REGISTERED NUMBER: 04229044 (ENGLAND AND WALES)

MORGAN-VINCI LIMITED

ANNUAL REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Contents of the financial statements

Company Information

Directors	A F E Judet	(Appointed 12 January 2017)
	A J Titmus	(Appointed 26 October 2018)
	A G Turner	
	C B M Braunwald	(Appointed 10 January 2018)
	D W Bowler	
	R J Dixon	
	W H Snow	(Appointed 10 January 2018)
	B P Richardson	(Resigned 7 June 2018)
	H Le Caignec	(Resigned 4 January 2017)
	M Stevens	(Resigned 26 October 2018)
	P-L Delseny	(Resigned 10 January 2018)

Company secretary C Sheridan

Head office
8 Old Jewry
6th Floor
London
United Kingdom
EC2R 8DN

Registered office
Kent House
14-17 Market Place
London
United Kingdom
W1W 8AJ

Independent Auditor
Deloitte LLP
Statutory Auditor
London

Directors' Report
For the year ended 31 December 2017

The directors present their annual report and the audited financial statements for the year ended 31 December 2017. The annual report comprises the directors' report, which provides the information required by the Companies Act 2006. The financial statements have been prepared under Financial Reporting Standard 102 (FRS 102) the Financial Reporting Standard Applicable in the UK and Republic of Ireland.

Principal activity and review of the business
Morgan-Vinci Limited (the 'Company') is a special purpose PFI company responsible for the design, construction, financing, and operation of the Newport Southern Distributor Road. The Company has contracted with Newport City Council for a period of 40 years.

The Company's activities are determined by the detailed terms of this contract and supervised by the Board whose actions are monitored by lenders, their technical advisor and by Newport City Council. The directors maintain close involvement in the operations of the project through regular monitoring of its performance. Newport City Council has the right to make deductions in the event that performance standards are not met or that the road is not available. This deduction risk is mitigated by the Company as the contract allows deductions to be passed down to the subcontractors responsible for the performance of the road.

Revenue and expenditure for the year have been in line with the Board's expectations. A portion of the Company's revenue is linked to traffic volumes. The charging mechanism is such that volume changes have to be significant to impact materially on reported revenue. Volumes of certain vehicle types are lower than forecast at the time the project was financed. Day to day operating costs are, for the most part, on fixed long term contracts and, therefore, risks to these costs are perceived as being small.

The results for the period are shown on page 9. The Company has an operating loss of £228,000 (2016: operating profit £40,000) due to lower revenue from the change in the mark-up applied and higher cost of sales due to an increase in the charge to the major maintenance provision because of a change in the estimated future spend (see "key sources of estimation uncertainty" in the principal accounting policies).

Going concern
The Company's Adjusted Forward-Looking Annual Debt Service Cover Ratio is lower than the required amount at discrete points in the future forecast. The Company has proposed potential solutions which are being discussed with the senior lenders.

There is also ongoing discussion between senior lenders and the directors regarding the resolution of the construction related rectification works (see Lifecycle expenditure section below for further details) and there is no indication that senior lenders intend to terminate the loan agreement.

As a result of these matters, the Company is in default under its senior financing agreement. The lenders have not waived the breach and therefore all associated senior debt is shown as current liabilities in the financial statements.

In addition the Company has a contingent liability in respect of the tax treatment of a number of transitional adjustments on adoption of FRS 102 (as described in note 14). If this had to be paid in full the cash in the reserve accounts would need to be used. Discussions continue with the senior lenders about the prospect of granting permission to spend the monies in the reserve accounts for the contingent liability if it were to fall due. As permission has yet to be given this represents an uncertainty.

Directors' report (continued)
For the year ended 31 December 2017

Going concern (continued)
The directors consider there to be a number of uncertainties but acknowledge that discussions with lenders remain ongoing and that the future obligations of the Company have been prudently modelled for more than 10 years.

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing the accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. In reaching this conclusion, the directors have specifically considered the matters above with regard to the contingent liability and the matters referred to under the paragraphs headed Lifecycle expenditure and Liquidity risks, The directors acknowledge that the non-waiver of the defaults indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including lifecycle expenditure and liquidity risk.

Lifecycle expenditure
The contract makes an allowance for lifecycle/major maintenance works to meet its contractual obligations. At financial close in 2002, a programme of lifecycle/major maintenance works was established to maintain the assets throughout the contract period and to ensure that at the end of the contract the hand back requirements are met. Regular assessments are performed to assess the condition of the road and future maintenance requirements. The Company is also in the process of agreeing a remedial action plan with its principal construction subcontractor in respect of certain defects in works performed by the contractor which, until they are rectified, constitute a technical default under the Company's finance agreement with its senior lenders which has existed since 2008. Neither the historical nor current lenders nor the lenders' agent have taken any actions to enforce any rights under the event of default, and the directors consider that it would not be in their interests to do so.

Liquidity risk
The Company maintains a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet obligations as they fall due. The directors regularly review and monitor the cash requirements. The Company continues to hold a number of reserve accounts including a Major Maintenance Reserve Account and Senior Debt Service Reserve Account.

For the avoidance of doubt, the lenders are aware of the default under the loan agreement and that remedial plans are in place to remedy the matters in so far as the directors are able to do so. The directors are not aware of any proposals by the senior lenders to seek early repayment of the outstanding loan amounts. All debt due to senior lenders has been shown as falling due within one year, as detailed in note 12 to the financial statements.

Directors
The current directors of the Company, who served throughout the period and subsequently unless otherwise stated, are shown on page 1.

Dividends
The directors do not recommend the payment of a dividend for the year (2016: £nil).

Directors' report (continued)
For the year ended 31 December 2017

Directors' indemnities
The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Furthermore, the directors of Morgan-Vinci Limited have qualifying third party indemnity provisions put in place through other companies of which they are also directors.

Independent auditor and disclosure of information to the independent auditor
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and pursuant to Section 487 of the Companies Act 2006, Deloitte LLP is deemed to be reappointed as auditor.

Directors' responsibilities statement
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
- 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 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.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies. The company has taken advantage of the disclosure exemptions available to small companies under section 414B of the Companies Act 2006 and has not prepared a Strategic Report.

Directors' report (continued)
For the year ended 31 December 2017

For and on behalf of the Board

W H Snow
Director
31 October 2018

Independent auditor's report to the members of Morgan-Vinci Limited For the year ended 31 December 2017

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of Morgan-Vinci Limited (the 'Company') affairs as at 31 December 2017 and of its 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 of the Company which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to18.

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) 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.

Material uncertainty related to going concern

We draw attention to the Principal Accounting Policies in the financial statements concerning the company's ability to continue as a going concern. The Company is in default under its senior financing agreement, the lenders have not waived the breach and, therefore, all associated senior debt is shown as current liabilities in the financial statements.

In addition, there is a contingent liability in respect of the tax treatment of a number of transitional adjustments on adoption of FRS 102 where the ultimate outcome of the matter cannot presently be determined. As stated in the Principal Accounting Policies in the financial statements, these events or conditions, along with the other matters as set forth in the Principal Accounting Policies in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Morgan-Vinci Limited (continued)
For the year ended 31 December 2017

Other information

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

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

We have nothing to report in respect of these matters.

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 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Independent auditor's report to the members of Morgan-Vinci Limited (continued)
For the year ended 31 December 2017

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

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, 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Jacqueline Holden, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
31 October 2018

Statement of Comprehensive Income
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	1	**1,420**	1,600
Cost of sales		**(1,237)**	(1,030)
Gross profit		**183**	570
Administrative expenses		**(411)**	(530)
Operating (loss)/ profit	2	**(228)**	40
Interest receivable	5	**4,659**	4,670
Interest payable	6	**(4,292)**	(4,176)
Profit before tax		**139**	534
Tax on profit	7	**(833)**	(107)
(Loss)/ profit for the financial year attributable to owners of the Company		**(694)**	427

Continuing operations
The results for the current and previous financial years derive from continuing operations.

Balance Sheet
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Financial assets	8	**63,115**	63,096
Deferred tax asset	9	**-**	-
		63,115	63,096
Current assets			
Trade and other receivables	10	**1,727**	1,334
Cash and bank balances		**7,973**	8,341
		9,700	9,675
Current liabilities			
Trade and other payables	11	**(57,335)**	(57,579)
Net current liabilities		**(47,635)**	(47,904)
Total assets less current liabilities		**15,480**	15,192
Non-current liabilities			
Trade and other payables	11	**(9,887)**	(9,290)
Provisions for liabilities	13	**(4,829)**	(4,444)
		(14,716)	(13,734)
Net assets		**764**	1,458
Capital and reserves			
Share capital	15	**941**	941
Retained earnings		**(177)**	517
Total shareholder's funds		**764**	1,458

The financial statements have been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption.

The financial statements of Morgan-Vinci Limited, company number 04229044, were approved by the Board and authorised for issue on 31 October 2018.

They are signed on its behalf by:

Henry Snow

W H Snow
Director

Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2016	941	90	1,031
Total comprehensive income	-	427	427
At 1 January 2017	941	517	1,458
Total comprehensive loss	-	(694)	(694)
At 31 December 2017	**941**	**(177)**	**764**

Statement of Cash Flows
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Operating (loss)/ profit	**(228)**	40
Adjustments for:		
Lifecycle provision	**546**	303
Revenue on mark-up on costs	**(714)**	(989)
Operating cash flow before movement in working capital	**(396)**	(646)
Increase in debtors	**(363)**	(60)
(Decrease) / increase in creditors	**(272)**	3
Lifecycle paid	**(1,141)**	(133)
Receipts on financial asset – operating income	**2,140**	2,240
Net cash flows (used in)/ generated from operating activities	**(32)**	1,404
Cash flows from investing activities		
Receipts on financial asset – investment income	**3,210**	3,360
Interest received	**4**	18
Disposal of short term deposits	**-**	1,750
Net cash from investing activities	**3,214**	5,128
Cash flows from financing activities		
Repayment of borrowings	**(455)**	(791)
Interest and similar charges paid	**(3,095)**	(3,153)
Net cash used in financing activities	**(3,550)**	(3,944)
Net (decrease)/ increase in cash & cash equivalents	**(368)**	2,588
Cash and cash equivalents at beginning of year	**8,341**	5,753
Cash and cash equivalents at end of year	**7,973**	8,341
Cash and cash equivalents comprise:		
Cash at bank and in hand	**7,973**	8,341
	7,973	8,341

Principal Accounting Policies
For the year ended 31 December 2017

General information
Morgan-Vinci Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the UK and registered in England and Wales. The nature of the Company's operations and its principal activities are set out in the Directors' Report. The address of the registered office is given on page 1.

Basis of accounting
The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The functional currency is pounds sterling and rounded to the nearest thousand unless otherwise stated.

Going concern
The Company's Adjusted Forward-Looking Annual Debt Service Cover Ratio is lower than the required amount at discrete points in the future forecast. The Company has proposed potential solutions which are being discussed with the senior lenders.

There is also ongoing discussion between senior lenders and the directors regarding the resolution of the construction related rectification works (see Lifecycle expenditure section below for further details) and there is no indication that senior lenders intend to terminate the loan agreement.

As a result of these matters, the Company is in default under its senior financing agreement. The lenders have not waived the breach and therefore all associated senior debt is shown as current liabilities in the financial statements.

In addition the Company has a contingent liability in respect of the tax treatment of a number of transitional adjustments on adoption of FRS 102. If this had to be paid in full the cash in the reserve accounts would need to be utilised to settle this. There has been discussions with the senior lenders about the prospect of having permission to spend the monies in the reserve accounts for the contingent liability if it were to fall due. As permission has yet to be given this represents an uncertainty.

The directors consider there to be a number of uncertainties but acknowledge that discussions with lenders remain ongoing and that the future obligations of the Company have been prudently modelled for more than 10 years.

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing the accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. In reaching this conclusion, the directors have specifically considered the matters above with regard to the contingent liability and the matters referred to under the paragraphs headed lifecycle expenditure and liquidity risks in the Directors' Report and acknowledge that the non-waiver of the defaults indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Principal Accounting Policies (continued)
For the year ended 31 December 2017

Revenue
Revenue is defined as the value of goods and services rendered; excluding discounts and VAT and is recognised as follows:

a. Public to private concession arrangements
Pursuant to section 23 of FRS 102, revenue associated with a financial asset comprises construction service remuneration and, once operational, service remuneration which relates to operation and maintenance activity, associated with keeping the asset at a minimum standard, and ad hoc asset related services income.

b. Other revenue items
Income from usage is recognised as it is earned, based on the number and type of vehicles using the road each year

Financial asset model
A substantial portion of the Company's assets are used within the framework of concession contracts granted by public sector customers ('grantors'). Under these contracts, the Company has constructed the Newport Southern Distributor Road that is leased to Newport City Council on a 40 year lease.

To fall within the scope of section 34 of FRS 102, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide using the infrastructure, to whom, and at what price; and

- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

Amounts specified or determined in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Pursuant to section 34 of FRS 102, such infrastructure is not recognised in assets of the operator as property, plant and equipment but as financial assets. In consideration of the above, it has been determined that the infrastructure of the Company should be classified as a financial asset.

The financial asset is stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset.

Principal Accounting Policies (continued)
For the year ended 31 December 2017

Financial asset
The financial asset is stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset.

Taxation
The income tax expense represents the current and deferred tax charges. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Interest receivable
Interest receivable on the contract debtor is recognised at a constant rate of return on the outstanding balance of the debtor over the life of the asset.

Interest payable
Finance costs that were accrued during construction and operation of the asset were expensed as they were incurred.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Loan arrangement fees
Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. The capitalised fees are then released to the statement of comprehensive income account on a straight line basis over the term of the loan.

Principal Accounting Policies (continued)
For the year ended 31 December 2017

Major maintenance provision
The Company has a legal obligation to undertake major maintenance on the road to maintain it at a minimum standard. This obligation is treated as a constructive obligation, arising from past usage of the road, and is treated as a provision. The provision is measured as the present value of the amount required to settle the obligation, with an expense recognised each year based on the usage of the road. Usage is forecast to be flat over the concession. The annual unwinding of the discount is recognised as a finance cost.

Critical accounting judgements and key sources of estimation uncertainties
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

The following are those that management consider to be critical due to the level of judgment and estimation required.

A - Key sources of estimation uncertainty
Construction Margin – Under its contractual obligations, the Company provides services related to the construction of a road asset. The remuneration for these services is recognised at cost plus a mark-up for profit on construction services. The construction margin rate used throughout construction was 0.5% on construction costs. This is line with common industry practice and reflects the margins a similar Company may expect to earn on similar construction projects.

Service Margin – After the property is constructed, the Company provides asset management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on asset management services. The service margin is calculated by reference to the amount of residual unitary charge income once the service income and associated interest income have been received. The service margin rate used in 2017 was 8.46% (2016: 19.88%) per annum.

Financial asset interest rate – The financial asset interest income is based on the weighted average cost of debt of the project at financial close and is applied to the carrying value of the financial asset on a quarterly basis. The interest rate used in 2017 was 7.58% (2016: 7.58%) per annum.

Composite trade tax - There is no specific tax legislation governing the taxation of businesses accounted for as service concession arrangements that apply composite trade tax and, as such, there is uncertainty around the transition adjustments which have been proposed by the Company as part of the adoption of composite trade tax. This uncertainty presents a risk to the Company as until a tax treatment has been accepted by HMRC there is uncertainty around future cash flows. Please refer to Note 14 for more detail on the contingent liability disclosed. A provision for £806,000 has been recognised as explained in Note 13.

Major maintenance provision – in order to calculate the provision for major maintenance that has been incurred to date, the Company makes a number of assumptions. An estimate is made of the future spend required on major maintenance until the end of the concession; this estimate is also reviewed and approved by an independent expert who is employed by the Company's lenders as its Technical Advisor. The Company also assumes that usage on the road will be flat over the concession. A discount factor of 2.5% is applied to future spend and is in line with annual inflation.

Principal Accounting Policies (continued)
For the year ended 31 December 2017

B - Critical judgements

Concession arrangements – The concession arrangements undertaken by the Company are considered to fall within the scope of section 34 of FRS 102 "Service Concession Arrangements", as described in the Revenue principal accounting policy. This judgement has been based on a consideration of the nature and terms of the agreements and, the existence of an option for the grantor to be handed back the asset at the end of the contract.

Notes to the financial statements
For the year ended 31 December 2017

1. Analysis of revenue and profit before taxation

All revenue and profit before taxation relates to the Company's principal activity carried out in the UK.

2. Operating (loss)/ profit

	2017	2016
	£'000	£'000
(Loss)/ profit before taxation is stated after charging:		
Fees payable to the Company's auditor for the audit of its annual financial statements	**14**	14

3. Staff numbers and costs

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

4. Directors' remuneration

None of the directors received any emoluments (2016: £nil) in their capacity as directors of the Company.

5. Interest receivable

	2017	2016
	£'000	£'000
Bank interest receivable	**4**	18
Financial asset interest receivable	**4,655**	4,652
	4,659	4,670

Notes to the financial statements (continued)
For the year ended 31 December 2017

6. Interest payable

	2017 £'000	2016 £'000
Interest payable on bank loans	**(3,468)**	(3,493)
Amortisation of arrangement fees	**(52)**	(52)
Interest payable on subordinated loans to shareholders	**(597)**	(565)
Unwinding of discount on provisions	**(175)**	(66)
	(4,292)	(4,176)

Interest payable of £443,000 (2016: £565,000) out of £597,000 (2016: £565,000) for the year has been added to the shareholder's loans.

7. Taxation on profit

	2017 £'000	2016 £'000
Current tax		
UK corporation tax	**27**	107
Adjustment in respect of prior periods	**-**	(31)
Total current tax charge	**27**	76
Deferred Tax		
Origination and reversal of timing differences	**-**	31
Total deferred tax (credit)/ charge	**-**	31
Provision		
Total tax charge (note 13)	**806**	-
	806	-
Tax on profit on ordinary activities	**833**	107

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated taxable profit for the year.

The actual tax charge for the previous year's differs from the standard rate for the reasons set out in the following reconciliation:

Notes to the financial statements (continued)
For the year ended 31 December 2017

7. Taxation on profit (continued)

	2017 £'000	2016 £'000
Factors affecting the tax charge for the year		
Profit before tax	**139**	534
Tax at 19.25% thereon (2017: 20.00 %)	**27**	107
Effects of :		
Expenses not deductible for tax purposes	**-**	1
Adjustments to tax charge in respect of previous periods	**-**	(32)
Adjustments to tax charge in respect of previous periods – deferred tax	**-**	31
Tax provision	**806**	-
Total tax charge for the year	**833**	107

8. Financial assets

	2017 £'000	2016 £'000
Balance at 1 January	**63,096**	63,056
Income recognised in the profit or loss		
- service remuneration	**715**	989
- interest income	**4,655**	4,652
	5,370	5,641
Other movements		
- cash received	**(5,351)**	(5,601)
Balance at 31 December	**63,115**	63,096

Notes to the financial statements (continued)
For the year ended 31 December 2017

9. Deferred tax asset

	2017 £'000	2016 £'000
At 1 January	-	31
Current year credit to profit and loss account	-	(31)
At 31 December	-	-

An analysis of deferred taxation provided in the financial statements is as follows:

	2017	2016
Trade losses	-	(31)

10. Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Amounts owed by related parties (note 17)	87	87
Provision for bad debts	(73)	(73)
Prepayments and accrued income	545	755
Other debtors	1,168	565
	1,727	1,334

11. Trade and other payables

	2017 £'000	2016 £'000
Bank loans (note 12)	55,141	55,224
Less amortisation of fees	(1,192)	(1,244)
	53,949	53,980
Trade creditors	22	85
Amounts owed to related parties (note 17)	217	263
Corporation tax	134	76
Other tax and social security	155	223
Accruals and deferred income	2,858	2,952
	57,335	57,579

Amounts falling due after one year:

	2017	2016
Accruals and deferred income	-	-
Subordinated loan to related parties (note 12)	9,887	9,290
	9,887	9,290

Notes to the financial statements (continued)
For the year ended 31 December 2017

12. Loans

	2017 £'000	2016 £'000
The bank loans are repayable as follows:		
Within one year	55,141	55,224
	55,141	55,224
Amortisation of fees	(1,192)	(1,244)
	53,949	53,980

Bank loans represent the senior debt loan agreement with a fixed interest rate payable of 6.3%. Repayments are made every six months until expiry of the facility in September 2040. Senior debt is secured by fixed and floating charges on the assets of the Company.

The Company is technically in default under the terms of its senior debt loan agreement due in part to construction related rectification works and loan covenant ratios being in default due to the profile of future major maintenance. The directors are in constant discussion with the lenders to remedy both defaults. Although they have shown no desire to do so, the lenders may be able to require immediate repayment of the loan amount. To appropriately reflect this possibility, the loan is shown as being payable within one year.

	2017 £'000	2016 £'000
Subordinated loan to related party		
The loan is repayable as follows:		
After more than five years	9,887	9,290
	9,887	9,290

The subordinated loan notes from shareholders are unsecured and are repayable at the end of the project in 2040. The balance includes interest payable of £4,300,000 (2016: £3,857,000) and the interest rate on the shareholders loan notes is 6.3%.

13. Provisions for liabilities

	Major maintenance £'000	Tax provision £'000	Total £'000
At 1 January 2016	4,209	-	4,209
Expense provided for	303	-	303
Unwinding of discount	66	-	66
Amounts charged against the provision	(134)	-	(134)
At 31 December 2016	4,444	-	4,444
At 1 January 2017	4,444	-	4,444
Expense provided for	545	806	1,351
Unwinding of discount	175	-	175
Amounts charged against the provision	(1,141)	-	(1,141)
At 31 December 2017	4,023	806	4,829

Notes to the financial statements (continued)
For the year ended 31 December 2017

13. Provisions for liabilities (continued)

Major maintenance - The Company has a contractual obligation to undertake major maintenance on the road to maintain it at a minimum standard. This is treated as a constructive obligation, arising from past usage of the road, and is treated as a provision. The provision is measured as the present value of the amount required to settle the obligation, with an expense recognised each year relating to the annual usage. The annual unwinding of the discount is recognised as a finance cost. As major maintenance expenditure is incurred, it is charged against the provision.

Tax provision - The Company has provided for £806,000 for taxation in relation to the HMRC challenge on one of the transitional adjustments. Please see note 14.

14. Contingent liability

The Company transitioned from reporting under old UK GAAP to FRS 102 during the year ended 31 December 2015. As a result, the accounts for the year ended 31 December 2014 were restated and a number of transitional adjustments were recognised accordingly. At 31 December 2014, the total net effect of these adjustments, before deferred tax, was to increase closing retained earnings by £10,963,565. The Company calculated that of the net adjustments only £1,470,644 was taxable.

Following its transition to FRS 102 and financial asset accounting from 1 January 2014, the Company applied to HM Revenue and Customs ('HMRC') to allow the transition to composite trader tax treatment (as set out under HMRC's Business Income Manual (BIM) 64000) and the tax charge thereafter has been calculated on a composite trader tax basis. HMRC confirmed that composite trader tax treatment is appropriate however requested further supporting information in respect of a number of the accounting adjustments referred to above and the tax treatment thereon. The Company received a letter from HMRC dated 2 November 2017 which indicated that HMRC consider that a higher value of £27,112,678 of the net adjustments should have been taxable, which would give rise to an additional tax liability of £5,700,000. The Company does not agree with this conclusion and is engaged in an ongoing dialogue with HMRC to resolve the matter. A provision of £806,000 has been recognised as mentioned in note 13.

15. Share capital

	2017	2016
	£'000	£'000
Allotted, called up and fully paid		
470,657 (2016: 470,657) Class A ordinary shares of £1 each	**471**	471
470,657 (2016: 470,657) Class B ordinary shares of £1 each	**471**	471

All shares rank pari passu.

Other reserves

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

Notes to the financial statements (continued)
For the year ended 31 December 2017

16. Ultimate parent company

The Company is jointly owned by Morgan Sindall Investments (Newport SDR) Limited (registered address: Kent House, 14 - 17 Market Place, London, W1W 8AJ) and Vinci Newport DBFO Limited (registered address: 1 Park Row, Leeds, LS1 5AB) both companies are registered in England and Wales and hold shareholdings of 50% each.

The directors are of the opinion that there is no ultimate parent undertaking or controlling party by virtue of the Company's joint ownership and control.

Notes to the financial statements (continued)
For the year ended 31 December 2017

17. Related party transactions

The directors consider the material transactions undertaken by the Company during the year with related parties were as follows:

Nature of transaction		Transaction amount 2017	Amount due to related party at 2017	Transaction amount 2016	Amount due to related party at 2016
		£	£	£	£
Morgan Sindall Investments (Newport SDR) Ltd	Shareholder				
Shareholder loan notes		**(298,434)**	**(4,866,289)**	(282,465)	(4,645,128)
Morgan Sindall Investments Ltd	Parent of shareholder	**(23,250)**	**(6,300)**	(40,138)	-
Community Solutions Partnership Services Ltd	Subsidiary of Parent of Shareholder	**(62,592)**	-	(62,429)	-
Vinci Newport DBFO Ltd	Shareholder				
Shareholder loan notes		**(298,434)**	**(4,866,289)**	(282,465)	(4,645,128)
Vinci Concessions SAS	Parent of shareholder				
Provision of services		**(123,339)**	-	(152,729)	(14,500)
Vinci Concessions UK Ltd	Subsidiary of Parent of Shareholder	**30,242**	**317**	**(30,450)**	(36,540)
Morgan-Vinci CJV	[1]				
Provision of services		-	**(211,516)**	-	(211,516)
Turnover		-	**86,742**	-	86,742
Ringway Infrastructure Services Ltd	[2]				
Provision of services		-	-	(351,452)	-

Notes to the financial statements (continued)
For the year ended 31 December 2017

17. Related party transactions (continued)
All transactions with related parties have taken place at arm's length.

[1] Morgan- Vinci CJV
Morgan-Vinci CJV is a 50% joint arrangement between Morgan Sindall Construction and Infrastructure Limited and VINCI Construction Grands Projets SAS. VINCI Construction Grands Projets SAS is a 100% owned subsidiary of VINCI Construction SAS which is a 100% owned subsidiary of VINCI SA. VINCI SA has a 100% shareholding in VINCI Concessions SAS, the parent of VINCI Newport DBFO Limited.

[2] Ringway Infrastructure Services Limited
Ringway Infrastructure Services Limited is a 100% owned subsidiary of Eurovia UK Limited. Eurovia UK Limited is a 100% owned subsidiary of Eurovia SAS which is a 100% owned subsidiary of VINCI SA. VINCI SA has a 100% shareholding in VINCI Concessions SAS, the parent of VINCI Newport DBFO Limited.

18. Subsequent events
There were no subsequent events that affected the financial statements of the Company.