Future Valleys Project Co Limited
Annual report and financial statements
For the period from incorporation (3 September 2020) to 31 March 2021
Company registration number 12857623

Contents

STRATEGIC REPORT

The Directors present their Strategic report together with the audited financial statements for the period from incorporation (3 September 2020) to 31 March 2021.

Performance

The results for the period are shown on page 10 on the income statement. This shows total revenue for the year of £34,805,000 and an operating loss of £6,897,000. Net finance expenses for the period amounted to £708,000 and the loss after tax was £6,194,000.

The Company's performance reflects the position under the Future Valleys MIM/PPP concession contract.

Key Performance Indicators

The Directors consider revenue, operating profit, profit before tax and profit after tax and achievement of milestones under the MIM/PPP concession to be the key performance indicators of the Company and are satisfied with the performance in the period.

Principal risks and uncertainties

Under the terms of the MIM/PPP concession contract the Company is required to meet certain key performance targets. The Directors review actual performance against those targets on a regular basis to mitigate risks arising from contract activities.

The Company's main commercial risks during the period are attributable to the delivery of the capital infrastructure on the MIM/PPP concession contract.

The Company has committed term loan facilities, which are secured on the assets and future revenues of the Company. The terms of the Company's financial instruments are such that the profile of the debt service cost is tailored to match the expected revenue.

The Company's interest rate risk is managed by entering into fixed interest rate swaps to mitigate interest rate exposure on the long-term facilities. The Company does not undertake speculative financial instrument transactions.

STRATEGIC REPORT *(continued)*

Principal risks and uncertainties *(continued)*

The Company's credit risk is primarily attributable to its receivables on the MIM/PPP contract, which is held with an authority. This risk is mitigated by maintaining a strong relationship with the Company's customer and by working for the fulfilment of the Company's obligations.

The Company's cash flow risk is managed by monitoring cash flow as part of the day-to-day control procedures. The Directors consider cash flow projections to ensure appropriate facilities are available to be drawn upon as necessary.

Section 172 Companies Act 2006 Statement

The directors have a duty to promote the success of the Company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies act 2006 ("section 172").

The directors have identified the Company's main stakeholders as the following:

i. The Company's shareholders and Senior Lenders
Principal considerations of the board are whether the investment objective of the Company is meeting shareholder expectations and how the management team achieves the objective. These are discussed at all board meetings, which are held regularly thought the year. The management team frequently engages with the Senior Lenders and keeps them updated on matters as required.

ii. The Authority
The board recognises the importance of partnership with its public sector client, the Authority, to successfully deliver a key public infrastructure asset. On behalf of the Company, the management team fosters this partnership through regular meetings with the Authority representatives and other key managers. The management team provides monthly reporting to the Authority on the performance of its obligations under the MIM arrangement. Periodically, the directors will also meet with the Authority to discuss key delivery matters.

iii. The construction provider
On behalf of the Company, the management team seeks to maintain a constructive relationship with the construction provider by meeting regularly. The construction provider provides reports to the Company containing construction provision information and relevant information about the performance of the MIM/PPP contract. These reports are reviewed by the management team and the board.

iv. The service provider
On behalf of the Company, the management team seeks to maintain a constructive relationship with the service provider by regular communication. The service provider reviews the developing design and agrees any changes which may affect service provision following the construction phase. This input is reviewed by the management team.

v. The employees
The delivery by the employees of their services is important to the long term success of the Company. The board seeks to engage regularly with the employees through a number of forums, including at board meetings. Regular reporting is provided to the board by the employees, which will alert the board to changes in regulation or market practice, which will inform the board's decision making.

STRATEGIC REPORT *(continued)*

Through the period the board has made due consideration during its discussions and decision-making of the matters set out in section 172 and below is a description of how the directors have had regards to these matters when performing their duties:

(a) The likely decision consequences of any decision in the long term
The Company has made no decisions during the period that have a material long term consequences.

(b) The interest of the Company's employees
The Company does pay due regard to the interest and safety of it's employees, as well as those engaged by construction providers to the company to perform services on its behalf.

(c) The need to foster the Company's business relationships with suppliers, customers and others.
The Company is committed to upholding the underlying principal of MIM/PPP of working in partnership with all parties to the arrangement. As noted above, the Company has policies and procedures to ensure regular communication is maintained between the parties and ensure that the supply chain is managed effectively in order that Company obligations to the Authority, Shareholders and Senior Lenders can be upheld.

(d) The impact of the Company's operations on the community and the environment
The Company is committed to minimising environmental disruption from its activities. The board recognises that the Company is a key partner in the delivery of public infrastructure and considers and delivers Environmental, Social and Governance (ESG) values and initiatives. The Company also actively encourages similar values and initiatives in its partners.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct
The Company is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are committed to support the management team and service providers and raise any concerns in this regard as necessary.

(f) The need to act fairly between members of the Company
The Company is jointly owned and agreed rights, responsibilities and relationship management matters are set out in detail in the Shareholders Agreement. All members are represented on the board so that fairness with observance of the Shareholders Agreement is always taken into consideration.

The directors are cognisant of their duty under s172 in their deliberation as a board on all matters. Decisions made by the board take into account the interest of all the Company's key stakeholders and reflect the board's belief that the long term sustainable success of the company is linked directly to its key stakeholders.

On behalf of the Board

J Douglas
Director
28 September 2021
Fulcrum 105 Piccadilly
Mayfair
London
W1J 7NJ

DIRECTORS' REPORT

The Directors present their report together with the financial statements for the period from incorporation (3 September 2020) to 31 March 2021.

Principal activities

The principal activities of the Company are to design, finance, build, operate and maintain the A564 Heads Of the Valleys Dualling (Section 5 & 6) in Wales. The PPP project was procured though the Mutual Investment Model (MIM), with a concession period from October 2020 to May 2055, pursuant to a project agreement dated 28 October 2020.

Dividends

The Directors do not recommend the payment of a dividend.

Future developments

The contract is in the construction phase and services are being measured against original expectations at project inception and the Directors believe the Company will deliver in line with contract expectations.

Going concern and Covid-19

The Company is financed through a mixture of shareholder loans and project related bank term loans. Details of all loans are set out in note 14 of these financial statements.

Despite having a net liability position as at 31 March 2021 due to losses and tender costs incurred at financial close, the Company is operating in accordance with its financial model. The Directors have also considered the potential impact to the business from the effects of the current pandemic (Covid-19) and have put in place plans to mitigate the currently known, and potential risks to business continuity. The Directors do not believe that there is any material risk to income or cash flows and further information is provided in note 1 to the financial statements. The Directors have therefore concluded that the Company has adequate resources to continue in operational existence for the foreseeable future.

Directors

The Directors who held office during the period, or who were appointed after the period end, were as follows:

B Lantz	Appointed 23 October 2020
R Gomez	Appointed 3 September 2020
J Douglas	Appointed 23 October 2020
T A Lowe	Appointed 23 October 2020
S R Casado	Appointed 3 September 2020

DIRECTORS' REPORT *(continued)*

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the statement of comprehensive income of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

Grant Thornton UK LLP were reappointed as auditors during the period and have expressed their willingness to continue in office. The Company has dispensed with the requirement to re-appoint auditors annually.

On behalf of the Board

J Douglas
Director
28 September 2021
Fulcrum 105 Piccadilly
Mayfair
London
W1J 7NJ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURE VALLEYS PROJECT CO LIMITED

Opinion

We have audited the financial statements of Future Valleys Project Co Limited (the 'Company') for the period ended 31 March 2021, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's loss for the period then ended;
- the Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURE VALLEYS PROJECT CO LIMITED *(continued)*

Conclusions relating to going concern *(continued)*

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 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.

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

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURE VALLEYS PROJECT CO LIMITED *(continued)*

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of how the Company is complying with significant legal and regulatory frameworks through inquiries of management;
- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified international accounting standards and the Companies Act 2006, along with legislation relating to employment, health & safety and data protection, as those most likely to have a material effect if noncompliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURE VALLEYS PROJECT CO LIMITED *(continued)*

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud *(continued)*

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the Company's control environment;
  - the Company's relevant controls over areas of significant risks; and
  - the Company's business processes in respect of classes of transactions that are significant to the financial statements;
- Audit procedures performed by the engagement team included:
  - identifying the significant risk of fraud within revenue recognition and undertaking a substantive analytical review to obtain sufficient and appropriate audit evidence;
  - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and identifying and testing related party transactions;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
  - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
  - appropriate training, knowledge of the industry in which the Company operates; and
  - understanding of the legal and regulatory requirements specific to the Company;
- We did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.

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 Thornton UK LLP

Rhian Owen
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Cardiff, United Kingdom
Date: 28 September 2021

INCOME STATEMENT
For the period from incorporation (3 September 2020) to 31 March 2021

	Notes	For the period from incorporation (3 September 2020) to 31 March 2021 £000
Revenue	4	34,805
Cost of sales		(41,252)
Gross loss		(6,447)
Administrative expenses		(450)
Operating loss	5	(6,897)
Finance income	8	496
Finance costs	8	(1,204)
Loss before tax		(7,605)
Tax credit	9	1,411
Loss after tax from continuing operations		(6,194)

All of the above relates to continuing activities.

The notes on pages 15 to 34 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the period from incorporation (3 September 2020) to 31 March 2021

	Notes	For the period from incorporation (3 September 2020) to 31 March 2021 £000
Loss after tax for the period		**(6,194)**
Other comprehensive (expense)/income		
Amounts which may be recycled in future periods		
Fair value loss recognised on derivative financial instruments	3	**(16,617)**
Deferred tax recognised on derivative financial instruments	3	**3,157**
Total other comprehensive expense		**(13,460)**
Total comprehensive expense		**(19,654)**
Total comprehensive expense for the period attributable to the equity shareholders of the Company:		**(19,654)**

The notes on pages 15 to 34 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	31 March 2021 £000
Non-current assets		
MIM/PPP financial assets	10	**35,245**
Deferred tax assets	15	**4,568**
Trade and other receivables	12	-
		39,813
Current assets		
MIM/PPP financial assets	10	-
Trade and other receivables	12	**6,409**
Cash and cash equivalents		**6,254**
		12,663
Total assets		**52,476**
Current liabilities		
Trade and other payables	13	**(3,880)**
Loans and borrowings	14	-
Derivative financial liabilities	11	-
		(3,880)
Non-current liabilities		
Loans and borrowings	14	**(51,603)**
Derivative financial instruments	11	**(16,617)**
		(68,220)
Total liabilities		**(72,100)**
Net liabilities		**(19,624)**
Issued capital and reserves attributable to equity shareholder of the Company		
Share capital	16	**30**
Hedging reserve	17	**(13,460)**
Retained earnings	17	**(6,194)**
Total shareholders' deficit		**(19,624)**

The financial statements on pages 10 to 34 were approved and authorised by the board of directors on 28 September 2021 and were signed on its behalf by:

J Douglas
Director

The notes on pages 15 to 34 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the period from incorporation (3 September 2020) to 31 March 2021

	Notes	For the period from incorporation (3 September 2020) to 31 March 2021 £000
Cash flows from operating activities		
Loss before tax for the period		(6,194)
Adjustments for:		
Finance income	8	(496)
Finance expense	8	1,204
Taxation credit		(1,411)
		(6,897)
Increase in trade and other receivables		(6,409)
Decrease in trade and other payables		3,309
Cash generated from operations		(9,997)
Interest received		-
Interest paid		(101)
Arrangement Fees paid		(5,773)
Commitment fees		(1,452)
Taxation paid		-
Net cash from operating activities		(17,323)
Cash flows from investing activities		
Cash outflow on finance debtor		(34,749)
Net cash flows from investing activities		(34,749)
Cash flows from financing activities		
Proceeds from bank borrowings		28,674
Proceeds from issue of share capital		30
Proceeds from shareholder loan		29,622
Net cash from financing activities		58,326
Net increase in cash and cash equivalents		6,254
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		6,254

The notes on pages 15 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the period from incorporation (3 September 2020) to 31 March 2021

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total £000
Issue of share capital	30	-	-	30
Loss after tax for the period	-	-	(6,194)	(6,194)
Other comprehensive expense	-	(13,460)	-	(13,460)
Balance at 31 March 2021	**30**	**(13,460)**	**(6,194)**	**(19,624)**

The notes on pages 15 to 34 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(forming part of the financial statements)

1 Accounting policies

General information

The Company is a private company limited by share capital, incorporated and domiciled in the UK and registered In England and Wales.

The Company Secretary and address of the registered office are as follows:

Fulcrum 105 Piccadilly
Mayfair
London
United Kingdom
W1J 7NJ

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the period presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The financial statements have been prepared on an accruals basis and on the historical cost basis except for derivative financial instruments which are measured at fair value. Cost is based on fair value of consideration given in exchange for assets.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

New standards or interpretations applicable to the Company for accounting periods commencing on or after 1 April 2021 are not expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies *(continued)*

Going Concern and Covid-19

Despite having a net liability position as at 31 March 2021 due to losses and tender costs incurred at financial close, the Company is operating in accordance with its financial model. The Directors have considered the potential impact to the business from the effects of the current pandemic (Covid-19) and have put in place plans to mitigate the currently known, and potential risks to business continuity. The Directors do not believe that there is any material risk to income or cash flows.

The Directors have therefore concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and consider it appropriate to adopt the going concern basis in preparing the financial statements.

Revenue

MIM revenue has been accounted for using the financial asset model, where it has been determined that the Company has an unconditional right to receive cash for the construction service. Revenue is determined by the fair value of consideration received or receivable in respect of goods and services provided in the same way as other long-term contracts.

The revenue is measured at the present value of cash inflows expected to be recovered at a discount rate which reflects the time-value of money. The unwinding of the discount is included in interest receivable and similar income.

Revenue from other contract activities represents fee income receivable in respect of services provided during the year. Estimates are included of amounts not yet invoiced.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

All revenue excludes Value Added Tax.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies *(continued)*

Financial instruments

The Company classifies its financial instruments as either held at amortized cost, or held at fair value through other comprehensive income

(i) Financial assets held at amortised cost
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables) under MIM/PPP contracts, but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment. For MIM/PPP contracts, cost is determined by the fair value of goods and services as adjusted for the expected payment date at the time of providing the services. Interest bearing financial assets are subsequently measured at amortised costs using a project-specific interest rate. Interest calculated in accordance with this policy is recognised in finance income in the income statement.

The other loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and, for the purpose of the statement of cash flows, bank overdrafts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Expected credit losses have been assessed as zero, taking into account the nature of the counterparty and the recoverability of performance deductions from the Company's subcontractor.

(ii) Financial liabilities held at amortised cost
Bank borrowings are recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, are recognised at amortised cost.

(iii) Financial liabilities held at fair value through Other Comprehensive Income
Derivative financial instruments are measured at fair value. Changes in fair value are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies *(continued)*

Fair value measurement hierarchy

Certain disclosures are required to the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 3). The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Hedge accounting

Hedge accounting is applied to financial assets and liabilities only where all of the following criteria are met:

- at the inception of the hedge, there is a formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for the undertaking;
- for cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect income or expense;
- the cumulative change in the fair value of the hedging instruments is expected to be between 80% and 125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged, i.e. it is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured; and
- the hedge effectiveness is assessed on a regular basis and remains highly effective.

The Company does not hold or issue derivative instruments for speculative purposes, although derivatives not meeting the above criteria are designated for accounting purposes at fair value through the income statement as appropriate.

Derivative financial instruments at fair value – cash flow hedges

The Company uses derivative financial instruments ("derivatives") to manage interest rate risk and, where the hedge accounting criteria are met, designates these as cash flow hedges. Changes in the fair value of the effective portion of derivatives that are designated as qualifying hedges, are recognised in other comprehensive income.

Changes in the fair value of the ineffective portion of cash flow hedges are recognised in the income statement. Amounts accumulated in equity are transferred to the income statement when the underlying transaction occurs or, if the transaction results in a non-financial asset or liability, are included in the initial cost of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1 Accounting policies *(continued)*

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets are recovered.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable Company. Deferred tax is not discounted.

2 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

(a) Revenue recognition and contract costs

A significant amount of the Company's activities are undertaken via long term contracts which are accounted for in accordance with IFRIC 12 Service Concession Agreements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2 Critical accounting estimates and judgements *(continued)*

Management bases its judgement of contract costs and revenue on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenue are affected by a variety of uncertainties, that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates are updated regularly and significant changes are highlighted through established internal control procedures. The impact of the changes in accounting estimates are then reflected in the ongoing results.

(b) Fair value of financial instruments

The Company determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

3 Financial instruments – risk management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Cash flow interest rate risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Financial assets
- Floating rate bank loans
- Interest rate swaps

A summary of the financial instruments held by category is provided below.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3 Financial instruments – risk management *(continued)*

Financial assets

Financial assets are classified as trade and other receivables and PPP financial assets.

Financial liabilities

Financial instruments measured at fair value.

IFRS 7 (Financial Instruments: Disclosure) requires the Company to analyse its financial assets and liabilities held at fair value according to the valuation basis applied. Level 1 represents fair values based on quoted prices in active markets; Level 2 represents fair values where valuation inputs are based on observable market data; Level 3 represents fair values where any significant valuation input is not based on observable market data.

The Company has no Level 1 or Level 3 financial assets or liabilities. The amounts held at Level 2 basis of valuation and included within the statement of financial position in respect of derivative contracts which is a non-current liability as follows:

Derivatives financial instrument	**Fair value measurement at 31 March using Level 2 £000**
Current liability	-
Non current liability	**(16,617)**
	(16,617)
Amount recognised in the statement of comprehensive income	
Fair value loss recognised on derivative financial instruments	**(16,617)**
Deferred tax recognised on derivative financial instruments	**3,157**
	(13,460)

As a condition of the lending, the Company is required to take out interest rate hedges to fix the interest rate to hedge against cash flow interest rate risk until the debt has been repaid. This expires in 2054.

All financial liabilities with the exception of derivatives are classified as other financial liabilities measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3 Financial instruments – risk management *(continued)*

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Company's main financial assets are cash and cash equivalents, a MIM/PPP financial asset and trade and other receivables. The MIM/PPP financial asset represents the Company's maximum exposure to credit risk in connection with its financial assets. The Company's credit risk is mainly attributable to its public sector trade receivables from local authorities. The amounts are carried on the balance sheet net of any provision for doubtful receivables estimated by the Directors based on experience and an evaluation of prevailing economic circumstances.

None of the financial assets are past due. The MIM/PPP financial asset will be recovered over the life of the contract.

Credit quality of financial assets and impairment losses

The ageing of trade receivables and other financial assets at the balance sheet date was:

	Gross 31 March 2021 £000
Not past due	-

Interest rate risk

The Company is exposed to interest rate risk from long-term borrowings at variable rate. The Company's exposure to variable rate long-term borrowings is eliminated through the use of interest rate hedge contracts. A sensitivity analysis has not been performed on the basis that the majority of variable interest rates are swapped for fixed rates and therefore the exposure to interest rate risk is minimised.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3 Financial instruments – risk management *(continued)*

Liquidity risk

Liquidity risk is defined as the risk that the Company would not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, as well as related processes and policies, are overseen by management. The Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility. In accordance with IFRS 7 (Financial Instruments Disclosures), the table below sets out the repayment of principal and associated interest payments.

2021	Due in year ended 31 March 2022 £000	Due in year ended 31 March 2023 £000	Due in year ended 31 March 2024 £000	Due in year ended 31 March 2025 and later £000	Total £000
MIM non-recourse loans	3,936	5,841	9,058	821,012	**839,847**
Shareholder loans	196	196	195	52,983	**53,570**
Derivatives	-	-	-	16,617	**16,617**
Total	**4,132**	**6,037**	**9,253**	**890,612**	**910,034**

Details of the committed funding to be drawn down are disclosed in note 14.

The following are the contractual maturities of financial liabilities.

2021	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Secured bank	**21,878**	**839,847**	**3,936**	**5,841**	**41,010**	**789,060**
Shareholder loans	**29,725**	**53,570**	**196**	**196**	**53,178**	**-**
Derivative financial liabilities						
Interest rate swaps used for hedging	**16,617**	**16,617**	**-**	**-**	**-**	**16,617**

More details in regard to the line items are included in the respective notes:

- Trade and other payables – note 13
- Loans and borrowings – note 14
- Derivative financial liabilities – note 11

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3 Financial instruments – risk management *(continued)*

Capital structure

The Company manages its cash, bank loans and overdrafts and equity as capital. The Company's principal objective is to ensure that it has sufficient capital to fund its operations. In developing business plans, management consider the likely capital requirements and how to fund these requirements. Additional capital is funded by the least cost source at the time of fund-raising.

The Company's capital was summarised as follows:	**31 March 2021 £000**
Cash and cash equivalents	**(6,254)**
Loans & borrowings	**51,603**
Total shareholders' deficit	**(19,624)**
Total capital	**25,725**

4 Revenue

An analysis of the Company's revenue is as follows:

	For the period from incorporation (3 September 2020) to 31 March 2021 £000
Turnover analysed by class of business	
Service fee revenue	**34,749**
Passthrough income	**56**
	34,805

The turnover and profit on ordinary activities before taxation are attributable to the continuing operations and principal activities carried on within the United Kingdom. All turnover arises solely in the United Kingdom.

5 Operating loss

Operating loss is stated after charging:	**For the period from incorporation (3 September 2020) to 31 March 2021 £000**
Auditor's remuneration	**25**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5 Operating loss *(continued)*

Operating loss for the period ended 31 March 2021 included £6,609,000 of non-recurring tender costs, including associated legal fees. These costs were incurred in line with the Company's financial model.

6 Directors remuneration

None of the Directors received emoluments directly from the Company.

7 Employees

Staff costs were as follows	**For the period from incorporation (3 September 2020) to 31 March 2021 £000**
Wages and salaries	**74**
Social security costs	**3**
Pensions	**11**
	88

The average number of employees during the period was 2.

8 Finance income and expense

Recognised in the statement of comprehensive income

Finance income	**For the period from incorporation (3 September 2020) to 31 March 2021 £000**
Interest income on financial assets measured at amortised cost	**496**
Total finance income	**496**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8 Finance income and expense *(continued)*

Finance costs	For the period from incorporation (3 September 2020) to 31 March 2021 £000
Bank charges	(2)
Interest expense on financial liabilities measured at amortised cost	(1,202)
Total finance costs	(1,204)
Net finance costs	(708)

9 Income Tax credit

	For the period from incorporation (3 September 2020) to 31 March 2021 £000
Corporation tax	
Current year	-
Deferred tax	
Origination and reversal of temporary difference	1,445
Effect of tax rate change on opening balance	-
	1,445
Total income tax credit	1,445
Loss before tax	(7,605)
Expected tax credit based on the standard rate of United Kingdom corporation tax at the domestic rate of 19%	1,445
Expenses not deductible for tax purposes	(34)
Total income tax credit	1,411

The Company has £1,445k of tax losses to carry forward to offset against future profits (see note 15).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10 MIM/PPP financial assets

	31 March 2021 £000
Current	-
Non-current	35,245
	35,245

The MIM/PPP financial asset is a fixed rate financial asset and bore interest during the period at a rate of 4.27%.

11 Derivative financial instruments

	31 March 2021 £000
Derivatives designated as hedging instruments:	
interest rate swaps – cash flow hedge	(16,617)
Total derivative financial liabilities	(16,617)
Current	-
Non-current	(16,617)
	(16,617)

Cash flow interest rate swaps

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Normally the Company raises long-term borrowings at floating rates and then fixes the interest rate by entering into an interest rate swap contract "derivative".

At 31 March 2021, the main floating rates were based on LIBOR. Gains and losses recognised in the cash flow hedging reserve in equity (note 17) on interest rate swap contracts as of 31 March 2021 will be continuously released to the income statement as the related interest expense is recognised. Information on the maturities of the loans is provided in note 14.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12 Trade and other receivables

	31 March 2021 £000
Total financial assets other than cash and cash equivalents classified as loans and receivables	
Trade receivables	-
Other receivables	237
Other tax and social security	345
Prepayments	5,827
Total trade and other receivables	6,409
Included in the balance sheet as follows:	
Current	6,409

13 Trade and other payables

	31 March 2021 £000
Total financial liabilities, excluding loans and borrowings classified as financial liabilities measured at amortised cost	
Trade payables	(3,090)
Corporation tax	-
Other payables	(48)
Other tax and social security	(51)
Accruals	(691)
Total trade and other payables	(3,880)

Trade and other payables are valued at amortised cost. The Directors consider that the carrying amount of trade payables approximate to their fair value.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

	Fair value 31 March 2021 £000	Book value 31 March 2021 £000
Current		
Secured bank loans	-	-
Amounts due to parent undertakings	-	-
	-	-
Non-current		
Secured bank loans	(28,674)	(21,878)
Amounts due to parent undertakings	(29,622)	(29,725)
	(58,296)	(51,603)
Total loans and borrowings	(58,296)	(51,603)

The secured bank loans are due to be fully drawn by May 2025 and repayable thereafter in six-monthly instalments commencing on 31 March 2026, until the final repayment scheduled for September 2054.

The bank loans are secured by a fixed and floating charge over the assets of the business.

Principal terms and the debt repayment schedule of the Company's loans and borrowings are as follows as at 31 March 2021:

	Currency	Nominal rate to%	Year of maturity
Term loan floating interest rate - Commercial Lenders	Sterling	1.65%	2049
Term loan fixed interest rate - Institutional Investors	Sterling	2.42%	2054
Equity bridge loan floating interest rate - Commercial Lenders	Sterling	0.90%	2025
Equity bridge loan fixed interest rate - FCC Equity Bridge Lender	Sterling	0.92%	2025
Equity bridge loan fixed interest rate - WG Equity Bridge Lender	Sterling	0.92%	2025

Total loans and borrowings is stated net of deferred finance costs of £5,980,000. These costs will be allocated to the profit and loss account over the term of the loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14 Loans and borrowings *(continued)*

Bank borrowings

The Company has undrawn committed borrowing facilities at 31 March 2021 to be drawn as follows:

	Floating rate 31 March 2021 £000	Fixed rate 31 March 2021 £000
Current		
Within 1 year	21,738	34,117
Within 1 and 2 years	71,076	131,423
Within 2 and 5 years	141,715	185,927
	234,529	351,467

Amounts due to parent undertakings

Book values approximate to fair value at 31 March 2021.

The unsecured loan notes are denominated in sterling and bear interest at a fixed rate of 0.92% and repayable in 2025.

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%.

The movement on the deferred tax account is as shown below:

	For the period from incorporation (3 September 2020) to 31 March 2021 £000
At 3 September 2020	-
Recognised in the income statement	
Losses to be carried forward	1,411
	1,411
Recognised in other comprehensive income	
Deferred tax recognised on new derivative financial instruments	3,157
At 31 March 2021	4,568

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15 Deferred tax *(continued)*

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

A Budget Resolution passed on 17 March 2020 included provision for the main rate of corporation tax to remain at 19% from 1 April 2020 and not reduce to 17% as previously legislated. Deferred tax balances have been calculated accordingly.

On 11 March 2021, Finance Bill 2021 was published which includes provision for the main rate of UK Corporation Tax to increase to 25% from 1 April 2023. As the rate change will be enacted after the balance sheet date, it is a non-adjusting post balance sheet event. However, the impact of recognising deferred tax at the new rate applicable when the deferred tax is forecast to crystalise would be an increase to the net deferred tax asset of £1,443k at 31 March 2021.

Details of the deferred tax asset, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Tax losses £000	Fair value of interest rate swap contract £000	Total £000
At 3 September 2020	-	-	-
Other temporary and deductible differences:			
Deferred tax recognised on new derivative financial instruments	-	3,157	3,157
Deferred tax credit			
Origination and reversal of temporary differences	1,411	-	1,411
Tax asset at 31 March 2021	1,411	3,157	4,568

16 Share capital

	31 March 2021 Number	31 March 2021 £000
Issued and fully paid		
Ordinary shares of £1 each	30,000	30

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Hedging reserve	Gains/losses arising on the effective portion of interest rate hedging instruments carried at fair value in a qualifying interest rate hedge
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere

Analysis of amount recognised in other comprehensive income	**Interest rate hedging reserve £000**	**Retained earnings £000**
At 3 September 2020	-	-
Loss after tax	-	**(6,194)**
Interest rate hedges		
Fair value gain recognised on new derivative financial instruments	**(16,617)**	-
Deferred tax recognised on new derivative financial instruments (note 15)	**3,157**	-
At 31 March 2021	**(13,460)**	**(6,194)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18 Related party transactions

Trading transactions

During the period the Company entered into the following transactions with related parties:

2021	Purchase of goods/ services £000	Interest charge for the year £000	Amounts owed to related parties £000
Fomento de Construcciones y Contratas, S.A and subsidiaries			
FCC Construccion SA (UK Branch)	**32,365**	**-**	**-**
FCC Concesiones de infraestructuras S.L.U.	**1,647**	**319**	**(22,213)**
FCC Construcción S.A	**2,334**	**-**	**-**
Meridiam Infrastructure Partners SAS and Subsidiaries			
Meridiam SAS	**3,981**	**243**	**(243)**
DBW Investments (MIMS) Limited and Subsidiaries			
DBW Investments (MIMS) Limited	**-**	**113**	**(7,840)**

The Company has not made any provision for bad or doubtful debts in respect of related party debtors, nor has any guarantee been given or received during the period regarding related party transactions.

19 Ultimate parent undertaking

The immediate parent company is Future Valleys Hold Co Limited, a Company incorporated in the United Kingdom.

Future Valleys Hold Co Limited has no ultimate parent undertaking or controlling related party by virtue of the Company's joint ownership and control by DBW Investments MIMS, FCC Concesiones de Infraestructuras S.L.U. and Meridiam Investments SAS.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20 Analysis of changes in net debt

	Loans and borrowings £000	Interest rate swap liabilities £000	**Total £000**
At 3 September 2020	-	-	-
Cash Flows:			
-Repayment of interest	94	7	101
-Payment of arrangement fees	5,773	-	5,773
-Proceeds of loans and borrowings	(58,296)	-	(58,296)
Non Cash Flows:			
-Fair value changes	-	(16,617)	(16,617)
-Interest Accruing in period	826	(7)	819
At 31 March 2021	(51,603)	(16,617)	**(68,220)**

Non cash items relate to the fair value movement on debt recognised which does not give rise to cash inflow or outflow.