



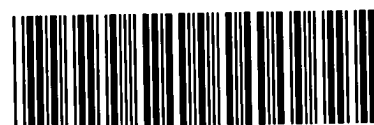
CITYLINK TELECOMMUNICATIONS LIMITED

Annual report and financial statements

Registered number 03734785

31 March 2019

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Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	5
Independent auditor's report to the members of Citylink Telecommunications Limited	6
Profit and Loss Account and Statement of Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes	11

Strategic report

for the year ended 31 March 2019

The Directors present their annual report and the audited financial statements of Citylink Telecommunications Limited for the year ended 31 March 2019

Principal activity

The principal activity of the company is the operation and management of a Private Finance Initiative (PFI) project and to carry on the business of taking over and upgrading London Underground's ("the authority") existing radio and telecommunications systems and implementing and operating a new system under a 20 year concession which began in November 1999, is due to expire in November 2019. The Directors anticipate that there will be no follow-on concession for the Group and it will cease operations on this date

The Directors consider that both the operating performance and level of business and the year end financial position were satisfactory. It is expected that performance and the level of business will continue at the current level for the remainder of the concession. It is expected that variation work will reduced in levels towards the end of the concession.

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider but the quantum is an indication of unsatisfactory performance. In the year ended 31 March 2019 there were £755k in deductions (2018: £676k).

2. Financial performance

The Directors have modelled the anticipated financial outcome of the concession across its full term. The Directors monitor actual performance against this anticipated performance. As at 31 March 2019 the Company's performance against this measure was satisfactory.

Turnover for the year was £56.4m from £55.2m in the previous period, the increase in turnover was mainly attributed to the increased release of the refresh debtor profile as variation activity decreased during the period. The reduction in variation costs due to the decrease in activity and the reduction in the finance debtor interest income resulting in the Profit before tax for the year of £14.9m against £16.4m in the previous year. The net asset position in the year was £18.6m from £15.7m in the previous period mainly as a result of the reduction in the balance of the subordinated loan offset against the reducing balance of the finance debtors and also dividends of £8.5m were paid in the year down from £43.0m in the previous period.

Principal risks and uncertainties

The Company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customers, funders and sub-contractors as determined by the terms of their respective detailed PFI agreement and other contracts. In extreme circumstances, the Company could be exposed to subcontractor failure to perform their obligations. This is mitigated by a guarantee issued by the subcontractor's parent company to the Company. The financial risks and the measures taken to mitigate them are as detailed in the following section.

Financial Risk Management

The Company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance. The Directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The bank loan and subordinated debt interest rates have been fixed through use of fixed funding rates, plus a margin. As the Company's bank loans have been fully paid, the Company's interest rate risk is minimal.

Strategic report (continued)
for the year ended 31 March 2019

Liquidity risk

The Company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

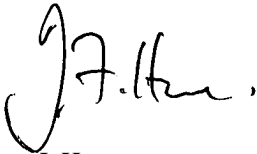
Credit risk

The Company receives the bulk of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Brexit risk

The Company is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and cost of supplies. Performance risk under the project are passed onto the service providers. The obligations of these subcontractors are underwritten by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

By order of the board



J. Howe
Director

8th October 2019

Registered Office: 3rd Floor, 9-11 Grosvenor Gardens, London, SW1W 0BD

Directors' report

for the year ended 31 March 2019

The following information has been disclosed in the Strategic Report:

- Principal activities and business review;
- Indication of likely future developments of the Company;
- Key performance indicators;
- Principal risks and uncertainty

Results and dividends

The results for the year are shown in the profit and loss account on page 8.

The Company paid an interim dividend of £8.5m during the year (2018: £43.0m). The dividend paid per share for the year was £0.80 (2018: £4.02).

The company is operating under a 20 year concession which began in November 1999 and is due to expire in November 2019. The Directors anticipate that there will be no follow-on concession for the Company and it will cease operations on this date. The financial statements have been prepared on a non-going concern basis.

Directors

The Directors of the Company who held office during the year and to the date of signing these financial statements are listed below:

J. Howe
A. Pearson (resigned on 24.10.2018)
T. Rolfe
M. Kerr
D Williams
J Jackson
D Foot (appointed on 15.06.2018)
J Pritchard (appointed on 24.10.2018, resigned on 30.04.2019)
K Rahuf (appointed on 15.05.2019)

Employees

The company has no employees (2018: Nil)

Political and charitable contributions

The Company made no political or charitable contributions during the current year (2018: £nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418(2) of the Companies Act 2006 and should be interpreted in accordance therewith.

Directors' report *(continued)*
for the year ended 31 March 2018

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



J. Howe
Director

8th October 2019

Registered Office: 3rd Floor, 9-11 Grosvenor Gardens, London, SW1W 0BD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. (As explained in note 1.2, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITYLINK TELECOMMUNICATIONS LIMITED

Opinion

We have audited the financial statements of Citylink Telecommunications Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and Loss Account and Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

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

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1.2 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITYLINK TELECOMMUNICATIONS LIMITED (continued)

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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



Richard Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Cardiff
CF10 4AX

10 October 2019

**Profit and Loss Account and Statement of Other Comprehensive Income
for year ended 31 March 2019**

	Note	2019 £'000	2018 £'000
Turnover	2	56,385	55,168
Cost of Sales		(39,401)	(37,888)
Gross profit		16,984	17,280
Administrative expenses		(1,145)	(1,060)
Interest receivable and other income	5	2,817	5,331
Interest payable and similar expenses	6	(3,798)	(5,159)
Profit before taxation		14,858	16,392
Tax on profit	7	(3,363)	(3,535)
Profit for the financial year		11,495	12,857
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Effective portion of fair value changes in cash flow hedges	14	-	95
Tax recognised in relation to change in fair value cash flow hedges	7	-	(23)
Other comprehensive income for the year		-	72
Total Comprehensive income for the year		11,495	12,929

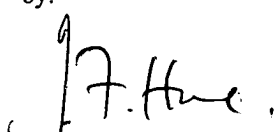
The notes on pages 11 to 23 form an integral part of these financial statements

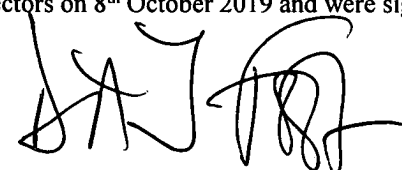
Balance Sheet
at 31 March 2019

	Note	2019 £'000	2018 £'000
CURRENT ASSETS			
Debtors falling due within one year	8	39,503	55,969
Debtors falling due after one year	8	-	26,772
Cash at bank and in hand	8	21,840	14,529
Deferred Tax Asset	7	2,286	-
		<hr/> 63,629	<hr/> 97,270
Creditors: amounts falling due within one year	9	(43,986)	(75,886)
		<hr/> 19,643	<hr/> 21,384
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		19,643	21,384
Provisions for liabilities	11	(1,028)	(5,714)
		<hr/> 18,615	<hr/> 15,670
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital			
Allotted, called up and fully paid	13	10,673	10,673
Profit and loss account		7,942	4,997
SHAREHOLDER'S FUNDS		<hr/> 18,615	<hr/> 15,670

The notes on pages 11 to 23 form an integral part of these financial statements

These financial statements were approved by the board of directors on 8th October 2019 and were signed on its behalf by:


John Howe
Director


David Foot
Director

Company registered number: 03734785

Statement of Changes in Equity

	Called up Share Capital £'000	Cashflow Hedge Reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2017	10,673	(72)	35,140	45,741
Total comprehensive income for the period				
Profit for the year	-	-	12,857	12,857
Other Comprehensive income	-	72	-	72
Total comprehensive income for the period	-	72	12,857	12,929
Dividends paid	-	-	(43,000)	(43,000)
Total contributions by and distribution to owners	-	-	(43,000)	(43,000)
Balance at 31 March 2018	10,673	-	4,997	15,670
	Called up Share Capital £'000	Cashflow Hedge Reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2018	10,673	-	4,997	15,670
Total comprehensive income for the period				
Profit for the year	-	-	11,495	11,495
Other Comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	11,495	11,495
Dividends paid	-	-	(8,550)	(8,550)
Total contributions by and distribution to owners	-	-	(8,550)	(8,550)
Balance at 31 March 2019	10,673	-	7,942	18,615

The notes on page 11 to 23 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

Citylink Telecommunications Limited (the “Company”) is a company limited by shares and incorporated and domiciled in London, UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The Company’s parent undertaking, Citylink Telecommunications Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Citylink Telecommunications Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. 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 following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Citylink Telecommunications Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

The company is operating under a 20 year concession which began in November 1999 and is due to expire in November 2019. The Directors anticipate that there will be no follow-on concession for the Company and it will cease operations on this date. The Directors have reviewed the Company's wind-down projections by modelling the anticipated financial outcome covering accounting periods up to March 2020 which shows the assets recovered at their full value and settling its liabilities as they fall due, accordingly the financial statements have been prepared on a non-going concern basis.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

1.3 Turnover

Turnover is measured at the fair value of the consideration receivable under the concession agreement, net of finance debtor amortisation, PFI unitary charge/ income and value added taxes and arises wholly in the UK. Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The Company was obligated to keep a separate cash reserve in respect of the term loan. The term loan and the enabling works loan are fully paid therefore the restricted cash balance was £nil at the year-end (2018:£nil)

Notes (continued)

1 Accounting policies (continued)

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The Company had entered into Interest rate swaps and designated hedges tranche 2 and 3 for highly probable forecast transaction and designated hedge tranche 1 is not. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.6 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Notes (continued)

1 Accounting policies (continued)

1.6 Impairment excluding deferred tax assets (continued)

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Finance debtor and service income

The Company is an operator of a PFI contract. The Company took the transition exemption under FRS 102 section 35.10(i) which allows the company to continue the service concession arrangement accounting policies from previous UK GAAP. The treatment considers the underlying asset as not an asset of the Company because the risks and rewards of ownership as set out in previous UK GAAP are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.8 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.9 Provisions for liabilities

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that the group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.11 Significant judgements or estimates disclosed

The directors do not believe there to be any significant judgments or estimates with a significant risk of material adjustment in the next year. Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract.

Notes (continued)

2. Turnover

Turnover relates wholly to amounts paid under the concession agreement, is considered to be arising from one class of business and arises wholly in the UK.

	2019	2018
	£'000	£'000
Contract Payments	30,741	31,903
Variations	18,906	22,529
Refresh Income	<u>6,738</u>	<u>736</u>
	<u>56,385</u>	<u>55,168</u>

3. Auditor's remuneration

	2019	2018
	£'000	£'000
Operationing profit is stated after charging:		
Amounts receivable by auditor and their associates in respect of:		
Audit of these financial statements	23	22
Other services including taxation	6	6
Audit of financial statements of parent	<u>1</u>	<u>1</u>
	<u>30</u>	<u>29</u>

4. Staff costs and Directors' remuneration

The company had no employees during the year (2018: none).

The Directors received no remuneration for their services during the year (2018: £nil).

Directors' administration fees payable to third parties for the year were £75k (2018: £74k)

5. Interest receivable and similar income

	2019	2018
	£'000	£'000
Bank Interest receivable	-	1
Finance Debtor interest receivable	2,817	4,959
Enabling work interest receivable	-	289
Net gain on financial liabilities - Enabling Work loan swaps	<u>-</u>	<u>82</u>
	<u>2,817</u>	<u>5,331</u>

Notes (continued)

6. Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest on bank loans and other Interest	-	(1,317)
Interest on subordinated debt	<u>(3,798)</u>	<u>(3,842)</u>
	<u>(3,798)</u>	<u>(5,159)</u>

7. Taxation

Total tax expense recognised in the profit and loss account

	2019 £'000	2018 £'000
UK Corporation Tax current tax		
Corporation tax at 19%	(9,745)	(9,576)
Adjustments in relation to prior periods	(397)	-
Deferred tax		
Deferred tax credit	6,344	5,697
Consortium relief re prior years	435	344
Total Tax	<u>(3,363)</u>	<u>(3,535)</u>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. It was subsequently announced that the rate would be reduced to 17% from 1 April 2020 and this was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2019 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

Notes (continued)

7 Taxation (continued)

	2019			2018		
	Current tax	£'000 Deferred tax	Total Tax	Current tax	£'000 Deferred tax	Total Tax
Recognised in Profit and loss account	(9,707)	6,344	(3,363)	(9,232)	5,697	(3,535)
Recognised directly in other comprehensive income	-	-	-	-	(23)	(23)
Total tax	(9,707)	6,344	(3,363)	(9,232)	5,674	(3,558)

Reconciliation of effective tax rate

	2019 £'000	2018 £'000
Profit	11,495	12,857
Total tax expense	<u>3,363</u>	<u>3,535</u>
Profit excluding taxation	14,858	16,392
Taxation using the UK corporation tax rate of 19%	(2,823)	(3,115)
Adjustment to charge for:		
Items not deductible for tax purposes	(101)	(94)
Difference in tax relating to deferred tax	(477)	(670)
Prior year current tax movement	(397)	-
Consortium group relief re prior years	435	344
Total Tax charge for the year	<u>(3,363)</u>	<u>(3,535)</u>

Deferred tax asset

	Deferred Taxation £'000
Balance at 1 April 2018	(4,058)
Charge/ (Credit) for the year in profit and loss account	6,344
Balance at 31 March 2019	<u>2,286</u>

Deferred tax is provided for in full on timing differences that are expected to reverse. The directors believe that the losses carried forward will be able to be used against profits arising in future periods.

	2019 £'000	2018 £'000
Accelerated capital allowances	3,545	(1,360)
Other timing differences	<u>(1,259)</u>	<u>(2,698)</u>
	<u>2,286</u>	<u>(4,058)</u>

Notes (continued)

8. Debtors

	2019	2018
	£'000	£'000
Trade debtors	8,155	12,090
Prepayments	30	392
Accrued income	5,116	7,630
Finance debtors due within one year	<u>26,202</u>	<u>35,857</u>
	<u>39,503</u>	<u>55,969</u>
Finance debtors due after one year	-	26,202
Other long term debtors	<u>-</u>	<u>570</u>
	<u>-</u>	<u>26,772</u>
	<u>39,503</u>	<u>82,741</u>

The cumulative amount of capitalised interest contained within amounts recoverable on contract and finance debtors is £0.6m (2018:£18.5m).

Cash and Financial Asset

	2019	2018
	£'000	£'000
Cash and other deposits	<u>21,840</u>	<u>14,529</u>
	<u>21,840</u>	<u>14,529</u>

Notes (continued)

9. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors - other	17	390
Trade creditors - related parties - Thales Transport and Security Limited	6,734	7,025
Other creditors including tax and social security	5,723	6,259
Unitary charge control account	19,966	24,972
Interest free loan from Thales	52	52
Subordinated debt - see note 10	7,015	32,015
Accruals	2,739	5,173
Finance creditor	1,740	-
	<u>43,986</u>	<u>75,886</u>

10. Interest-bearing loans and borrowings

SUBORDINATED DEBT

During the year ended 31 March 2006, the company issued £32million of 12% Subordinated Debt to its shareholders, Thales, Palio and Infrastructure Investment General Partner Limited ("IIGPL"). Repayment of interest has begun and £25m of principal repayments were paid in the year.

Terms and debt repayment schedule

	Currency	Nominal rate interest	Year of Maturity	Repayment Schedule	2019	2018
					Carrying value £'000	Carrying value £'000
Subordinated loan	GBP	12% p.a.	2019	semi-annual	<u>7,015</u>	<u>32,015</u>
					<u>7,015</u>	<u>32,015</u>

Notes (continued)

11. Provisions for liabilities

Provisions for liabilities is attributable to the following:

	Deferred Taxation	Other Provisions	Total Provisions
	£'000	£'000	£'000
Balance at 1 April 2018	4,058	1,656	5,714
Charge (Credit) for the year in profit and loss account	(6,344)	(628)	(6,972)
Transfer to Assets	2,286	-	2,286
Balance at 31 March 2019	-	1,028	1,028

Other provisions have been recognised in relation to normal course activities of the business. Although timing of outflows is uncertain these provisions have been measured at the best estimate based on available information.

12. Contingent Liability

The Authority has initiated a claim against the Company in relation to the interpretation of a Contract table and is disputing the approximately £30m unitary charge that has been billed since November 2017. The Company is in the process of defending this claim and is requesting a dispute resolution process is commenced to resolve the claim. No provision has been made within the financial statements as the Directors do not believe it probable that the claim will be successful.

13. Capital and reserves

	2019 £'000	2018 £'000
10,672,819 ordinary shares of £1 each	10,673	10,673

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

14. Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial liabilities include:

	2019	2018
	£'000	£'000
Assets measured at amortised cost		
- Finance debtor	26,202	62,059
- Trade and other debtors	<u>13,301</u>	<u>20,682</u>
	<u>39,503</u>	<u>82,741</u>
Assets measured at cost less impairment		
Cash and Cash equivalent	<u>21,840</u>	<u>14,529</u>
	<u>21,840</u>	<u>14,529</u>
Liabilities measured at amortised cost		
- Trade and other payables	(36,971)	(43,871)
- Subordinated Debt	<u>(7,015)</u>	<u>(32,015)</u>
	<u>(43,986)</u>	<u>(75,886)</u>

Notes (continued)

15. Related parties

The details of the related party transactions are detailed as follows:

The shareholders of Citylink Telecommunications Holdings Limited are Thales Transport and Security Limited ("Thales"), Palio (No 12) Limited ("Palio") and Infrastructure Investments Holdings Limited ("IIHL").

Thales holds 33% of the shares of Citylink Telecommunications Holdings Limited, Palio and IIHL hold equally 33.5%.

Thales have been contracted by Citylink Telecommunications Limited to provide operations and maintenance services and to carry out improvements to the existing and new Radio and Transmission System. Thales invoices Citylink Telecommunications Limited for the costs of the services provided.

In addition all permanent staff costs are invoiced by and paid to Thales.

The charge for the year relating to services provided by Thales is £35.1m (2018: £36.4m). At the year-end the amount accrued or payable to Thales, excluding VAT, was £5.6m (2018: £7.0m).

Palio (33.5%), Infrastructure Investment General Partner Limited ("IIGPL") (33.5%) and Thales (33%) have provided subordinated debt funding to Citylink Telecommunications Limited. The total outstanding subordinated debt balance is £7.0m (2018: £32.0m) on which interest is payable at 12%. The charge for the year relating to the subordinated debt is £3.8m (2018: £3.8m). At the year-end the amount accrued was £0.6m (2018: £1.6m).

16. Ultimate parent company and parent company of larger group

The company is a wholly owned subsidiary undertaking of CityLink Telecommunications Holdings Limited, a company registered in England and Wales which is the largest and smallest group for which consolidated accounts are prepared. Its accounts can be obtained from its registered office at 3rd Floor, 9-11 Grosvenor Gardens, London, SW1W 0BD.

The company has a shareholding of Palio (No 12) Limited registered office: 120 Aldersgate Street, London EC1A 4JQ, Infrastructure Investments Holdings Limited ("IIHL") registered office: 12 Charles II Street, London, SW1Y 4QU and Thales Transport and Security Limited registered office: 350 Longwater Avenue, Green Park, Reading, Berkshire, United Kingdom, RG2 6GF