consider the impact of own credit risk to be material.

Service concession arrangement

As disclosed in Note 1, the Group financial statements 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 Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

(Continued)

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.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue

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

	2020 £'000	2019 £'000
Turnover analysed by class of business		
Service fee income	1,518	2,317
Variation income	36	22
	<u>1,554</u>	<u>2,339</u>

	2020 £'000	2019 £'000
Turnover analysed by geographical market		
United Kingdom	<u>1,554</u>	<u>2,339</u>

4 Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	<u>22</u>	<u>18</u>

5 Employees

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

6 Directors' remuneration

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

7 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income		
Interest receivable on financial asset	<u>4,524</u>	<u>4,759</u>

8 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on bank overdrafts and loans	4,322	4,662
Other interest on financial liabilities	46	50
Other interest	238	242
	<u>4,606</u>	<u>4,954</u>

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current year	50	120
Transfer pricing		
Group transfer pricing adjustment	(50)	(120)
Total tax charge	-	-

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

A deferred tax rate of 19% was substantively enacted on 17 March 2020 and repeals the previously enacted 17% tax rate, which was due to come into force on 1 April 2020. The March 2021 Budget announced that a rate of 25% would apply with effect from 1 April 2023, but is yet to be substantively enacted. The deferred tax asset as at 31 December 2020 has been calculated based on a rate of 19%.

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

	2020 £'000	2019 £'000
Profit before taxation	264	631
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	50	120
Group transfer pricing adjustment	(50)	(120)
Taxation charge	-	-

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

	2020 £'000	2019 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	97	379

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment charges have been recognised in profit or loss:

	Notes	2020 £'000	2019 £'000
In respect of:			
Investment	11	850	-
Sub debt plus interest	11	3,261	-
		<u>4,111</u>	<u>-</u>

11 Fixed asset investments

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Investments in subsidiaries	12	-	-	-	850

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

The impairment related to the company's subsidiary, Countyroute (A130) Plc, which it has a 99% ownership in. In the opinion of the directors, the value of the investment in subsidiary undertakings is not less than stated in the balance sheet.

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2020 and 31 December 2020	850
Impairment	
Impairment charges	850
At 31 December 2020	850
Carrying amount	
At 31 December 2020	-
At 31 December 2019	850

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Subsidiaries

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

Name of undertaking	Registered office	Class of shares held	% Held Direct
Countryroute (A130) plc	8 White Oak Square, London Road, Swanley, BR8 7AG	Ordinary shares	100.00

13 Debtors

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Amounts falling due within one year:				
Trade debtors	1,291	1,221	-	-
Financial asset	4,046	2,696	-	-
Prepayments and accrued income	80	1,073	-	-
	<u>5,417</u>	<u>4,990</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
Amounts due from subsidiary undertakings	-	-	15,165	18,426
Financial asset	53,063	58,334	-	-
	<u>53,063</u>	<u>58,334</u>	<u>15,165</u>	<u>18,426</u>
Deferred tax asset (note 18)	2,001	2,098	-	-
	<u>55,064</u>	<u>60,432</u>	<u>15,165</u>	<u>18,426</u>
Total debtors	<u>60,481</u>	<u>65,422</u>	<u>15,165</u>	<u>18,426</u>

An impairment charge of £3,261,000 (2019: £nil) was recorded during the year against the amounts due from subsidiary undertakings in the Company only financial statements.

Amounts due from subsidiary undertakings

At the year end, the Company was owed £9,375,000 (2019: £9,375,000) in subordinated debt loans and £9,051,000 (2019: £9,051,000) in subordinated debt accrued interest from its subsidiary, Countyroute (A130) plc. The subordinated debt is unsecured and was subject to an agreed zero coupon rate of interest during the current and prior year.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14 Creditors: amounts falling due within one year

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Bank loans and overdrafts	17	58,866	64,126	-	-
Trade creditors		-	7	-	-
Gross amounts owed to contract customers		6	6	-	-
Other taxation and social security		594	516	-	-
Unitary charge control accounts		4,730	3,363	-	-
Accruals and deferred income		1,342	1,125	-	-
		<u>65,538</u>	<u>69,143</u>	<u>-</u>	<u>-</u>

15 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Amount due to parent undertakings	17	18,426	18,426	18,426	18,426
Derivative financial instruments measured at fair value through profit or loss	16	11,457	13,243	-	-
		<u>29,883</u>	<u>31,669</u>	<u>18,426</u>	<u>18,426</u>

Derivative Financial Instruments

On 10 February 2004, as part of its interest rate management and in accordance with the terms of its credit agreement, the Group entered into an interest rate swap maturing on 31 March 2026. Under the swap, the Group receives interest on a variable basis and pays interest at a fixed rate of 6.44%. The floating rate on the interest rate swaps is six months' Libor. The Group will settle the difference between the fixed and floating interest rate on a net basis semi-annually.

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 Groups'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 gain of £1,812,000 (2019: gain of £2,228,000) was recognised in other comprehensive income in the period.

Amounts included above which fall due after five years are as follows (refer to note 16):

	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Payable by instalments	<u>28,280</u>	<u>37,059</u>	<u>9,375</u>	<u>9,375</u>

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Financial instruments

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Carrying amount of financial assets				
Cash and cash equivalents	19,045	17,516	-	-
Debt instruments measured at amortised cost	57,109	61,030	15,165	18,426
Measured at undiscounted amount receivable	1,371	2,294	-	-
Measured at cost less impairment				
Fixed asset investments	-	-	850	850
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	11,457	13,243	-	-
Measured at amortised cost	77,292	82,552	18,426	18,426
Measured at undiscounted amount payable	6,078	4,501	-	-

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 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.

17 Loans and overdrafts

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Bank loans	58,866	64,126	-	-
Loans from parent undertakings	18,426	18,426	18,426	18,426
	77,292	82,552	18,426	18,426
Payable within one year	6,091	5,260	-	-
Payable after one year	71,201	77,292	18,426	18,426
	77,292	82,552	18,426	18,426

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

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Loans and overdrafts

(Continued)

Under FRS 102 loans have been classified as less than 1 year in note 13 due to a technical breach further described in note 1.3 Going Concern. However the Directors are of the view that loans will be repaid according to the contractual repayment profile, as set out above in note 14.

Bank loans

The Group 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 Group 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 (2019: £9,375,000) of subordinated debt to the immediate parent company, John Laing Infrastructure 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 £9,051,000 is outstanding at 31 December 2020 (2019: £9,051,000).

18 Deferred taxation

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

	Assets 2020 £'000	Assets 2019 £'000
Group		
Deferred tax on interest rate swap fair value	2,001	2,098

The Company has no deferred tax assets or liabilities.

	Group 2020 £'000	Company 2020 £'000
Movements in the year:		
Asset at 1 January 2020	(2,098)	-
Charge to other comprehensive income	97	-
Asset at 31 December 2020	(2,001)	-

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.

During the year beginning 1 January 2021, the net reversal of the deferred tax assets and liabilities is expected to be £221,270. The reversal of the deferred tax asset and liability will have no impact on the corporation tax charge next year.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Share capital

	Group and company	
	2020	2019
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
850,000 ordinary shares of £1 each	850	850

Other reserves

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

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

20 Related party transactions

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.

21 Controlling party

The Company's immediate parent company is John Laing Infrastructure Limited, a company incorporated in Great Britain and registered in England and Wales.

The Company's ultimate parent company and controlling entity is John Laing Group plc, 1 Kingsway, London, WC2B 6AN, a company incorporated in Great Britain, and registered in England and Wales. Copies of the consolidated financial statements of John Laing Group plc are available from the company's website www.laing.com.

22 Subsequent Events

Subsequent to the balance sheet date, Covid-19 cases continued to increase in the UK which required the Government to implement a further UK wide lockdown. However since March restrictions have started to ease and travel has started to increase. The impact of Covid-19 has been assessed as a non-adjusting post balance sheet event. The impact of Covid-19 has been further explained within the going concern note within note 1.

COUNTYROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23 Cash generated from group operations

	2020 £'000	2019 £'000
Profit for the year after tax	264	631
Adjustments for:		
Finance costs	4,606	4,954
Movements in working capital:		
Decrease in debtors	4,183	3,667
Increase in creditors	2,465	1,724
Cash generated from operations	11,518	10,976

24 Analysis of changes in net debt - group

	1 January 2020 £'000	Cash flows £'000	Other non- cash changes £'000	31 December 2020 £'000
Cash at bank and in hand	17,516	1,529	-	19,045
Borrowings excluding overdrafts	(73,502)	5,307	(46)	(68,241)
Interest rate swap	(12,343)		1,812	(10,530)
	(68,329)	6,836	1,766	(59,726)