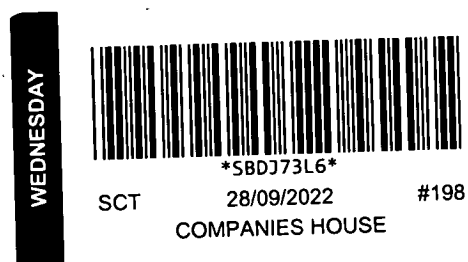
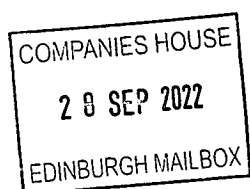


COMPANY REGISTRATION NUMBER 08780140

MERSEYLINK (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 MARCH 2022



MERSEYLINK (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

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MERSEYLINK (HOLDINGS) LIMITED
COMPANY INFORMATION
YEAR ENDED 31 MARCH 2022

DIRECTORS

V Ellenberg
J Findlay
F Schramm
I Bahena
A Kornman
J Douglas
A Dunne
M Lopez Simon

SECRETARY

I Bulley

REGISTERED OFFICE

9 Howard Court
Manor Park
Runcorn
WA7 1SJ

REGISTERED NUMBER

08780140

BANKERS

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

LEGAL ADVISORS

Ashurst LLP
London Fruit and Wool Exchange
1 Duval Square
E1 6PW

AUDITOR

Johnston Carmichael LLP
7 - 11 Melville street
Edinburgh
EH3 7PE

MERSEYLINK (HOLDINGS) LIMITED

STRATEGIC REPORT

YEAR ENDED 31 MARCH 2022

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 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 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 £1,349,000 (2021: loss £249,000) and the group's net liabilities at 31 March 2022 were £21,955,000 (2021: £33,170,000).

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.

Supply chain failure

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. The performance of the operations and maintenance contractor is closely monitored on a monthly basis, with their performance assessed against the related contract provisions. The same contract also includes a comprehensive security package, should the related company experience any financial difficulties.

Treasury management and control

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 board closely monitor the covenants associated with the debt to ensure that the company is meeting its obligations in that regard.

Insurance cover

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 2022

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Adequacy of lifecycle funds

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 is dependent on the performance of its subsidiary Merseylink Limited, in order to service its debts. Merseylink Limited is required to maintain levels of expected net cash flow equal to 1.05 times the actual debt service payment due in the next 12 months. The debt service payment due in the next 12 months is expected to be £27,815,000. 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.

The group is required to maintain the network to a specified level and ensure that traffic movements meet contractual requirements. The performance against these requirements is closely monitored and reported to the board on a monthly basis.

The board has reviewed the operational performance of the network, together with the actual and projected financial performance, as shown by the detailed financial model. At 31 March 2022, the board consider the performance of the project against such measures to be satisfactory.

On behalf of the board of the directors,



M Lopez Simon
Director

9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ
Approved by the board of the directors on
26 September 2022

MERSEYLINK (HOLDINGS) LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2022

The directors present their report and the audited consolidated financial statements of the group for the year ended 31 March 2022. 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 (2021: none).

DIRECTORS

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

J Findlay
V Ellenberg
F Schramm
I Bahena
A Kornman
J Douglas
M Lopez Simon
A Dunne

DONATIONS

The group made charitable donations in the year to Halton Children's Centres Christmas Toy Appeal £1,000 (2021: £1,000), Halton Children's Centres Easter Egg Appeal £250 (2021: £500), and no other charitable donations (2021: £5,000). The group made no political donations during the year (2021: 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 2022

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. The swaps originally used LIBOR, and at the year end this had become synthetic LIBOR, as a reference interest rate but are transitioning to SONIA (Sterling Overnight Index Average). The group is not expected to suffer any material adverse consequence as a result of the change. The change to SONIA is expected to be in the next twelve months.

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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group and company's auditor 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 group and company's auditor are aware of that information.

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.

INDEPENDENT AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Johnston Carmichael LLP will therefore continue in office.

This report was approved by the Board of directors on 26 September 2022 and signed on behalf of the Board by,



M Lopez Simon
Director

9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ
Approved by the board of the directors on
26 September 2022

MERSEYLINK (HOLDINGS) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 MARCH 2022

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

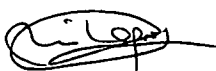
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS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

Signed on behalf of the Board by:



M Lopez Simon
Director

9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ
26 September 2022

MERSEYLINK (HOLDINGS) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MERSEYLINK (HOLDINGS) LIMITED
YEAR ENDED 31 MARCH 2022

Opinion

We have audited the financial statements of Merseylink (Holdings) Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise of the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice'.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- the group and parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

MERSEYLINK (HOLDINGS) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MERSEYLINK (HOLDINGS) LIMITED (continued)
YEAR ENDED 31 MARCH 2022

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

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

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

Responsibilities of 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

MERSEYLINK (HOLDINGS) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MERSEYLINK (HOLDINGS) LIMITED (continued)
YEAR ENDED 31 MARCH 2022

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was considered capable of detecting irregularities and fraud

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102;
- UK Companies Act; and
- UK Corporation taxes legislation.

We gained an understanding of how the group and parent company are complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

MERSEYLINK (HOLDINGS) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MERSEYLINK (HOLDINGS) LIMITED (continued)
YEAR ENDED 31 MARCH 2022

Extent to which the audit was considered capable of detecting irregularities and fraud (continued)

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the group and parent company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

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



Grant Roger (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

27 September 2022

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
TURNOVER	4	3,381	2,607
Cost of sales		78	648
GROSS PROFIT		3,459	3,255
Administrative expenses		(2,799)	(2,549)
OPERATING PROFIT	5	660	706
Interest receivable and similar income	7	28,106	27,962
Interest payable and similar expenses	8	(28,514)	(28,976)
PROFIT/(LOSS) BEFORE TAXATION		252	(308)
Tax on profit/(loss)	9	1,097	59
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,349	(249)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,349	(249)
Fair value of swap liability	16	11,429	6,414
Deferred tax in relation to fair value of swap liability	9 & 11	(2,858)	(1,219)
Deferred tax in relation to rate change	9 & 11	1,295	-
OTHER COMPREHENSIVE INCOME		9,866	5,195
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,215	4,946

The notes on pages 16 to 27 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2022

	Note	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance as at 1 April 2020		51	(22,671)	(15,496)	(38,116)
Loss for the financial year		-	-	(249)	(249)
Fair value of swap liability	16	-	6,414	-	6,414
Deferred tax in relation to fair value of swap liability	11	-	(1,219)	-	(1,219)
Balance as at 31 March 2021		51	(17,476)	(15,745)	(33,170)
Profit for the financial year		-	-	1,349	1,349
Fair value of swap liability	16	-	11,429	-	11,429
Deferred tax in relation to fair value of swap liability	11	-	(2,858)	-	(2,858)
Deferred tax in relation to change in rate			1,295	-	1,295
Balance as at 31 March 2022		51	(7,610)	(14,396)	(21,955)

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2022

	Called up share capital £000	Total shareholders' funds £000
Balance as at 1 April 2020	51	51
Result for the financial year	-	-
Balance as at 31 March 2021	51	51
Result for the financial year	-	-
Balance as at 31 March 2022	51	51

The notes on pages 16 to 27 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

	Note	2022 £000	2021 £000
CURRENT ASSETS			
DEBTORS: Amounts falling due after more than one year	10	393,993	402,247
DEBTORS: Amounts falling due within one year	10	49,892	54,488
Restricted Cash	12	14,594	-
Cash at bank and in hand		4,533	19,862
		<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	14	463,012 (19,720)	476,597 (26,002)
		<hr/>	<hr/>
NET CURRENT ASSETS		443,292	450,595
TOTAL ASSETS LESS CURRENT LIABILITIES		443,292	450,595
CREDITORS: Amounts falling due after more than one year	15	(465,247)	(483,765)
		<hr/>	<hr/>
NET LIABILITIES		(21,955)	(33,170)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	18	51	51
Hedging reserve		(7,610)	(17,476)
Retained earnings		(14,396)	(15,745)
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' DEFICIT		(21,955)	(33,170)
		<hr/>	<hr/>

The financial statements on pages 11 to 27 were approved by the Board of Directors on 26 September 2022 and are signed on their behalf by:



M Lopez Simon
Director

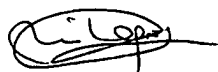
Company Registration Number: 08780140

The notes on pages 16 to 27 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
COMPANY BALANCE SHEET
AS AT 31 MARCH 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Investments	13	51	51
NET ASSETS		<u>51</u>	<u>51</u>
CAPITAL AND RESERVES			
Called up share capital	18	51	51
Profit and loss account brought forward		-	-
Result for the year		-	-
TOTAL SHAREHOLDERS' FUNDS		<u>51</u>	<u>51</u>

The financial statements on pages 11 to 27 were approved by the Board of Directors on 26 September 2022 and are signed on their behalf by:



M Lopez Simon
Director

Company Registration Number: 08780140

The notes on pages 16 to 27 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2022

	2022	2021
Note	£000	£000
Cash flows from operating activities		
Profit/(loss) for the financial year	1,349	(249)
Adjustments for:		
Interest receivable and similar income	(28,106)	(27,962)
Interest payable and similar expenses	28,514	28,976
Tax on profit/(loss)	(1,097)	(59)
Changes in:		
Trade and other debtors	12,384	5,532
Trade and other creditors	(5,998)	(4)
	7,046	6,234
Cash used in operations		
Interest paid	(27,708)	(26,655)
Interest received	28,106	27,962
Net cash used in operating activities	7,444	7,541
Cash flows from financing activities		
Utilisation of loan	-	-
Repayment of loan	(7,815)	(7,094)
Repayment of subordinated debt	(364)	(194)
Net cash (used in)/generated from financing activities	(8,179)	(7,288)
(Decrease)/increase in cash	(735)	253
Cash and cash equivalents at the beginning of the year	19,862	19,609
Cash and cash equivalents at the end of the year	19,127	19,862

Analysis of changes in net debt

	At 1 April 2021 £000	Cash flows £000	Other non-cash changes £000	At 31 March 2022 £000
Net cash:				
Cash at bank and in hand	19,862	(735)	-	19,127
Debt:				
Debt due within 1 year	(12,190)	8,179	(8,847)	(12,858)
Debt due after more than 1 year	(483,765)	-	18,518	(465,247)
	(495,955)	8,179	9,671	(478,105)
Net debt	(476,093)	7,444	9,671	(458,978)

The notes on pages 16 to 27 form part of these financial statements.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

1. GENERAL INFORMATION

The company is a private company limited by shares incorporated in the England, which is registered and domiciled in the United Kingdom at 9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ. The group's principal activities consist solely of the provision of design, build and finance services in respect of the Mersey Gateway Project.

2. STATEMENT OF COMPLAINT

Basis of accounting

The financial statements have been prepared 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 have been applied consistently, are set out below. The presentational and functional currency is pounds sterling. Monetary amounts in these financial statements are rounded to the nearest £000.

Basis of consolidation

The consolidated financial statements incorporate those of Merseylink (Holdings) Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All intra-group transactions and balances are eliminated on consolidation. The consolidated financial statements combine the financial statements of Merseylink (Finance) Limited, Merseylink Limited and Merseylink (Issuer) Plc (collectively known as "the group").

The parent company and subsidiaries have therefore taken the following exemptions under the reduced disclosure framework of FRS 102:

- from the requirement to present a statement of cashflows.
- basic financial instruments and other financial instrument issues

Uniform accounting policies are followed throughout the group and the financial statements of all operating subsidiary companies are prepared to the same accounting date as the parent company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement convention

The financial statements were prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

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.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Pass through income is stated at invoiced value.

All turnover originates in the United Kingdom.

Financial asset

Amounts recoverable under long term Private Finance Initiative contracts will be transferred to a financial asset in accordance with the requirements of section 34 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.

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.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 2022

3. SUMMARY OF SIGNIFICANT 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.

Libor reform

As noted in the accounts, the group has both loans and swaps which use LIBOR as a reference interest rate. LIBOR ceased to exist at the end of 2021, as required by the Bank of England and the Financial Conduct Authority. LIBOR has now been replaced by a new benchmark interest rate called SONIA (Sterling Overnight Index Average). SONIA is based on actual historic transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from financial institutions and other institutional investors. At the date of signing these accounts the documents required to effect the transition had been prepared and agreed by the majority of interested parties. It is expected that they will be agreed and signed by all parties shortly. As both the loans and the related swaps will use SONIA as a reference rate, the group is not expected to suffer any materially adverse consequences as a result of the reform.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

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, to include indexation and interest rates. The project has taken out interest rate swaps and therefore has largely fixed its borrowing costs.
- the spend on future major maintenance involved in asset renewal has judgement around timing and quantum in the group's underlying financial model. Neither the adequacy or timing of lifecycle fund receipts are currently thought to be incorrect.
- evaluating the impairment, if any, of debtors. No impairment has been encountered to date.
- accounting for service concession arrangements are suitable for this project and have been in place since financial close.

4. TURNOVER

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

	2022	2021
	£000	£000
United Kingdom	3,381	2,607

5. OPERATING PROFIT

This is stated after charging:

	2022	2021
	£000	£000
Auditors' remuneration - audit of the company financial statements	1	1
Auditors' remuneration - audit of the consolidated and fellow subsidiary companies	27	24

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

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

6. PARTICULARS OF EMPLOYEES

The group and parent company had no employees during the financial year (2021: 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 (2021: none). The company accrued charges of £49,000 (2021: £49,000) from the shareholders for making available the services of the directors.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£000	£000
Bank interest receivable	11	17
Interest on financial asset	28,095	27,945
	<u>28,106</u>	<u>27,962</u>

Interest is imputed on the finance asset using the rate of 6.55% (2020: 6.38%).

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£000	£000
Interest payable on bond	12,686	12,684
Loan interest	7,618	8,058
Interest payable on subordinated debt	3,871	3,965
Interest payable on mezzanine debt	4,339	4,269
	<u>28,514</u>	<u>28,976</u>

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

9. TAX ON PROFIT/(LOSS)

(a) Analysis of charge in the year

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

	2022	2021
	£000	£000
Current tax	-	-
Deferred tax:		
- in respect of current financial year	48	(59)
- in respect of changes in tax rates and laws	(1,145)	-
Total deferred tax (note 12)	<u>(1,097)</u>	<u>(59)</u>
Tax on profit/(loss)	<u>(1,097)</u>	<u>59</u>

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was a debit of £1,563,000 (2021: £1,219,000).

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

9. TAX ON PROFIT/(LOSS) (continued)

(b) Factors affecting tax credit

The current tax assessed on the loss for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).

	2022	2021
	£000	£000
Profit/(Loss) before taxation	<u>252</u>	<u>(308)</u>
Profit/(Loss) before taxation multiplied by the standard rate of tax in the UK of 19.00% (2021: 19.00%)	48	(59)
Change in tax rates and laws	<u>(1,145)</u>	<u>-</u>
Total tax charge (note 7(a))	<u>(1,097)</u>	<u>(59)</u>

(c) Factors that may affect future tax charges

The UK corporation tax rate will remain at 19% from 1 April 2022, but, in the budget on 3 March 2021, the Chancellor of the Exchequer announced that the UK Corporation tax rate will increase to 25% from 1 April 2023. This will increase the group's future current tax charge accordingly.

The deferred tax asset at 31 March 2022 has been calculated based on the rate of 25% substantively enacted at the balance sheet date.

10. DEBTORS

	Group	Company	Group	Company
	2022	2022	2021	2021
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	5,186	-	4,826	-
Retention bonds	-	-	6,731	-
Other debtors	3,792	-	3,273	-
Financial asset	39,568	-	38,312	-
Prepayments and accrued income	1,346	-	1,346	-
	<u>49,892</u>	<u>-</u>	<u>54,488</u>	<u>-</u>
Amounts falling due after more than one year:				
	Group	Company	Group	Company
	2022	2022	2021	2021
	£000	£000	£000	£000
Financial asset	386,687	-	394,474	-
Deferred tax (note 11)	7,306	-	7,773	-
	<u>393,993</u>	<u>-</u>	<u>402,247</u>	<u>-</u>

Following the issuance of a Work Completion Certificate on 30 March 2022, the Retention bonds were cancelled and were not in existence at the year end.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

11. DEFERRED TAX

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

	Group	Company	Group	Company
	2022	2022	2021	2021
	£000	£000	£000	£000
Included in debtors (note 10)	7,306	-	7,773	-

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

	Group	Company	Group	Company
	2022	2022	2021	2021
	£000	£000	£000	£000
Balance brought forward	7,773	-	8,933	-
Profit and loss account movement arising during the year (note 9(a))	1,096	-	59	-
Deferred tax in relation to fair value of swap liability	(2,858)	-	(1,219)	-
Deferred tax in relation to change of rate	1,295	-	-	-
Balance carried forward	7,306	-	7,773	-

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

	2022	2021
	£000	£000
Trading losses carried forward	4,770	3,674
Deferred tax in relation to fair value of swap liability	2,536	4,099
Balance carried forward	7,306	7,773

There is no (2021: none) unrecognised deferred tax asset or liability for the group.

12. RESTRICTED CASH

	Group	Company	Group	Company
	2022	2022	2021	2021
	£000	£000	£000	£000
Restricted Cash	14,594	-	14,594	-

The group is obligated to keep a separate cash reserve in respect of future debt service costs and major maintenance costs. This restricted cash balance, which is shown separately on the balance sheet, amounts to £14,594,000 at the year end (2021: £14,594,000).

The prior year balance has not been restated in the balance sheet for presentation purposes but the amount of restricted cash for the prior year has been disclosed

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

13. INVESTMENTS

	Company 2022 £000	Company 2021 £000
COST		
Balance brought forward and carried forward	<u>51</u>	<u>51</u>
NET BOOK VALUE		
Balance brought forward and carried forward	<u>51</u>	<u>51</u>

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 9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ.

14. CREDITORS: Amounts falling due within one year

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Trade creditors	801	-	800	-
Taxation and social security	1,271	-	1,144	-
Loan including interest	8,569	-	7,898	-
Mezzanine debt including interest	1,665	-	-	-
Subordinated debt (including accrued interest)	3,122	-	4,039	-
Swap liability	2,624	-	4,362	-
Retentions	198	-	6,930	-
Accruals and deferred income	1,470	-	829	-
	<u>19,720</u>	<u>-</u>	<u>26,002</u>	<u>-</u>

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

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Bond	254,178	-	254,055	-
Construction loan	106,024	-	113,975	-
Subordinated debt	47,964	-	48,160	-
Mezzanine debt	49,559	-	50,362	-
SWAP liability	7,522	-	17,213	-
	<u>465,247</u>	<u>-</u>	<u>483,765</u>	<u>-</u>

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

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

Offsetting within the Bond liability is an Effective Interest Rate adjustment of £2,981,000 (2021: £3,104,000). Offsetting within the Construction loan liability is an Effective Rate Interest amount of £2,034,000 (2020: £2,640,000). Offsetting within the Subordinated debt liability is an Effective Interest Rate of £636,000 (2021: £805,000). Offsetting within the Mezzanine debt liability is an Effective Interest Rate adjustment of £1,213,000 (2021: £1,637,000). The amortisation of the issue costs forms part of the Interest Payable and similar expenses for each facility in Note 8.

Borrowings include £257,159,000 of 3.842% Bonds listed on the Irish Stock Exchange due 2043, of which all were issued (2021: £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 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 + 2.0% but, as noted earlier, this will shortly change to SONIA. As at 31 March 2022 the total amount outstanding on the Construction loan is £116,627,000 (2021: £124,442,000). 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 (2021: £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 2022 the total amount outstanding on the Mezzanine debt is £52,437,000 (2021: £52,000,000). The Mezzanine debt is repayable in forty three instalments between March 2022 and March 2043.

Subordinated debt represents a £48,601,000 (2021: £48,965,000) 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 £10,146,000 (2021: negative £21,575,000). Market values have been used to determine the fair value of the swap arrangements.

The amounts due after five years on the bond, construction loan, subordinated debt and mezzanine debt are £257,159,000 (2021: £257,159,000), £67,156,000 (2021: £78,343,000), £48,601,000 (2021: £48,965,000) and £50,985,000 (2021: £49,667,000) respectively.

MERSEYLINK (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

16. FINANCIAL INSTRUMENTS

Carrying amount of financial instruments	Group 2022 £000	Group 2021 £000
Financial liabilities		
Financial liabilities measured at fair value - interest rate swap	<u>(10,146)</u>	<u>(21,575)</u>

17. 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 £16,000 in respect of design and construction services. Construction is nearly finished and final payments will be due in 2021. Payments are made as the design and construction work progresses. The capital commitments contracted but not provided for as at 31 March 2022 totalled £16,000 (2021: £16,000).

18. CALLED UP SHARE CAPITAL

	Group 2021 and 2022 No 51,000	Group 2021 and 2022 £000 51
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>51,000</u>	<u>51</u>
	Company 2021 and 2022 No 51,000	Company 2021 and 2022 £000 51
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 2022

19. RELATED PARTIES

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

	Transactions with related parties		Payables to related parties	
	2022	2021	2022	2021
	£000	£000	£000	£000
FCC Mersey Gateway Limited	926	926	12,746	12,819
MG Bridge Investments Limited	1,389	1,388	19,120	19,228
Wigg Investments Limited	5,261	4,841	72,294	72,957

In addition to the above amounts the group accrued charges of £49,000 (2021: £49,000) from the above shareholders for making available the services of the directors. As at the 31 March 2022 the total accrued and unpaid is £190,000 (2021: £141,000).

At 31 March 2022, 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.

20. CONTROLLING PARTIES

At 31 March 2022, 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.