

**AUTOLINK CONCESSIONAIRES (M6) PLC**  
**REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017 (AMENDING)**



**Registered in England and Wales No. 3201364**

# AUTOLINK CONCESSIONAIRES (M6) PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

Directors: N J E Crowther  
J Graham  
R J W Wotherspoon  
J G Neill (resigned 13 December 2017)  
A R Gates (appointed 13 December 2017 – alternate to R J W Wotherspoon)  
D R Bradbury  
M C Shelley (appointed 15 June 2017)

Secretary: K J Pearson

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

### 1. DIRECTORS

The directors, as set out above, served throughout the year and remain in office, except for M C Shelley who was appointed on 15 June 2017, A R Gates who was appointed from 13 December 2017 and J G Neill who resigned on 13 December 2017.

### 2. DIVIDENDS

The company paid interim dividends during the year of £9,750,000 (2016: £18,975,000). The directors do not recommend payment of a final dividend (2016: £Nil).

### 3. DISCLOSURE OF INFORMATION TO AUDITOR


The directors who held office at the date of approval of this directors' report confirm that:

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

In accordance with Section 489 of the Companies Act 2006 a resolution to reappoint KPMG LLP, as auditor will be put to the forthcoming annual general meeting.

This information is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

By Order of the Board



K J Pearson  
Secretary

Registered Office:  
Eaton Court  
Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7TR

11<sup>th</sup> June 2018

# AUTOLINK CONCESSIONAIRES (M6) PLC

## STRATEGIC REPORT

### 1. RESULTS FOR THE YEAR

The profit for the year after taxation was £4,692,000 (2016: £3,727,000).

Autolink Concessionaires (M6) Plc ("the company") paid interim dividends during the year of £9,750,000 (2016: £18,975,000). The directors do not recommend payment of a final dividend (2016: £Nil).

### 2. REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of Autolink Holdings (M6) Limited.

On the 29 April 1997 the company entered into a Private Finance Initiative ("PFI") contract ("the Contract") with The Secretary of State for Scotland to Design, Build, Finance and Operate a motorway link between the existing A74(M) and the M74 and an extension to the existing M6 Motorway, linking it to the existing A74(M) (together "the Road"). The company commenced operation and maintenance of the Road on 29 July 1997. On 1 July 1999 the Contract was assigned to The Scottish Ministers under The Scotland Act 1998.

The operation of the Contract is the principal activity of the company. There have not been any significant changes in the company's principal activities during the year, and no major changes are anticipated in the next year.

The company continues to meet its contractual obligations to The Scottish Ministers whilst also working to improve its efficiency in controlling costs. As shown in the company's profit and loss account on page 10 the company made a profit in the year. Revenue for the year was £14,349,000 (2016: £13,377,000) on operating costs of £13,454,000 (2016: £13,168,000). The increase in operating costs was driven by an increased programme of major maintenance works in 2017 which was in line with the programme of works set out at the start of the year. The company incurred unavailability deductions of £1,393,000 (2016: £1,339,000) the majority of which were planned as part of the programme of major maintenance works. The gross profit for the year was £895,000 (2016: £209,000) and the year on year increase is in part due to an increase in the margin applied to costs (8.54% (2016: 5.45%)) and a reduction in management fee charges to £250,000 (2016: £500,000).

The interest income for the year of £11,912,000 (2016: £12,555,000) exceeded the interest expense for the year of £6,584,000 (2016: £7,508,000) by £5,328,000 (2016: £5,047,000) and this was the primary factor for the increase in profit for the year.

The balance sheet on page 11 of the financial statements shows that the company's financial position at the year end remains robust, and that the company has sufficient funds to cover its liabilities as they fall due. The net asset position stands at £3,438,000 (2016: £8,496,000). The reduction is due to the interim dividends paid of £9,750,000 exceeding the total comprehensive income of £4,692,000. Creditors falling due after more than 1 year have decreased by £1,890,000, this is due to debt repayments of £11,463,000 offset by an increase in the UCCA of £9,573,000.

The directors have modelled the anticipated financial performance of the company's concession across its full term. The directors monitor its actual performance against the anticipated performance. At 31 December 2017 the company's performance against this measure was satisfactory.

The revenue of the company is dependent upon the unitary charge receivable from the authority and the expected costs over the lifetime of the project. The income receivable from the authority is dependent on traffic flows on the Road with the charge varying with reference to the traffic flow bands within the Contract. The nature of the bands means that traffic flows can vary significantly without changing the banding and hence the income receivable from the authority. The company measures the actual traffic volumes and forecasts future traffic flows, and compares to the original traffic expectations. At 31 December 2017 the company's performance against this measure was satisfactory.

The company's operations are managed under the supervision of its directors in accordance with its funding arrangements. These operations are largely determined by the detailed terms of the Contract. For this reason, the company's directors consider that further Key Performance Indicators (KPIs) for the company are not necessary or appropriate for an understanding of the performance or position of the business.

# AUTOLINK CONCESSIONAIRES (M6) PLC

## STRATEGIC REPORT (CONTINUED)

### 3. PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal activities, now the design and build stage of the project is complete, are the finance and operation of the Road. It carries out these activities within the framework of contracts with its funders and sub-contractors to meet its obligations to The Scottish Ministers. Its main exposure is to financial risks as detailed in the following section.

### 4. FINANCIAL RISK MANAGEMENT

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

#### *Interest rate risk*

The Secured debenture loans both have a fixed rate until repayment in June 2022, thus there is no interest rate risk associated with these financial liabilities. The company is exposed to interest rate risk on bank balances and Secured Bank loans, as both of these have floating interest rates, however the directors do not consider this exposure to be significant.

#### *Inflation risk*

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

#### *Liquidity risk*

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its forecast obligations. The nature of the project is such that cash flows are reasonably predictable. The company aims to mitigate liquidity risk by closely monitoring the timing of cash flows within the company.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Transport Scotland are the sole client of the company. The directors consider that no significant risk arises from such a small client base since there are no indications that Transport Scotland will not be able to fulfil their obligations. In addition the Scottish Ministers have underwritten the Transport Scotland's obligations. The carrying value of the financial asset of £95,215,000 (2016: £105,452,000) is the maximum credit exposure.

### 5. AUDIT COMMITTEE

The company has outsourced the financial reporting function to Sir Robert McAlpine Limited. Authorities remain vested in the board members of the company. Sir Robert McAlpine Limited reports regularly to the board of the company. The Board receives monthly reports from Sir Robert McAlpine Limited which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the company operates. The board also receives monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on.

The company has constituted an Audit Committee, comprising of an independent chairman (non-executive director) and a further director. The Audit Committee is responsible for satisfying itself that the financial affairs of the company are conducted with openness, integrity and accountability and in accordance with the statutory and regulatory requirements.

## AUTOLINK CONCESSIONAIRES (M6) PLC

### STRATEGIC REPORT (CONTINUED)

The primary duties of the Audit Committee are to monitor the integrity of the financial statements of the company and to review significant judgements contained therein, to monitor the level and effectiveness of internal financial control; to assess the scope and effectiveness of systems to identify, assess, manage and monitor financial and non-financial risk, to make recommendations concerning the appointment and terms of engagement of external auditors, to review and monitor the independence of the statutory auditor and in particular the provision of additional services by the auditor to the company.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R J W Wotherspoon', written over a horizontal line.

R J W Wotherspoon  
Director

Registered Office:  
Eaton Court  
Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7TR

11<sup>th</sup> June 2018

## AUTOLINK CONCESSIONAIRES (M6) PLC

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

The directors are responsible for preparing the Directors' Report, the Strategic 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

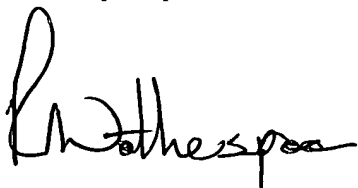
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

#### **Responsibility statement of the directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



R J W Wotherspoon  
Director

11<sup>th</sup> June 2018

## AUTOLINK CONCESSIONAIRES (M6) PLC

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOLINK CONCESSIONAIRES (M6) PLC

#### **1. Our opinion is unmodified**

We have audited the financial statements of Autolink Concessionaires (M6) Plc ("the Company") for the year ended 31 December 2017 which comprise the Profit and Loss Accounts and Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 30 April 1997. The period of total uninterrupted engagement is for the 21 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

#### **2. Key audit matters: our assessment of risks of material misstatement**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

##### **Turnover**

(£14,349,000; 2016: £13,377,000)

Refer to page 14 (accounting policy) and page 23 (financial disclosures).

##### ***The risk***

The amount of service turnover recognised is calculated via a mark-up being applied to costs incurred during the year. The mark-up is determined from a long term financial model which acts as a long term forecast of the turnover and costs to be incurred on the project. A significant portion of the service provision and the associated performance risk, are outsourced to subcontractors with costs contractually agreed over the life of the contract. Lifecycle replacement risk remains with the Company and is a significant estimate.

A fraud risk exists as management could manipulate the amount of revenue recognised either through amending the future forecast assumptions, particularly through the lifecycle costs which are a key estimate (see note 17 for details) and hence change the mark-up applied to the costs on which revenue is recognised or by applying the mark-up to costs which are not related to the provision of the services under the concession contract.

## **AUTOLINK CONCESSIONAIRES (M6) PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOLINK CONCESSIONAIRES (M6) PLC (continued)**

#### ***Our response***

Our procedures included:

- Turnover recalculation: We recalculated service turnover based upon the costs incurred which relate to provision of services under the concession contract using the mark-up determined in the financial forecasts and compared this to the amounts recorded.
- Comparing forecasts: We challenged the appropriateness of cost estimates and assessed whether or not estimates showed any evidence of management bias or not. Our challenge was based upon our assessment of historical accuracy of the Company's forecasts through comparison of current year actual costs versus prior year forecast, comparison of forecast cost estimates in current year versus the prior year and expectations based on our knowledge of the Company and experience of the industry in which it operates.

#### ***Our results***

The results of our testing were satisfactory and we considered the amount of revenue recognised to be acceptable. (2016: acceptable)

### **3. Our application of materiality and an overview of the scope of our audit**

Materiality for the financial statements as a whole was set at £1.27 million (2016: £1.33 million), determined with reference to a benchmark of Total Assets, of which it represents 1% (2016: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £64,000 (2016: £66,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was all performed at the offices of Sir Roger McAlpine in Hemel Hempstead.

### **4. We have nothing to report on going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **5. We have nothing to report on the other strategic report and the directors' report**

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

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

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



## AUTOLINK CONCESSIONAIRES (M6) PLC

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOLINK CONCESSIONAIRES (M6) PLC (continued)

#### **6. We have nothing to report on the other matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

#### **7. Respective responsibilities**

##### *Directors' responsibilities*

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

##### *Auditor's responsibilities*

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

##### *Irregularities – ability to detect*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety and anti-bribery recognising the nature of the company's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

**AUTOLINK CONCESSIONAIRES (M6) PLC**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOLINK CONCESSIONAIRES (M6)**  
**PLC (continued)**

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

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



**Huw Brown, (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Arlington Business Park  
Theale, Reading,  
RG7 4SD

18 June 2018

## AUTOLINK CONCESSIONAIRES (M6) PLC

### PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME for the year ended 31 December 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		£000	£000
Turnover	1	14,349	13,377
Operating costs		(13,454)	(13,168)
Operating profit		895	209
Other interest receivable and similar income	2	11,912	12,555
Interest payable and similar expenses	3	(6,584)	(7,508)
Profit before taxation	4	6,223	5,256
Taxation on profit	6	(1,531)	(1,529)
Total comprehensive income for the year		4,692	3,727

All of the company's activities during the year were continuing operations, and all turnover is generated within the United Kingdom.

Movements on reserves are shown in the Statement of Changes in Equity.

The notes on pages 14 to 23 form part of these financial statements.

# **AUTOLINK CONCESSIONAIRES (M6) PLC**

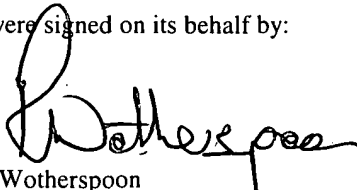
## **BALANCE SHEET** **at 31 December 2017**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		£000	£000
<b>CURRENT ASSETS</b>			
Work in progress		-	5,294
Debtors: Amounts falling due within one year	7	6,540	5,975
Debtors: Amounts falling due after more than one year	8	89,352	95,215
Short-term deposits	9	9,779	21,232
Cash at bank and in hand		21,403	5,229
		<hr/>	<hr/>
		127,074	132,945
 <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	 10	 (14,996)	 (13,874)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		112,078	119,071
 <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	 11	 (108,045)	 (109,935)
 <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	 13	 (595)	 (640)
		<hr/>	<hr/>
<b>NET ASSETS</b>		3,438	8,496
		<hr/>	<hr/>
 <b>CAPITAL AND RESERVES</b>			
Called up share capital	14	79	79
Profit and loss account		3,359	8,417
		<hr/>	<hr/>
<b>Shareholders' funds</b>		3,438	8,496
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 11<sup>th</sup> June 2018.

The notes on pages 14 to 23 form part of these financial statements.

They were signed on its behalf by:

  
R J W Wotherspoon  
Director

Company registration number: 3201364

# **AUTOLINK CONCESSIONAIRES (M6) PLC**

## **STATEMENT OF CHANGES IN EQUITY**

	Share Capital £000	Profit and Loss Account £000	Total £000
At 1 January 2016	79	23,665	23,744
Total comprehensive income for the financial year	-	3,727	3,727
Interim dividends paid of £240.19 per Ordinary share	-	(18,975)	(18,975)
At 31 December 2016	79	8,417	8,496

	Share Capital £000	Profit and Loss Account £000	Total £000
At 1 January 2017	79	8,417	8,496
Total comprehensive income for the financial year	-	4,692	4,692
Interim dividends paid of £123.42 per Ordinary share	-	(9,750)	(9,750)
At 31 December 2017	79	3,359	3,438

The notes on pages 14 to 23 form part of these financial statements.

# AUTOLINK CONCESSIONAIRES (M6) PLC

## CASH FLOW STATEMENT for the year ended 31 December 2017

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		£000	£000
<b>Cash flows from operating activities</b>			
Profit for the year		4,692	3,727
Adjustments for:			
Interest receivable and similar income		(11,912)	(12,555)
Interest payable and similar expenses		6,584	7,508
Taxation		1,531	1,529
		<u>895</u>	<u>209</u>
Decrease in debtors		5,298	9,768
Decrease in work in progress		5,294	2,055
Increase in creditors		9,656	15,137
		<u>21,143</u>	<u>27,169</u>
Corporation tax paid		(1,437)	(1,476)
<b>Net cash flows from operating activities</b>		<u><b>19,706</b></u>	<u><b>25,693</b></u>
<b>Cash flows from investing activities</b>			
Interest received		11,912	12,555
<b>Net cash flows from investing activities</b>		<u><b>11,912</b></u>	<u><b>12,555</b></u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(9,750)	(18,975)
Interest paid		(6,116)	(6,988)
Repayment of long term loans		(11,031)	(10,171)
<b>Net cash flows from financing activities</b>		<u><b>(26,897)</b></u>	<u><b>(36,134)</b></u>
<b>Net decrease in cash and cash equivalents</b>		<b>4,721</b>	<b>2,114</b>
Cash and cash equivalents at 1 January		26,461	24,347
<b>Cash and cash equivalents at 31 December</b>		<u><b>31,182</b></u>	<u><b>26,461</b></u>

The notes on pages 14 to 23 form part of these financial statements.

# AUTOLINK CONCESSIONAIRES (M6) PLC

## Notes to the financial statements for the year ended 31 December 2017

### 1. ACCOUNTING POLICIES

Autolink Concessionaires (M6) PLC is a company limited by shares and incorporated and domiciled in the UK.

The financial statements have been prepared in accordance with applicable United Kingdom law and Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. The accounting policies have been applied consistently throughout the current and preceding years under the historical cost convention.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Monetary amounts in these financial statements are rounded to the nearest £000.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

The particular accounting policies adopted by the directors are described below.

#### (a) Going Concern

The company has considerable financial resources together with a long term contract with The Scottish Ministers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to June 2027. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis. Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Principal Activities on page 2.

#### (b) Finance debtor

The company is an operator of a Public Finance Initiative ("PFI") contract. As the company entered into the contract prior to the date of transition to FRS102, the company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

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

#### (c) Turnover

Turnover credited to the profit and loss account is calculated by applying a margin to costs incurred in the year. This margin is calculated as total income forecast to be receivable over the concession, less amounts applied to the finance debtor as set out above less, all major maintenance, routine maintenance and other operating costs forecast to be payable over the concession. Management model these costs over the lifetime of the project to estimate the likely total costs.

## AUTOLINK CONCESSIONAIRES (M6) PLC

### Notes to the financial statements for the year ended 31 December 2017

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### (d) Maintenance

Lifecycle costs are recognised on a contractual basis and charge to the Profit and Loss in the period in which the work is completed. To the extent an element is incomplete it is recorded in Work in Progress.

Routine maintenance and major maintenance costs are charged to the profit and loss account as incurred.

##### (e) Taxation

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

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

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

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

##### (f) Basic financial instruments

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the company are as follows:

###### *Trade debtors*

Trade receivables are initially measured at transaction price calculated on the effective interest rate basis, less any impairment.

###### *Current asset investments*

Current asset investments are short term deposits of cash which are initially recognised at fair value and then are stated at amortised cost calculated on the effective interest rate basis.

###### *Cash at bank and in hand*

Cash at bank and in hand is carried in the balance sheet at nominal value. The company is obligated to keep separate cash reserves in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £19,203,000 at the year end (2016: £21,232,000).

###### *Trade creditors*

Trade payables are initially measured at transaction price calculated on the effective interest rate basis, less any impairment.

###### *Loans*

Debenture and bank loans are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. Interest on the loans is recognised as it accrues using the effective interest method.



## AUTOLINK CONCESSIONAIRES (M6) PLC

### Notes to the financial statements for the year ended 31 December 2017

#### 2. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2017</u> £000	<u>2016</u> £000
Finance debtor interest receivable	11,714	12,280
Other interest receivable	198	275
	<u>11,912</u>	<u>12,555</u>

#### 3. INTEREST PAYABLE AND SIMILAR EXPENSES

	<u>2017</u> £000	<u>2016</u> £000
Debenture loans	6,569	7,486
Bank loans	15	22
	<u>6,584</u>	<u>7,508</u>

#### 4. PROFIT BEFORE TAXATION

	<u>2017</u> £000	<u>2016</u> £000
Profit is stated after charging:		
Fees paid to the auditor for audit services	30	23

#### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the year (2016: None) and therefore no staff costs (2016: £Nil) and no emoluments were paid to key management personnel or the directors for their services (2016: £Nil). £77,000 was paid to the controlling shareholders for directors' services (2016: £75,000).

# **AUTOLINK CONCESSIONAIRES (M6) PLC**

## **Notes to the financial statements for the year ended 31 December 2017**

### **6. TAXATION ON PROFIT**

On the results for the year at 19.25% (2016: 20.00%):

	<u>2017</u> £000	<u>2016</u> £000
Current year tax:		
United Kingdom corporation tax	1,576	1,437
Adjustment in respect of previous periods	-	(245)
Total United Kingdom corporation tax	<u>1,576</u>	<u>1,192</u>
Deferred taxation		
Origination/reversal of timing differences (note 13)	(45)	(47)
Effects of changes in tax rates (note 13)	-	(33)
Adjustment in respect of previous periods	-	417
Total deferred taxation	<u>(45)</u>	<u>337</u>
Tax on profit	<u>1,531</u>	<u>1,529</u>

Factors affecting the total tax charge for the current period:

	<u>2017</u> £000	<u>2016</u> £000
Profit on before tax	6,223	5,256
Tax at 19.25% (2016: 20.00%)	1,198	1,051
Expenses not deductible for tax purposes	326	339
Change in tax rate on deferred tax balances	5	(33)
Tax on change of interest loan basis	-	172
	<u>1,531</u>	<u>1,529</u>

### **7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2017</u> £000	<u>2016</u> £000
Trade debtors	460	483
Finance debtor	5,863	5,227
Other debtors	4	5
Prepayments and accrued income	213	260
	<u>6,540</u>	<u>5,975</u>

# **AUTOLINK CONCESSIONAIRES (M6) PLC**

## **Notes to the financial statements for the year ended 31 December 2017**

### **8. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>2017</u> £000	<u>2016</u> £000
Finance debtor	89,352	95,215
	<u>89,352</u>	<u>95,215</u>

### **9. SHORT-TERM DEPOSITS**

	<u>2017</u> £000	<u>2016</u> £000
Short-term deposits	9,779	21,232
	<u>9,779</u>	<u>21,232</u>

### **10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2017</u> £000	<u>2016</u> £000
Secured debenture loans (note 11)	11,254	10,315
Secured bank loan (note 11)	347	347
Trade creditors	89	54
Amounts owed to parent undertaking	378	378
Taxation	1,902	1,816
Accruals and deferred income	1,026	964
	<u>14,996</u>	<u>13,874</u>

### **11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>2017</u> £000	<u>2016</u> £000
Secured debenture loans (a)	48,391	59,508
Secured bank loan (b)	1,214	1,560
Accruals and deferred income	58,440	48,867
	<u>108,045</u>	<u>109,935</u>

- (a) The secured debenture loans are secured by a fixed and floating charge on the assets of the company. The loans are repayable by instalments from 15 December 2007 to 15 June 2022.
- (b) The bank loan is secured by a financial guaranty policy, and is repayable by equal semi-annual instalments from 15 June 2004 to 15 June 2022. The interest rate is variable and determined quarterly in advance in accordance with the standard procedures of the lending bank.

# **AUTOLINK CONCESSIONAIRES (M6) PLC**

## **Notes to the financial statements for the year ended 31 December 2017**

### **11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)**

The loans are repayable as follows:

	<u>2017</u> £000	<u>2016</u> £000
Within one year:		
A1 secured debenture loan at 8.39% per annum	10,396	9,597
B1 secured debenture loan at 11.27% per annum	1,210	1,085
Secured bank loan	349	349
	<hr/> 11,955	<hr/> 11,031
Between one and two years:		
A1 secured debenture loan at 8.39% per annum	11,294	10,396
B1 secured debenture loan at 11.27% per annum	1,349	1,210
Secured bank loan	349	349
	<hr/> 12,992	<hr/> 11,955
Between two and five years:		
A1 secured debenture loan at 8.39% per annum	32,598	36,828
B1 secured debenture loan at 11.27% per annum	4,097	4,534
Secured bank loan	871	1,046
	<hr/> 37,566	<hr/> 42,408
In more than five years:		
A1 secured debenture loan at 8.39% per annum	-	7,064
B1 secured debenture loan at 11.27% per annum	-	913
Secured bank loan	-	176
	<hr/> -	<hr/> 8,153
	<hr/> 62,513	<hr/> 73,547
Less: effective interest rate adjustments	(1,308)	(1,816)
	<hr/> 61,205	<hr/> 71,731
	<hr/> <hr/>	<hr/> <hr/>
Included in creditors: amounts falling due within one year	11,601	10,662
Included in creditors: amounts falling due after more than one year	49,604	61,069
	<hr/> 61,205	<hr/> 71,731
	<hr/> <hr/>	<hr/> <hr/>

## AUTOLINK CONCESSIONAIRES (M6) PLC

### Notes to the financial statements for the year ended 31 December 2017

#### 12. FINANCIAL INSTRUMENTS

##### Financial Assets

The carrying amount of the financial assets of the company are as follows:

	<u>2017</u> £000	<u>2016</u> £000
Assets measured at amortised cost		
- Trade debtors	460	483
- Finance debtor	95,215	100,442
- Current asset investments	9,779	21,232
- Cash at bank and in hand *	21,403	5,229
	<u>126,857</u>	<u>127,386</u>

The finance debtor has a carrying value of £95,215,000 (2016: £100,442,000). The fair value of the finance debtor is £135,548,000 (2016: £144,377,000). This has been calculated using the discounted cash flows used to repay the finance debtor. The discount rate is based upon the gilt yield reflecting the unexpired term of the concession, which is published by the Bank of England, and a 1.5% (2016: 1.5%) premium is added to reflect the market rate. The directors have not made a provision for diminution in value of the financial asset as it is not impaired.

The fair value of the finance debtor will fluctuate in line with market rates. The effects of a change in market rate on the fair value are as follows:

	<u>2017</u> £000	<u>2016</u> £000
At market rate 3.59% (2016: 4.00%)	135,548	144,377
At market rate plus 1%	129,563	137,502
At market rate less 1%	141,970	151,795

The directors perceive little financial or liquidity risk in respect of the finance debtor. The forecast revenue receipts from The Scottish Ministers comfortably exceed the value of the finance debtor. Credit risk is considered to be negligible given that income receipts are from a low risk public sector body. Future changes in interest rates would not affect the future income receivable for the finance debtor, and therefore the financial asset is not directly exposed to interest rate risk.

\* All cash balances are sterling denominated and receive interest at a variable rate with reference to the Bank of England base rate.

## AUTOLINK CONCESSIONAIRES (M6) PLC

### Notes to the financial statements for the year ended 31 December 2017

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial Liabilities

The carrying amount of the financial liabilities of the company are as follows:

	<u>2017</u> £000	<u>2016</u> £000
Liabilities measured at amortised cost		
- Listed debenture loans	60,944	71,627
- Secured bank loans	1,569	1,918
	<u>62,513</u>	<u>73,545</u>

Listed debenture loans were issued to provide funding to finance the construction phase of the Contract. As part of the company's risk-averse funding policy the company issued fixed interest rate bonds at inception in order to mitigate the risk of sudden and unexpected changes in financing costs.

See note 11 for the repayment terms of the debenture loans.

The debenture loans are at a fixed rate of interest, denominated in sterling and have a carrying value of £59,645,000 (2016: £69,823,000). The weighted average interest rate is 8.70% (2016: 8.70%) and the weighted average period for which the borrowing is fixed at 31 December 2017 is 4.5 years (2016: 5.5 years).

The fair value of the secured debenture loans has been calculated to be £69,417,000 (2016: £84,096,000), based upon market values. There is no obligation or present intention to repay the debt, other than on maturity, when the redemption would be made at book value.

The secured bank loans are at a floating rate of interest, denominated in sterling, and have a carrying value of £1,561,000 (2016: £1,907,000). The difference between the carrying amount and the fair value is not considered to be material. The loans are repayable as follows:

See note 11 for the repayment terms of the secured bank loans.

## AUTOLINK CONCESSIONAIRES (M6) PLC

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

### 13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>Tax</u> £000	<u>Total</u> £000
At 1 January 2017	640	640
Charged to the profit and loss account	(45)	(45)
At 31 December 2017	<u>595</u>	<u>595</u>

The deferred tax liability is provided for at a rate of 17% and is recognised in the accounts as follows:

	<u>2017</u> £000	<u>2016</u> £000
Accelerated capital allowances	436	457
Short term timing differences	159	183
	<u>595</u>	<u>640</u>

The deferred tax liability has been calculated at 17% as this was the rate substantively enacted at the balance sheet date.

There were no unprovided deferred tax assets or liabilities at the year end (2016: £Nil).

### 14. CALLED UP SHARE CAPITAL

	<u>2017</u> £000	<u>2016</u> £000
Allotted, called up and fully paid: 79,253 Ordinary shares of £1 each	<u>79</u>	<u>79</u>

### 15. RELATED PARTY TRANSACTIONS

The company entered into the following material transactions with related parties:

On 29 July 2013 the company entered into a four year Routine Operating and Maintenance contract with Sir Robert McAlpine Limited, a subsidiary of one of the parent company's current controlling shareholders. This contract was amended and restated in February 2016 and now expires at the end of the concession. A total of £5,927,000 (2016: £5,800,000) was paid during the year under this contract.

At the financial year end £487,000 (2016: £683,000) was owed to Sir Robert McAlpine Limited, and included in creditors: amounts falling due within one year.

The company paid to the controlling shareholders of its immediate parent and their subsidiaries a total of £409,000 (2016: £472,000) for the provision of staff and other services.

## AUTOLINK CONCESSIONAIRES (M6) PLC

### Notes to the financial statements for the year ended 31 December 2017

#### 16. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company is Autolink Holdings (M6) Limited which is registered in England and Wales. This is the only company to prepare consolidated accounts which include the results of this entity. Copies of the group accounts can be obtained from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR.

#### 17. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. 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 if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the company's accounting policies are described below:

##### **Critical judgements**

###### *Service concession accounting*

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

###### *Finance debtor*

Accounting for the construction of the underlying asset requires an assessment to be made in respect of its treatment on the balance sheet. The underlying asset has been treated as a finance debtor because the risks and rewards of ownership were deemed to lie principally with The Scottish Ministers.

###### *Debtors*

The recoverability of the company's debtors has been assessed by the directors and, where any uncertainty has been identified, sufficient provisions have been posted to reflect uncertainty.

#### 18. POST BALANCE SHEET EVENTS

On 31 May 2018 the Company made a loan to its immediate and ultimate parent company, Autolink Holdings (M6) Limited of £2,625,000. The loan is repayable on demand and bears interest at a rate of 5% + 6 month LIBOR.