

**COMPANY REGISTRATION NUMBER 8780140**

**MERSEYLINK (HOLDINGS) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 MARCH 2018**



**MERSEYLINK (HOLDINGS) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

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# **MERSEYLINK (HOLDINGS) LIMITED**

## **STRATEGIC REPORT**

### **YEAR ENDED 31 MARCH 2018**

#### **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 directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

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 the bridge opened to the public during 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 profit for the financial year amounted to £2,115,000 and the group's net liabilities at 31 March 2018 were £35,579,000.

#### **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 2018**

**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 project in accordance with the Specification for Highway Works.

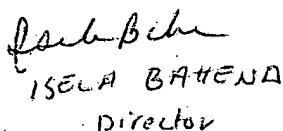
The board formally reviews risks and appropriate processes are put in place to mitigate them.

**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 2018 performance against such measures was satisfactory.

On behalf of the board of the directors,

  
Volker Ellenberg  
Director

  
ISELA BAHENA  
Director

Director  
Forward Point  
Tan House Lane  
Widnes  
Cheshire  
WA8 0SL

Approved by the board of the directors on 28 September 2018

**MERSEYLINK (HOLDINGS) LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 MARCH 2018**

The directors present their report and the audited consolidated financial statements of the group for the year ended 31 March 2018. 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.

**DIVIDENDS**

The directors are unable to recommend a dividend (2017: 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

M Bradshaw

(Resigned 27 April 2018)

M Moshiaashvili

A Kornman

J Douglas

M Edwards

**DONATIONS**

The group made no charitable or political donations during the year (2017: 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.

**Liquidity risk**

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

**MERSEYLINK (HOLDINGS) LIMITED**  
**DIRECTORS' REPORT** (continued)  
**YEAR ENDED 31 MARCH 2018**

**FINANCIAL RISK MANAGEMENT** (continued)

**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.

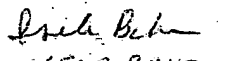
**INDEPENDENT AUDITORS**

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 2018**

On behalf of the board of the directors,

  
Volker Ellenberg  
Director

  
ISELA BAHENA  
DIRECTOR

Director  
Forward Point  
Tan House Lane  
Widnes  
Cheshire  
WA8 0SL

Approved by the board of the directors on 26 September 2018

**MERSEYLINK (HOLDINGS) LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**YEAR ENDED 31 MARCH 2018**


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

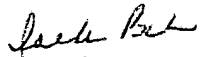
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 company and of the profit or loss of the group and 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

  
Volker Ellenberg  
Director  
Forward Point  
Tan House Lane  
Widnes  
Cheshire  
WA8 0SL

  
ISELE BAHENA  
Director

26 September 2018



**MERSEYLINK (HOLDINGS) LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**MERSEYLINK (HOLDINGS) LIMITED**  
**YEAR ENDED 31 MARCH 2018**

## **Report on the audit of the financial statements**

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### **Opinion**

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 March 2018; the Consolidated Profit and Loss Account and Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the board of directors.

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### **Basis for opinion**

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

### **Independence**

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

During the period, we had identified that we had provided a prohibited tax compliance service in respect of the company's corporation tax computations for the three years ended 31 March 2017, in breach of paragraph 5.167R(a)(ii) of the FRC's Ethical Standard. Total fees billed in the period with respect to this service amounted to £1,500. Upon identifying the breach we immediately ceased providing this prohibited service. In view of the nature of the company's business, corporation tax relating to previous periods does not have a material impact on the company's financial statements. We confirm that, based on our assessment of the breach and subsequent actions taken, we have not, in our view, compromised our independence.

Other than the matter referred to above, and to the best of our knowledge and belief, we declare that no other non-audit services prohibited by the FRC's Ethical Standard were provided to the company.

We have provided no other non-audit services to the company in the period from 1 April 2017 to 31 March 2018.

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### **Our audit approach**

#### **Overview**



Overall group materiality: £779,466 (2017: £1.5 million), based on 1% of total revenue.

Overall company materiality: £1,020 (2017: £1,020), based on 2% of total assets.

Due to the nature of the group we have performed a full scope audit of Merseylink (Holdings) Limited, Merseylink (Finance) Limited, Merseylink (Issuer) plc and Merseylink Limited which provides sufficient coverage across all balances in the Annual Report.

We have considered the risk of incorrect recognition of turnover as a result of inappropriate calculation and allocation of the unitary payment to be a key audit matter.

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**MERSEYLINK (HOLDINGS) LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**MERSEYLINK (HOLDINGS) LIMITED (continued)**  
**YEAR ENDED 31 MARCH 2018**

**The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Main Securities Market Listing Rules and UK tax legislation. Our tests included, but were not limited to, reviewing legal expenses and consideration of any matters throughout the rest of our audit work which indicated risks of non-compliance. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

**Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b><i>Risk of incorrect recognition of turnover as a result of inappropriate calculation and allocation of the unitary payment</i></b></p> <p>The group entered into a Project Agreement with Halton Borough Council and the Mersey Gateway Crossings Board Limited, together with an associated construction contract, funding agreements and hard facilities management service contracts. The Project Agreement requires the group to provide design, build and finance services on the Mersey Gateway Project in England, over a 30 year concession term (including construction) under Government's Private Finance Initiative. The group accounts for this concession arrangement as a finance debtor with amortisation and financial income recognised each year at a constant rate as set out in note 5.</p>	<p>Our audit addressed the risk as follows:</p> <ul style="list-style-type: none"> <li>- We tested a sample of unitary payments received, agreeing to invoice and evidence of cash receipt and used this to determine an expectation for total value of payments received in the year. We did not note any issues from our testing.</li> <li>- We re-performed the allocation of the unitary payment between turnover, finance debtor amortisation, financial income and the UPCA and checked that the allocated amounts had been recognised consistently. We found the calculation to be performed accurately and recognised consistently across the impacted key accounts.</li> <li>- We compared the margin applied to costs in the year-ended 31 March 2018 against that used in the year-ended 31 March 2017. We understood the key reasons for the changes. We found the margin applied to be similar to that used in the prior year and the differences were understood and found to be reasonable.</li> </ul>

**MERSEYLINK (HOLDINGS) LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**MERSEYLINK (HOLDINGS) LIMITED (continued)**  
**YEAR ENDED 31 MARCH 2018**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The unitary payments received for the service concession arrangement are allocated to turnover, financial income and the finance debtor amortisation. The allocation to turnover is calculated by applying a margin to the costs incurred in the ongoing maintenance of the asset. This can result in an accrued or deferred position accounted for within a 'Unitary Payment Control Account' (UPCA), which is presented within 'Debtors'.</p> <p>Due to the judgement required to estimate the margin and the significant impact that the allocation of the unitary payments has on key accounts: turnover, financial income, the finance debtor and the UPCA, including those most susceptible to fraudulent manipulation, we consider this risk to be a key area of focus.</p>	

We determined that there were no key audit matters applicable to the company to communicate in our report.

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The consolidated financial statements are for a group whereby all significant trading activity occurs in a single subsidiary entity, Merseylink Limited. The parent company is a holding company with no transactions during the year, other than dividend transactions that pass through the entity. The group also contains a financing company, which legally holds the group's publicly listed debt.

Due to statutory audit requirements all entities within the group have been subject to full scope audit procedures.

The company is a 'Special Purpose Vehicle' for a 'Private Finance Initiative / Public Private Partnership' ('PFI / PPP') project. The principal activity of the Company is that of a holding company, with that of the group being the provision of design, build and finance services on the Mersey Gateway Project in England. It operates as a single business and we audited the complete financial information of the company, including all material account balances, classes of transactions and financial statement disclosures.

The financial and operational management are sub-contracted to a third party service provider located in Maidenhead UK. We completed the audit of the group from the offices of the third party service provider where all books and records are maintained.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<b>Group financial statements</b>	<b>Company financial statements</b>
<b>Overall materiality</b>	£779,466 (2017: £1.5 million).	£1,020 (2017: £1,020).
<b>How we determined it</b>	1% of total revenue.	2% of total assets.
<b>Rationale for benchmark applied</b>	We believe that total revenue is the appropriate measure to use, given the group's earnings are at or near breakeven	We believe that gross assets is the appropriate measure to use, given there are limited transactions within the company.

**MERSEYLINK (HOLDINGS) LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**MERSEYLINK (HOLDINGS) LIMITED (continued)**  
**YEAR ENDED 31 MARCH 2018**

	<i>Group financial statements</i>	<i>Company financial statements</i>
<b>Rationale for benchmark applied (continued)</b>	and the profit made by the entity is entirely a product of the pre-determined margin mark up. Hence, the level of revenue recognised in any year is a more appropriate indicator of the level of activity in any given year of the operating phase.	

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1,020 and £740,493. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the board of directors that we would report to them misstatements identified during our audit above £38,973 (Group audit) (2017: £73,197) and £51 (Company audit) (2017: £51) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

**MERSEYLINK (HOLDINGS) LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**MERSEYLINK (HOLDINGS) LIMITED (continued)**  
**YEAR ENDED 31 MARCH 2018**

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

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**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

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

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**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

**Appointment**

Following the recommendation of the board of directors, we were appointed by the members on 1 April 2014 to audit the financial statements for the period from incorporation to 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the periods ended 31 March 2015 to 31 March 2018.

**MERSEYLINK (HOLDINGS) LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**MERSEYLINK (HOLDINGS) LIMITED (continued)**  
**YEAR ENDED 31 MARCH 2018**

*Jonathan Studholme*

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

27 September 2018

**MERSEYLINK (HOLDINGS) LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 MARCH 2018**

	Note	2018 £000	2017 £000
<b>TURNOVER</b>	2	78,587	147,242
Cost of sales		(72,584)	(145,339)
<b>GROSS PROFIT</b>		6,003	1,903
Administrative expenses		(2,102)	(1,386)
<b>OPERATING PROFIT</b>	3	3,901	517
Interest receivable and similar income	5	28,045	24,124
Interest payable and similar expenses	6	(29,395)	(26,776)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		2,551	(2,135)
Tax on (profit)/loss	7	(436)	162
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		2,115	(1,973)

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 MARCH 2018**

	Note	2018 £000	2017 £000
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		2,115	(1,973)
Fair value of SWAP liability	17	7,521	(7,122)
Deferred tax in relation to fair value of swap liability	10	(1,279)	962
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>		8,357	(8,133)

The notes on pages 18 to 30 form part of these financial statements.

**MERSEYLINK (HOLDINGS) LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 MARCH 2018**

	Note	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance as at 1 April 2016		51	(20,435)	(15,419)	(35,803)
Loss for the financial year	18	-	-	(1,973)	(1,973)
Fair value of SWAP liability	17	-	(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)
Profit for the financial year	18	-	-	2,115	2,115
Fair value of SWAP liability	17	-	7,521	-	7,521
Deferred tax in relation to fair value of swap liability	10	-	(1,279)	-	(1,279)
Balance as at 31 March 2018		51	(20,353)	(15,277)	(35,579)

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 MARCH 2018**

	Called up share capital £000	Total shareholders' funds £000
Balance as at 1 April 2016	51	51
Result for the financial year	-	-
Balance as at 31 March 2017	51	51
Result for the financial year	-	-
Balance as at 31 March 2018	51	51

The notes on pages 18 to 30 form part of these financial statements.

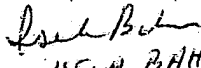


**MERSEYLINK (HOLDINGS) LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Nota	2018 £000	2017 £000
<b>CURRENT ASSETS</b>			
<b>DEBTORS:</b> Amounts falling due after more than one year	9	415,398	351,783
<b>DEBTORS:</b> Amounts falling due within one year	9	52,192	91,065
Cash at bank and in hand		28,103	13,550
		<hr/>	<hr/>
<b>CREDITORS:</b> Amounts falling due within one year	12	495,693 (20,493)	456,398 (100,829)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		475,200	355,569
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		475,200	355,569
<b>CREDITORS:</b> Amounts falling due after more than one year	13	(510,779)	(399,505)
		<hr/>	<hr/>
<b>NET LIABILITIES</b>		(35,579)	(43,936)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	51	51
Hedging reserve	17	(20,353)	(26,595)
Profit and loss account	18	(15,277)	(17,392)
		<hr/>	<hr/>
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	19	(35,579)	(43,936)

The financial statements on pages 13 to 30 were approved by the Board of Directors on 26 September 2018 and are signed on their behalf by:

  
Volker Ellenberg  
Director

  
ISELA BAHENA  
Director

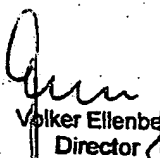
Company Registration Number: 8780140

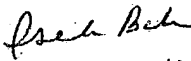
The notes on pages 18 to 30 form part of these financial statements.

**MERSEYLINK (HOLDINGS) LIMITED**  
**COMPANY BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Note	2018 £000	2017 £000
<b>FIXED ASSETS</b>			
Investments	11	51	51
<b>NET ASSETS</b>		<u>51</u>	<u>51</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	51	51
Profit and loss account brought forward		-	-
Result for the year	17	-	-
<b>TOTAL SHAREHOLDERS' FUNDS</b>	19	<u>51</u>	<u>51</u>

The financial statements on pages 13 to 30 were approved by the Board of Directors on 26 September 2018 and are signed on their behalf by:

  
Volker Ellenberg  
Director

  
ISELA BALTHANZ  
Director

Company Registration Number: 8780140

The notes on pages 18 to 30 form part of these financial statements.

**MERSEYLINK (HOLDINGS) LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 MARCH 2018**

	2018 £000	2017 £000
Note		
<b>Cash flows from operating activities</b>		
Profit/(loss) for the financial year	2,115	(1,973)
Adjustments for:		
Interest receivable and similar income	(28,045)	(24,124)
Interest payable and similar expenses	29,395	26,776
Tax on (profit)/loss	436	(162)
Changes in:		
Trade and other debtors	(26,457)	(129,294)
Trade and other creditors	(12,319)	(10,672)
	<u>(34,875)</u>	<u>(139,449)</u>
Cash generated from operations		
Interest paid	(23,006)	(19,346)
Interest received	28,045	24,124
Net cash generated from operating activities	<u>(29,836)</u>	<u>(134,671)</u>
<b>Cash flows from financing activities</b>		
Utilisation of loan	112,592	168,954
Repayment of loan	(68,203)	(35,000)
	<u>44,389</u>	<u>133,954</u>
Net cash generated from financing activities		
<b>Increase/(decrease) in cash</b>	<u>14,553</u>	<u>(717)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	13,550	14,267
<b>Cash and cash equivalents at the end of the year</b>	<u>28,103</u>	<u>13,550</u>

The notes on pages 18 to 30 form part of these financial statements.

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**1. ACCOUNTING POLICIES**

**General information**

The company is a private company limited by shares 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 group 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. In line with FRS 102 23.22(a), the mark up is calculated based upon the forecast service revenues and costs over the concession period.

All turnover originates in the United Kingdom.

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**1. ACCOUNTING POLICIES** *(continued)*

**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.

**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.

**Taxation**

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

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

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

Deferred tax is recognised on trading losses carried forward and on the fair value of the swap derivative.

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

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**1. ACCOUNTING POLICIES** *(continued)*

**Taxation** *(continued)*

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.

**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.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances.

*Restricted cash*

The group is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £87,000 at the year end (2017: £nil).

**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.

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**1. ACCOUNTING POLICIES** *(continued)*

**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 group 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 profit and loss account 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.

**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

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**2. TURNOVER**

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

	2018 £000	2017 £000
United Kingdom	<u>78,587</u>	<u>147,242</u>

**3. OPERATING PROFIT**

This is stated after charging:

	2018 £000	2017 £000
Auditors' remuneration - audit of the Company financial statements	1	1
Auditors' remuneration - audit of the consolidated and subsidiary financial statements	29	27
Auditors' remuneration - taxation compliance services	<u>23</u>	<u>11</u>

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

**4. PARTICULARS OF EMPLOYEES**

The group and parent company had no employees during the financial year (2017: none). The directors have no contract of service with the group and parent company. The directors did not receive any emoluments in the year in respect of their services as directors of the group and parent company (2017: none).

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018 £000	2017 £000
Bank interest receivable	54	7
Interest on financial asset	<u>27,991</u>	<u>24,117</u>
	<u>28,045</u>	<u>24,124</u>

Interest is imputed on the finance asset using the rate of 6.34%.



**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£000	£000
Interest payable on bond	12,573	12,588
Loan interest	8,899	6,733
Interest payable on subordinated debt	1,990	-
Interest payable on mezzanine debt	1,945	-
Other finance costs	3,988	7,455
	<b>29,395</b>	<b>26,776</b>

Interest payable and similar expenses are recognised using the effective interest rate method.

**7. TAX ON PROFIT/(LOSS)**

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

The tax charge/(credit) in the financial year is made up as follows:

	2018	2017
	£000	£000
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences in respect of current financial year	485	(427)
Origination and reversal of timing differences in respect of changes in tax rates and laws	(49)	265
Total deferred tax (note 10)	<b>436</b>	<b>(162)</b>
Tax on profit/(loss)	<b>436</b>	<b>(162)</b>

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was a charge of £1,279,000 (2017: a credit of £962,000).

**(b) Factors affecting tax charge / (credit)**

The current tax assessed on the profit/(loss) for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%).

	2018	2017
	£000	£000
Profit/(loss) before taxation	<b>2,551</b>	<b>(2,135)</b>
Profit/(loss) multiplied by the standard rate of tax in the UK of 19.00% (2017: 20.00%)	<b>485</b>	<b>(427)</b>
Changes in tax rates and laws	<b>(49)</b>	<b>265</b>
Total tax charge/(credit) (note 7(a))	<b>436</b>	<b>(162)</b>

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**7. TAX ON PROFIT/(LOSS) (continued)**

**(c) Factors that may affect future tax charges**

The UK corporation tax rate will reduce to 17% on 1 April 2020.

This will reduce the group's future current tax charge accordingly. The deferred tax asset at 31 March 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

**8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY**

The result dealt with in the financial statements of the company was £nil (2017: £nil).

**9. DEBTORS**

	<b>Group 2018 £000</b>	<b>Company 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2017 £000</b>
Amounts falling due within one year:				
Trade debtors	1,672	-	18	-
Other debtors	12,115	-	1,850	-
Financial asset	37,059	-	85,778	-
Prepayments and accrued income	1,346	-	3,419	-
	<b>52,192</b>	<b>-</b>	<b>91,065</b>	<b>-</b>
Amounts falling due after more than one year:				
	<b>Group 2018 £000</b>	<b>Company 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2017 £000</b>
Financial asset	408,118	-	340,562	-
Deferred tax (note 10)	7,280	-	8,995	-
Prepayments and accrued income	-	-	2,226	-
	<b>415,398</b>	<b>-</b>	<b>351,783</b>	<b>-</b>

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**10. DEFERRED TAX**

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

	<b>Group 2018 £000</b>	<b>Company 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2017 £000</b>
Included in debtors (note 9)	<b>7,280</b>	<b>-</b>	<b>8,995</b>	<b>-</b>

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

	<b>Group 2018 £000</b>	<b>Company 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2017 £000</b>
Balance brought forward	<b>8,995</b>	<b>-</b>	<b>7,871</b>	<b>-</b>
Profit and loss account movement arising during the year (note 7(a))	<b>(436)</b>	<b>-</b>	<b>162</b>	<b>-</b>
Deferred tax in relation to fair value of swap liability	<b>(1,279)</b>	<b>-</b>	<b>962</b>	<b>-</b>
Balance carried forward	<b>7,280</b>	<b>-</b>	<b>8,995</b>	<b>-</b>

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

	<b>2018 £000</b>	<b>2017 £000</b>
Trading losses carried forward	<b>3,111</b>	<b>3,547</b>
Deferred tax in relation to fair value of swap liability	<b>4,169</b>	<b>5,448</b>
Balance carried forward	<b>7,280</b>	<b>8,995</b>

There is no (2017: none) unrecognised deferred tax asset or liability for the group.

**11. INVESTMENTS**

	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
<b>COST</b>		
Balance brought forward and carried forward	<b>51</b>	<b>51</b>
<b>NET BOOK VALUE</b>		
Balance brought forward and carried forward	<b>51</b>	<b>51</b>

The company owns 100% of the issued share capital (£51,000) 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 2018**

**12. CREDITORS:** Amounts falling due within one year

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Trade creditors	151	-	63	-
Other taxation and social security	573	-	-	-
Loan including interest	4,484	-	-	-
Subordinated debt (including accrued interest)	1,990	-	-	-
Capital grant loan	-	-	67,272	-
Retentions	11,763	-	11,453	-
Accruals and deferred income	1,532	-	22,041	-
	<b>20,493</b>	<b>-</b>	<b>100,829</b>	<b>-</b>

Included within the Capital grant loan are unamortised issue costs amounting to £ nil (2017: £228,000).

Interest is charged on the Capital grant loan at a variable rate of LIBOR + 1,500%. As at 31 March 2018 the total amount on the Capital grant loan outstanding is £ nil (2017: £ 67,500,000). 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 was fully repaid during the year.

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

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Bond	253,691	-	253,559	-
Construction loan	133,414	-	113,903	-
Subordinated debt	51,272	-	-	-
Mezzanine debt	47,880	-	-	-
SWAP liability	24,522	-	32,043	-
	<b>510,779</b>	<b>-</b>	<b>399,505</b>	<b>-</b>

Included within the Bond liability are unamortised issue costs amounting to £3,468,000 (2017: £3,600,000). Included within the Construction loan liability are unamortised issue costs amounting to £4,678,000 (2017: £ 5,259,000). Included within the Subordinated debt liability are unamortised issue costs amounting to £1,220,000 (2017: £ nil). Included within the Mezzanine debt liability are unamortised issue costs amounting to £1,750,000 (2017: £ nil).

Borrowings include £257,159,000 of 3.842% Bonds listed on the Irish Stock Exchange due 2043, of which all were issued (2017: £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.

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

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

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.

Interest is charged on the Construction loan at a variable rate of LIBOR + 2.100%. As at 31 March 2018 the total amount outstanding on the Construction loan is £142,525,000 (2017: £ 119,162,000). 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.

Interest is charged on the Mezzanine debt at a fixed rate of 8.3% and a 5.4% index linked rate. As at 31 March 2018 the total amount outstanding on the Mezzanine debt is £49,630,000 (2017: £ nil). The Mezzanine debt is repayable in forty three instalments between March 2022 and March 2043.

Subordinated debt represents a £52,491,000 (2017: £ nil) unsecured subordinated loan facility due to the shareholders of the group. The subordinated loan facility bears interest at a fixed rate of 7.561% and is fully repayable by 2044.

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 £24,522,000 (2017: negative £32,044,000). Market values have been used to determine the fair value of the swap arrangements.

**14. FINANCIAL INSTRUMENTS**

Carrying amount of financial instruments	Group 2018 £000	Group 2017 £000
<b>Financial assets</b>		
Financial assets measured at amortised cost - financial asset, trade and other debtors	458,964	428,208
Other financial assets - cash and cash equivalents	28,103	13,550
<b>Financial liabilities</b>		
Financial liabilities measured at fair value - interest rate swap	(24,522)	(32,043)
Financial liabilities measured at amortised cost - trade and other payables, bank loans and bond	(492,882)	(434,797)

The fair value of the bond is £ 258,361,000 using a discounted cashflow at 3.842%.

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2018**

**14. FINANCIAL INSTRUMENTS** *(continued)*

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
<b>31 March 2018</b>					
Interest rate SWAPs	(24,522)	(3,975)	(3,173)	(6,323)	(9,376)
<b>31 March 2017</b>					
Interest rate SWAPs	(32,043)	(4,013)	(3,796)	(10,425)	(18,032)

**15. 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 2018 totalled £5,471,000 (2017: £64,580,000).

**16. CALLED UP SHARE CAPITAL**

	Group 2017 and 2018 No	Group 2017 and 2018 £000
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	51,000	51
	<hr/>	<hr/>
	Company 2017 and 2018 No	Company 2017 and 2018 £000
<b>Allotted, called up and fully paid:</b>		
Ordinary shares of £1 each	51,000	51
	<hr/>	<hr/>

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 2018**

**17. HEDGING RESERVE**

	Group 2018 £000	Group 2017 £000
Balance brought forward	(26,595)	(20,435)
Movement in fair value of cash flow hedges	7,521	(7,122)
Deferred tax in relation to fair value of swap liability	(1,279)	962
Balance carried forward	<u>(20,353)</u>	<u>(26,595)</u>

**18. PROFIT AND LOSS ACCOUNT**

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Balance brought forward	(17,392)	-	(15,419)	-
Profit/(loss) for the financial year	2,115	-	(1,973)	-
Balance carried forward	<u>(15,277)</u>	<u>-</u>	<u>(17,392)</u>	<u>-</u>

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

	Group 2018 £000	Company 2018 £000	Group 2017 £000	Company 2017 £000
Profit/(loss) for the financial year	2,115	-	(1,973)	-
Movement in fair value of cash flow hedges	6,242	-	(6,160)	-
Movement in shareholders' deficit	8,357	-	(8,133)	-
Opening shareholders' deficit	(43,936)	51	(35,803)	51
Closing shareholders' deficit	<u>(35,579)</u>	<u>51</u>	<u>(43,936)</u>	<u>51</u>

**20. RELATED PARTIES**

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

	Transactions with related parties		Payables to related parties	
	2018 £000	2017 £000	2018 £000	2017 £000
FCC Mersey Gateway Limited	691	387	13,320	13,245
MG Bridge Investments Limited	1,037	581	19,980	6
Wigg Investments Limited	1,037	581	19,973	-

At 31 March 2018, 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.

**MERSEYLINK (HOLDINGS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**21. CONTROLLING PARTIES**

At 31 March 2018, 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. Copies can be obtained from: Companies House, Crown Way, Cardiff, CF14 3UZ. No other financial statements consolidate the results of the group.

The ultimate controlling party is the board of the directors.