

COMPANY REGISTRATION NUMBER 08780390

MERSEYLINK (FINANCE) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 MARCH 2021



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MERSEYLINK (FINANCE) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

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MERSEYLINK (FINANCE) LIMITED
COMPANY INFORMATION
YEAR ENDED 31 MARCH 2021

DIRECTORS

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

SECRETARY

I Bulley

REGISTERED OFFICE

9 Howard Court
Manor Park
Runcorn
WA7 1SJ

REGISTERED NUMBER

08780390

BANKERS

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

LEGAL ADVISORS

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

AUDITOR

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

MERSEYLINK (FINANCE) LIMITED
STRATEGIC REPORT
YEAR ENDED 31 MARCH 2021

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was being an intermediate holding company and the raising of finance through a subordinated debt loan notes facility and onward loan notes facility of the proceeds, with identical terms for the payment of interest and principal, to a fellow subsidiary undertaking, Merseylink Limited. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

On 28 March 2014, the company authorised the creation of £57,000,000 of 7.561% loans due 2044, of which £52,491,000 were issued on 30 September 2017.

The result for the financial year amounted to a loss of £117,000 (2020: £nil) and the net liabilities at 31 March 2021 were £66,000 (2020: £51,000 net assets).

PRINCIPAL RISKS AND UNCERTAINTIES

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

The key business risks affecting the company are considered to be those affecting its fellow group undertaking, Merseylink Limited, whose main risks relate to supply chain failure of the building contractor, treasury management and control, review of the insurance cover and lifecycle profile.

Supply chain failure

The risk of supply chain failure of the building contractor is mitigated by the use of performance bonds provided by the building contractor and parent company guarantees provided by Samsung C&T Corporation, Fomento de Construcciones y Contratas, S.A and Kier Group plc. Construction is monitored by a technical adviser who reports on the progress of the contract. Covid-19 is not expected to significantly affect the business or its suppliers. The performance of the operations and maintenance contractor is closely monitored on a monthly basis, with their performance assessed against the related contract provisions. The same contract also includes a comprehensive security package, should the related company experience any financial difficulties.

Treasury management and control

At the start of the PFI contract the group negotiated debt facilities with external parties to ensure that the group has sufficient funds to finance construction. The board closely monitor the covenants associated with the debt to ensure that the company is meeting its obligations in that regard.

Adequacy of insurance cover

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

Lifecycle funds adequacy

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

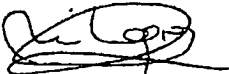
The board formally reviews risks and appropriate processes are put in place to mitigate them.

MERSEYLINK (FINANCE) LIMITED
STRATEGIC REPORT (continued)
YEAR ENDED 31 MARCH 2021

KEY PERFORMANCE INDICATORS

The primary focus of the company is the timely repayment of the debts it has issued and monitoring compliance with the covenants associated with those debts. The company is dependent upon the performance of Merseylink Limited in order to service those debts. As part of the management procedures, Merseylink Limited maintains a detailed financial model, showing the anticipated financial performance of its concession across the full term. Management meetings are held on a regular basis to monitor actual financial performance against a budget derived from the financial model. The project company is required to maintain the network to a specified level and ensure that traffic movements meet contractual requirements. The performance against these requirements is closely monitored and reported to the board on a monthly basis. The board has reviewed the operational performance of the network, together with the actual and projected financial performance, as shown by the detailed financial model. At the balance sheet date, the board consider the performance of the project against such measures to be satisfactory.

On behalf of the board of the directors,



M Lopez Simon
Director

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

Approved by the board of the directors on
10 March 2022

MERSEYLINK (FINANCE) LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2021

The directors present their report and the audited financial statements of the company for the year ended 31 March 2021. The principal activities and business review are detailed in the Strategic Report.

FUTURE DEVELOPMENTS

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

DIVIDENDS

The directors are unable to recommend a dividend (2020: none).

DIRECTORS

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

J Findlay
V Ellenberg
F Schramm

I Bahena

A Kornman

J Douglas

R Thompson

M Lopez Simon

A Dunne

(Resigned 26 February 2021)

(Appointed 2 December 2020)

(Appointed 1 February 2021)

DONATIONS

The company made no charitable or political donations during the year (2020: none).

FINANCIAL RISK MANAGEMENT

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

The company's financial instruments comprise fixed rate borrowings, the main purpose of which is to raise finance for the company's operations.

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

Liquidity risk

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

MERSEYLINK (FINANCE) LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2021

FINANCIAL RISK MANAGEMENT (continued)

Interest rate cash flow risk

The company seeks to minimise its exposure to an upward change in interest rates by borrowing at fixed rates. At the year end all the company's borrowings were at fixed rates.

Credit risk

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor are aware of that information.


INDEPENDENT AUDITOR

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

GOING CONCERN

The company's ability to be a going concern is considered dependent on the going concern of the Merseylink (Holdings) Limited group. The directors have reviewed the group's projected cash flows by reference to a financial model covering the accounting periods up to 31 March 2044. The directors have also examined the current status of the group's principal contracts, the effects of Covid-19 and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the group will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is appropriate for the financial statements of the company and the group to be prepared on a going concern basis.

On behalf of the board of the directors,



M Lopez Simon
Director

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

Approved by the board of the directors on

10 March 2022

MERSEYLINK (FINANCE) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 MARCH 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Signed on behalf of the Board by:



M Lopez Simon
Director

9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ
10 March 2022

MERSEYLINK (FINANCE) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MERSEYLINK (FINANCE) LIMITED
YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of Merseylink (Finance) Limited (the 'company') for the year ended 31 March 2021 which comprise the Profit and Loss Account, Statement of Changes in Equity, Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021, and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the 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 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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MERSEYLINK (FINANCE) LIMITED (continued)
YEAR ENDED 31 MARCH 2021**

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the 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 our 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 and the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 the Directors

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

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

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

- United Kingdom Generally Accepted Accounting Practice, including FRS 102;
- UK Companies Act; and
- UK Corporation taxes legislation.

MERSEYLINK (FINANCE) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MERSEYLINK (FINANCE) LIMITED (continued)
YEAR ENDED 31 MARCH 2021

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

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

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

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing analytical procedures to identify any unusual or unexpected relationships; and
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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



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

10 March 2022

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

MERSEYLINK (FINANCE) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2021

	Note	2021 £000	2020 £000
TURNOVER		-	-
Administrative expenses		-	-
OPERATING RESULT		-	-
Interest receivable and similar income	4	3,821	3,759
Interest payable and similar expenses	5	(3,965)	(3,759)
LOSS BEFORE TAXATION		(144)	-
Tax on loss	7	27	-
(LOSS)/RESULT FOR THE FINANCIAL YEAR		(117)	-

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

The company has no recognised gains or losses other than the loss for the financial year as set out above.

The notes on pages 13 to 19 form part of these financial statements.

MERSEYLINK (FINANCE) LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2021


	Note	Called up share capital £000	Profit and loss account £000	Total shareholders ' funds £000
Balance as at 1 April 2019		51	-	51
Result for the financial year	14	-	-	-
Balance as at 31 March 2020		51	-	51
Loss for the financial year	14	-	(117)	(117)
Balance as at 31 March 2021		51	(117)	(66)

The notes on pages 13 to 19 form part of these financial statements.

MERSEYLINK (FINANCE) LIMITED
BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
FIXED ASSETS			
Investments	6	51	51
CURRENT ASSETS			
DEBTORS: Amounts falling due after more than one year	8	50,339	50,372
Cash at bank and in hand		1,742	1,364
		<u>52,081</u>	<u>51,736</u>
CREDITORS: Amounts falling due within one year	10	(4,038)	(3,644)
NET CURRENT ASSETS		48,043	48,092
TOTAL ASSETS LESS CURRENT LIABILITIES		48,094	48,143
CREDITORS: Amounts falling due after more than one year	11	(48,160)	(48,092)
NET ASSETS		<u>(66)</u>	<u>51</u>
CAPITAL AND RESERVES			
Called up share capital	13	51	51
Retained earnings	14	(117)	-
TOTAL SHAREHOLDERS' FUNDS		<u>(66)</u>	<u>51</u>

The financial statements on pages 10 to 19 were approved by the Board of Directors on 10 March 2022 and are signed on their behalf by:



M Lopez Simon
Director
Company Registration Number: 08780390

The notes on pages 13 to 19 form part of these financial statements.

MERSEYLINK (FINANCE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES

General information

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

The United Kingdom has left the European Union and customs union on 31 December 2020. However, the group is not affected directly by the withdrawal from the European Union, as the cash flows generated from the PFI concession asset are secured under a contract with the client, which is a government body.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard FRS 102, 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'. The principal accounting policies, which have been applied consistently, are set out below. The presentational and functional currency is pounds sterling. Monetary amounts in these financial statements are rounded to the nearest £ 000.

Going concern

The directors have reviewed the group and all its subsidiaries projected cash flows by reference to a financial model covering the accounting periods up to 31 March 2044. The directors have also examined the current status of the company's principal contracts, the effect of Covid-19 and likely developments in the foreseeable future. Having reviewed the available information, the directors consider that the company will be able to meet its financial obligations on the due dates for the foreseeable future. Accordingly, the directors consider that it is appropriate for the financial statements of the company to be prepared on a going concern basis.

Consolidated financial statements

The company is a wholly-owned subsidiary of Merseylink (Holdings) Limited and is included in the consolidated financial statements of that company. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. Copies of the Merseylink (Holdings) Limited consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Exemptions for qualifying entities under FRS 102

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

- Cash Flow Statement and related notes.
- Basic Financial Instruments and Other Financial Instrument Issues.

MERSEYLINK (FINANCE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES *(continued)*

Investments

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

Taxation

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

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

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

Deferred tax is recognised on trading losses carried forward.

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

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

Financial instruments

Other debtors / creditors

Other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments

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

MERSEYLINK (FINANCE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Critical judgements and estimation uncertainty

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

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

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

- evaluating the impairment, if any, of debtors. No impairment has been encountered to date.
- macroeconomic assumptions in the group's underlying financial model, to include indexation and interest rates. The project has taken out interest rate swaps and therefore has largely fixed its borrowing costs.

2. AUDITORS' REMUNERATION

	2021	2020
	£000	£000
Auditors' remuneration - audit of the financial statements	<u>1</u>	<u>1</u>

The audit fee of the company was borne by its fellow group undertaking, Merseylink Limited, in the current and prior year.

3. PARTICULARS OF EMPLOYEES

The company had no employees during the year (2020: nil). The directors have no contract of service with the company. The directors did not receive any emoluments in the year in respect of their services as directors of the company (2020: £nil).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£000	£000
Interest charged to group undertakings	<u>3,821</u>	<u>3,759</u>
	<u>3,821</u>	<u>3,759</u>

MERSEYLINK (FINANCE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2021

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£000	£000
Interest payable on subordinated debt	3,965	3,759
Other finance costs	-	-
	<u>3,965</u>	<u>3,759</u>

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

6. INVESTMENTS

	2021	2020
COST	£000	£000
Balance brought forward and carried forward	<u>51</u>	<u>51</u>
NET BOOK VALUE		
Balance brought forward and carried forward	<u>51</u>	<u>51</u>

The company owns 100% of the issued share capital (£50,000) of Merseylink (Issuer) plc and 100% of the issued share capital (£1,000) of Merseylink Limited, both of which are registered and domiciled in the United Kingdom at 9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ.

7. TAX ON LOSS

(a) Analysis of credit in the year

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

	2021	2020
	£000	£000
Current tax:	(27)	-
Deferred tax:		
Origination and reversal of timing differences		
- in respect of current financial year	-	-
Total deferred tax (note 9)	<u>(27)</u>	<u>-</u>
Tax on profit/(loss)	<u>(27)</u>	<u>-</u>

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was a credit of £27,000 (2020: £nil).

MERSEYLINK (FINANCE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2021

7. TAX ON LOSS (continued)

(b) Factors affecting tax (credit)/charge

	2021	2020
	£000	£000
Loss before taxation	144	-
Loss before taxation multiplied by the standard rate of tax in the UK of 19.00% (2020: 19.00%)	(27)	-
Total tax credit (note 7(a))	(27)	-

(c) Factors that may affect future tax charges

The deferred tax asset at 31 March 2021 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

Factors that may affect future tax expense

In the budget on 3 March 2021, the Chancellor of the Exchequer announced that the UK Corporation tax rate will increase to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly.

8. DEBTORS

	2021	2020
	£000	£000
Amounts falling due after more than one year:		
Deferred taxation (note 9)	27	-
Amount owed by group undertakings	50,312	50,372
	50,339	50,372

Interest is charged on amounts owed by group undertakings at a fixed rate of 7.561% and is fully repayable by 2044.

9. DEFERRED TAXATION

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

	2021	2020
	£000	£000
Included in debtors (note 8)	27	-

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

	2021	2020
	£000	£000
Balance brought forward	-	-
Profit and loss account movement arising during the year (note 7(a))	27	-
Balance carried forward	-	-

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

	2021	2020
	£000	£000
Trading losses carried forward	27	-

There is no (2020: none) unrecognised deferred tax asset or liability for the group.

MERSEYLINK (FINANCE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2021

10. CREDITORS: Amounts falling due within one year

	2021	2020
	£000	£000
Subordinated debt (including accrued interest)	<u>4,038</u>	<u>3,644</u>

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

	2021	2020
	£000	£000
Subordinated debt	<u>48,160</u>	<u>48,092</u>

Included within the Subordinated debt liability an amount repayable after five years of £48,353,000 (2020: £48,307,000), before an Effective Interest Rate adjustment of £805,000 (2020: £1,066,000).

Subordinated debt represents a £48,965,000 (2020: £49,159,000) unsecured subordinated loan facility due to the shareholders of the group. The subordinated loan facility bears interest at a fixed rate of 7.561% and is fully repayable by 2044.

12. RELATED PARTY TRANSACTIONS

As the Company is a wholly-owned subsidiary of Merseylink (Holdings) Limited, the company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the group.

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

	Transactions with related parties		Payables to related parties	
	2021	2020	2021	2020
	£000	£000	£000	£000
FCC Mersey Gateway Limited	926	928	12,819	13,724
MG Bridge Investments Limited	1,388	1,392	19,228	19,385
Wigg Investments Limited	<u>1,388</u>	<u>1,392</u>	<u>20,957</u>	<u>20,560</u>

At 31 March 2021, 25% of the share capital in Merseylink (Holdings) Limited was held by FCC Mersey Gateway Limited, 37.5% of the share capital was held by MG Bridge Investments Limited and 37.5% of the share capital was held by Wigg Investments Limited.

13. CALLED UP SHARE CAPITAL

	2020 and 2021	2020 and 2021
	£000	£000
Allotted, called up and fully paid:		
51,000 Ordinary shares of £1 each	<u>51</u>	<u>51</u>

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

14. RETAINED EARNINGS

	2021	2020
	£000	£000
Balance brought forward	-	-
Result for the financial year	<u>(117)</u>	-
Balance carried forward	<u>(117)</u>	-

MERSEYLINK (FINANCE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 MARCH 2021

15. CONTROLLING PARTIES

The company is a wholly owned subsidiary of Merseylink (Holdings) Limited ("the immediate parent undertaking").

The largest and smallest group in which the results of the Company are consolidated is that headed by Merseylink (Holdings) Limited, incorporated in the United Kingdom. Copies of the Merseylink (Holdings) Limited consolidated financial statements can be obtained from 9 Howard Court, Manor Park, Runcorn, England, WA7 1SJ.

The ultimate controlling party is the board of directors of Merseylink (Holdings) Limited.