AUTOLINK HOLDINGS (M6) LIMITED

REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Registered in England and Wales No. 03319443

AUTOLINK HOLDINGS (M6) LIMITED

STRATEGIC REPORT

1. RESULTS FOR THE YEAR

The group profit for the year after taxation was £5,397,000 (2019: £5,120,000).

The company paid interim dividends during the year of £2,650,000 (2019: £12,857,000). The directors do not recommend payment of a final dividend (2019: £Nil).

2. REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The company was incorporated in 1997 and is a holding company. The main asset of the company is its investment in Autolink Concessionaires (M6) Plc, which on 29 April 1997 entered into a Private Finance Initiative ("PFI") contract (the "Contract") with The Secretary of State for Scotland to Design, Build, Finance and Operate a motorway link between the existing A74(M) and the M74 and an extension to the existing M6 Motorway, linking it to the existing A74(M) (together "the Road"). The company's subsidiary commenced operation and maintenance of the Road on 29 July 1997. On 1 July 1999 the Contract was assigned to The Scottish Ministers under The Scotland Act 1998.

The operation of the Contract is the principal activity of the group. There have not been any significant changes in the group's principal activities during the year, and no major changes are anticipated in the next year.

In 2017 the company changed its accounting policy for investments in subsidiaries to measurement at fair value. The result of this was an uplift in its investment in the shares of Autolink Concessionaires (M6) Plc to fair value, recording an unrealised profit. During 2018 the revaluation reserve and share premium reserve were capitalised through the issue of £43,008,000 of bonus shares. The company subsequently has made a capital reduction via the directors' solvency route to create distributable reserves. Following the capital reduction the company has borrowed funds from its subsidiary. At 31 December 2020 the loan balance was £30,586,000 (2019: £30,248,000). It has used these funds to make payments of dividends to its shareholders. The company will remain the holding company of Autolink Concessionaires (M6) Plc for the foreseeable future.

The group continues to meet its contractual obligations to The Scottish Ministers whilst also working to improve its efficiency in controlling costs. As shown in the group's profit and loss account on page 12 the group made a profit after tax in the year of £5,397,000 (2019: £5,120,000). Turnover for the year was £9,710,000 (2019: £9,714,000) and operating costs were £8,956,000 (2019: £9,099,000). The level of costs and therefore revenue is similar to the prior year. The group incurred unavailability deductions of £327,000 (2019: £581,000), the majority of which were planned as part of the programme of major maintenance works. The operating profit for the year was £754,000 (2019: £615,000).

Interest income for the year of £9,672,000 (2019: £10,602,000) exceeded the interest expense for the year of £3,249,000 (2019: £4,494,000) by £6,423,000 (2019: £6,108,000). This net interest was the primary component of the profit for the year.

The group balance sheet on page 13 of the financial statements shows that the group has net current assets of £88,539,000 (2019: £93,203,000) but net liabilities of £21,239,000 (2019: £23,986,000). The reduction in net liabilities is due to the total comprehensive income of £5,397,000 exceeding the dividends paid of £2,650,000. The financial position at the year end remains robust, and the group has sufficient funds to cover its liabilities as they fall due.

Key performance indicators

The directors have modelled the anticipated financial performance of the group's concession across its full term. The directors monitor its actual performance against the anticipated performance. At 31 December 2020 the group's performance against this measure was satisfactory.

The revenue of the group is dependent upon the unitary charge receivable from the authority and the expected costs over the lifetime of the project. The income receivable from the authority is dependent on traffic flows on the Road with the charge varying with reference to the traffic flow bands within the Contract. The nature of the bands means that traffic flows can vary significantly without changing the banding and hence the income receivable from the authority. The outbreak of Covid-19 has naturally adversely affected traffic flows on the Road. The Authority has confirmed that historic traffic figures will be applied during this time in calculating the unitary charge payment. A review of the risks arising from Covid-19 can be found in section 4 of this report.

STRATEGIC REPORT (CONTINUED)

2. REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES (CONTINUED)

The group's operations are managed under the supervision of its directors in accordance with its funding arrangements. These operations are largely determined by the detailed terms of the Contract.

3. PRINCIPAL RISKS AND UNCERTAINTIES

The group's principal activities, now the design and build stage of the project is complete, are the finance and operation of the Road. It carries out these activities within the framework of contracts with its funders and sub-contractors to meet its obligations to The Scottish Ministers. Its main exposure is to financial and operational risks as detailed in the following section.

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT

The group has exposures to a variety of financial and operational risks which are managed with the purpose of minimising any potential adverse effect on the group's performance. The board has policies for managing each of these risks and they are summarised below:

Interest rate risk
The Secured debenture loans both have a fixed rate until repayment in June 2022, thus there is no interest rate risk associated with these financial liabilities. The group is exposed to interest rate risk on bank balances and Secured Bank loans, as both of these have floating interest rates, however the directors do not consider this exposure to be significant.

Inflation risk
The group's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

Taxation risk
The company must pay corporation tax on its profits, and therefore will pay more or less tax depending on whether corporation tax rates increase or decrease. The group models anticipated corporation tax liabilities and manages its cash flows to accommodate them.

Liquidity risk
The group adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its forecast obligations. The nature of the project is such that cash flows are reasonably predictable. The group aims to mitigate liquidity risk by closely monitoring the timing of cash flows within the group.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Scottish Ministers are the primary client of the group. The directors consider that no significant risk arises from such a small client base since there are no indications that the Scottish Ministers will not be able to fulfil their obligations. The carrying value of the financial asset of £75,401,000 (2019: £82,776,000) together with trade debtors of £3,365,000 (2019: £550,000) is the maximum credit exposure.

Major Maintenance risk
A risk borne by the group is that major maintenance costs exceed those forecast in the financial model agreed at financial close. Increased major maintenance costs are therefore a significant risk to breaching the ratio covenants in the finance contracts. This risk is mitigated by future estimates of major maintenance expenditure being prepared by experienced individuals on an asset by asset basis and by the periodic technical evaluations of the physical condition of the assets subject to major maintenance.

4. FINANCIAL AND OPERATIONAL RISK MANAGEMENT (CONTINUED)

Brexit risk
The risks from Brexit are a result of the risk it poses to the sub-contracted service providers, rather than the group itself. The risk is linked to the service performance. The group is insulated from these risks because contractually, any non-performance will result in deductions being passed down to the service provider.

The service provider has performed a review of their respective exposure to Brexit. The relevant concerns relate to materials with primary concerns revolving around delays in delivery and increased transportation costs of any supplies which come from the EU. There have not been any issues to date, and while there could be some disruption in the future, the service provider has a strategy in place to keep this to a minimum. This could result in higher costs to the service provider; however, this is not expected to impact the group itself as the contract price is fixed. On 24 December 2020 the UK Government announced that a Brexit trade agreement had been reached, such that there would be no tariffs or quotas on the movement of goods, originating in either place, between the EU and the UK, when the UK left the EU's single market and customs union from 23:00 on 31 December 2020.

The group is comfortable that any potential for increased costs and disruption will not threaten the service provider to such an extent as to put the project at risk.

Covid-19 risk
The outbreak of Covid-19 and the associated restrictions set out by both the Scottish and UK governments have naturally reduced traffic flows on the Road. Under the terms of the Contract with the Scottish Ministers, this is classed as a Relevant Traffic Effect, and therefore the group is entitled to compensation for loss of income. The Authority has confirmed that historic traffic figures will be applied, during the time impacted by the pandemic, in calculating the group's revenue, to avoid any financial penalty to the company as there has been no reduction in the service provided. This is in line with the Scottish Government's Policy Note SPPN 5/2020 on supplier relief in relation to the Covid-19 situation. The toll revenue payments to be made on account during the 12 months to July 2021 have been agreed on this basis. Routine operations are continuing as normal and the company has deferred some major maintenance expenditure to a later date. The group therefore expects that Covid-19 should not have any significant adverse effect on the project.

5. SECTION 172 COMPANIES ACT 2006 STATEMENT

The directors have a duty to promote the success of the group 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 group's main stakeholders as the following:

(i) The group's shareholders, bondholders and credit providers
Principal considerations of the board are whether the investment objective of the group is meeting shareholder, credit provider and bondholder expectations and how Sir Robert McAlpine Limited ("the manager") implements the objective. These are discussed at all board and shareholder meetings, which are held regularly throughout the year. The bonds and loan are secured by an irrevocable financial guarantee policy issued by Assured Guaranty. The board regularly discusses the obligations under this policy and how the manager is fulfilling these at board meetings and through engagement with the senior management of the manager. The board also ensures that senior management communicate regularly with the credit providers to ensure their engagement is optimised, and to keep them updated on matters as required.

(ii) The client
The board recognises the importance of working in partnership with its public sector client to successfully deliver a key public infrastructure asset. On behalf of the group, the manager fosters this partnership through regular meetings with the client representative and other key managers. The manager provides regular monthly reporting to the public sector client on the performance of its obligations under the PFI arrangement. The directors are always available should the public sector client wish to meet.

(iii) The service providers
On behalf of the group, the manager seeks to maintain a constructive relationship with the service providers by meeting regularly. The service provider reports provided to the company contain service provision information and relevant information about the performance of the PFI contract. These reports are reviewed by both the manager and the board. Periodically the directors will also meet with the service providers to discuss key service delivery matters.

5. SECTION 172 COMPANIES ACT 2006 STATEMENT (CONTINUED)

(iv) The management services provider
The group has outsourced the management of the company to the manager. The delivery by the manager of its services is fundamental to the long term success of the company. The board seeks to engage regularly with the manager, including at board meetings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice and will inform the board's decision making.

Throughout the year the board has given 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 regard to these matters when performing their duties:

(a) The likely consequences of any decision in the long term
The services delivered by the manager and the communication and reporting provided, as noted in section (iv), ensure that the board is fully informed and able to make appropriate decisions.

(b) The interests of the group's employees
As an externally managed group, the group's activities are all outsourced and therefore it does not have any employees. The group does however, pay due regard to the interests and safety of all those engaged by contractors to the group to perform services on its behalf.

(c) The need to foster the group's business relationships with suppliers, customers and others
The group is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the group 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 group obligations to its public sector client and service providers can be upheld.

(d) The impact of the group's operations on the community and the environment
The group has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the group is committed to minimizing environmental disruption from its activities. The board upholds the group's environmental policy in all its activities and requires all parties to the arrangement to do the same. The board recognises that the group is a key partner in the delivery of public infrastructure and encourages its partners in considering and delivering Environmental, Social and Governance (ESG) values and initiatives to achieve socially responsible investing.

(e) The desirability of the group maintaining a reputation for high standards of business conduct
The group 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 not responsible for setting a "business culture" in the traditional sense but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

(f) The need to act fairly between members of the group
The members of the group are represented at board meetings by their appointed director(s). Conflicts on matters to be discussed are identified at each meeting of the board. Directors representing a member with a conflict of interest may therefore be excluded from any discussion or vote in regard to it.

The directors are cognisant of their duty under Section 172 in their deliberation as a board on all matters. Decisions made by the board consider the interests of all the group's key stakeholders and reflect the board's belief that the long term sustainable success of the group is linked directly to its key stakeholders.

6. ENERGY AND CARBON REPORT

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or efficiency activities.

Approved by the Board and signed on its behalf by:

C James
Director

Registered Office:
Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TR

30 June 2021

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report together with the audited financial statements of Autolink Holdings (M6) Limited ("the company") and subsidiary company Autolink Concessionaires (M6) Plc, together "the group", for the year ended 31 December 2020.

1. DIRECTORS

Directors: R J W Wotherspoon
A R Gates
B C J Dean
C James

Secretary: K J Pearson

2. DIVIDENDS

The company paid interim dividends during the year of £2,650,000 (2019: £12,857,000). The directors do not recommend payment of a final dividend (2019: £Nil).

3. MATTERS INCLUDED IN STRATEGIC REPOPRT

Financial risk management and future developments are discussed in the Strategic Report.

4. POLITICAL DONATIONS

The company has not made any political donations (2019: £Nil).

5. DIRECTORS' LIABILITIES

Third party indemnity provisions made by the company's ultimate shareholders were in force during the year for the benefit of the directors of the company.

6. POST BALANCE SHEET EVENTS

The successful development and roll-out of effective COVID-19 vaccines are clearly a positive and welcome step in the global fight against the pandemic. However, the discovery of various mutations, together with continued growth in numbers of new cases globally, are such that considerable uncertainty remains as to the timing of social and economic recovery from the virus.

A review of the risks due to Covid-19 can be found in the Strategic Report. Based on those risks and due to the Government's actions in responding to Covid-19, in particular providing guidance that public bodies should continue to pay their suppliers in full, there is not expected to be any significant financial impact on the group.

The directors continue to monitor the situation and the impact on the group.

Since the balance sheet date there have been changes to the anticipated timing, and amount, of cash flows from the company's subsidiary to the company. This has primarily arisen from changes in future corporation tax rates together with changes to operational cashflows because of Covid-19. This affects the valuation of the company's investment in its subsidiary. Based on the expected future cash flows in the group's latest forecasts, the investment would be valued at £34,576,000 at 31 December 2020. As the tax rate changes were substantially enacted post year end this is a non-adjusting post balance sheet event.

7. DISCLOSURE OF INFORMATION TO 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's auditor is 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's auditor is aware of that information.

BDO LLP were appointed as auditor to the Company and in accordance with Section 489 of the Companies Act 2006 a resolution to reappoint BDO LLP, as auditor will be put to the forthcoming annual general meeting.

This information is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

By Order of the Board

Christopher James.

C James
Director

Registered Office:
Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TR

30 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with 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. The directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

Directors' responsibility statement pursuant to DTR4

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the company; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that they face.

Christopher James.

C James
Director

30 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOLINK HOLDINGS (M6) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 December and of the Group's profit for the year the ended;
- have been property prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Autolink Holdings (M6) Limited ("the Parent Company") and its subsidiary ("The Group") for the year ended 31 December 2020 which comprise the Consolidated Profit and Loss Account and Statement of Other Comprehensive Income, the Consolidated and Parent Company Balance Sheet, The Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Cash Flow Statement 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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. 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.

Other Companies Act 2006 reporting

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOLINK HOLDINGS (M6) LIMITED (continued)

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

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; 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, 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Group's assets.

Audit procedures performed by the engagement team included:

- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs; and
- Identifying and testing journal entries, in particular any material journal entries posted and/or with unusual descriptions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOLINK HOLDINGS (M6) LIMITED (continued)

Our audit procedures were designed to respond to risks of material misstatement 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 deliberate concealment by, for example, forgery, misrepresentations or through collusion. 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/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Group and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Jack Draycott
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Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

30 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

AUTOLINK HOLDINGS (M6) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	2020	2019
		£000	£000
Turnover	2	9,710	9,714
Operating costs		(8,956)	(9,099)
Operating profit		754	615
Other interest receivable and similar income	3	9,672	10,602
Interest payable and similar expenses	4	(3,249)	(4,494)
Profit before taxation	5	7,177	6,723
Taxation on profit	7	(1,780)	(1,603)
Total comprehensive income for the year		5,397	5,120

All of the group's activities during the year were continuing operations, and all turnover is generated within the United Kingdom.

Movements on reserves are shown in the Statement of Changes in Equity.

The notes on pages 18 to 29 form part of these financial statements.

AUTOLINK HOLDINGS (M6) LIMITED

CONSOLIDATED BALANCE SHEET
at 31 December 2020

	Notes	2020	2019
		£000	£000
CURRENT ASSETS			
Debtors: Amounts falling due within one year	9	12,047	8,211
Debtors: Amounts falling due after more than one year	10	67,129	75,401
Cash at bank and in hand	1h	26,589	25,451
		105,765	109,063
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(17,226)	(15,860)
NET CURRENT ASSETS		88,539	93,203
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(109,291)	(116,695)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(487)	(494)
NET LIABILITIES		(21,239)	(23,986)
CAPITAL AND RESERVES			
Called up share capital	15	40	40
Capital redemption reserve		37	37
Profit and loss account		(21,316)	(24,063)
Shareholders' deficit		(21,239)	(23,986)

These financial statements were approved by the Board of Directors and authorised for issue on 30 June 2021.

The notes on pages 18 to 29 form part of these financial statements.

They were signed on its behalf by:

Christopher James.

C James
Director

AUTOLINK HOLDINGS (M6) LIMITED

COMPANY BALANCE SHEET
at 31 December 2020

	Notes	2020	2019
		£000	£000
FIXED ASSETS			
Investments	8	36,064	40,175
CURRENT ASSETS			
Cash at bank and in hand		4	4
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(30,586)	(30,248)
NET CURRENT LIABILITES		(30,582)	(30,244)
NET ASSETS		5,482	9,931
CAPITAL AND RESERVES			
Called up share capital	15	40	40
Capital redemption reserve		37	37
Profit and loss account		5,405	9,854
Shareholders' funds		5,482	9,931

As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the parent company is presented. The total comprehensive loss/income of the parent company for the year was £1,799,000 (2019: £830,000).

These financial statements were approved by the Board of Directors and authorised for issue on 30 June 2021.

The notes on pages 18 to 29 form part of these financial statements.

They were signed on its behalf by:

C James
Director

Company registration number: 03319443

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group

	Called up Share Capital £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 1 January 2019	40	37	(16,326)	(16,249)
Total comprehensive income for the financial year	-	-	5,120	5,120
Interim dividends paid of £32.50 per Ordinary share	-	-	(12,857)	(12,857)
At 31 December 2019	40	37	(24,063)	(23,986)

	Called up Share Capital £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 1 January 2020	40	37	(24,063)	(23,986)
Total comprehensive income for the financial year	-	-	5,397	5,397
Interim dividends paid of £6.70 per Ordinary share	-	-	(2,650)	(2,650)
At 31 December 2020	40	37	(21,316)	(21,239)

The notes on pages 18 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Company

	Called up Share Capital £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 1 January 2019	40	37	21,881	21,958
Profit for the financial year	-	-	830	830
Interim dividends paid of £32.50 per Ordinary share	-	-	(12,857)	(12,857)
At 31 December 2019	40	37	9,854	9,931

	Called up Share Capital £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 1 January 2020	40	37	9,854	9,931
Loss for the financial year	-	-	(1,799)	(1,799)
Interim dividends paid of £6.70 per Ordinary share	-	-	(2,650)	(2,650)
At 31 December 2020	40	37	5,405	5,482

The notes on pages 18 to 29 form part of these financial statements.

AUTOLINK HOLDINGS (M6) LIMITED

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2020

	Note	2020	2019
		£000	£000
Cash flows from operating activities			
Profit for the year		5,397	5,120
Adjustments for:			
Interest receivable and similar income		(9,672)	(10,602)
Interest payable and similar expenses		3,249	4,494
Taxation		1,780	1,603
		754	615
Decrease in debtors		4,426	6,559
Increase in creditors		7,759	12,356
		12,939	19,530
Corporation tax paid		(1,704)	(1,624)
Net cash flows from operating activities		**11,235**	**17,906**
Cash flows from investing activities			
Interest received		9,682	10,651
Net cash flows from investing activities		**9,682**	**10,651**
Cash flows from financing activities			
Equity dividends paid		(2,650)	(11,560)
Interest paid		(3,020)	(4,146)
Repayment of long term loans		(14,109)	(12,990)
Net cash flows from financing activities		**(19,779)**	**(28,696)**
Net increase/(decrease) in cash and cash equivalents		**1,138**	**(139)**
Cash and cash equivalents at 1 January		25,451	25,590
Cash and cash equivalents at 31 December		**26,589**	**25,451**

The notes on pages 18 to 29 form part of these financial statements.

1. ACCOUNTING POLICIES

Autolink Holdings (M6) Limited is a company limited by shares and incorporated and domiciled in England, United Kingdom.

On 29 April 1997 the group entered into a Private Finance Initiative ("PFI") contract with The Secretary of State for Scotland to Design, Build, Finance and Operate a motorway link between the existing A74(M) and the M74 and an extension to the existing M6 Motorway, linking it to the existing A74(M). The group commenced operation and maintenance of the road on 29 July 1997 for a 30 year concession period. On 1 July 1999 the contract was assigned to The Scottish Ministers under The Scotland Act 1998. The group receives revenue based upon the level of traffic on the road and is required to undertake routine and major maintenance of the road. Further information regarding the group's business activities is set out in the Strategic Report.

The financial statements have been prepared in accordance with applicable United Kingdom law and Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. All accounting policies have been applied consistently throughout the current and preceding years under the historical cost convention.

The functional currency of the group is considered to be pounds sterling because that is the currency of the primary economic environment in which the group operates. Monetary amounts in these financial statements are rounded to the nearest £000.

In these financial statements, the company is considered a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosure:

- Cash flow statement and related notes

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

The particular accounting policies adopted by the directors are described below.

(a) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The group had liabilities of £21,239,000 as at 31 December 2020 and generated a profit for the year then ended of £5,397,000. The net liabilities at group level have been caused by the bonus share issue, subsequent capital reduction and payment of dividends. The parent company had net assets of £5,482,000 as at 31 December 2020.

The directors have prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements through to 30 June 2022 which indicate that, taking account of severe but plausible downsides, the group will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by The Scottish Ministers (the "Authority").

In making this assessment the directors have considered the potential impact of Covid-19.

The group's operating cash inflows are largely dependent on unitary charge receipts receivable from the Authority. The income receivable from the Authority is dependent on traffic flows on the Road, with the income varying with reference to the traffic flow bands within the Contract.

Actual traffic flows over the Road have been significantly impacted by the Covid-19 pandemic. Toll revenue for each year (29th July – 28th July) is invoiced monthly based on an estimate agreed in advance for that year (the provisional payment). Once the actual traffic flows for the year are available there is an annual reconciliation, that once agreed, results in a balancing payment to or from the Authority. The Authority has made all the provisional payments for the toll year to 28 July 2020, and all those invoiced to date for the year 2020-2021 based on the estimate agreed in 2020.

1. ACCOUNTING POLICIES (CONTINUED)

(a) Going concern (continued)

The Authority has agreed that under the Contract the impact of Covid-19 is classed as a Relevant Traffic Effect, and therefore the group is entitled to compensation for this loss of income. The Authority has agreed that an estimate of normal traffic, based upon historic traffic figures, will be applied in the calculation of the provisional monthly payments for 2020-2021. The calculation of the provisional payment for the year 2020-2021 has been agreed and amounts invoiced to date have been paid by the Authority. It is expected that income will continue to be received on this basis for as long as the Relevant Traffic Effect continues, however forecasts prepared assuming estimated actual traffic levels to calculate toll revenue with effect from July 2021 show the company would still be able to comply with its debt covenants and meet all of its liabilities as they fall due, including debt repayments and forecast operational costs.

The directors have assessed the viability of the group's main sub-contractors and are satisfied in their ability to provide the services in line with the Contract without significant additional costs to the group, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the group or its sub-contractors arising from Covid-19. However, in the unlikely event of a subcontractor failure, the group has its own business continuity plans to ensure that service provision will continue.

The directors believe the group has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the directors are confident that the group and the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary. The acquisition method of accounting has been adopted. Under this method, the results and cash flows of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account and cash flow statement from the date of acquisition or up to the date of disposal.

(c) Service concession accounting

The group is an operator of a Private Finance Initiative ("PFI") contract. The group entered into a project agreement (the "Contract") with The Secretary of State for Scotland (the "Authority") to Design, Build, Finance and Operate a motorway link between the existing A74(M) and the M74 and an extension to the existing M6 Motorway, linking it to the existing A74(M). Under the contract operations include the provision of routine maintenance of the road. The group has passed this obligation down to Sir Robert McAlpine Limited via a subcontract. The obligation to provide major maintenance works (lifecycle) is retained by the group, who will generally procure this from Sir Robert McAlpine Limited. The timing and extent of the major maintenance works is a key assumption that will affect the cashflows of the group; further information is shown in note 19. The Contract does not entitle the Authority to any share of the profits of the group. The Authority is entitled to terminate the Contract at any time by giving 5 working days written notice. If the Authority exercises this right it is liable to pay the group compensation as set out in the Contract, which would include any amounts due (including breakage costs) regarding the secured debenture loans and secured bank loans, any operational sums due, any termination costs and a fair market value of the shares in the company's subsidiary.

As the group entered into the contract prior to the date of transition to FRS102, the group has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the group under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase, the PFI unitary charge income is allocated between the capital repayment of the finance debtor and interest receivable using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The group recognises revenue in respect of the services provided, including major maintenance (lifecycle) services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services. Where income has been received and the services have not yet been provided this is recognised as deferred service concession income.

1. ACCOUNTING POLICIES (CONTINUED)

(d) Turnover

Turnover credited to the profit and loss account is calculated by applying a margin to costs incurred in the year. This margin is calculated as total income forecast to be receivable over the concession, less amounts applied to the finance debtor as set out above, less all major maintenance, routine maintenance and other operating costs forecast to be payable over the concession. Management model these costs over the lifetime of the project to estimate the likely total costs.

(e) Other Income

Other income is in respect of additional services and works requested by the client that are not included under the standard contract.

(f) Maintenance

Routine maintenance and major maintenance costs are charged to the profit and loss account as incurred.

(g) 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 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.

(h) Basic financial instruments

Financial instruments are recognised when the group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the group are as follows:

Finance Debtor
The finance debtor is accounted for as a basic financial instrument in accordance with FRS102 section 11 and is discussed in more detail in accounting policy note 1(c).

Trade and other receivables
Trade and other receivables are initially measured at transaction price calculated on the effective interest rate basis, less any impairment.

Current asset investments and cash at bank and in hand
Current asset investments are short term deposits of cash which are initially recognised at fair value and then are stated at amortised cost calculated on the effective interest rate basis.

Cash at bank and in hand is carried in the balance sheet at nominal value.

The group is obligated to keep separate cash reserves in respect of requirements in the group's funding agreements. This restricted cash balance, which is shown on the group balance sheet within the "cash at bank and in hand" balance, amounts to £19,565,000 at the year end (2019: £19,655,000).

1. ACCOUNTING POLICIES (CONTINUED)

(h) Basic financial instruments (continued)

Trade and other creditors
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.

Loans
Debenture and bank loans are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. Interest on the loans is recognised as it accrues using the effective interest method.

(i) Investments

Investments in subsidiaries are measured at fair value through the profit and loss using the expected future cash flows of the subsidiary and discounting these at an appropriate discount rate.

(j) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2. REVENUE

	2020	2019
	£000	£000
Contract income	9,059	9,233
Other income	651	481
	9,710	9,714

All revenue was earned in the United Kingdom.

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£000	£000
Finance debtor interest receivable	9,565	10,364
Other interest receivable	107	238
	9,672	10,602

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£000	£000
Debenture loans	3,242	4,479
Bank loan	7	15
	3,249	4,494

5. PROFIT BEFORE TAXATION

	2020 £000	2019 £000
Profit is stated after charging:		
Fees paid to the auditor for audit services to the company	4	6
Fees paid to the auditor for audit services to subsidiaries of the company	24	32

The cost of the audit of the company has been borne by the company's subsidiary in both current and prior years.

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The group had no employees during the year (2019: None) and therefore no staff costs (2019: £Nil) and no emoluments were paid to key management personnel or the directors for their services (2019: £Nil). £56,000 was paid to the shareholders for directors' services (2019: £64,000).

7. TAXATION ON PROFIT

On the results for the year at 19% (2019: 19%):

	2020 £000	2019 £000
Current year tax:		
United Kingdom corporation tax	1,787	1,656
Total United Kingdom corporation tax	1,787	1,656
Deferred taxation		
Origination/reversal of timing differences (note 14)	(65)	(59)
Effects of changes in tax rates (note 14)	58	6
Total deferred taxation	(7)	(53)
Tax on profit	1,780	1,603

Factors affecting the total tax charge for the current period:

	2020 £000	2019 £000
Profit before tax	7,177	6,723
Tax at 19% (2019: 19%)	1,364	1,277
Expenses not deductible for tax purposes	358	320
Change in tax rate on deferred tax balances	58	6
	1,780	1,603

The United Kingdom Corporation Tax rate fell from 20% to 19% with effect from 1 April 2017. The Finance Act 2016 (enacted on 15 September 2016) proposed a reduction to the corporation tax main rate to 17% with effect from 1 April 2020. The government subsequently put this rate reduction on hold, maintaining the corporation tax main rate at 19%. The amending legislation to defer the rate reduction was substantively enacted on 17 March 2020.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, and therefore deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the timing differences were to reverse at the amended rate this would increase the deferred tax liability by £154,000 as at 31 December 2020.

Notes to the financial statements for the year ended 31 December 2020

8. FIXED ASSET INVESTMENTS

	Company 2020 £000	Company 2019 £000
Interest in subsidiary undertakings:		
Shares	36,064	40,175

The investment consists of a 100% ownership of the ordinary shares of Autolink Concessionaires (M6) plc, which is incorporated in Great Britain and registered in England and Wales and registered at Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR. The activity of the company's subsidiary is the operation and maintenance of the road which is discussed in the Report of the Directors. The investment is held at fair value which is estimated using the expected future cash flows of the subsidiary and discounting these at an appropriate discount rate, together with the cost of the investment. The discount rate used was 7% in the current year (2019: 7%).

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £000	Group 2019 £000
Trade debtors	3,365	550
Finance debtor (note 10)	8,272	7,375
Prepayments and accrued income	410	286
	12,047	8,211

10. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2020 £000	Group 2019 £000
Finance debtor	67,129	75,401

Notes to the financial statements for the year ended 31 December 2020

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Secured debenture loans (note 12)	14,809	13,531	-	-
Secured bank loan (note 12)	348	348	-	-
Trade creditors	35	53	-	-
Corporation Tax	897	814	-	-
VAT payable	340	374	-	-
Accruals and deferred income	797	740	-	-
Amounts owed to subsidiary	-	-	30,586	30,248
	17,226	15,860	30,586	30,248

Amounts owed to the subsidiary undertaking relates to a loan from Autolink Concessionaires (M6) Plc which is the company's immediate subsidiary company. The loan is repayable on demand, and repayments commenced in 2020. The loan bears interest at a rate of 5% + 6 months LIBOR.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2020 £000	Group 2019 £000
Secured debenture loans (a)	7,927	22,679
Secured bank loan (b)	174	521
Deferred service concession income	101,190	93,495
	109,291	116,695

(a) The secured debenture loans are secured by a fixed and floating charge on the assets of the company's subsidiary. The loans are repayable by instalments from 15 December 2007 to 15 June 2022.

(b) The bank loan is secured by a financial guaranty policy and is repayable by equal semi-annual instalments from 15 June 2004 to 15 June 2022. The interest rate is variable and determined quarterly in advance in accordance with the standard procedures of the lending bank.

Notes to the financial statements for the year ended 31 December 2020

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

The loans are repayable as follows:

	2020 £000	2019 £000
Within one year:		
A1 secured debenture loan at 8.39% per annum	13,279	12,255
B1 secured debenture loan at 11.27% per annum	1,679	1,505
Secured bank loan	349	349
	15,307	14,109
Between one and two years:		
A1 secured debenture loan at 8.39% per annum	7,064	13,279
B1 secured debenture loan at 11.27% per annum	913	1,679
Secured bank loan	174	349
	8,151	15,307
Between two and five years:		
A1 secured debenture loan at 8.39% per annum	-	7,064
B1 secured debenture loan at 11.27% per annum	-	913
Secured bank loan	-	174
	-	8,151
	23,458	37,567
Less: effective interest rate adjustments	(200)	(488)
	23,258	37,079
Included in creditors: amounts falling due within one year	15,157	13,879
Included in creditors: amounts falling due after more than one year	8,101	23,200
	23,258	37,079

13. FINANCIAL INSTRUMENTS

Financial Assets

The company's only financial asset is its £4,000 cash at bank and in hand (2019: £4,000) which matures within one year. The cash balances are sterling denominated and receive interest at a variable rate with reference to the Bank of England base rate.

The carrying amount of the financial assets of the group are as follows:

	2020 £000	2019 £000
Assets measured at amortised cost		
- Trade debtors	3,365	550
- Finance debtor	75,401	82,776
- Cash at bank and in hand	26,589	25,451
	105,355	108,777

13. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities

The carrying amount of the financial liabilities of the group are as follows:

	2020 £000	2019 £000
Liabilities measured at amortised cost		
- Trade creditors	35	53
- Accruals	797	740
- Listed debenture loans	22,736	36,210
- Secured bank loans	522	869
	24,090	37,872

Listed debenture loans were issued to provide funding to finance the construction phase of the Contract. As part of the group's risk-averse funding policy the group issued fixed interest rate bonds at inception in order to mitigate the risk of sudden and unexpected changes in financing costs.

See note 12 for the repayment terms of the debenture loans.

14. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred Tax £000	Total £000
At 1 January 2020	494	494
Charged to the profit and loss account	(7)	(7)
At 31 December 2020	487	487

The deferred tax liability is provided for at a rate of 19% (2019: 17%) and is recognised in the accounts as follows:

	Group 2020 £000	Group 2019 £000
Accelerated capital allowances	385	380
Short term timing differences	102	114
	487	494

The deferred tax liability has been calculated at 19% as this was the rate substantively enacted at the balance sheet date.

Group and Company

There were no unprovided deferred tax assets or liabilities at the year end (2019: £Nil).

Notes to the financial statements for the year ended 31 December 2020

15. CALLED UP SHARE CAPITAL

	2020 No.	2019 No.	2020 £000	2019 £000
Allotted, called up and fully paid:				
Ordinary 'A' shares of 10p each	77,138	77,138	7	7
Ordinary 'B' shares of 10p each	77,138	77,138	7	7
Ordinary 'C' shares of 10p each	77,138	77,138	7	7
Ordinary 'D' shares of 10p each	25,713	25,713	3	3
Ordinary 'E' shares of 10p each	138,453	138,453	16	16
			40	40

All shares rank pari passu.

16. CHANGES IN NET DEBT

The changes in net debt of the group are as follows:

Group	Borrowings due within one year £000	Borrowing due after one year £000	Subtotal £000	Cash and cash equivalents £000	Net debt £000
Net debt analysis					
At 1 January 2020	(14,023)	(23,200)	(37,223)	25,451	(11,772)
Cash flows	17,129	-	17,129	1,138	18,267
Non-cash changes	(18,346)	15,099	(3,247)	-	(3,247)
At 31 December 2020	(15,240)	(8,101)	(23,341)	26,589	3,248

17. RELATED PARTY TRANSACTIONS

The group has entered into the following material transactions with related parties:

On 29 July 2013 the group entered into a four year Routine Operating and Maintenance contract with Sir Robert McAlpine Limited, a group member of one of the company's shareholders. This contract was amended and restated in February 2016 and now expires at the end of the concession. A total of £7,207,000 (2019: £8,000,000) was payable during the year under this contract. At the financial year end £593,000 (2019: £448,000) was owed to Sir Robert McAlpine Limited, and included in creditors: amounts falling due within one year.

£505,000 (2019: £481,000) was payable by the group during the year to Sir Robert McAlpine Limited for the provision of staff and other services. At the financial year end £41,000 (2019: £40,000) was owed to Sir Robert McAlpine Limited, and included in creditors: amounts falling due within one year.

Directors fees of £56,000 (2019: £64,000) were payable by the group to group members of the shareholders during the year, and £nil (2019: £nil) was unpaid at the year end and included in creditors: amounts falling due within one year as follows:

	Fees payable 2020 £000	Fees payable 2019 £000	Fees accrued 2020 £000	Fees accrued 2019 £000
Innisfree Limited	28	27	-	-
Sir Robert McAlpine Capital Ventures Limited	28	27	-	-
Laing Investments Management Services Limited	-	10	-	-
	56	64	-	-

Notes to the financial statements for the year ended 31 December 2020

18. ULTIMATE CONTROLLING PARTY

Autolink Holdings (M6) Limited represents both the smallest and largest group to prepare consolidated accounts which include the results of this entity.

The company is jointly owned and controlled by:

Innisfree M&G PPP LP, Innisfree PFI Secondary Fund, Newarthill Limited and The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme.

19. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the group's accounting policies are described below:

Critical judgements and estimates

Service concession accounting
Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Major maintenance costs are a significant proportion of future expenditure. Given the length of the group's service concession contract, the forecast of major maintenance costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future major maintenance costs. To reduce the risk of misstatement, future estimates of major maintenance expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the major maintenance forecast. If major maintenance costs cumulatively over the remainder of concession increase by 10% the impact would be a decrease in revenue in the current year of £349,000 (2019: £345,000) and a decrease in the profit before taxation of £349,000 (2019: £345,000). If major maintenance costs cumulatively over the remainder of concession decrease by 10% the impact would be an increase in revenue in the current year of £379,000 (2019: £373,000) and an increase in the profit before taxation of £379,000 (2019: £373,000).

Finance debtor
Accounting for the construction of the underlying asset requires an assessment to be made in respect of its treatment on the balance sheet. The underlying asset has been treated as a finance debtor because the risks and rewards of ownership were deemed to lie principally with The Scottish Ministers.

Investments valuation
Accounting for the company's investment in its subsidiary requires the determination of an appropriate discount rate to apply to the future cash flows from the subsidiary over its remaining concession life. Due to the subjectivity of the discount rate, management undertake a review of the rate applied on an annual basis. The timing of the cash flows is also considered to be a critical judgment as the cash flows are dependent on major maintenance spend, inflation and tax rates. Major maintenance expenditure and the associated cash flows are regularly reviewed. The cash flows are sensitive to changes in economic assumptions. The discount rate used was 7% in the current year (2019: 7%).

The fair value of the investment in its subsidiary will fluctuate in line with discount rates. The effects of a change in discount rate on the fair value are as follows:

	2020 £000	2019 £000
At Discount rate 7%	36,064	40,175
At Discount rate plus 1.0%	35,907	40,007
At Discount rate less 1.0%	36,231	40,351

Notes to the financial statements for the year ended 31 December 2020

19. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical judgements and estimates (continued)

Investments valuation (continued)

The fair value of the investment in its subsidiary will also fluctuate in line with major maintenance expenditure. The effects of a change in major maintenance expenditure on the fair value are as follows:

	2020 £000	2019 £000
Forecast major maintenance costs	36,064	40,175
Forecast major maintenance costs plus 10%	33,522	37,143
Forecast major maintenance costs less 10%	38,859	42,639

20. EVENTS AFTER THE REPORTING DATE

The successful development and roll-out of effective COVID-19 vaccines are clearly a positive and welcome step in the global fight against the pandemic. However, the discovery of various mutations, together with continued growth in numbers of new cases globally, are such that considerable uncertainty remains as to the timing of social and economic recovery from the virus.

A review of the risks due to Covid-19 can be found in the Strategic Report. Based on those risks and due to the Government's actions in responding to Covid-19, in particular providing guidance that public bodies should continue to pay their suppliers in full, there is not expected to be any significant financial impact on the group.

The directors continue to monitor the situation and the impact on the group.

Since the balance sheet date there have been changes to the anticipated timing, and amount, of cash flows from the company's subsidiary to the company. This has primarily arisen from changes in future corporation tax rates together with changes to operational cashflows because of Covid-19. This affects the valuation of the company's investment in its subsidiary. Based on the expected future cash flows in the group's latest forecasts, the investment would be valued at £34,576,000 at 31 December 2020. As the tax rate changes were substantially enacted post year end this is a non-adjusting post balance sheet event.