

Company registration number 04918712 (England and Wales)

SHEPPEY ROUTE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

SHEPPEY ROUTE LIMITED

COMPANY INFORMATION

Directors	David Davies Matthew Edwards John George Josh Bond
Secretary	Infrastructure Managers Limited
Company number	04918712
Registered office	8th Floor 6 Kean Street London WC2B 4AS
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	National Westminster Bank plc Leicester Customer Service Centre 11 Western Boulevard Bede Island LE2 7EJ
Solicitors	Dentons UK and Middle East LLP 9 Haymarket Square Edinburgh EH3 8RY

SHEPPEY ROUTE LIMITED

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SHEPPEY ROUTE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

The directors present their annual report and the audited financial statements of Sheppey Route Limited ("the Company") for the year ended 31 December 2024.

Principal activities

The principal objectives of the Company are to operate and maintain the Roadway Concession in line with the contracted terms. In doing so the Company intends to ensure that the full amount of income is collected in the form of Congestion Management Payments as entitled under the contract.

On 19 February 2004, the Company entered into a design, build, finance and operate ('DBFO') contract with the Secretary of State for Environment, Transport and the Regions relating to a section of the A249 Iwade Bypass to Queensborough Improvement scheme as well as the operation and maintenance of the existing A249 between Junction 5 of the M2 and the dock entrance at the Port of Sheerness under the Government's Private Finance Initiative ("PFI"). The contract is in the operational phase and in year 18 of its term expiring in 2034.

Results and dividends

The results for the year are set out on page 8.

The profit for the financial year, after taxation, amounted to £2,363k (2023: profit of £1,553k).

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Ordinary dividends were paid amounting to £nil (2023: £nil). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of approval of the financial statements were as follows:

David Davies

Matthew Edwards

John Cavill

(Resigned 14 May 2024)

John George

Josh Bond

(Appointed 14 May 2024)

Qualifying third party indemnity provisions

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

Financial instruments

Many of the cash flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through the Company by means of long term borrowings.

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Auditors

The independent auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

SHEPPEY ROUTE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

Statement of disclosure to auditors

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.

Key performance indicator

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider, the key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the loan agreement.

Climate change

The directors recognise that it is important to disclose their view of the impact of climate change on the Company. The Company's key operational contracts are long-term and with a small number of known counterparties. In most cases, the cashflows from these contracts can be predicted with reasonable certainty for at least the medium-term. Having considered the Company's operations, its contracted rights and obligations and forecast cash flows, there is not expected to be a significant impact upon the Company's operational or financial performance arising from climate change.

Going concern

These financial statements have been prepared on the going concern basis for the reasons set out in the Accounting Policies.

Small companies exemption

This report has been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006. Exemption has also been taken from the requirement to prepare a Strategic Report.

This report was approved by the board of directors on 19 June 2025 and signed by order of the board by:

Steve Cooper
For and on behalf of Infrastructure Managers Limited
Secretary

19 June 2025

SHEPPEY ROUTE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT ***FOR THE YEAR ENDED 31 DECEMBER 2024***

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law).

Under company law, 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102 Section 1A 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.

They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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 financial statements were approved and signed by the director and authorised for issue on 19 June 2025

David Davies
Director

SHEPPEY ROUTE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SHEPPEY ROUTE LIMITED FOR THE YEAR ENDED 31 DECEMBER 2024

Report on the audit of the financial statements

Opinion

In our opinion, Sheppey Route Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2024; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

SHEPPEY ROUTE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBER OF SHEPPEY ROUTE LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2024

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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.

SHEPPEY ROUTE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBER OF SHEPPEY ROUTE LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2024

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates, in particular in relation to the fair value of derivative financial instruments;
- Testing journal entries to assess whether any appeared unusual, in particular any affecting revenue or distributable reserves;
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

SHEPPEY ROUTE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBER OF SHEPPEY ROUTE LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2024

Kelly Macfarlane (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

19 June 2025

SHEPPEY ROUTE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 £000	2023 £000
Turnover	3	5,633	5,065
Cost of sales		(3,533)	(3,241)
Gross profit		2,100	1,824
Administrative expenses		(579)	(645)
Operating profit	4	1,521	1,179
Interest receivable and similar income	6	4,691	4,810
Interest payable and similar expenses	7	(3,200)	(3,840)
Profit before taxation		3,012	2,149
Taxation on profit	8	(649)	(596)
Profit for the financial year		2,363	1,553
Other comprehensive income			
Fair value gain on cash flow hedging instruments, net of tax		992	55
Total comprehensive income for the year		3,355	1,608

All of the activities of the company are from continuing operations.

The notes on pages 11 to 21 form part of these financial statements.

SHEPPEY ROUTE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 £000	£000	2023 £000	£000
Current assets					
Debtors: amounts falling due within one year	9	5,739		5,655	
Debtors: amounts falling due after one year	9	52,534		57,174	
Cash at bank and in hand		14,616		11,812	
		<u>72,889</u>		<u>74,641</u>	
Creditors: amounts falling due within one year	10	(9,590)		(9,556)	
Net current assets			63,299		65,085
Creditors: amounts falling due after more than one year	11		(40,346)		(46,650)
Provisions for liabilities					
Provisions	13	(9,844)		(8,681)	
		<u>(9,844)</u>	<u>(9,844)</u>	<u>(8,681)</u>	<u>(8,681)</u>
Net assets			<u>13,109</u>		<u>9,754</u>
Capital and reserves					
Called up share capital	15		50		50
Hedging reserve			(1,009)		(2,001)
Profit and loss reserve			14,068		11,705
Total shareholders' funds			<u>13,109</u>		<u>9,754</u>

The notes on pages 11 to 21 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 19 June 2025 and are signed on its behalf by:

David Davies
Director

Company registration number 04918712 (England and Wales)

SHEPPEY ROUTE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Called up share capital £000	Hedging reserves £000	Profit and loss reserve £000	Total £000
Balance at 1 January 2023	50	(2,056)	10,152	8,146
Year ended 31 December 2023:				
Profit for the financial year	-	-	1,553	1,553
Other comprehensive income:				
Fair value movements on cash flow hedging instruments, net of tax	-	55	-	55
Total comprehensive income for the year	-	55	1,553	1,608
Balance at 31 December 2023	50	(2,001)	11,705	9,754
Year ended 31 December 2024:				
Profit for the financial year	-	-	2,363	2,363
Other comprehensive income:				
Fair value movements on cash flow hedging instruments, net of tax	-	992	-	992
Total comprehensive income for the year	-	992	2,363	3,355
Balance at 31 December 2024	50	(1,009)	14,068	13,109

Included in the fair value movement on cash flow hedging instrument is £(3)k (2023: £203k) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 11 to 21 form part of these financial statements.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1 Accounting policies

Company information

Sheppey Route Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom and is registered in England and Wales. The registered office is located at 8th Floor, 6 Kean Street, London, WC2B 4AS.

The principal objectives of the Company are to operate and maintain the Roadway Concession in line with the contracted terms. In doing so the Company intends to ensure that the full amount of income is collected in the form of Congestion Management Payments as entitled under the contract.

On 19 February 2004, the Company entered into a design, build, finance and operate ('DBFO') contract with the Secretary of State for Environment, Transport and the Regions relating to a section of the A249 Iwade Bypass to Queensborough Improvement scheme as well as the operation and maintenance of the existing A249 between Junction 5 of the M2 and the dock entrance at the Port of Sheerness under the Government's Private Finance Initiative ("PFI"). The contract is in the operational phase and in year 18 of its term expiring in 2034.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") Section 1A and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities. The principal accounting policies adopted are set out below and have been consistently applied to the years presented, unless otherwise stated.

The company has taken advantage of exemptions in FRS 102 from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Not to disclose transactions with wholly owned members of a group.

1.2 Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. Based on these forecasts the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the Directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

1 Accounting policies

(Continued)

1.3 Turnover

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI (Private Finance Initiative) asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of the finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

The Company is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £9,480K (2023: £8,048K).

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors, cash and bank balances, are initially measured at transaction price including transaction costs and debtors are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including Creditors, bank loans, loans from fellow group are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The fair values of the derivatives have been calculated by discounting the fixed cash flows at forecasted forward interest rates over the term of the financial instrument. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.6 Equity instruments

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

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

1 Accounting policies

(Continued)

1.7 Hedge accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps").

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of comprehensive income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of comprehensive income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

As described in note 12, the Company's, borrowings and hedge agreements are linked to SONIA.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Statement of comprehensive income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.8 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

1 Accounting policies

(Continued)

1.9 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.10 Finance debtor

The Company has taken the transition exemption in FRS102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company accounts for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the asset have been treated as a finance debtor within these financial statements.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

Fair value of derivative contracts

Fair values for derivative contracts are based on mark-to-market valuations provided by the contract counterparty. Whilst these can be tested for reasonableness, the exact valuation methodology and forecast assumptions for future interest rates or inflation rates are specific to the counterparty.

Service concession contract

Accounting for the service concession contract and finance debtor requires estimation of service margin, finance debtor interest rates and associated amortisation profile which is based on projected trading results to the end of the contract.

3 Turnover

	2024 £000	2023 £000
Turnover analysed by class of business		
Rendering of service	5,633	5,065
	<u> </u>	<u> </u>

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4 Operating profit

	2024	2023
	£000	£000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	8	10
	<u> </u>	<u> </u>

5 Employees

The average number of persons employed by the Company during the financial year amounted to nil (2023: nil). The directors are not employed by the Company and receive remuneration from another company for their services as directors of this entity and a number of fellow subsidiaries. It is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries.

6 Interest receivable and similar income

	2024	2023
	£000	£000
Interest income		
Interest on bank deposits	404	252
Interest received on finance debtor	4,279	4,555
Other interest income	8	3
	<u> </u>	<u> </u>
	4,691	4,810
	<u> </u>	<u> </u>

7 Interest payable and similar expenses

	2024	2023
	£000	£000
Interest on bank overdrafts and loans	2,732	3,054
Interest payable to group undertakings	468	786
	<u> </u>	<u> </u>
	3,200	3,840
	<u> </u>	<u> </u>

8 Taxation on profit

	2024	2023
	£000	£000
Current tax		
UK corporation tax on profits for the current year	740	493
Adjustments in respect of prior periods	(119)	90
	<u> </u>	<u> </u>
Total current tax	621	583
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	28	13
	<u> </u>	<u> </u>
Total taxation charge	649	596
	<u> </u>	<u> </u>

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

8 Taxation on profit

(Continued)

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

	2024 £000	2023 £000
Profit before taxation	3,012	2,149
Expected tax charge based on the standard rate of corporation tax in the UK of 25.00% (2023: 23.56%)	753	506
Tax effect of expenses that are not deductible in determining taxable profit	15	-
Adjustments in respect of prior years	(119)	90
Taxation charge for the year	649	596

In 2021 an increase in the corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted. The 23.52% rate used above in the prior year reflected 9 months of this new rate and 3 months of the previous rate of 19%.

9 Debtors

	2024 £000	2023 £000
Amounts falling due within one year:		
Trade debtors	38	26
Corporation tax recoverable	-	259
Finance debtor	4,296	3,999
Other debtors	21	22
Prepayments and accrued income	1,384	1,349
	5,739	5,655
Amounts falling due after more than one year:		
Finance debtor	52,198	56,494
Deferred tax asset (note 14)	336	680
	52,534	57,174
Total debtors	58,273	62,829

Cumulative finance costs of £941K (2023: £941K) have been capitalised into the finance debtor.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

10 Creditors: amounts falling due within one year

	Notes	2024 £000	2023 £000
Bank loans	12	4,984	5,585
Trade creditors		708	416
Amounts owed to Group undertakings		2,037	1,731
Corporation tax		109	-
Other taxation and social security		539	568
Accruals and deferred income		1,213	1,256
		<u>9,590</u>	<u>9,556</u>

Amounts owed to Group undertakings as at 31 December 2024 relates to accrued but unpaid interest in respect of the loan notes of £2,037K (2023: £1,569K), together with group relief of £nil (2023: £162K).

11 Creditors: amounts falling due after more than one year

	Notes	2024 £000	2023 £000
Bank loans	12	34,093	39,075
Other borrowings	12	4,908	4,908
Derivative financial instruments		1,345	2,667
		<u>40,346</u>	<u>46,650</u>

Other borrowings relate to loans from Group undertakings, as detailed in note 12.

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

Payable by instalments	18,250	23,157
	<u>18,250</u>	<u>23,157</u>

12 Loans and overdrafts

	2024 £000	2023 £000
Bank loans	39,077	44,660
Loans from Group undertakings	4,908	4,908
	<u>43,985</u>	<u>49,568</u>
Payable within one year	4,984	5,585
Payable after one year	39,001	43,983
	<u>43,985</u>	<u>49,568</u>

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

12 Loans and overdrafts

(Continued)

Bank loans relate to two loan facilities granted by the bank for a total value of £103,935K comprising £94,432K by way of a senior loan and £3,106K by way of a mezzanine loan. As at 31 December 2024 the balance of the senior loan was £37,220K (2023: £42,659K) and the balance of the mezzanine loan was £1,857K (2023: £2,001K). The senior and mezzanine loans are repayable in six-monthly instalments, in March and September, with the final repayment due on 30 September 2032. The senior loans bears interest at SONIA plus a spread of 0.2766% and a margin of 0.95%, with the mezzanine debt paying a rate of SONIA plus a spread of 0.2766% plus a margin of 5%. The Company has entered into four interest rate swap arrangements, receiving SONIA plus a spread of 0.2766% and paying interest fixed at 5.375% on the notional balances each roll over period, hence fixing the total interest payable on the senior loan to 6.325% per annum and 5.0% on the mezzanine loan. Interest is payable on both loans on a six-monthly basis in March and September. The facilities are secured by a first legal mortgage over any freehold property; a first fixed charge over any freehold property or leasehold property, investments, plant and machinery, credit balances (except those secured by a prior fixed charge), book debts, other contracts, insurance, intellectual property, uncalled capital and goodwill of the Company and by a first floating charge over all its assets.

Loans from group undertakings represent Coupon bearing Investment sums issued by the Company to the immediate parent company, Sheppey Route (Holdings) Limited in February 2004 (£5,955K) and February 2007 (£379K). The total investment bears a coupon of 12.75% per annum and capital falls due by way of semi-annual instalments, with the final payment falling due on 30 September 2033. The coupon on the principal amount accrues daily and is payable in cash on 31 March and 30 September each year. The investment sum was advanced under a subordinated loan agreement and is therefore unsecured and would rank alongside ordinary creditors in the event of winding up.

13 Provisions for liabilities

	2024 £000	2023 £000
Lifecycle provision	9,844	8,681

Movements on provisions:

	£000
At 1 January 2024	8,681
Additional provisions in the year	1,163
At 31 December 2024	9,844

Lifecycle Provision

The lifecycle provision relates to costs expected to be incurred to maintain the road over the duration of the contract. Maintenance costs are expected to be incurred throughout the contracts duration as determined by the agreement between Sheppey Route Limited and National Highways Limited.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

14 Deferred taxation

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

	Assets 2024 £000	Assets 2023 £000
Balances:		
Derivative Financial instruments	336	668
Short term timing differences	-	12
	<u>336</u>	<u>680</u>
	<u><u>336</u></u>	<u><u>680</u></u>
Movements in the year:		2024 £000
Asset at 1 January 2024		(680)
Charge to profit or loss		13
Charge to other comprehensive income		331
		<u>(336)</u>
Asset at 31 December 2024		<u><u>(336)</u></u>

The net deferred tax asset expected to reverse in 2025 is £nil (2024: £8k). This primarily related to the reversal of short term timing differences.

15 Called up share capital

	2024 Number	2023 Number	2024 £000	2023 £000
Ordinary share capital Issued and fully paid				
Ordinary Shares of £1 each	50,000	50,000	50	50
	<u>50,000</u>	<u>50,000</u>	<u>50</u>	<u>50</u>

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

16 Related party transactions

The following disclosures are with entities related to ultimate shareholders:

The company paid £251K (2023: £240K) to BIIF Bidco Limited for the provision of directors and the provision of management services. At the year end £127K (2023: £66k) remained outstanding.

The company paid £54K (2023: £53K) to Infrastructure Investments General Partner Limited for the provision of directors. As at 31 December 2024 £164K (2023: £107K) was outstanding.

SHEPPEY ROUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ***FOR THE YEAR ENDED 31 DECEMBER 2024***

17 Ultimate controlling party

The immediate parent undertaking and controlling party is Sheppey Route (Holdings) Limited. The accounts of Sheppey Route (Holdings) Limited are registered at 8th Floor, 6 Kean Street, London, WC2B 4AS and can be obtained from the registrar of Companies House. No other Group Financial Statements include the results of Company.

As at 31 December 2024 Sheppey Route (Holdings) Limited share capital is jointly owned 50% by BIIF Holdco III Limited and 50% by Infrastructure Investments (Roads) Limited. Accordingly there is no overall parent company and no ultimate controlling party.

18 Auditors' liability limitation agreement

The directors have agreed with the company's auditors that the auditor's liability to damages for breach of duty in relation to the audit of the company's financial statements for the year to 31 December 2024 should be limited to the greater of £5 million or 5 times the auditor's fees, and that in any event the auditor's liability for damages should be limited to that part of any loss suffered by the company as is just and equitable having regard to the extent to which the auditor, the company and any third parties are responsible for the loss in question. The shareholders approved this limited liability agreement, as required by the Companies Act 2006, by a resolution dated 11 February 2025.

