

Midland Expressway Limited

Annual report and financial statements

For the year ending 31 December 2016

REGISTERED NUMBER: 02309767

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Midland Expressway Limited

Annual report and financial statements for the year ended 31 December 2016

	Page
Directors and advisors	1
Strategic report for the year ended 31 December 2016	2
Directors' report for the year ended 31 December 2016.....	6
Independent auditors' report to the members of Midland Expressway Limited	9
Income statement for the year ended 31 December 2016	11
Statement of financial position as at 31 December 2016	12
Statement of changes in equity for the year ending 31 December 2016.....	13
Notes to the financial statements for the year ended 31 December 2016.....	14

Midland Expressway Limited

Directors and advisors

Directors

A Pearson Chief Executive
P Trent
R Abel
G Parcell

Company Secretary

D Slater

Registered Office

Midland Expressway Limited
Operations Centre
Express Way
Weeford
Lichfield
Staffordshire
WS14 0PQ

Bankers

Barclay Bank
Barclays Corporate
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Midland Expressway Limited

Strategic report for the year ended 31 December 2016

The directors present their Strategic report for the company for the year ended 31 December 2016.

Principal activities

The company's principal activity is the financing and operation of the 27-mile M6toll motorway, under a 53 year Concession Agreement with the Government running from 26 January 2001 and expiring in 2054.

Business review

The trading results for the year and the company's financial position are shown in the attached financial statements.

17.5 million customers used the M6toll during the year, compared to 17.4 million for the year ended 31 December 2015. Annual Average Daily Traffic was 47,777, an increase of 0.4% on the prior year. This represents an excellent performance for 2016 as the company had forecast a slight reduction in total traffic volumes over the previous year as a result of the cessation of the southbound roadworks which had driven very strong traffic growth on the M6toll throughout 2015. In 2016, the competing M6 section was essentially roadwork-free with a consequent reduction in congestion over 2015 countered by ongoing growth in the economy and the continuation of relatively low fuel prices. The company expect strong growth in M6toll traffic volumes to resume in 2017 after this reduced growth in 2016 for the reasons discussed under the future developments section.

Toll Revenue	
12 months to 31-Dec-2016	12 months to 31-Dec-2015
£80,177k	£79,613k
+0.7%*	

Annual Average Daily Traffic (AADT)	
12 months to 31-Dec-2016	12 months to 31-Dec-2015
47,777	47,589
+0.4%*	

*Percentage movement from previous 12 months.

Overall tolling revenue of £80,177k was achieved in the year, an increase of 0.7% (2015: £79,613k). Tolling rates, which were last increased in March 2012, remained unchanged throughout 2016 however average toll per vehicle rose slightly reflecting a proportionately higher increase in logistics traffic.

Other income, largely comprising contributions from the M6toll motorway service station (MSA), was £2,997k (2015: £3,323k) a decrease of 9.8%. This reduction was mainly due to a one-off cost benefit of £244k (refund of historic bank charges) received in 2015 which did not recur with the balance due to some disruption during expansion works at the MSA.

Operating costs have been very effectively managed with a reduction of around £112k (1.1%) against the previous year despite the increase in traffic volume. The company continues to focus on controlling costs and delivering greater efficiencies in the use of resources whilst delivering an excellent level of customer service. Excellent industrial relations exist with the Union UCATT (now merged with Unite) and a new one year pay agreement was negotiated which runs until 31 December 2017.

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a key measure of the company's operating performance insofar as it excludes depreciation and interest obligations under the intercompany loan. The company, as part of the wider group, entered into a sales process which incurred a number of costs considered exceptional during the year of £432k (2015: £nil) and which are reflected in EBITDA, giving a marginal decrease in overall EBITDA to £72,733k (2015: £72,787k). Excluding the effects of these costs, EBITDA on a like for like basis would have increased by £378k.

As at 31 December 2016 the company had net current liabilities of £649,826k (2015: £648,528k).

The company has current liabilities payable to its immediate parent undertaking, Macquarie Motorways Group Limited of £659,831k (2015: £631,194k).

Midland Expressway Limited

Strategic report for the year ended 31 December 2016 (continued)

Business review (continued)

The Peregrine Motorways Limited group ("the Group"), of which the company is part, continues to receive the full support of its debt providers subsequent to the successful completion in March 2015 of an agreed financial restructuring, the terms of which provided the group with an affordable and stable financing platform for the foreseeable future. Given the recent strong performance of the business, it was felt appropriate to enter into a sales process to find new owners for the business. This process ran throughout 2016 and into 2017 and, at the date of this report, the sales process had not been concluded.

Future developments

The roadworks planned by Highways England on the competing section of the M6 for 2017 are focused around the A38 and link roads into Birmingham from junction 6 and around Rushall Canal Bridge near junction 8. We do not anticipate any material benefit to M6toll traffic as a result of these works. There are further roadworks planned for 2017 and beyond which will have a positive impact on M6toll traffic, in particular the M5 roadworks between junctions 1 and 2 planned to commence in early summer and the junction 2-4 SMART motorway works which are expected to commence later in the year or even in early 2018. Further announcements are also anticipated for works on the approaches to the M6toll as Highways England rolls out further measures.

After the rebalancing of northbound and southbound flows on the competing M6 in 2015, we expect strong growth to return to the M6toll as congestion continues to increase on the competing M6.

As the work programme for HS2 develops, it is becoming clearer that there will be significant disruption on the M6 and other associated roads for significant periods during the construction. This is likely to increase congestion on the M6 and should benefit M6toll traffic as people make the choice to use the M6toll to avoid such congestion. The company continues to develop its working relationship with the HS2 team to ensure that the M6toll assists this development in the most effective way possible.

It is expected that overall traffic corridor growth in the West Midlands will continue to be stimulated by the ongoing strong economic performance in the region, further boosted by activities of the West Midlands Combined Authority, Transport for West Midlands, new West Midlands Mayor and associated developments relating to the UK "Midlands Engine". The company continues to develop stronger working relationships with the relevant local authorities and other stakeholders to ensure that the M6toll helps to deliver the maximum benefit for the region.

Further development of the motorway service area at Norton Canes is planned to complete in the first half of 2017, providing additional seating and facilities, additional food service offerings and a grocery outlet.

Key performance indicators

Given the straightforward nature of the business and the information provided elsewhere in this report, for example regarding tolling revenues and traffic volumes which can be found in the Business review section, the directors are of the opinion that the publication of further KPIs is not necessary for an understanding of the development, performance or positioning of the business.

Midland Expressway Limited

Strategic report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties

The company's key operational and financial risks are set out below along with the risk management policies put in place to mitigate these risks.

- The continuing availability of finance to the immediate parent company
- The company undertakes regular financial forecasting to monitor compliance with financial covenants.
- The continued ability to collect tolls over the life of the concession, without being discriminated against by change in government policy
- The company has an excellent relationship with Highways England/Department for Transport and maintains a dialogue on a number of initiatives to enhance or at least maintain the M6toll's key position within the region's major road network and ensure it remains compliant with the Concession Agreement.
- Increased competition from other routes as a result of continued government capital spending
- The company seeks to address such competition by providing exemplary service to customers, as well as adding value, in order to build long term customer loyalty.

As part of the debt refinancing of the M6toll in August 2006, the company acceded to a formal obligation with the Secretary of State to contribute up to a maximum of £70,000k towards a road enhancement project which would provide a motorway to motorway link between the M54 and the M6toll and to meet the costs of maintaining the link thereafter. The commitment amount is indexed according to the Road and Construction Tender Index from May 2006. Options for the development of a link remain under discussion by the Secretary of State and Highways England. The proposal is contained within the 5 year Highways England Plan, however a decision on preferred route continues to be delayed with no clarity expected until September 2017 at the earliest. The company and its consultants are monitoring the position and continue to engage with Highways England and the Department for Transport to mitigate and quantify the risk. The financial risk to the company is conditional upon the final project meeting certain criteria and is reported as a contingent liability in note 21 to the financial statements.

Operational risk management

Risk is inherent to the business and to the operation of the M6toll. Accordingly the company is committed to establishing, maintaining and continually improving arrangements to manage risk. Such arrangements are incorporated within an integrated Management System, which has been developed and certified in accordance with ISO 9001 Quality Management, ISO 14001 Environmental Management, OHSAS 18001 Occupational Health and Safety Management, and Fire Safety.

All board members are aware of their risk management responsibilities and risk management is on the agenda and discussed at Board meetings on a regular basis. The Board has appointed the Chief Executive to direct the planning, implementation and overview of risk management arrangements across all departments and activities and to report to the Board on risk management performance. As a minimum this will include identification of significant risks, actions to reduce, mitigate or control such risks, ranking of residual risks and the names of allocated risk managers.

Midland Expressway Limited

Strategic report for the year ended 31 December 2016 (continued)

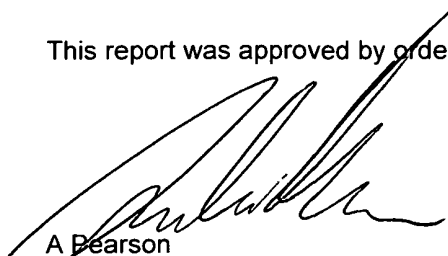
Financial risk management

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department as required.

The company has both interest bearing assets and interest bearing liabilities. The interest on the group loan from Macquarie Motorways Group Limited is at a fixed rate.

Interest bearing assets consist of short term deposits and cash balances. The company has a policy of maximising finance income from short term deposits via the monitoring of cash balances and working capital requirements at a level sufficient to fund its operations.

This report was approved by order of the Board on 24 April 2017 and signed on its behalf by:



A Pearson
Director
24 April 2017

Midland Expressway Limited

Directors' report for the year ended 31 December 2016

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Future developments

Future developments have been discussed within the Strategic report.

Financial risk management

Financial risk management has been discussed within the Strategic report.

Results and dividends

The loss for the financial year was £15,329k (2015: loss £18,360k). The directors have not recommended a dividend (2015: none).

Midland Expressway Limited

Directors' report for the year ended 31 December 2016 (continued)

Directors

The directors of the company during the year and up until the date of signing the financial statements, unless otherwise stated, were:

A Pearson
P Trent
R Abel
G Parcell

Directors' indemnity insurance

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors.

Charitable and political contributions

During the financial year ended 31 December 2016 the company made donations totalling £77k to help charities and local community projects, including contributions to the Midlands Air Ambulance Service and various local schools (2015: £64k).

There were no donations to political parties (2015: £nil).

Employees

The company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged to ensure a common awareness on the part of all employees of the financial and economic factors affecting the company.

Environmental policy

The company recognises that its activities impact on the environment to some degree, and aims to secure positive advantages and reduce negative impacts through a system of active environmental monitoring and management, which will in many cases, contribute positively to its future performance.

The company aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- prevent pollution from activities;
- plan the contingency/emergency response for major incidents, with other environmental stakeholders, to minimise environmental impact;
- engender within staff and, as far as practicable, contractors, a culture of awareness and responsibility for relevant environmental issues by promoting this policy internally;

Midland Expressway Limited

Directors' report for the year ended 31 December 2016 (continued)

Environmental policy (continued)

- develop, implement and audit an Environmental Management System (EMS) to support these aims;
- maintain certification to ISO 14001 'Environmental management systems' gained on 15 December 2006; and
- promote its environmental-friendly credentials as widely as possible.

Health and safety

The company is committed to complying with applicable health and safety legislation and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

The company achieved certification to the Occupational Health and Safety Standard OHSAS 18001 in July 2005, and has signed up to a partnership agreement with Lichfield District Council on health and safety.

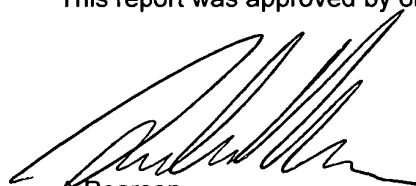
Going concern

A full and detailed assessment of going concern has been carried out and considered by the directors. As part of this process, detailed cash flow forecasts have been produced for a period of 12 months from the date of this report. Based on these forecasts, Midland Expressway Limited is not expected to become reliant on funding from any external source or other group company (though, for the avoidance of doubt, the existing intercompany loan between Macquarie Motorways Group Limited and Midland Expressway Limited will remain in place) and is expected to have sufficient liquidity to continue as a going concern.

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered. Midland Expressway Limited's traffic and cash flow forecasts have been formulated prudently and headroom for the next twelve months is considered sufficient under a range of downside trading scenarios.

Based on the above, and the enquiries made by the directors, the financial results have been prepared on a going concern basis, which assumes that Midland Expressway Limited will be able to meet its liabilities as and when they fall due for the foreseeable future.

This report was approved by order of the Board on 24 April 2017 and signed on its behalf by:



A Pearson
Director
24 April 2017

Independent auditors' report to the members of Midland Expressway Limited

Report on the financial statements

Our opinion

In our opinion, Midland Expressway Limited's financial statements (the "financial statements"):

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

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Midland Expressway Limited (continued)

Other matters on which we are required to report by exception (continued)

Directors' remuneration

- Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

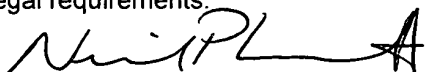
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Neil Philpott (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

25 April 2017

Midland Expressway Limited

Income statement for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	5	80,177	79,613
Other operating income		2,997	3,323
Total operating income		83,174	82,936
Staff costs	6	(4,401)	(4,295)
Depreciation written off tangible fixed assets	10	(16,425)	(21,693)
Other operating charges		(6,040)	(5,854)
Operating profit	6	56,308	51,094
Interest receivable and similar income	8	103	100
Interest payable and similar charges	8	(71,740)	(69,554)
Loss on ordinary activities before taxation		(15,329)	(18,360)
Tax on loss on ordinary activities	9	-	-
Loss for the financial year		(15,329)	(18,360)

The above Income statement should be read in conjunction with the accompanying notes on pages 14 to 30.

All the above amounts relate to continuing operations.

The above results represent the company's total recognised income and expenses in the financial year and therefore no separate statement of comprehensive income has been presented.

Midland Expressway Limited

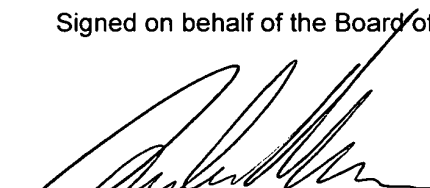
Statement of financial position as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	10	584,838	596,437
Current assets			
Debtors	11	5,138	1,111
Cash at bank and in hand	12	25,957	2,810
		31,095	3,921
Creditors: amounts falling due within one year	13	(680,921)	(652,449)
Net current liabilities		(649,826)	(648,528)
Total assets less current liabilities		(64,988)	(52,091)
Creditors: amounts falling due after more than one year	14	(170,355)	(167,923)
Net liabilities		(235,343)	(220,014)
Capital and reserves			
Called up share capital	17	2,940	2,940
Share premium account		144,060	144,060
Retained earnings		(382,343)	(367,014)
Total shareholders' deficit		(235,343)	(220,014)

The above Statement of financial position should be read in conjunction with the accompanying notes on pages 14 to 30.

The financial statements on pages 11 to 30 were approved by the Board of Directors on the date shown below.

Signed on behalf of the Board of Directors by:



A Pearson
Director
24 April 2017

Registered number: 02309767

Midland Expressway Limited

Statement of changes in equity for the year ending 31 December 2016

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total £000
At 31 December 2014	2,940	144,060	(348,654)	(201,654)
Loss for the year	-	-	(18,360)	(18,360)
At 31 December 2015	2,940	144,060	(367,014)	(220,014)
Loss for the year	-	-	(15,329)	(15,329)
At 31 December 2016	2,940	144,060	(382,343)	(235,343)

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016

1. Company information

Midland Expressway Limited finance and operate the 27-mile M6 toll motorway, under a 53 year Concession Agreement with the Government running from 26 January 2001 and expiring in 2054.

The company is a private company limited by shares and is incorporated in England and Wales.

The address of its registered office is Operations Centre, Express Way, Weeford, Lichfield, WS14 0PQ.

2. Statement of compliance

The financial statements of Midland Expressway Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 22.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Going concern

A full and detailed assessment of going concern has been carried out and considered by the directors. As part of this process, detailed cash flow forecasts have been produced for a period of twelve months from the date of this report. Based on these forecasts, Midland Expressway Limited is not expected to become reliant on funding from any external source or other group company (though, for the avoidance of doubt, the existing intercompany loan between Macquarie Motorways Group Limited and Midland Expressway Limited will remain in place) and is expected to have sufficient liquidity to continue as a going concern.

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered. Midland Expressway Limited's traffic and cash flow forecasts have been formulated prudently and headroom for the next twelve months is considered sufficient under a range of downside trading scenarios.

Based on the above, and the enquiries made by the directors, the financial results have been prepared on a going concern basis, which assumes that Midland Expressway Limited will be able to meet its liabilities as and when they fall due for the foreseeable future.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including the notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- The requirement under FRS 102 paragraph 4.12a (iv) to prepare a reconciliation of the number of shares outstanding at the beginning and end of the financial period.
- Under FRS 102 paragraph 1.12(b), the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company as at 31 December 2016, Peregrine Motorways Limited, includes the company's cash flows in its own consolidated financial statements.
- Under FRS 102 paragraph 33.1A, the exemption from disclosing related party transactions with other companies that are wholly owned by the ultimate parent company as at 31 December 2016, Peregrine Motorways Limited.

Revenue recognition

Turnover represents amounts received and receivable in respect of tolling revenues, exclusive of value added tax. Revenue is recognised at the time the journey is completed.

Other operating income includes revenues received and receivable on the rental of the Motorway Service Area. The rental is recognised in line with the turnover declared monthly by the Motorway Service Area operator.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

iii. Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost represents original purchase cost and in the case of the construction of the M6toll all expenses that are directly attributable to bringing the road into final condition. Finance costs up to 'Permit to Use' have been capitalised in accordance with FRS102 section 25 'Borrowing costs'.

Depreciation of tangible fixed assets commenced at 'Permit to Use' or date of acquisition and is calculated to write off the cost of tangible fixed assets less their residual values over their expected useful lives at the following rates

Asset description	Categorisation	Estimated useful life	Depreciation rate
M6toll Road Infrastructure	M6toll	50 yrs	Vehicle usage over useful life
Roadbase	M6toll	15 yrs	Vehicle usage over useful life
Wearing Course	M6toll	8 yrs	12.5%
M6toll Buildings and Motorway Service Area	M6toll /short leasehold land and buildings	50 yrs	2%
Masts and Columns	Plant and machinery	12 yrs	8%
Office Furniture and Fittings	Plant and machinery	10 yrs	10%
Signage	Plant and machinery	6 yrs	17%
Vehicles and Maintenance Equipment	Plant and machinery	5 yrs	20%
IT Equipment	Plant and machinery	3 yrs	33%
Toll Collection System	Plant and machinery	3 yrs	33%
Land Fund	Short leasehold land and buildings	50 yrs	2%

The carrying value of these tangible fixed assets is assessed by the directors annually to determine whether there has been any impairment to their value.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases of assets that transfer substantially all the risk and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for the impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Motorway Service Area

The costs of construction of the Motorway Service Area (MSA) at Norton Canes have been capitalised and depreciated in line with assets of a similar nature.

The operation of the MSA is leased to RoadChef and the rental income received and receivable is included within other operating income.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular:

i. Provision is not made for future operating losses

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

ii. Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial Instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The company has taken the exemption from disclosing related party transactions with other companies that are wholly owned by the ultimate parent company as at 31 December 2016, Peregrine Motorways Limited, under FRS 102 paragraph 33.1A.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

4. Significant estimation techniques

i. Depreciation

Depreciation of M6toll infrastructure assets is calculated to amortise the cost of the assets using a formula of actual vehicle usage for the period proportionate to the total forecast usage over the remaining asset life. The forecast vehicle usage has been assessed by the directors using information provided by independent third party consultants and judgement based on past experience and local market knowledge.

ii. Land fund

The Land fund liability includes an accrual for outstanding land compensation claims. The accrual is made on a best estimate basis by the directors from information available at the balance sheet date from independent sources including Highways England and the Valuations Office Agency.

iii. Recognition of deferred tax assets

In order to consider whether any deferred tax asset should be recognised the directors assess the recoverability of this asset against expected future profits. This assessment is based upon traffic forecast information which has been provided by independent third party consultants and judgement based on past experience and local market knowledge.

iv. Carrying value of tangible fixed assets

In order to consider whether the carrying value of tangible fixed assets is supportable the directors assess the expected future cash flows of these assets. This assessment is again based upon traffic forecast information which has been provided by independent third party consultants and judgement based on past experience and local market knowledge. The cash flows expected from these forecasts is then discounted at an appropriate rate to reflect the present value of future cash flows. In order to determine a suitable discount rate the directors consider a number of factors including the weighted average cost of capital for the business.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

5. Turnover

All of the company's turnover and operating results were derived from its activities based in the United Kingdom. All turnover was derived from the same class of business.

6. Operating profit

	2016	2015
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Wages and salaries	4,036	3,934
Pension costs	33	31
Social security costs	332	330
Staff costs	4,401	4,295
Other staff costs (including temporary and secondment fees)	1,574	500
Depreciation of tangible fixed assets		
- owned assets	13,872	19,140
- leased assets	2,553	2,553
Profit on disposal of tangible fixed assets	(26)	-
Operating lease charges	24	75
Impairment of trade receivables	(5)	10
Exceptional costs	432	-
Fees payable to company's auditor		
- Fees payable for the audit	77	63
- Fees payable for tax compliance services	31	31
- Fees payable for other services	92	12

Exceptional costs represent the costs incurred in respect of the group's sale process.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

7. Employees and directors

Employees

The average monthly number of employees (including executive directors) employed by the group during the year was:

	2016	2015
	Number	Number
By activity		
Operations and maintenance	103	102
Administration and marketing	31	31
	134	133

Directors

The directors' emoluments were as follows:

	2016	2015
	£'000	£'000
Aggregate emoluments including benefits in kind	69	141

No directors (2015: nil) were accruing retirement benefits under any pension scheme.

Only 2 directors were remunerated through the company (2015:3). The remaining 2 directors (2015:3) received remuneration from subsidiaries of Macquarie Group Limited. These directors perform director duties for multiple entities in connection with their employment by the Macquarie Group as well as their employment duties with Macquarie Investments. Consequently, allocating their employment compensation across all these duties would mean any amounts allocated to their director duties for the company would be an immaterial nominal amount. Accordingly, no separate remuneration has been disclosed. No recharge of this remuneration is made to the company.

The company does not have any key management personal that require disclosure under FRS 102 paragraph 33.7.

The company maintains a defined contribution pension scheme, which is open to all employees. Member funds for the defined contribution scheme are held in the People Pension Scheme, a master trust administered by B&CE. The total cost recognised in operating profit for the period was £33k (2015: £31k). No accrued or prepaid contributions have been included in the financial statements (2015: £nil).

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Interest payable and receivable

	2016	2015
	£'000	£'000
Interest payable and similar charges:		
Interest due on amounts owed to parent company	56,963	56,963
Other interest (see note 10)	14,777	12,591
	71,740	69,554
	2016	2015
	£'000	£'000
Interest receivable and similar income:		
On bank deposits	103	100

9. Tax on loss on ordinary activities

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK 20.00% (2015: 20.25%). Factors affecting the current tax charge for the year are as follows:

	2016	2015
	£'000	£'000
Reconciliation of total tax charge		
Loss on ordinary activities before taxation	(15,329)	(18,360)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK 20.00% (2015: 20.25%)	(3,066)	(3,718)
Effects of:		
Short term timing differences on deferred tax asset not recognised	645	643
Permanent timing differences	2,292	2,981
Expenses not deductible for tax purposes	15	14
Change in rate of corporation tax	114	80
Total tax charge for the year	-	-

The effective tax rate used for the year ended 31 December 2016 was 20.00% (2015: 20.25%)

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10. Tangible assets

	Plant and machinery	Short leasehold land and buildings	M6 toll	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2016	48,078	123,986	652,140	824,204
Additions	1,872	12	2,942	4,826
Disposals	(342)	-	-	(342)
At 31 December 2016	49,608	123,998	655,082	828,688
Accumulated depreciation				
At 1 January 2016	41,638	27,707	158,422	227,767
Charge for the year	1,389	2,553	12,483	16,425
Disposals	(342)	-	-	(342)
At 31 December 2016	42,685	30,260	170,905	243,850
Net book value				
At 31 December 2016	6,923	93,738	484,177	584,838
At 1 January 2016	6,440	96,279	493,718	596,437

No finance costs have been capitalised during the year (2015: £nil). Aggregate finance costs, after depreciation, included in tangible fixed assets are £71,746k (2015: £73,569k).

The company has carried out an impairment review on the toll road at 31 December 2016. On the basis of the review no adjustment to the carrying value of the toll road was considered necessary by the directors.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10. Tangible assets (continued)

Short leasehold land and buildings comprise:

	Land fund	Motorway Service Area	Total
	£'000	£'000	£'000
Cost	111,192	12,806	123,998
Aggregate depreciation	(26,918)	(3,342)	(30,260)
Net book amount	84,274	9,464	93,738

Assets held under finance lease

The Land fund asset represents the capital cost of land leased by Midland Expressway Limited from Highways England. Lease payments are payable from 2010 until 2054 by Midland Expressway Limited. The net book value of the land fund is £84,274k (2015: £86,560k).

The lease payments are established using a formula provided within the Concession Agreement to settle all costs associated with the purchase of that land and the interest on those costs at 6% real per annum. Interest accruing on the Land fund after 'Permit to Use' is charged to the income statement.

The Land fund liability has been valued by Highways England as at 31 December 2016 at £181,655k (2015: £178,944k). The increase in liability arises from annual interest of £14,777k (2015: £12,591k) offset by the rental payment of £12,087k made in October 2016 and net expenditure by Highways England of £21k. £1,210k (2015: £1,218k) has been accrued to the Land fund asset and corresponding liability for estimated outstanding land compensation claims yet to be paid or agreed by Highways England. The movement on the accrual arises from payments made by Highways England during the year and any adjustment to the forecast liabilities expected to be paid for outstanding claims.

11. Debtors

Debtors due within one year:

	2016	2015
	£'000	£'000
Trade debtors	1,132	457
Amounts owed from parent company	3,364	18
Prepayments and accrued income	642	636
	5,138	1,111

Trade debtors is stated after provisions for impairment of £10k (2015: £15k).

Amounts owed from parent company are repayable on demand, interest free and unsecured.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

12. Cash at bank and in hand

	2016	2015
	£'000	£'000
Bank and cash balances	25,957	2,810

13. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	935	2,622
Amounts owed to parent company	659,831	631,194
Taxation and social security	3,051	2,683
Obligations under finance leases	12,510	12,239
Accruals and deferred income	4,594	3,711
	680,921	652,449

Amounts owed to parent company represent borrowings of £659,831k (2015: £631,194k). The loan is unsecured and bears a fixed interest rate of 9.0% pa. The loan facility covers a period from 24 August 2006 until the earlier of (i) 25 January 2054 or (ii) the termination of the Concession Agreement. The terms of the agreement state that the loan is repayable on demand and as such it has been classified within creditors: amounts falling due within one year as required by FRS 102 section 11 'Basic financial instruments'. However the directors of Macquarie Motorways Group Limited have confirmed that they will not recall the loan within 12 months of signing the financial statements to the extent that it would impact upon the going concern status of Midland Expressway Limited.

The company is party to financing arrangements entered into by Macquarie Motorways Group Limited with its lenders on 24 August 2006, as amended and restated on 13 December 2013 and as further amended and restated on 31 March 2015. The facilities are due for repayment in June 2020.

The company has guaranteed all of Macquarie Motorways Group Limited's obligations under the finance documents designated by the facilities agreement, by way of a debenture created 24 August 2006. The debenture is subject to the terms of a security trust and intercreditor deed between amongst others the company, Macquarie Motorways Group Limited and Crédit Agricole-CIB acting as the security trustee for the benefit of the secured creditors. The debenture grants fixed and floating charges over all of the company's assets in favour of the security trustee as security for the payment of all liabilities.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

14. Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Obligations under finance leases	170,355	167,923
Obligations under finance leases are repayable as follows:		
Later than one year and not later than five years	53,910	52,766
Later than five years	116,445	115,157
	170,355	167,923

15. Financial instruments

		2016	2015
	Note	£'000	£'000
Financial assets measured at amortised cost			
Cash	12	25,957	2,810
Trade receivables	11	1,132	457
Amounts owed from parent company	11	3,364	18
Prepayments and accrued income	11	642	636
		31,095	3,921
Financial liabilities measured at amortised cost			
Trade creditors	13	935	2,622
Accruals	13	4,594	3,711
Amount owed to parent company	13	659,831	631,194
Finance leases	13,14	182,865	180,162
		848,225	817,689

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

16. Deferred taxation

At the year end the company has no potential liability to deferred taxation.

A deferred tax asset of £61,439k (2015: £63,444k) has not been recognised as currently there is insufficient evidence that any asset would be recoverable. The deferred tax asset would be recoverable when the company makes sufficient profits to utilise the losses brought forward. The asset consists of:

	2016		2015	
	Provided £'000	Unrecognised £'000	Provided £'000	Unrecognised £'000
Accelerated capital allowances	(3,093)	-	(3,936)	-
Capitalised interest	(18,276)	-	(19,679)	-
Short term timing differences	-	-	-	-
Losses	21,369	61,439	23,615	63,444
	-	61,439	-	63,444

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and are reflected in these financial statements.

17. Called up share capital

	2016	2015
	£'000	£'000
Authorised:		
3,000,000 (2015: 3,000,000) ordinary shares of £1 each	3,000	3,000
Allotted and fully paid		
2,940,000 (2015: 2,940,000) ordinary shares of £1 each	2,940	2,940

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

18. Operating lease commitments

At 31 December 2016 the company had total commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	2016	2015
	£'000	£'000
Not later than one year	21	47
Later than one year and not later than five years	3	26
	24	73

19. Related party transactions

As 100% of the voting rights of the company are controlled by Peregrine Motorways Limited group as at the year end, the company is exempt from the requirement under FRS 102 paragraph 33.1A from disclosing transactions with entities that are part of this group, or investees of this group, qualifying as related parties.

The only related party transactions requiring disclosure during the year are as shown below.

a) Management Fees

Macquarie Group companies provided Midland Expressway Limited with directors and technical support services.

Under the amended terms of the revised group financing agreement dated 13 December 2013, MQA Investments Limited receives an annual management fee from the company. During the year £755k of management fees have been incurred (2015: £754k). At the year end £Nil (2015: £375k) remained owing to MQA Investments Limited. During the year, £6k of out of pocket expenses have been incurred and paid to Macquarie Capital Group Limited (2015: £7k).

b) Directors

Additional to the emoluments disclosed in note 7, £364k (2015: £247k) was paid to Libra Management Associates Limited, a company of which Andrew Pearson is a director. This is for services provided by Libra Management Associates Limited to the Peregrine Motorways Limited group in relation to Andrew Pearson. No recharge is made by Midland Expressway Limited to other group companies for this. At the year end £61k (2015: £60k) remained owing to Libra Management Associates Limited. There were no other related party transactions with any of the directors during the current or preceding financial year requiring disclosure.

c) Other Fees Payable

During the year the company paid £18k (2015: £18k) to Kleinwort Hambros (formerly Kleinwort Benson (Guernsey)) in relation to the management fees of Peregrine Holding Company Limited (PHCL), the holder of the special share in Peregrine Motorways Limited, the ultimate controlling party of the company. A further £21k (2015: £15k) was paid to Kleinwort Hambros (formerly Kleinwort Benson (Guernsey)) in relation to management fees and out of pocket expenses for services provided to Peregrine M6toll Road Trust, the parent of PHCL.

Midland Expressway Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Macquarie Motorways Group Limited, a company incorporated in England and Wales.

The ultimate controlling party is Peregrine Motorways Limited, a company incorporated in England and Wales. Copies of Peregrine Motorways Limited's financial statements can be obtained from Operations Centre, Express Way, Weeford, Lichfield, WS14 0PQ.

Macquarie Atlas Roads International Limited indirectly holds 100% of the ordinary share capital of Peregrine Motorways Limited. However, it does not exercise control of the group, due to the special share held in trust on behalf of the lenders.

Peregrine Motorways Limited is the smallest and largest group of undertakings to consolidate these financial statements.

21. Contingent liabilities

As part of the debt refinancing of the M6toll in August 2006, the company acceded to a formal obligation with the Secretary of State to contribute up to a maximum of £70,000k towards a road enhancement project which would provide a motorway to motorway link between the M54 to the M6toll and to meet the costs of maintaining this link thereafter. The commitment amount is indexed according to the Road and Construction Tender Index from May 2006. The contribution is contingent, inter alia, on the final project meeting the following criteria.

- The link road is of a motorway standard comparable to the M6toll; and
- The link road is free flowing onto the M6toll with no need for vehicles to exit via a junction

Further details regarding the progress of the project are detailed in the Strategic report; however, the directors believe that no provisions are necessary in the financial statements at 31 December 2016 due to the uncertainty around the scheme.

22. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2015. The date of transition to FRS 102 was 31 December 2014.

There were no required changes in accounting policies as a result of the transition to FRS 102. Given this, the loss for the financial year ended 31 December 2015 upon transition is the same as the loss previously reported under UK GAAP.

Similarly the total equity as at 31 December 2014 and 31 December 2015 upon transition is the same as the total equity previously reported under UK GAAP.

23. Post balance sheet event

The sales process which started in 2016 has continued into 2017 and has not been concluded. Since the balance sheet date of 31 December 2016 fees of £57k have been incurred by the company as a result of this process.