

Severn River Crossing Plc

Annual Report and Financial Statements for the year ended 31 December 2014

Presented to Parliament pursuant to section 27 of the
Severn Bridges Act 1992

December 2015

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SEVERN RIVER CROSSING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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SEVERN RIVER CROSSING PLC

Officers and Professional Advisers

Directors A H Moore - Chairman
A Battersby
D W Bowler
J Conway
P-L Delseny
H Le Caignec
A S Pearson
D Rushton
M Stringer
M Vial
D Wells

Company Secretary J A Rawle

Registered Office Bridge Access Road
Aust
South Gloucestershire
BS35 4BD

Bankers

Name Lloyds Bank
Address City Office
 Kent
 ME8 0LS

Name Santander
Address Bootle
 Merseyside
 L30 4GB

Solicitors

Name Clifford Chance LLP
Address 10 Upper Bank Street
 London
 E14 5JJ

Name TLT LLP
Address One Redcliff Street
 Bristol
 BS1 6TP

Auditor Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

SEVERN RIVER CROSSING PLC

CHAIRMAN'S STATEMENT

In 2014 traffic travelling westbound over the Severn Bridge and Second Severn Crossing increased by 3.7% to 13,143,901 toll paying vehicles (2013 : 12,678,203). Car journeys increased by 3.6% (2013 : increase of 1.2%), whilst Light Goods Vehicles journeys increased by 6.9% (2013 : increase of 2.7%) and Heavy Goods Vehicles journeys increased by 1.7% (2013 : increase of 1.9%). With inflation-linked increases in 2014 toll prices, the Company's turnover rose by 7.0% to £91.4 million (2013 : £85.4 million).

During the year the Company has used cash generated by the business to repay £66.0 million of the Index-Linked Government Subordinated Loan, leaving a combined balance on the Loan and Accumulated Interest Amount of £128.7 million (31 December 2013 : £184.6 million).

With lower net Finance Charges of £10.6 million (2013 : £22.8 million) the Company reported a profit before tax of £29.9 million (2013 : £10.1 million) and with a higher tax charge of £12.8 million (2013 : £4.7 million) the Company recorded a profit after tax of £17.0 million (2013 : £5.3 million).

In the year, the market value of Pension Scheme Assets improved to £21.9 million (2013 : £19.8 million) and the value of Scheme Liabilities increased to £24.9 million (2013 : £20.9 million). As a result the FRS17 valuation at 31 December 2014 confirmed a Net Pension Liability of £2.4 million (2013 : £0.9 million).

A H MOORE
Chairman

SEVERN RIVER CROSSING PLC

STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company was formed to take over the operation and maintenance of the Severn Bridge and finance the outstanding debt and to design, construct, finance, operate and maintain the Second Severn Crossing.

Revenue from toll charges is being used to repay the debt finance and both bridges will revert to public ownership once the project's required revenue, as defined in the Concession Agreement with the Secretary of State for Transport, has been collected, subject to a maximum Concession period of 30 years. A business review is included in the Chairman's Statement; this includes the recent increases in traffic levels.

The Directors anticipate that traffic growth will continue in 2015 and subsequent years and with index-linked toll prices, toll revenues are expected to increase.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including inflation, interest rates, reduced traffic volumes and increased maintenance repair costs. The Company has sought to mitigate these risks by:

- (i) Index-linking toll revenues, one of the debt instruments, and its two main subcontracts for maintenance and tolling management;
- (ii) Debt management and reviewing suitable treasury products for cash on deposit (the Company uses the main United Kingdom listed banks for its treasury deposits);
- (iii) Keeping traffic levels and projections under review; and
- (iv) A proactive programme of inspections and maintenance repairs on both bridges, including a detailed review of works to be completed before the end of the Concession period.

The Company has a combination of fixed rate and floating rate borrowings as set out in Note 10.

Tolls are collected from drivers as they cross the bridges or on a prepayment basis through an electronic tolling system. This removes credit risk from the Company's revenues.

The Company has developed a Risk Control Matrix which is regularly reviewed by the Board.

RESULTS

The Company's 2014 turnover increased by 7.0% to £91.4 million (2013 : £85.4 million) and the Company reported a profit after tax of £17.0 million (2013 : profit £5.3 million).

ON BEHALF OF THE BOARD

.....
J A RAWLE
COMPANY SECRETARY

Bridge Access Road
AUST
South Gloucestershire
BS35 4BD

25 March 2015

SEVERN RIVER CROSSING PLC

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited Financial Statements for the year ended 31 December 2014.

DIRECTORS

The Directors (all non-Executive) who served during the year and subsequently were:

Directors

A H Moore (Chairman)
P R Armstrong (resigned 20 June 2014)
A Battersby
D W Bowler
J Conway (appointed 27 February 2014)
H Le Caignec (appointed 8 December 2014)
O Mathieu (resigned 8 December 2014)
M Morton (resigned 31 January 2014)
A S Pearson
D Rushton (appointed 20 June 2014)

Alternates

- M Stringer
- M Vial
- D Wells (appointed 27 February 2014)
- P-L Delseny

A H Moore is an independent Director appointed by the Board.

DIRECTORS' INTERESTS

The Directors and Alternate Directors had no interest in any shares or debt of the Company at any time during the year.

A S Pearson and D Rushton are and P R Armstrong was a Senior Manager of John Laing Group PLC.

H. Le Caignec is Managing Director UK of Vinci Concessions. O Mathieu is Chief Financial and Asset Management Officer of Vinci Concessions S.A.S.. D W Bowler is a Director of Vinci PLC. The ultimate parent company of Vinci PLC is Vinci S.A., a company incorporated in France. P-L Delseny is Portfolio Manager (Concessions and Operations) of Vinci Concessions S.A.S., a fully owned subsidiary of Vinci S.A..
M Vial is Deputy Asset Manager of Vinci Concessions S.A.S..

A Battersby and M Stringer are Directors of and Shareholders in Bank of America Merrill Lynch. J Conway, D Wells are and M Morton was employed in activities undertaken by Barclays plc. Barclays Capital, the investment banking arm of Barclays plc, and Bank of America arranged respectively the Debenture Stock and the original Senior Facility for the project.

John Laing Group plc, Vinci Concessions S.A.S., Barclays plc and Bank of America between them own, through subsidiary companies, 100% of the issued ordinary share capital of the Company.

The Company has appointed Cofiroute (UK) Limited, a subsidiary of Vinci Concessions S.A.S., as its tolling contractor.

OWNERSHIP

On 26 March 2014 legal ownership of 100% of the share capital of the Company was transferred from Ranelagh Nominees Limited to The Secretary of State for Transport.

GOING CONCERN BASIS

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Strategic Report on pages 2 and 3. The Company has a concession from the Secretary of State for Transport which includes the right to collect tolls from drivers who cross the Severn Bridge and Second Severn Crossing. This has been, and remains, a business which generates cash to service and repay the Company's debts as they fall due, as well as meeting its running costs.

After making enquiries, the Directors have concluded that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

SEVERN RIVER CROSSING PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

.....
J A RAWLE
COMPANY SECRETARY

Bridge Access Road
AUST
South Gloucestershire
BS35 4BD

25 March 2015

SEVERN RIVER CROSSING PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN RIVER CROSSING PLC

We have audited the financial statements of Severn River Crossing PLC for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

SEVERN RIVER CROSSING PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN RIVER CROSSING PLC
(Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Hedditch (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

25 March 2015

SEVERN RIVER CROSSING PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>NOTE</u>	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Turnover	1(c)	91,437	85,435
Cost of Sales		<u>(50,651)</u>	<u>(50,940)</u>
Gross Profit		40,786	34,495
Administrative Expenses		(1,034)	(1,936)
Other Operating Income (Net)	2	<u>668</u>	<u>324</u>
Operating Profit	3	40,420	32,883
Finance Charges (Net)	5	<u>(10,558)</u>	<u>(22,824)</u>
Profit on Ordinary Activities before Taxation		29,862	10,059
Tax Charge on Profit on Ordinary Activities	6	<u>(12,819)</u>	<u>(4,718)</u>
Profit for the Financial Year	14	<u>17,043</u>	<u>5,341</u>

The accompanying notes form an integral part of this Profit and Loss Account. All operations of the Company continued throughout both years and no operations were acquired or discontinued.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014

		<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Profit for the Financial Year		17,043	5,341
Actuarial (Loss)/Gain	12	(2,084)	1,579
Associated Deferred Tax	12	<u>373</u>	<u>(316)</u>
Total Recognised Gains and Losses Related to the Year		<u>15,332</u>	<u>6,604</u>

SEVERN RIVER CROSSING PLC

BALANCE SHEET AS AT 31 DECEMBER 2014

	<u>NOTE</u>	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
FIXED ASSETS	7	133,978	172,294
CURRENT ASSETS			
Debtors due within one year	8	401	6,210
Cash at Bank and in Hand		<u>7,277</u>	<u>3,482</u>
		7,678	9,692
CREDITORS			
Amounts falling due within one year	9	<u>(18,435)</u>	<u>(18,545)</u>
NET CURRENT LIABILITIES		<u>(10,757)</u>	<u>(8,853)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		123,221	163,441
CREDITORS			
Amounts falling due after more than one year	10	(128,684)	(184,631)
PROVISION FOR DEFERRED TAX	11	<u>(3,766)</u>	<u>(4,831)</u>
NET LIABILITIES BEFORE PENSION LIABILITY		<u>(9,229)</u>	<u>(26,021)</u>
NET PENSION LIABILITY	12	<u>(2,398)</u>	<u>(938)</u>
NET LIABILITIES		<u><u>(11,627)</u></u>	<u><u>(26,959)</u></u>
CAPITAL AND RESERVES			
Ordinary Share Capital	13	13	13
Capital Redemption Reserve	14	26	26
Profit and Loss Account	14	<u>(11,666)</u>	<u>(26,998)</u>
SHAREHOLDERS' DEFICIT	14	<u><u>(11,627)</u></u>	<u><u>(26,959)</u></u>

The financial statements of Severn River Crossing PLC, registered number 02379695, on pages 8 to 30 were approved by the Board of Directors and authorised for issue on 25 March 2015.

Signed on behalf of the Board of Directors

DIRECTOR
A H MOORE

DIRECTOR
A S PEARSON

The accompanying notes form an integral part of this Balance Sheet.

SEVERN RIVER CROSSING PLC

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>NOTE</u>	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	78,888	72,258
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest Received		331	3,055
Interest Paid		<u>(836)</u>	<u>(7,222)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(505)	(4,167)
TAXATION PAID		(8,394)	(9,331)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of Tangible Fixed Assets		(194)	(204)
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		<u>69,795</u>	<u>58,556</u>
MANAGEMENT OF LIQUID RESOURCES			
Decrease in Cash on Short-Term Deposit	16	<u>-</u>	<u>155,356</u>
FINANCING			
New Loans – Lloyds Term Facility		-	22,500
Loan Repayments		<u>(66,000)</u>	<u>(266,012)</u>
INCREASE/(DECREASE) IN CASH IN THE YEAR	16	<u><u>3,795</u></u>	<u><u>(29,600)</u></u>

The accompanying notes form an integral part of this Cash Flow Statement

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The Principal Accounting Policies, all of which have been applied consistently throughout the current and previous period, are set out below.

(a) Basis of Accounting

The accounts have been prepared on a Going Concern basis in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

(b) Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Strategic Report on pages 2 to 3. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chairman's Statement on page 2, and in the Strategic Report on page 3.

(c) Turnover

Turnover represents revenue received from tolls net of VAT. All turnover, operating results and net assets have derived from operations within the United Kingdom. Revenue is recognised when vehicles cross one of the two Severn Crossings.

(d) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and Laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all temporary timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse. The discount rates used reflect the post-tax yields to maturity that can be obtained on Government Bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued)

(e) Tangible Fixed Assets

Tangible fixed assets are shown at original historical cost less depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost of the fixed assets on a straight-line basis over their expected useful lives, as follows :

Bridges	-	straight line over remaining length of Concession
Leasehold improvements	-	over the term of the lease
Office furniture, fittings and toll equipment	-	over 1 to 8 years

(f) Capitalised Interest

Interest payable which relates to funds borrowed for the design and construction of the Second Severn Crossing has been capitalised in the Balance Sheet as part of the cost of the Bridges.

(g) Pension Arrangements

The Company has made pension arrangements for substantially all of its employees through a funded defined benefit Pension Scheme set up in April 1992. The assets of the Severn River Crossing Plc Pension Fund are held independently from the Company in a fund administered by Trustees.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued)

(h) Debt

Capital Instruments are initially stated in the Balance Sheet at the fair value of the consideration received on their issue.

Finance costs are charged to the Profit and Loss Account so as to allocate the finance cost over the term of the capital instruments at a constant rate on their carrying amount.

(i) Foreign Currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Profit and Loss Account.

(j) Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the company becomes a party to the contractual provisions of the instrument.

- Cash

Cash comprises cash on hand and demand deposits that are readily converted to a known amount of cash and are subject to insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

- Investments

Investments comprise short-term monetary deposits that are convertible to a known amount of cash and are subject to insignificant risks of changes in values. The carrying amount of these assets approximates their fair value.

- Other Receivables

Other receivables comprise amounts due in respect of other operating income and accrued interest on investments. The receivables are stated net of allowance for doubtful debts. No interest is charged on these receivables. The carrying value of these assets approximates to their fair value.

- Impairment of Financial Assets

Other receivables are assessed for impairment on an individual basis. Objective evidence of impairment includes the Company's past experience of collecting payments. There is currently no impairment of any financial asset.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued)

- **Financial Liabilities and Equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement 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.

- **Index-Linked Debt**

Index-Linked Debt (Debenture Stock and Government Subordinated Loan) are recorded at the proceeds received, net of direct issue costs. Finance charges, including interest and indexation charges, are accounted for on an accruals basis in the Profit and Loss account and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

- **Trade Payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

(k) **Equity Instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. OTHER OPERATING INCOME (NET)

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Income receivable from Highways Agency for Maintenance Works	908	742
Subcontractor Costs	<u>(582)</u>	<u>(718)</u>
Net Income	326	24
Other Income	<u>342</u> <u>668</u>	<u>300</u> <u>324</u>

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

3. **OPERATING PROFIT**

Operating Profit is stated after charging/(crediting):

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Auditor's Remuneration - auditing of accounts of the company pursuant to legislation	26	25
- other assurance services – cashflow forecast related	7	6
- Tax compliance services – corporate tax returns	17	10
- Tax advisory services	28	690
Depreciation of Tangible Fixed Assets	38,522	38,507
Foreign Exchange Gains	(20)	(31)

The 2013 tax advisory service includes fees in respect of a tax claim settlement with HMRC of £664,000.

4. **STAFF COSTS**

The average monthly number of persons, including Directors, employed during the year was :

	<u>2014</u> <u>NUMBER</u>	<u>2013</u> <u>NUMBER</u>
Tolling Operations	86	83
Maintenance Operations	63	65
Administration	<u>36</u>	<u>35</u>
	<u>185</u>	<u>183</u>

Their aggregate remuneration comprised :

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Wages and Salaries	5,119	4,894
Social Security Costs	421	452
Pension Costs	<u>707</u>	<u>667</u>
	<u>6,247</u>	<u>6,013</u>

Directors' remuneration paid during the year was as follows :

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Chairman and Highest Paid Director	<u>91</u>	<u>96</u>

No other Director received any remuneration for their services in the current or prior year.

Shareholders' Companies have been paid for the services of their Directors during the year as follows :

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
John Laing Investments Limited	89	80
Vinci Concessions S.A.S.	89	80
BankAmerica International Financial Corporation	43	40
Barclays plc	<u>44</u>	<u>40</u>
	<u>265</u>	<u>240</u>

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

5. **FINANCE CHARGES (NET)**

Investment Income

Investment Income represents interest received on short-term deposits with Banks and Building Societies as follows:

	<u>2014</u>	<u>2013</u>
	<u>£000</u>	<u>£000</u>
Interest Receivable and Similar Income	159	1,527
Interest on Pension Scheme Assets	<u>172</u>	<u>21</u>
	<u>331</u>	<u>1,548</u>

Interest Payable and Similar Charges

On Bank Loans and Overdrafts repayable within five years not by instalments	-	106
On all other Loans :		
Interest	9,299	18,187
Indexation	<u>1,590</u>	<u>6,079</u>
Total Interest Payable	<u>10,889</u>	<u>24,372</u>
Finance Charges (Net)	<u>10,558</u>	<u>22,824</u>

Indexation costs on the Debenture Stock and Government Subordinated Loan are calculated by reference to movements in the 'All Items Retail Price Index'.

In 2014 the percentage increase was 2.5% (2013 : increase 2.9%). If the increase had been 1.0% then the indexation costs would have been £979,000. With a 5.0% increase, the indexation costs would have been £2,630,000.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

6. **TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
The Tax Charge comprises :		
Current Tax :		
UK Corporation Tax	14,146	10,841
Adjustment in Respect of Prior Years	<u>(262)</u>	<u>(4,090)</u>
Total Current Tax	13,884	6,751
Deferred Tax :		
Origination and Reversal of Timing Differences	(1,169)	(1,402)
Adjustment in respect of previous periods	(47)	42
Effect of Change in Tax Rate	81	(631)
Movement in Discount	<u>70</u>	<u>(42)</u>
Total Deferred Tax	<u>(1,065)</u>	<u>(2,033)</u>
Tax on Profit on Ordinary Activities	<u>12,819</u>	<u>4,718</u>

The deferred tax credit of £1,065,000 consists of a credit in respect of the movement on fixed asset timing differences (see note 11).

Factors Affecting Tax Charge for the Current Period

The tax charge for the period differs from the weighted average standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Profit on Ordinary Activities before Tax	<u>29,862</u>	<u>10,059</u>
Tax at 21.49% (2013: 23.25%) thereon	6,418	2,338
Expenses not Deductible for Tax Purposes	6,559	7,101
Depreciation in Excess of Capital Allowances	1,217	1,415
Movement in Short-Term Timing Differences	(48)	(13)
Adjustments to tax charge in respect of previous periods	<u>(262)</u>	<u>(4,090)</u>
Current Tax Charge for the Year	<u>13,884</u>	<u>6,751</u>

Factors that may affect Future Tax Charge

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates standing at 20% from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% (2013 : 20%) in accordance with the rates enacted at the balance sheet date.

The directors are not aware of any other factors that will materially affect the future tax charge.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

7. **TANGIBLE FIXED ASSETS**

	<u>SECOND SEVERN CROSSING</u>	<u>SEVERN BRIDGE</u>	<u>LEASE- HOLD IMPROVE- MENTS</u>	<u>OFFICE FURNITURE FITTINGS AND TOLL EQUIPMENT</u>	<u>TOTAL</u>
	£000	£000	£000	£000	£000
<u>Cost</u>					
At 1 January 2014	464,001	124,214	514	4,329	593,058
Additions	—	—	—	206	206
At 31 December 2014	<u>464,001</u>	<u>124,214</u>	<u>514</u>	<u>4,535</u>	<u>593,264</u>
<u>Depreciation</u>					
At 1 January 2014	327,879	89,236	487	3,162	420,764
Charge for Year	<u>30,249</u>	<u>7,773</u>	<u>20</u>	<u>480</u>	<u>38,522</u>
At 31 December 2014	<u>358,128</u>	<u>97,009</u>	<u>507</u>	<u>3,642</u>	<u>459,286</u>
<u>Net Book Value</u>					
At 31 December 2014	<u>105,873</u>	<u>27,205</u>	<u>7</u>	<u>893</u>	<u>133,978</u>
At 31 December 2013	<u>136,122</u>	<u>34,978</u>	<u>27</u>	<u>1,167</u>	<u>172,294</u>

The cost of the Second Severn Crossing includes £387.4 million (2013 : £387.4 million) in respect of the Construction Contract for the Second Crossing with the John Laing Construction Limited / GTM-Europe Joint Venture and £76.6 million (2013 : £76.6 million) in respect of capitalised interest.

At the end of 2014 the Company was committed to further spending of £0.2 million on toll equipment during 2015 (2013: £0.1 million).

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

8. DEBTORS

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Amounts falling due within One Year :		
UK Corporation Tax - repayment for prior years	26	5,749
Other Debtors	2	106
Prepayments	<u>373</u>	<u>355</u>
	<u>401</u>	<u>6,210</u>
	====	====

Other Debtors

No interest is charged on the debtors. The Directors consider that the carrying amount of the other debtors approximates their fair value.

Credit Risk

The Company's principal financial assets are bank balances and cash and other debtors. The Company's credit risk is primarily attributed to its other debtors, net of any provision for doubtful debts. The majority of the other debtors balance is accrued interest on treasury deposits.

There is no provision for doubtful debts in the current or prior year. There are no past due but not impaired debtors.

9. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Amounts Owed to Related Undertakings (Note 17)	401	483
UK Corporation Tax	7,384	5,407
UK Corporation Tax – Group Relief	-	2,210
Other Creditors :		
VAT	1,363	1,241
Social Security and PAYE	130	123
Trade Creditors	938	1,541
Accruals and Deferred Income	<u>8,219</u>	<u>7,540</u>
	<u>18,435</u>	<u>18,545</u>
	=====	=====

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

10. **CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>2014</u>	<u>2013</u>
	<u>£000</u>	<u>£000</u>
Due Between Two and Five Years :		
6% Index-Linked Government Subordinated Loan Repayable 2018	37,223	101,633
Accumulated Interest	<u>91,461</u>	<u>82,998</u>
	<u>128,684</u>	<u>184,631</u>

The Government Loan is secured by a floating charge on the assets of the Company and a legal mortgage over the Ordinary Share Capital.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

11. **PROVISION FOR DEFERRED TAX**

Movement on Deferred Taxation Balance in the year :

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
At beginning of year	4,831	6,979
Credit to Profit and Loss Account	<u>(1,065)</u>	<u>(2,148)</u>
At end of year	<u>3,766</u>	<u>4,831</u>

Deferred Tax is Provided as Follows :

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Accelerated Capital Allowances	<u>3,804</u>	<u>4,939</u>
Undiscounted Provision for Deferred Tax	3,804	4,939
Discount	<u>(38)</u>	<u>(108)</u>
Discounted Provision for Deferred Tax	<u>3,766</u>	<u>4,831</u>

The discount rates used to discount the Deferred Tax Liability reflect the post tax yields to maturity on Government Bonds with similar maturity dates. These rates were from 0.2% to 0.7% in 2014 (2013 : 0.6% to 1.9%).

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

12. **NET PENSION LIABILITY**

Composition of the Scheme

The Company operates a pension fund for the majority of its employees, providing benefits based on final pensionable pay. A full actuarial valuation was carried out at 1 April 2010 and updated to 31 December 2014 by a qualified independent actuary, using revised assumptions that are consistent with the requirements of FRS17. Liabilities and service costs have been calculated using the Projected Unit Credit Actuarial cost method.

The major assumptions used by the actuary were (in nominal terms):

	At year end 31/12/2014	At year end 31/12/2013	At year end 31/12/2012	At year end 31/12/2011	At year end 31/12/2010
Rate of increase in salaries*	3.1%	3.4%	3.5%	1%/3.6%	1%/4%
Rate of increase in pensions in payment	3.1%	3.4%	3.0%	3.10%	3.50%
Rate of increase of pensions in deferment	2.3%	2.6%	2.3%	2.4%	3.00%
Discount Rate	3.7%	4.6%	4.5%	4.7%	5.30%
RPI Price Inflation	3.1%	3.4%	3.0%	3.1%	3.50%
CPI Price Inflation	2.3%	2.6%	2.3%	2.4%	3.0%

Salary increases assumed at 1% for two years from 31 December 2010 and RPI linked thereafter.

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	31 December 2014		31 December 2013	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.3	24.7	22.2	24.6
Member age 45 (life expectancy at age 65)	24.1	26.6	24.0	26.5

The Company contributed 22% of members' pensionable salaries to the Fund in the period.

The assets in the Fund, the present value of the liabilities in the Fund and the expected rates of return (*) at the balance sheet date were:

	At year end 31/12/2014	At year end 31/12/2013	At year end 31/12/2012	At year end 31/12/2011	At year end 31/12/2010
	£000	£000	£000	£000	£000
Equities	3.7% 11,527	6.6% 12,961	6.3% 10,573	6.1% 9,456	6.2% 10,499
Bonds	3.7% 10,277	4.1% 6,679	3.9% 6,677	4.6% 5,934	4.5% 4,749
Cash	3.7% 89	3.6% 117	3.3% 25	3.1% 75	4.2% 56
Total market value of assets	21,893	19,757	17,275	15,465	15,304
Actuarial Value of Liability	<u>(24,898)</u>	<u>(20,929)</u>	<u>(20,136)</u>	<u>(18,613)</u>	<u>(16,704)</u>
Total Deficit in the Scheme	(3,005)	(1,172)	(2,861)	(3,148)	(1,400)
Deferred Tax Asset	607	234	665	787	378
Net Pension Liability	<u><u>(2,398)</u></u>	<u><u>(938)</u></u>	<u><u>(2,196)</u></u>	<u><u>(2,361)</u></u>	<u><u>(1,022)</u></u>

(*) The rates quoted above are the expected net rates of return after allowance for expenses.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

12. **NET PENSION LIABILITY (Continued)**

Analysis of the Amount Charged to Operating Profit

	Year to 31/12/2014 £000	Year to 31/12/2013 £000	Year to 31/12/2012 £000	Year to 31/12/2011 £000	Year to 31/12/2010 £000
Current Service Cost	<u>567</u>	<u>554</u>	<u>513</u>	<u>500</u>	<u>622</u>

Analysis of Net Return on Fund

	Year to 31/12/2014 £000	Year to 31/12/2013 £000	Year to 31/12/2012 £000	Year to 31/12/2011 £000	Year to 31/12/2010 £000
Expected Return on Pension Fund Assets	1,138	933	807	881	827
Interest on Pension Fund Liabilities	<u>(966)</u>	<u>(912)</u>	<u>(875)</u>	<u>(890)</u>	<u>(1,014)</u>
Net Interest Income/(Cost)	<u>172</u>	<u>21</u>	<u>(68)</u>	<u>(9)</u>	<u>(187)</u>

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Year to 31/12/2014 £000	Year to 31/12/2013 £000	Year to 31/12/2012 £000	Year to 31/12/2011 £000	Year to 31/12/2010 £000
Actual Return Less Expected Return on Assets	787	1,203	879	(1,024)	486
Experience Gains on Liabilities	-	862	-	-	524
Changes in Assumptions	<u>(2,871)</u>	<u>(486)</u>	<u>(641)</u>	<u>(854)</u>	<u>1,779</u>
Actuarial (Loss)/Gain Recognised in STRGL	<u>(2,084)</u>	<u>1,579</u>	<u>238</u>	<u>(1,878)</u>	<u>2,789</u>

Movement in Deficit During the Year

	Year to 31/12/2014 £000	Year to 31/12/2013 £000	Year to 31/12/2012 £000	Year to 31/12/2011 £000	Year to 31/12/2010 £000
Deficit in Fund at Beginning of Year	(1,172)	(2,861)	(3,148)	(1,400)	(3,988)
Movement in Year					
Current Service Cost	(567)	(554)	(513)	(500)	(622)
Contributions	646	643	630	639	608
Net Interest Income/(Cost)	172	21	(68)	(9)	(187)
Actuarial Gain/(Loss)	<u>(2,084)</u>	<u>1,579</u>	<u>238</u>	<u>(1,878)</u>	<u>2,789</u>
Deficit in Fund at End of Year	<u>(3,005)</u>	<u>(1,172)</u>	<u>(2,861)</u>	<u>(3,148)</u>	<u>(1,400)</u>

The actuarial valuation at 31 December 2014 showed an increase in the deficit from £1,172,000 to £3,005,000.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

12. **NET PENSION LIABILITY (Continued)**

History of Experience Gains and Losses

	2014	Financial Year Ended in			2010
		2013	2012	2011	
Difference Between Expected and Actual Return on Fund Assets :					
Amount (£000s)	787	1,203	879	(1,024)	486
Percentage of Fund Assets	4%	6%	5%	7%	3%
Experience Gain/(Loss) on Fund Liabilities :					
Amount (£000s)	-	862	-	-	524
Percentage of Fund Liabilities	0%	4%	0%	0%	3%
Changes in Assumptions Underlying the Present Value of Fund Liabilities					
Amount (£000s)	(2,871)	(486)	(641)	(854)	1,779
Percentage of Fund Liabilities	11.5%	2.3%	3.2%	4.6%	10.7%
Total Amount Recognised in Statement of Total Recognised Gains and Losses :					
Amount (£000s)	(2,084)	1,579	238	(1,878)	2,789
Percentage of Fund Liabilities	8.4%	7.5%	1.2%	10.1%	16.7%

13. **SHARE CAPITAL**

	<u>2014</u>	<u>2013</u>
	<u>£000</u>	<u>£000</u>
<u>Authorised :</u>		
50,000 Ordinary Shares of £1	50	50
50,000 Redeemable Preference Shares of £1	<u>50</u>	<u>50</u>
	<u>100</u>	<u>100</u>
	====	====
<u>Allotted and Called Up :</u>		
1,000 Ordinary Shares of £1, £1 Called Up and Fully Paid	1	1
49,000 Ordinary Shares of £1, 25 Pence Called Up	<u>12</u>	<u>12</u>
	<u>13</u>	<u>13</u>
	====	====

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

14.

	<u>SHARE CAPITAL</u>	<u>CAPITAL REDEMPTION RESERVE</u>	<u>PROFIT AND LOSS ACCOUNT</u>	<u>TOTAL</u>	<u>2013 TOTAL</u>
	£000	£000	£000	£000	£000
At 1 January	13	26	(26,998)	(26,959)	(33,563)
Profit for the Financial Year		-	17,043	17,043	5,341
FRS 17 Actuarial (Loss)/Gain	-	-	(2,084)	(2,084)	1,579
Associated Deferred Tax	<u>-</u>	<u>-</u>	<u>373</u>	<u>373</u>	<u>(316)</u>
At 31 December	<u>13</u>	<u>26</u>	<u>(11,666)</u>	<u>(11,627)</u>	<u>(26,959)</u>

15. **RECONCILIATION OF OPERATING PROFIT**

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities :

	<u>2014 £000</u>	<u>2013 £000</u>
Operating Profit	40,420	32,883
Depreciation	38,522	38,507
Decrease/(Increase) in Debtors	86	(97)
Increase in Creditors	111	1,075
Adjustment for Pension Funding	<u>(251)</u>	<u>(110)</u>
Net Cash Inflow from Operating Activities	<u>78,888</u>	<u>72,258</u>

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

16. **ANALYSIS AND RECONCILIATION OF NET DEBT**

	<u>1 JANUARY</u>	<u>CASH FLOW</u>	<u>OTHER NON- CASH CHANGES</u>	<u>31 DECEMBER</u>
	<u>2014</u>			<u>2014</u>
	£000	£000	£000	£000
Cash at Bank	3,482	3,795	-	7,277
	-----	-----	-----	-----
	3,482	3,795	-	7,277
Debt Due within 1 Year	-	-	-	-
Debt Due after 1 Year	(184,631)	66,000	(10,053)	(128,684)
Net Debt	<u>(181,149)</u>	<u>69,795</u>	<u>(10,053)</u>	<u>(121,407)</u>

The Company includes Current Asset Investments, which comprise short term bank deposits as liquid resources. Other non-cash changes comprise indexation, amortisation of finance costs and capitalisation of interest.

	<u>2014</u>	<u>2013</u>
	£000	£000
Increase/(Decrease) in Cash in the Year	3,795	(29,600)
Cash (Inflow)/Outflow from Increase in Liquid Resources	-	<u>(155,356)</u>
	3,795	(184,956)
Loan Repayments - net	66,000	243,512
Capitalisation of Interest – Government Loan	(8,463)	(10,965)
Indexation and Amortisation of Finance Costs	<u>(1,590)</u>	<u>(6,185)</u>
Movement in Net Debt in Year	59,742	41,406
Net Debt at 1 January	<u>(181,149)</u>	<u>(222,555)</u>
Net Debt at 31 December	<u>(121,407)</u>	<u>(181,149)</u>

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

17. RELATED PARTY TRANSACTIONS

Severn River Crossing Plc's related parties, as defined by Financial Reporting Standard No. 8, the nature of the relationship and the extent of transactions with them are summarised below :

<u>Transaction</u>	<u>Nature of Relationship</u>	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Vinci Concessions S.A.S. Debenture Stock Interest Debenture Stock Redemption	Shareholder Company	- - -	196 6,410
Cofiroute (UK) Limited Tolling Services	The Company is a Subsidiary of a Shareholder Company	1,154	1,191
Cofiroute S.A. Tolling Services	The Company is a Subsidiary of a Shareholder Company	5	25

Under the terms of the Shareholder Agreement, John Laing Infrastructure Limited and Vinci Concessions S.A.S. held £3,500,000 (nominal value) of the Company's Debenture Stock.

With the agreement of the other Shareholders the Company purchased the John Laing Infrastructure Limited £3,500,000 (nominal value) of the Company's Debenture Stock in December 2008. This stock has been redeemed and cancelled.

The Vinci Concessions S.A.S. £3,500,000 (nominal value) holding of the Company's Debenture Stock was redeemed and cancelled on 1 July 2013, together with the remainder of the Company's Debenture Stock.

Amounts owed to related parties are disclosed in Note 9, and can be summarised as follows :

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Laing-GTM Joint Venture	13	13
Cofiroute (UK) Limited	122	230
John Laing Investments Limited	89	80
Vinci Concessions S.A.S.	90	80
Barclays Bank plc	44	40
Bank of America	<u>43</u>	<u>40</u>
	401	483
	===	===

Further information on the relationships with related parties is set out in the Directors' Report on Page 4. Payments to Shareholder Companies in respect of Directors' Services are disclosed in Note 4.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

18. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company has not used any derivative, interest rate swap or other financial instruments in the current or prior year.

The Company's financial instruments, other than derivatives, comprise borrowings, long-term loans, cash and liquid resources that arise directly from its operations. The main purpose of these financial instruments is to continue to finance the Company's operations.

Interest Rate Profile

The interest rate profile of the Company's financial liabilities at 31 December 2014 was as follows :

<u>CURRENCY</u>	<u>FLOATING</u> <u>RATE</u> 2014 £000	<u>FIXED</u> <u>RATE</u> 2014 £000	<u>TOTAL</u> 2014 £000
Sterling - Borrowings	37,223	91,461	128,684

The Index-Linked Debt totalling £37.2 million (2013 : £101.6 million) has been included under Floating Rate Debt.

The profile at 31 December 2013 for comparison purposes was as follows :

<u>CURRENCY</u>	<u>FLOATING</u> <u>RATE</u> 2013 £000	<u>FIXED</u> <u>RATE</u> 2013 £000	<u>TOTAL</u> 2013 £000
Sterling - Borrowings	101,633	82,998	184,631

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

18. **DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)**

Further analysis of the interest rate profile for fixed and floating rate debt at 31 December 2014 and at 31 December 2013 is as follows :

<u>CURRENCY</u>	<u>2014</u>	
	<u>WEIGHTED AVERAGE INTEREST RATE</u>	<u>WEIGHTED AVERAGE PERIOD</u>
	<u>%</u>	<u>YEARS</u>
Sterling		
- Borrowings Fixed	6.0%	3.5
- Borrowings Floating	8.3%	3.5

<u>CURRENCY</u>	<u>2013</u>	
	<u>WEIGHTED AVERAGE INTEREST RATE</u>	<u>WEIGHTED AVERAGE PERIOD</u>
	<u>%</u>	<u>YEARS</u>
Sterling		
- Borrowings Fixed	6.0%	4.5
- Borrowings Floating	8.7%	4.5

The interest rate on floating rate financial liabilities is linked to Libor and the Retail Price Index. Further details of interest rates on long-term borrowings are given in Note 10. A sensitivity to movement in the Retail Price Index is given in Note 5.

SEVERN RIVER CROSSING PLC

NOTES TO THE ACCOUNTS (Continued)

18. **DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)**

Maturity of Financial Liabilities

The Maturity Profile of the Company's Financial Liabilities at 31 December 2014 and 2013 was as follows :

	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
In more than two years but not more than five years	<u>128,684</u>	<u>184,631</u>

Fair Values

Set out below is a comparison by category of book values and fair values of the Company's Financial Liabilities at 31 December 2014 and 2013.

	<u>2014</u>		<u>2013</u>	
	<u>BOOK</u> <u>VALUE</u> <u>£000</u>	<u>FAIR</u> <u>VALUE</u> <u>£000</u>	<u>BOOK</u> <u>VALUE</u> <u>£000</u>	<u>FAIR</u> <u>VALUE</u> <u>£000</u>
<u>Primary Financial Instruments held or issued to finance the Company's Operations</u>				
Long-Term Borrowings	128,684	145,458	184,631	209,253

The fair values of the Index-Linked Debt and Accumulated Interest with a Book Value of £128.7 million (2013 - £184.6 million) have been determined by reference to prices available from the markets on which the instruments involved are traded.

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