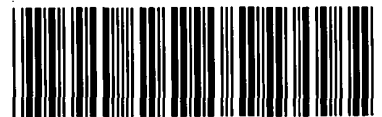


COMPANY REGISTRATION NUMBER 8780140

MERSEYLINK (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 MARCH 2017

FRIDAY



A6G0EZCY

A41

29/09/2017

#265

COMPANIES HOUSE

MERSEYLINK (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

CONTENTS	PAGE
Strategic Report	1
Directors' Report	3
Statement of Directors' Responsibilities	6
Independent Auditors' Report to the Members of Merseylink (Holdings) Limited	7
Consolidated Profit and Loss Account	10
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Cash Flow Statement	14
Notes to the Financial Statements	15

MERSEYLINK (HOLDINGS) LIMITED
STRATEGIC REPORT
YEAR ENDED 31 MARCH 2017

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of a holding company with one direct subsidiary, Merseylink (Finance) Limited, which itself has two subsidiaries, Merseylink Limited and Merseylink (Issuer) plc.

The principal activity of the group during the year was the provision of design, build and finance services on the Mersey Gateway Project in England, in accordance with a Project Agreement the group entered into with Halton Borough Council and the Mersey Gateway Crossings Board Limited.

The group is currently running the design, build and finance services for a 30 year period, providing a full range of design, build and finance services under a contractual agreement that provides a regular future income stream which is subject to deductions for performance adjustments and journey time of the Mersey Gateway Project.

The group commenced trade on 28 March 2014, when the Project Agreement was signed. Construction work on the Mersey Gateway Project started in March 2014, with construction due to be completed in September 2017.

The group operates in a PFI market under strict contractual obligations. The industry is highly competitive and so companies have to differentiate themselves on affordability, innovation (both design and funding solutions) as well as identifying and satisfying the needs of all stakeholders.

The group's loss for the financial year amounted to £1,973,000 and the group's net liabilities at 31 March 2017 were £43,936,000.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the group's strategy are subject to a number of risks.

The key business risks affecting the group are considered to relate to supply chain failure of the building contractor, treasury management and control, review of the insurance cover and lifecycle profile.

The risk of supply chain failure of the building contractor is mitigated by the use of performance bonds provided by the building contractor and parent company guarantees provided by Samsung C&T Corporation, Fomento de Construcciones y Contratas, S.A and Kier Group plc. Construction is monitored by a technical adviser who reports on the progress of the contract.

At the start of the PFI contract the group negotiated debt facilities with external parties to ensure that the group has sufficient funds to finance construction.

The risk of inadequate insurance cover is mitigated by a review of the insurances by an insurance broker.

MERSEYLINK (HOLDINGS) LIMITED
STRATEGIC REPORT (continued)
YEAR ENDED 31 MARCH 2017

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The risk of inadequate lifecycle funds is mitigated by the building contractor's requirement to provide a design that meets the requirements of the UK Design Manual for Roads and Bridges and construct the Works in accordance with the Specification for Highway Works.

The board formally reviews risks and appropriate processes are put in place to mitigate them.

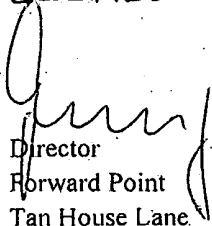
KEY PERFORMANCE INDICATORS

The group has modelled the anticipated financial performance of its concession across its full term. Management meetings are held on a regular basis to monitor actual financial performance against a budget derived from the financial model. Particular attention is paid to construction work in progress and cash flow. At 31 March 2017 performance against such measures was satisfactory.

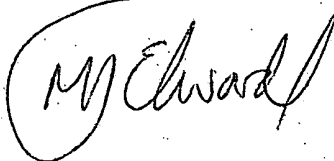
On behalf of the board of the directors,

VOLKER
ELLENBERG

MATT
EDWARDS


Director
Forward Point
Tan House Lane

Widnes
Cheshire
WA8 0SL



Approved by the board of the directors on 26 September 2017

MERSEYLINK (HOLDINGS) LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2017

The directors present their report and the audited consolidated financial statements of the group for the year ended 31 March 2017. The principal activities and business review are detailed in the Strategic Report.

FUTURE DEVELOPMENTS

Management of the project both logistically and financially remains under control. We remain confident that the project will perform in line with our expectations and the project will complete construction in 2017.

DIVIDENDS

The directors are unable to recommend a dividend (2016: none).

DIRECTORS

The directors who served the group during the year and up to the date of this report are shown below:

V Ellenberg

F Schramm

I Bahena

J Carvill

(Appointed 13 September 2016, resigned 27 February 2017)

J Falero

(Resigned 13 September 2016)

Vialia Sociedad Gestora De Concesiones De Infraestructuras, S.L.U

(Resigned 19 April 2016)

M Bradshaw

M Moshiaashvili

A Kornman

J Douglas

(Appointed 19 April 2016)

M Edwards

(Appointed 27 February 2017)

DONATIONS

The group made no charitable or political donations during the year (2016: none).

FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks that include liquidity risk, interest rate cash flow risk and credit risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

The group's financial instruments comprise floating and fixed rate borrowings, the main purpose of which is to raise finance for the group's operations. The group does use derivative financial instruments and has entered into interest rate swaps, the purpose of which are to manage interest rate risk on the group's floating rate borrowings.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

MERSEYLINK (HOLDINGS) LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 31 MARCH 2017

FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The group minimises the risk of uncertain funding in its operations by having long-term committed facilities available.

Interest rate cash flow risk

The group seeks to minimise its exposure to an upward change in interest rates by both borrowing at fixed rates and by borrowing at floating rates and using interest rate swaps to convert such borrowings from floating to fixed rates. At the year end all the group's floating rate borrowings were at fixed rates after taking account of interest rate swaps.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligation under the contract giving rise to the financial instrument. The group's credit risk is concentrated as its cash flows are generated from the PPP concession asset. The concentration of risk is mitigated as the cash flows are secured under contract with Mersey Gateway Crossings Board Limited and Halton Borough Council, a government body.

GOING CONCERN

The directors have reviewed the group's projected cash flows by reference to a financial model covering the accounting periods up to 31 March 2044. The directors have also examined the current status of the group's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the group will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is appropriate for the financial statements of the group to be prepared on a going concern basis.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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 auditors are 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 auditors are aware of that information.

INDEPENDENT AUDITORS

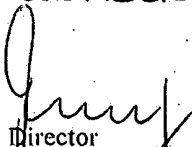
A resolution to appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

MERSEYLINK (HOLDINGS) LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2017

On behalf of the board of the directors,

VOLKER
ELLENBERG

MATT
EDWARDS



Director
Forward Point
Tan House Lane
Widnes
Cheshire
WA8 0SL



Approved by the board of the directors on 26 September 2017

MERSEYLINK (HOLDINGS) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 MARCH 2017

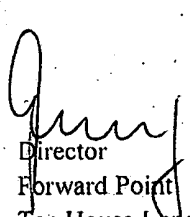
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

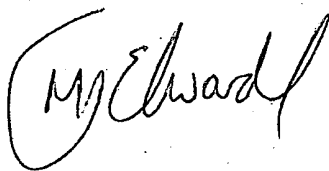
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Director
Forward Point
Tan House Lane
Widnes
Cheshire
WA8 0SL



VOLKER
ELLENBERG

MATT
EDWARDS

MERSEYLINK (HOLDINGS) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MERSEYLINK (HOLDINGS) LIMITED
YEAR ENDED 31 MARCH 2017

Report on the financial statements

Our opinion

In our opinion, Merseylink (Holdings) Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's loss and cash flows for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 March 2017;
- the Consolidated Profit and Loss Account and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

MERSEYLINK (HOLDINGS) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MERSEYLINK (HOLDINGS) LIMITED (continued)
YEAR ENDED 31 MARCH 2017

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

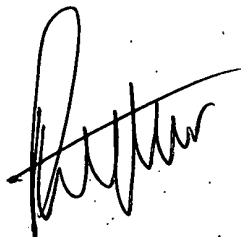
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

MERSEYLINK (HOLDINGS) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MERSEYLINK (HOLDINGS) LIMITED (continued)
YEAR ENDED 31 MARCH 2017

What an audit of financial statements involves

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

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



Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

28 September 2017

MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2017

	Note	2017 £000	2016 £000
TURNOVER	2.	147,242	131,718
Cost of sales		(145,339)	(130,262)
GROSS PROFIT		1,903	1,456
Administrative expenses		(1,386)	(1,120)
OPERATING PROFIT	3	517	336
Interest receivable and similar income	5	24,124	14,594
Interest payable and similar expenses	6	(26,776)	(20,273)
LOSS BEFORE TAXATION		(2,135)	(5,343)
Tax on loss	7	162	693
LOSS FOR THE FINANCIAL YEAR		(1,973)	(4,650)

All of the activities of the company are classed as continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2017

	Note	2017 £000	2016 £000
LOSS FOR THE FINANCIAL YEAR		(1,973)	(4,650)
Fair value of SWAP liability	18	(7,122)	84
Deferred tax in relation to fair value of swap liability	10	962	(515)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(8,133)	(5,081)

The notes on pages 15 to 26 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2017

	Note	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance as at 31 March 2015		51	(20,004)	(10,769)	(30,722)
Loss for the financial year	19	-	-	(4,650)	(4,650)
Fair value of SWAP liability	18	-	84	-	84
Deferred tax in relation to fair value of swap liability	10	-	(515)	-	(515)
Balance as at 31 March 2016		51	(20,435)	(15,419)	(35,803)
Loss for the financial year	19	-	-	(1,973)	(1,973)
Fair value of SWAP liability	18	-	(7,122)	-	(7,122)
Deferred tax in relation to fair value of swap liability	10	-	962	-	962
Balance as at 31 March 2017		51	(26,595)	(17,392)	(43,936)

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2017

	Called up share capital £000	Total shareholders' funds £000
Balance as at 31 March 2015	51	51
Result for the financial year	-	-
Balance as at 31 March 2016	51	51
Result for the financial year	-	-
Balance as at 31 March 2017	51	51

The notes on pages 15 to 26 form part of these financial statements.

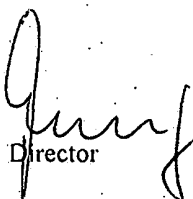
MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2017

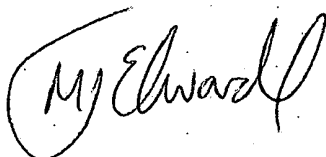
	Note	2017 £000	2016 £000
CURRENT ASSETS			
DEBTORS: Amounts falling due within one year	9	91,065	5,605
DEBTORS: Amounts falling due after more than one year	9	351,783	306,825
Cash at bank and in hand		13,550	14,267
		<u>456,398</u>	<u>326,697</u>
CREDITORS: Amounts falling due within one year	12	(100,829)	(77,109)
		<u>355,569</u>	<u>249,588</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		355,569	249,588
CREDITORS: Amounts falling due after more than one year	13	(399,505)	(285,391)
		<u>(43,936)</u>	<u>(35,803)</u>
NET LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	17	51	51
Hedging reserve	18	(26,595)	(20,435)
Profit and loss account	19	(17,392)	(15,419)
		<u>(43,936)</u>	<u>(35,803)</u>
TOTAL SHAREHOLDERS' DEFICIT	20	(43,936)	(35,803)

The financial statements on pages 10 to 26 were approved by the Board of Directors on 24 September 2017 and are signed on their behalf by:

VOLKER
ELLENBERG

MATT
EDWARDS


Director



Company Registration Number: 8780140

The notes on pages 15 to 26 form part of these financial statements.

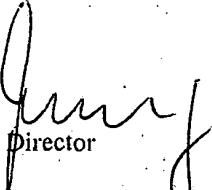
MERSEYLINK (HOLDINGS) LIMITED
COMPANY BALANCE SHEET
AS AT 31 MARCH 2017

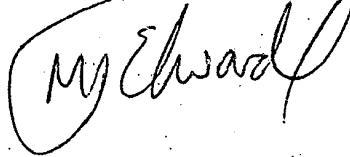
	Note	2017 £000	2016 £000
FIXED ASSETS			
Investments	11	51	51
NET ASSETS		<u>51</u>	<u>51</u>
CAPITAL AND RESERVES			
Called up share capital	17	51	51
Profit and loss account brought forward		-	-
Result for the year	19	-	-
TOTAL SHAREHOLDERS' FUNDS	20	<u>51</u>	<u>51</u>

The financial statements on pages 10 to 26 were approved by the Board of Directors on 26 September 2017 and are signed on their behalf by:

VOLKER
ELLENBERG

MATT
EDWARDS


Director



Company Registration Number: 8780140

The notes on pages 15 to 26 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2017

	Note	2017 £000	2016 £000
NET CASH USED IN OPERATING ACTIVITIES	21	(126,694)	(125,865)
CASH FLOW FROM INVESTING ACTIVITIES			
Decrease in investments		-	49,620
Interest received		24,121	276
NET CASH GENERATED FROM INVESTING ACTIVITIES		24,121	49,896
CASH FLOW FROM FINANCING ACTIVITIES			
Utilisation of loan		163,632	52,708
Repayment of loan		(35,000)	-
Interest paid		(26,776)	(19,720)
NET CASH GENERATED FROM FINANCING ACTIVITIES		101,856	32,988
DECREASE IN CASH		(717)	(42,981)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		14,267	57,248
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		13,550	14,267

The notes on pages 15 to 26 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES

General information

The company is a private limited company incorporated in the United Kingdom, which is registered and domiciled in the United Kingdom at Forward Point, Tan House Lane, Widnes, Cheshire, WA8 0SL. The group's principal activities consist solely of the provision of design, build and finance services in respect of the Mersey Gateway Project.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard FRS 102, 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'. The principal accounting policies, which been applied consistently, are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings, Merseylink (Finance) Limited, Merseylink (Issuer) plc and Merseylink Limited.

Going concern

The directors have reviewed the group's projected cash flows by reference to a financial model covering the accounting periods up to 31 March 2044. The directors have also examined the current status of the group's principal contracts and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the group will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is appropriate for the financial statements of the group to be prepared on a going concern basis.

Turnover

Turnover represents the value of services rendered, excluding sales related taxes, and is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is recognised as contract activity progresses at a mark up on costs related to the provision of services.

All turnover originates in the United Kingdom.

Exemptions for qualifying entities under FRS 102

The parent company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of the following disclosure:

- Cash Flow Statement and related notes.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES *(continued)*

Financial asset

Amounts recoverable under long term Private Finance Initiative contracts will be transferred to a financial asset in accordance with the requirements of FRS 102. The amounts receivable are treated as a long-term financial asset. Imputed interest receivable is allocated to the financial asset using a rate to generate a return over the life of the contract. In line with FRS 102 the rate is calculated based upon the forecast service revenues and costs over the concession period.

Investments

Investments in subsidiary undertakings are stated at cost, less an appropriate provision to reflect any impairment in the value of the investments.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The company has entered into interest rate swaps and designated these as hedges for highly probable forecast transactions. The effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Segment reporting

The group's activities consist solely of the provision of design, build and finance services in respect of the Mersey Gateway Project and are undertaken entirely in the United Kingdom.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES *(continued)*

Critical judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

The principal estimates involved in the financial statements are considered to be:

- macroeconomic assumptions in the group's underlying financial model
- the spend on future major maintenance involved in asset renewal has judgement around timing and quantum in the group's underlying financial model

2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company. An analysis of turnover by origin and destination is given below:

	2017 £000	2016 £000
United Kingdom	147,242	131,718

3. OPERATING PROFIT

This is stated after charging:

	2017 £000	2016 £000
Auditors' remuneration - audit of the Company financial statements	1	1
Auditors' remuneration - audit of the consolidated and subsidiary financial statements	27	27
Auditors' remuneration - taxation compliance services	11	11

The audit fees were borne by the subsidiary undertaking, Merseylink Limited, in the current and prior year.

4. PARTICULARS OF EMPLOYEES

The company had no employees during the financial year (2016: none). The directors have no contract of service with the company. The directors did not receive any emoluments in the year in respect of their services as directors of the company (2016: none).

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£000	£000
Bank interest receivable	7	185
Interest on financial asset	24,117	14,409
	<u>24,124</u>	<u>14,594</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£000	£000
Interest payable on bond	12,588	12,588
Loan interest	6,733	677
Other finance costs	7,455	7,008
	<u>26,776</u>	<u>20,273</u>

7. TAX ON LOSS

(a) Analysis of charge / (credit) in the year

The tax credit in the financial year is made up as follows:

	2017	2016
	£000	£000
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences		
- in respect of current financial year	(427)	(1,069)
- in respect of changes in tax rates and laws	265	376
	<u>(162)</u>	<u>(693)</u>
Total deferred tax (note 10)	(162)	(693)
Tax on loss	<u>(162)</u>	<u>(693)</u>

(b) Factors affecting tax charge / (credit)

The tax assessed on the loss for the year is higher (2016: higher than the standard rate of corporation tax in the UK of 20% (2016: 20%).

	2017	2016
	£000	£000
Loss before taxation	(2,135)	(5,343)
Loss multiplied by the standard rate of tax in the UK of 20% (2016: 20%)	(427)	(1,069)
Changes in tax rates and laws	265	376
	<u>(162)</u>	<u>(693)</u>
Total tax credit (note 7(a))	(162)	(693)

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

7. TAX ON LOSS (continued)

(c) Factors that may affect future tax charges

The UK corporation tax rate will reduce to 19% from 1 April 2017 and to 17% from 1 April 2020.

Changes to the UK corporation tax rates were announced on 16 March 2016. These changes were substantively enacted as part of the finance bill 2016 on 6 September 2016 and include reductions to the main rate to 17% from 1 April 2020. This change has been reflected in these financial statements.

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY

The result dealt with in the financial statements of the company was £nil (2016: £nil).

9. DEBTORS

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	18	-	-	-
Other debtors	1,850	-	1,481	-
Financial asset	85,778	-	-	-
Prepayments and accrued income	3,419	-	4,124	-
	91,065	-	5,605	-
Amounts falling due after more than one year:				
	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Financial asset	340,562	-	290,081	-
Deferred tax (note 10)	8,995	-	7,871	-
Prepayments and accrued income	2,226	-	8,873	-
	351,783	-	306,825	-

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

10. DEFERRED TAX

The deferred tax included in the Balance Sheet is as follows:

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Included in debtors (note 9)	8,995	-	7,871	-

The movement in the deferred tax account during the year was:

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Balance brought forward	7,871	-	7,693	-
Profit and loss account movement arising during the year (note 7(a))	162	-	693	-
Deferred tax in relation to fair value of swap liability	962	-	(515)	-
Balance carried forward	8,995	-	7,871	-

The balance of the deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£000	£000
Trading losses carried forward	3,547	3,385
Deferred tax in relation to fair value of swap liability	5,448	4,486
Balance carried forward	8,995	7,871

11. INVESTMENTS

	Company	Company
	2017	2016
	£000	£000
COST		
Balance brought forward and carried forward	51	51
NET BOOK VALUE		
Balance brought forward and carried forward	51	51

The company owns 100% of the issued share capital (£1,000) of Merseylink (Finance) Limited, which owns 100% of the issued share capital (£50,000) of Merseylink (Issuer) plc and 100% of the issued share capital (£1,000) of Merseylink Limited, all of which are registered and domiciled in the United Kingdom at Forward Point, Tan House Lane, Widnes, Cheshire, WA8 0SL.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

12. CREDITORS: Amounts falling due within one year

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Trade creditors	63	-	10	-
Loan including interest	-	-	25	-
Capital grant loan	67,272	-	52,708	-
Retentions	11,453	-	-	-
Accruals and deferred income	22,041	-	24,366	-
	100,829	-	77,109	-

Included within the Capital grant loan are unamortised issue costs amounting to £228,000 (2016: £ nil).

Interest is charged on the Capital grant loan at a variable rate of LIBOR + 1.500%. As at 31 March 2017 the total amount on the Capital grant loan outstanding is £67,500,000 (2016: £ 52,708,000). The Capital grant loan relates to senior secured funding granted by the Export-Import Bank of Korea. The Capital grant loan facility is for a total value of £102,500,000. The Capital grant loan is repayable in three instalments based on completion of construction progress milestones.

13. CREDITORS: Amounts falling due after more than one year

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000	£000	£000	£000
Bond	253,559	-	253,394	-
Construction loan	113,903	-	-	-
Retentions	-	-	7,076	-
SWAP liability	32,043	-	24,921	-
	399,505	-	285,391	-

Included within the Bond liability are unamortised issue costs amounting to £3,600,000 (2016: £3,765,000). Included within the Construction loan liability are unamortised issue costs amounting to £5,259,000 (2016: £ nil). Included within the Bond liability is an amount repayable after five years of £257,159,000 (2016: £257,159,000) and included within the Construction loan liability is an amount repayable after five years of £92,559,000 (2016: £nil).

Borrowings relate to £257,159,000 of 3.842% Bonds listed on the Irish Stock Exchange due 2043, of which all were issued (2016: £257,159,000). The Bonds have the benefit of a payment guarantee of scheduled interest and principal provided by HM Treasury. The Bond is repayable in twenty two six-monthly instalments between September 2032 and March 2043.

The Bond, Construction loan and Capital grant loan are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

13. CREDITORS: Amounts falling due after more than one year *(continued)*

Interest is charged on the Construction loan at a variable rate of LIBOR + 2.100%. As at 31 March 2017 the total amount outstanding on the Construction loan is £119,162,000 (2016: £ nil). The Construction loan relates to senior secured funding granted by a group of lenders. The Construction loan facility is for a total value of £143,228,000. The Construction loan is repayable in twenty nine instalments between March 2018 and March 2032.

The swap arrangements are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

The group has also entered into swap arrangements with Crédit Agricole Corporate and Investment Bank, Sumitomo Mitsui Banking Corporation, Lloyds Bank plc, KfW IPEX-Bank and Macquarie Bank Limited in order to fix the base interest rate (LIBOR) on the loan facilities. The fair value of the swap arrangements at the year end was a negative £32,044,000 (2016: negative £24,921,000). Market values have been used to determine the fair value of the swap arrangements.

14. FINANCIAL INSTRUMENTS

Carrying amount of financial instruments	Group 2017 £000	Group 2016 £000
Financial assets		
Financial assets measured at amortised cost - financial asset, trade and other debtors	428,206	291,562
Other financial assets - cash and cash equivalents	13,550	14,267
Financial liabilities		
Financial liabilities measured at fair value - interest rate swap	(32,043)	(24,921)
Financial liabilities measured at amortised cost - trade and other payables, bank loans and bond	(434,797)	(330,503)

The following table indicates the years in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102.29(a) for the cash flow hedge accounting models.

	Carrying Amount £000	Within 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	5 years and over £000
31 March 2017					
Interest rate SWAPs	(32,043)	(4,013)	(3,796)	(10,425)	(18,032)
31 March 2016					
Interest rate SWAPs	(24,921)	(3,188)	(4,013)	(10,939)	(21,314)

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

15. LOANS AND BORROWINGS

Maturity of debt

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Amounts repayable:				
In one year or less or on demand	68,203	-	52,708	-
In more than one year but not more than two years	4,434	-	-	-
In more than two years but not more than five years	21,465	-	-	-
In more than five years	349,719	-	257,159	-
Less unamortised issue costs	(9,087)	-	(3,765)	-
	<u>434,734</u>	<u>-</u>	<u>306,102</u>	<u>-</u>

At the start of the PFI contract the group negotiated debt facilities with external parties to ensure that the group has sufficient funds to finance construction. These include a Mezzanine facility, Construction support facility and Subordinated debt facility. At 31 March 2017 these facilities were unused.

16. CONTINGENCIES AND COMMITMENTS

Under the terms of a contract dated 28 March 2014 with FCC Construcción S.A., Samsung C&T ECUK Limited and Kier Infrastructure & Overseas Limited, the group is committed to payments totalling £455,103,000 in respect of design and construction services. Payments are made as the design and construction work progresses. The capital commitments contracted but not provided for as at 31 March 2017 totalled £64,580,000 (2016: £208,938,000).

17. CALLED UP SHARE CAPITAL

	Group 2016 and 2017 No	Group 2016 and 2017 £000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>51,000</u>	<u>51</u>
	Company 2016 and 2017 No	Company 2016 and 2017 £000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>51,000</u>	<u>51</u>

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

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

18. HEDGING RESERVE

	Group 2017 £000	Group 2016 £000
Balance brought forward	(20,435)	(20,004)
Decrease in fair value of cash flow hedges	(7,122)	84
Deferred tax in relation to fair value of swap liability	962	(515)
Balance carried forward	<u>(26,595)</u>	<u>(20,435)</u>

19. PROFIT AND LOSS ACCOUNT

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Balance brought forward	(15,419)	-	(10,769)	-
(Loss) / result for the financial year	(1,973)	-	(4,650)	-
Balance carried forward	<u>(17,392)</u>	<u>-</u>	<u>(15,419)</u>	<u>-</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT) / FUNDS

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
(Loss) / result for the financial year	(1,973)	-	(4,650)	-
Decrease in fair value of cash flow hedges	(6,160)	-	(431)	-
Net (reduction) / increase to shareholders' (deficit) / funds	<u>(8,133)</u>	<u>-</u>	<u>(5,081)</u>	<u>-</u>
Opening shareholders' (deficit) / funds	(35,803)	51	(30,722)	51
Closing shareholders' (deficit) / funds	<u>(43,936)</u>	<u>51</u>	<u>(35,803)</u>	<u>51</u>

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH USED IN OPERATING ACTIVITIES

	2017 £000	2016 £000
Operating profit	517	336
Increase in debtors	(129,294)	(132,237)
Increase in creditors	3,045	6,036
Tax on loss	(962)	-
Net cash flow from operating activities	<u>(126,694)</u>	<u>(125,865)</u>

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

22. RELATED PARTIES

During the year the group entered into the following transactions with related parties:

	Transactions with related parties		Payables to related parties	
	2017 £000	2016 £000	2017 £000	2016 £000
FCC Mersey Gateway Limited	387	387	13,245	13,198
MG Bridge Investments Limited	581	581	6	6
Wigg Investments Limited	581	581	-	-

At 31 March 2017, 25% of the share capital in Merseylink (Holdings) Limited was held by FCC Mersey Gateway Limited, 37.5% of the share capital was held by MG Bridge Investments Limited and 37.5% of the share capital was held by Wigg Investments Limited.

23. CONTROLLING PARTIES

At 31 March 2017, 25% of the share capital in Merseylink (Holdings) Limited was held by FCC Mersey Gateway Limited, 37.5% of the share capital was held by MG Bridge Investments Limited and 37.5% of the share capital was held by Wigg Investments Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Merseylink (Holdings) Limited, incorporated in the United Kingdom.

The ultimate controlling party is the board of the directors.