

REGISTERED NUMBER: 04229044 (ENGLAND AND WALES)

MORGAN-VINCI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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MORGAN-VINCI LIMITED

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MORGAN-VINCI LIMITED

Company Information For the Year Ended 31 December 2022

Directors

A F E Judet	
C B M Braunwald	(Resigned on 7 February 2023)
L B Robarts	(Resigned on 15 September 2022)
R J Dixon	
P Partridge	(Appointed on 15 September 2022)
G J M L Briere	(Appointed on 7 February 2023)

Company secretary

C Sheridan

Registered office

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

Independent Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

MORGAN-VINCI LIMITED

Directors' Report and Directors' Responsibilities Statement For the year ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

Principal activity and review of the business

Morgan-Vinci Limited (the 'Company') is a special purpose Public Finance Initiative ('PFI') company responsible for the design, construction, financing and operation of the Newport Southern Distributor Road. The Company has entered into a contract with Newport City Council for a period of 40 years.

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

In the year, VINCI Concessions SAS a parent of the shareholder was replaced by VINCI Highways SAS following a change in corporate names.

Through 2022 the Company continues to be in default under its senior financing agreement. During the year many of the rectification work items were completed and a settlement agreement was reached around the outstanding rectification works items. Morgan Vinci CJV begun site operation to carry out remedial works to the wing wall at Westway Road and works were being reported to the lenders technical adviser and client nominee on a regular basis. The lenders have not waived the breach and therefore all associated senior debt is shown as a current liability in the financial statements. There is no indication, to date, that senior lenders intend to terminate the loan agreement.

The Company has been in discussions with the lenders, to agree on an ADSCR smoothing mechanism which would resolve the element of the ratio default and forecast lock-up events which arise due to the phasing of major maintenance spend.

The results for the period are shown on page 9. The Company made an operating profit of £80,000 (2021: operating profit £79,000).

Going concern

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

A settlement agreement was reached regarding the resolution of the construction related rectification works (see Lifecycle expenditure section below for further details). As a result of these matters, the Company is in default under its senior financing agreement. The lenders have not waived the breach and therefore all associated senior debt is shown as a current liability in the financial statements. There is no indication, to date, that senior lenders intend to terminate the loan agreement.

As such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing the accounts.

MORGAN-VINCI LIMITED

Directors' Report and Directors' Responsibilities Statement For the year ended 31 December 2022

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The directors have specifically considered the matters with regards to the Lifecycle Expenditure and Liquidity Risk. The directors acknowledge that the non-waiver of the defaults may create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Financial risk management objectives and policies

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

Lifecycle expenditure

The contract makes an allowance for lifecycle/major maintenance works to meet its contractual obligations. At financial close in 2002, a programme of lifecycle/major maintenance works was established to maintain the assets throughout the contract period and to ensure that at the end of the contract the hand back requirements are met. Regular assessments are performed to assess the condition of the road and future maintenance requirements and these are reported annually to the client nominee. During the year a settlement agreement was reached around the outstanding rectification works. With the agreement completed the Morgan Vinci CJV have begun site operations to carry out remedial works to the wing wall at Westway Road and these works are being reported to the lenders technical adviser and client nominee on a regular basis. Neither the historical nor current lenders nor the lenders' agent have taken any actions to enforce any rights under the event of default.

Liquidity risk

The Company maintains a prudent approach to liquidity management by maintaining enough cash to meet its obligations as they fall due. The directors regularly review and monitor the Company's cash requirements. The Company continues to hold a number of reserve accounts including a Major Maintenance Reserve Account and Senior Debt Service Reserve Account.

The lenders are aware of the default under the loan agreement and that remedial plans are in place to remedy the matters. The directors are not aware of any proposals by the senior lenders to seek early repayment of the outstanding loan amounts. All debt due to senior lenders has been shown as falling due within one year (see note 12).

Directors

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

Dividends

The directors do not recommend the payment of a dividend for the year (2021: £nil).

Post balance sheet events

The planning and programming of the rectification works to the wing wall at Westway Road were completed in Q3 of 2022 and construction works were formally completed and approved as compliant in January 2023. Under the associated settlement agreement the works are now within an agreed monitoring period.

Directors' indemnities

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Furthermore, the directors of Morgan-Vinci Limited have

MORGAN-VINCI LIMITED

Directors' Report and Directors' Responsibilities Statement For the year ended 31 December 2022

qualifying third party indemnity provisions put in place through other companies of which they are also directors.

Independent auditor and disclosure of information to the independent auditor

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

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

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

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

Directors' responsibilities statement

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

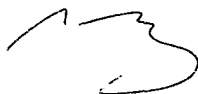
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

Approved by the Board and signed on its behalf by



P Partridge
Director

21st December 2023

MORGAN-VINCI LIMITED

Independent Auditor's Report For the year ended 31 December 2022

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morgan-Vinci Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 17.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

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

As stated in the Principal Accounting Policies in the financial statements, these events or conditions, along with the other matters as set forth in the Principal Accounting Policies in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

MORGAN-VINCI LIMITED

Independent Auditor's Report For the year ended 31 December 2022

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

MORGAN-VINCI LIMITED

Independent Auditor's Report For the year ended 31 December 2022

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and relevant tax laws; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

MORGAN-VINCI LIMITED

Independent Auditor's Report For the year ended 31 December 2022

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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



Makhan Chahal, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21st December 2023

MORGAN-VINCI LIMITED

Statement of Comprehensive Income For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	1	1,829	1,489
Cost of sales		(1,137)	(858)
Gross profit		692	631
Administrative expenses		(612)	(552)
Operating profit	2	80	79
Interest receivable	5	4,557	4,535
Interest payable	6	(4,166)	(4,421)
Profit before tax		471	193
Tax	7	(102)	(33)
Profit for the financial year attributable to owners of the Company		369	160

Continuing operations

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

There are no further recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account and as a result no statement of comprehensive income is given.

MORGAN-VINCI LIMITED

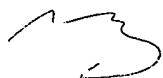
Balance Sheet As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Financial assets	8	60,498	61,254
Deferred tax asset	9	-	-
		<u>60,498</u>	<u>61,254</u>
Current assets			
Trade and other receivables	10	3,331	4,104
Cash and bank balances		<u>9,923</u>	<u>9,892</u>
		13,254	13,996
Current liabilities			
Bank loans	12	(50,356)	(52,232)
Trade and other payables	11	<u>(3,769)</u>	<u>(3,653)</u>
		(54,125)	(55,885)
Net current liabilities		<u>(40,871)</u>	<u>(41,889)</u>
Total assets less current liabilities		19,627	19,365
Non-current liabilities			
Shareholder Loans	12	(13,484)	(12,674)
Provisions for liabilities	13	<u>(3,330)</u>	<u>(4,247)</u>
		(16,814)	(16,921)
Net assets		<u>2,813</u>	<u>2,444</u>
Capital and reserves			
Share capital	15	941	941
Retained earnings		<u>1,872</u>	<u>1,503</u>
Total shareholder's funds		<u>2,813</u>	<u>2,444</u>

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

The financial statements of Morgan-Vinci Limited, company number 04229044, were approved by the Board and authorised for issue on 21st December 2023.

They are signed on its behalf by:



.....
P Partridge
Director

MORGAN-VINCI LIMITED

Statement of Changes in Equity For the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2021	941	1,343	2,284
Total comprehensive income		160	160
At 1 January 2022	941	1,503	2,444
Total comprehensive income	-	369	369
At 31 December 2022	941	1,872	2,813

MORGAN-VINCI LIMITED

Statement of Cash Flows For the year ended 31 December 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Operating profit	79	79
Adjustments for:		
Lifecycle provision	410	122
Revenue on mark-up on costs	(1,173)	(1,131)
Operating cash flow before movement in working capital	(685)	(930)
Decrease in debtors	773	1,102
Increase /(decrease) in creditors	43	(76)
Cash used in operations	816	1,026
Taxation paid	-	-
Lifecycle paid	(1,341)	(260)
Receipts on financial asset – operating income	2,568	2,415
Net cash generated from operating activities	1,358	2,251
Cash flows from investing activities		
Receipts on financial asset – investment income	3,852	3,622
Interest received	66	-
Net cash from investing activities	3,918	3,622
Cash flows from financing activities		
Repayment of borrowings	(1,921)	(1,405)
Interest and similar charges paid	(3,324)	(3,417)
Net cash used in financing activities	(5,245)	(4,822)
Net increase in cash & cash equivalents	31	1,051
Cash and cash equivalents at beginning of year	9,892	8,841
Cash and cash equivalents at end of year	9,923	9,892
Cash and cash equivalents comprise:		
Cash at bank and in hand	9,923	9,892
	9,923	9,892

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

MORGAN-VINCI LIMITED

Principal Accounting Policies For the year ended 31 December 2022

General information

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

Basis of accounting

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

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

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

Going concern

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

A settlement agreement was reached regarding the resolution of the construction related rectification works (see Lifecycle expenditure section on page 3). As a result of these matters, the Company is in default under its senior financing agreement. The lenders have not waived the breach and therefore all associated senior debt is shown as a current liability in the financial statements. There is no indication, to date, that senior lenders intend to terminate the loan agreement.

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

The directors have specifically considered the matters with regards to the Lifecycle Expenditure and Liquidity Risk mentioned above but acknowledge that discussions with lenders remain ongoing and that the future obligations of the Company have been prudently modelled for more than 10 years.

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

Revenue

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

MORGAN-VINCI LIMITED

Principal Accounting Policies For the year ended 31 December 2022

a. Public to private concession arrangements

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

Service Margin – After the property is constructed, the Company provides asset management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit over the life of the concessions. The service margin is calculated by reference to the amount of residual unitary charge income once the service income and associated interest income have been received.

b. Other revenue items

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

Financial asset model

A substantial portion of the Company's assets are used within the framework of concession contracts granted by public sector customers ('grantors'). The Company has constructed the Newport Southern Distributor Road under a 40-year concession contract.

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

- the grantor controls or regulates what services the operator must provide using the infrastructure, to whom, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

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

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

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

Financial assets resulting from the application of section 34 of FRS 102 are recorded at the reporting date under the heading financial assets and measured at amortised cost.

Pursuant to section 23 of FRS 102, revenue associated with this financial model comprises of construction service remuneration, and, once operational, service remuneration which relates to management services, road maintenance and ad hoc property related services income.

Taxation

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

MORGAN-VINCI LIMITED

Principal Accounting Policies For the year ended 31 December 2022

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

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

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

Interest receivable

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

Interest payable

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

Financial instruments

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

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

Financial liabilities and equity

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

Loan arrangement fees

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

Major maintenance provision

The Company has a legal obligation to undertake major maintenance on the road to maintain it at a minimum standard. This obligation is treated as a constructive obligation, arising from past usage of the road, and is treated as a provision. The provision is measured as the present value of the amount required to settle the obligation, with an expense recognised each year

based on the usage of the road. Usage is forecast to be flat over the concession. The annual unwinding of the discount is recognised as a finance cost.

MORGAN-VINCI LIMITED

Principal Accounting Policies For the year ended 31 December 2022

Critical accounting judgements and key sources of estimation uncertainties

The preparation of financial statements requires the Company's management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. 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 the revision and future periods if the revision affects both current and future periods.

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

A - Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

B - Critical judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

Debt – due to the lending covenant breaches, all debt due to the lenders has been shown as falling due within one year, as detailed in note 12 of the financial statements. The Company forecasts that it can continue to meet interest and repayments on the senior debt facilities when they fall due.

MORGAN-VINCI LIMITED

Notes to the Financial Statements For the year ended 31 December 2022

1. Analysis of revenue and profit before taxation

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

2. Operating profit

	2022 £'000	2021 £'000
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of its annual financial statements	20	20

3. Staff numbers and costs

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

4. Directors' remuneration

The directors did not receive any emoluments in respect of their service in the current and preceding year.

5. Interest receivable

	2022 £'000	2021 £'000
Bank interest receivable	66	-
Financial asset interest receivable	4,491	4,535
	<u>4,557</u>	<u>4,535</u>

6. Interest payable

	2022 £'000	2021 £'000
Interest payable on bank loans	(3,288)	(3,396)
Amortisation of arrangement fees	(52)	(52)
Interest payable on subordinated loans to parent undertakings	(811)	(762)
Unwinding of discount on provisions	(14)	(211)
	<u>(4,165)</u>	<u>(4,421)</u>

Interest payable of £798,000 (2021: £750,000) for the year has been added to the shareholder's loans.

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Notes to the Financial Statements For the year ended 31 December 2022

7. Taxation on profit/ (loss)

	2022 £'000	2021 £'000
Current tax		
UK corporation tax 19.00% (2021 19.00%) on profit	89	(37)
Adjustment in respect of prior periods	13	4
Total current tax charge	<u>102</u>	<u>(33)</u>
Deferred Tax		
Origination and reversal of timing differences	-	-
Total deferred tax charge/(credit)	<u>-</u>	<u>-</u>
Provision		
Reversal of tax provision (note 13)	-	-
	<u>-</u>	<u>-</u>
Tax charge on ordinary activities	<u>102</u>	<u>(33)</u>

Corporation tax is calculated at 19% (2021: 19%) of the estimable taxable profit for the year. The actual tax charge for the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation.

	2022 £'000	2021 £'000
Factors affecting the tax charge for the year		
Profit before tax	<u>471</u>	<u>193</u>
Tax at 19.00% thereon (2021: 19.00%)	89	37
Effects of:		
Adjustments to tax charge in respect of previous periods	13	(4)
Adjustments to tax charge in respect of previous periods – deferred tax	-	-
Total tax charge for the year	<u>102</u>	<u>33</u>

During 2021 it was announced that the UK statutory tax rate will increase from 19% to 25% from 1 April 2023. Consequently, the applicable tax rate for the Company (taking into account its December year end) is expected to be 23.5% in 2023, and 25% in 2024 (and beyond) at the reporting date.

MORGAN-VINCI LIMITED

Notes to the Financial Statements For the year ended 31 December 2022

8. Financial assets

	2022 £'000	2021 £'000
Balance at 1 January	61,254	61,624
Income recognised in the profit or loss		
- service remuneration	1,174	1,132
- interest income	4,491	4,535
	<u>66,919</u>	<u>67,291</u>
Other movements		
- cash received	<u>(6,421)</u>	<u>(6,037)</u>
Balance at 31 December	<u>60,498</u>	<u>61,254</u>

9. Deferred tax

A deferred tax asset has not been recognised in the current year (2021: £nil) on the balance sheet as there is insufficient certainty that it will be utilised within the foreseeable future.

10. Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	2,005	2,587
Amounts owed by related parties (note 17)	87	87
Provision for bad debts	(73)	(73)
Prepayments and accrued income	664	673
Corporation tax	-	-
Other debtors	648	830
	<u>3,331</u>	<u>4,104</u>

Amounts owed by related undertakings are payable on demand and are not interest bearing.

11. Trade and other payables

	2022 £'000	2021 £'000
Trade creditors	73	92
Amounts owed to related parties (note 17)	217	287
Corporation tax	144	42
Other tax and social security	168	278
Accruals and deferred income*	3,167	2,954
	<u>3,769</u>	<u>3,653</u>

MORGAN-VINCI LIMITED

Notes to the Financial Statements For the year ended 31 December 2022

11. Trade and other payables (continued)

Amounts owed to related undertakings are payable on demand and are not interest bearing.

*The accrual and deferred income balances are formed £2,147,000 of accruals (2021: £2,107,000) and £1,020,000 deferred income (2021: £846,000).

12. Loans

	2022 £'000	2021 £'000
The bank loans are repayable as follows:		
Within one year	<u>51,286</u>	<u>53,214</u>
	51,286	53,214
Amortisation of fees	<u>(930)</u>	<u>(982)</u>
	50,356	52,232

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

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

	2022 £'000	2021 £'000
Subordinated loan to related party		
The loan is repayable as follows:		
After more than five years	<u>13,485</u>	<u>12,674</u>
	13,485	12,674

The subordinated loan notes from shareholders are unsecured and are repayable at the end of the project in 2040. The balance includes rolled up interest of £7,841,000 (2021: £7,042,000) and the interest rate on the shareholders loan notes is 6.3%.

MORGAN-VINCI LIMITED

Notes to the Financial Statements For the year ended 31 December 2022

13. Provisions for liabilities

	Total
	£'000
At 1 January 2021	4,174
Unwinding of discount	211
Increase in provision	413
Release of provision	(290)
Cost of maintenance work undertaken during the year	(261)
At 1 January 2022	<u>4,247</u>
Unwinding of discount	14
Increase in provision	410
Cost of maintenance work undertaken during the year	(1,341)
At 31 December 2022	<u>3,330</u>

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

14. Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
470,657 class A ordinary shares of £1 each	471	471
470,657 class B ordinary shares of £1 each	471	471
	<u>941</u>	<u>941</u>

All shares rank pari passu.

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Notes to the Financial Statements For the year ended 31 December 2022

15. Ultimate parent company

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

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

16. Related party transactions

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

		Transaction amount	Amount due (to)/from related party at 2022	Transaction amount	Amount due (to)/from related party at 2021
Nature of transaction		2022	2022	2021	2021
		£'000	£'000	£'000	£'000
Morgan Sindall Investments (Newport SDR) Ltd	Shareholder				
Subordinated debt		(405)	(6,742)	(381)	(6,337)
Morgan Sindall Investments Ltd	Parent of shareholder	(158)	-	(153)	(46)
Provision of services					
Vinci Newport DBFO Ltd	Shareholder				
Subordinated debt		(405)	(6,742)	(381)	(6,337)
Vinci Concessions SAS	Previous parent of shareholder				
Provision of services		25	(5)	(257)	(30)
Vinci Highways SAS	Parent of shareholder				
Provision of services		(128)	-	-	-
Morgan-Vinci CJV [2]					
Provision of services		(142)	(212)	-	(212)
Turnover		-	87	-	87

MORGAN-VINCI LIMITED

Notes to the Financial Statements For the year ended 31 December 2022

16. Related party transactions (continued)

All transactions with related parties have taken place at arm's length.

[1] Community Solutions Partnership Services Limited

Community Solutions Partnership Services Limited is a 100% owned subsidiary of Morgan Sindall Investments Limited, the 100% shareholder in Morgan Sindall Investments (Newport SDR) Limited.

[2] Morgan- Vinci CJV

Morgan-Vinci CJV is a 50% joint arrangement between Morgan Sindall Construction and Infrastructure Limited and VINCI Construction Grands Projets SAS. VINCI Construction Grands Projets SAS is a 100% owned subsidiary of VINCI Construction SAS which is a 100% owned subsidiary of VINCI SA.

17. Subsequent events

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