

**SCOT ROADS PARTNERSHIP HOLDINGS LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**



# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## COMPANY INFORMATION

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### Directors

J R Perez Perez  
L McKenna  
P Ashbrook  
A Wallace  
A Orol Martin-Aragon  
B Lantz (Appointed 27 April 2021)  
Mr A Thakrar (Appointed 18 February 2022)  
K Pearman (Appointed 31 March 2022)

### Secretary

Fulcrum Infrastructure Management Limited

### Company number

SC463968

### Registered office

1E Willow House  
Kestrel View  
Strathclyde Business Park  
Bellshill  
ML4 3PB

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

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# **SCOT ROADS PARTNERSHIP HOLDINGS LTD**

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# **SCOT ROADS PARTNERSHIP HOLDINGS LTD**

## **GROUP STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2022**

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The Directors present the strategic report and audited consolidated financial statements for the year ended 31 March 2022.

#### **Principal activities and review of the business**

Scot Roads Partnership Holdings Ltd (the "Company") operates principally as a holding company for Scot Roads Partnership Project Ltd, and Scot Roads Partnership Finance Ltd (together, the "Group"). The principal activity of the Group was the provision of design, construction, operation and maintenance services on a section of the M8, M73 and M74 motorways in Scotland. The project also incorporated upgrading the A8 (the existing trunk road) by building a motorway standard carriageway next to the existing road.

On 13 February 2014, the Group entered into a Project Agreement with Scottish Ministers, together with an associated construction contract, funding agreements and highway maintenance contract. The Project Agreement requires the Group to provide and maintain sections of the M8, M73 and M74 motorway improvements schemes in Scotland over a 33 year concession term under the Government's Private Finance Initiative.

The Group has undertaken an initial three year construction period, during which time significant capital work with a total planned value of £309,878,000 has been undertaken to upgrade, increase capacity and relieve congestion on this stretch of the motorway network to achieve a predefined quality and service level, following which time the Group will provide a sustained level of service for the remaining 30 years of the project. The main construction work completed in 2017 when the road opened up for public use and the Group has provided 5 of the 30 years of service. Performance against the original plan is discussed below under Financial Key Performance Indicators.

On 13 February 2014, the Group issued £175,453,000 of 5.591% fixed rate security bonds due in March 2045 on the Luxembourg Stock Exchange, of which £36,688,000 was paid for and the remaining held by the bond custodian to be purchased at a later date. At 31 March 2017, these bonds were fully paid for with principal repayment commencing September 2017. It also entered into a loan agreement with the European Investment Bank ("EIB") under which EIB guaranteed it a £174,808,000 loan facility attracting a fixed interest rate of 4.556% due in March 2045.

The Group has performed broadly in line with the finance model expectations. The Group has been set up using a "Non-Profit Distributing Model" whereby all surpluses are paid to the Scottish Ministers through a rebate of service income. An adjustment has been made to revenue which has the effect of reducing the result for the year to £nil which reflects the contractual arrangements of the Group. The service income was £519,000 lower than prior year, in part due to the deferral of certain lifecycle spend, partly as a result of events in the Glasgow area during the year (such as the delayed Euro 2020 football final and COP26). This lower spend was also a driver in the overall decrease in the cost of sales result of £10,935,000 (2021: £11,339,000). Whilst the gross margin remained broadly flat, an increase in administrative expenses of £267,000, mainly resulting from higher legal spend in relation to ongoing disputes, contributed to the reduction in the overall surpluses in the year of £2,131,000 (2021: £2,471,000). The result after taxation for the period amounted to £nil (2021: £nil).

The Contract asset and Loan and Bond finance borrowings decreased as expected and in line with contract expectations during the year. The Shareholder loan on which no principal or interest repayments were made due to the Senior Creditors issuing a Reservation of Rights, following disputes on the project triggering a potential technical Event of Default. As a result interest on the shareholder loan has accrued at year end of £4,898,000 (2021: £2,375,000). The Company is a holding company with no trading in the year or prior year and investments of £1,000 (2021: £1,000).

The Company is a holding company with no trading in the year or prior year and investments of £1,000 (2021: £1,000).

# **SCOT ROADS PARTNERSHIP HOLDINGS LTD**

## **GROUP STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2022**

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### **Statement by the Directors in relation to the Companies Act 2006;**

#### **Section 172 Statement**

The Group board of directors are committed to promoting the success of the Group and Company by acting in good faith to continuously developing, improving, and maintaining robust relationships with our Clients, Supply Chain, Funders, and the local community to foster co-operative working and become the safest and best performing network operator in Scotland.

The Directors understand their obligations to be a good neighbour and therefore monitor, where possible, any environmental impacts to ensure a clean and safe network for now and for the future of the concession.

#### **Stakeholder Interest**

The board considers and reviews its position in relation to its stakeholders on a regular basis to ensure that it is supporting the long-term objectives of the project. The Group has a keen interest in ensuring that it minimises its operational impact on the environment where possible.

The Group maintains regular dialogue with funders, providing consistent updates of the project model and other financial information as required by the terms of the bond / loan agreements.

During the year the Group has engaged pro-actively with Scottish Ministers and with its sub-contractor on the project.

#### **Employee Interest**

The Group has no employees but has an ongoing desire to provide a safe working and open and flexible environment for the benefit of all seconded staff.

### **Principal risks and uncertainties**

The Group's exposure to inflationary risk, particularly in relation to the investment, operation and maintenance cost base is mitigated by having index linked contract cash inflows. The cash inflows are received from the Scottish Ministers, providing a low risk of in relation to any potential credit risk.

The Group's exposure to interest rate risk is mitigated by entering into a bank loan agreement with a fixed interest rate on the loan, and the bond finance is not linked to fluctuations in interest rates.

The Group will be responsible for performing the routine and non-routine operation and maintenance obligations and a failure to properly meet these obligations may lead to the Group incurring performance deductions. This risk is mitigated by a back-to-back contract with the operator with any performance deductions being passed through under that contract.

Although the construction phase is now complete, there are a number of potential disputes that have not been fully settled. This has triggered a potential technical Event of Default, although the Senior Lenders have issued a Reservation of Rights covering the position. As part of this the Group has delayed the loan repayments to the shareholders until resolution. The risk is mitigated by the back-to-back nature of the sub-contractor contract and the Directors do not believe that the Group has any material exposure and is largely facilitating settlement, there remains a risk that some costs may ultimately be borne by the Group.

The Group is exposed to the risk of latent defects with regards to certain structures in the existing roads and assets. This risk is managed by regular monitoring of the works to provide advance warning of any potential such defects to mitigate any cost implications, and by the pass through of responsibility for dealing with the rectification of latent defects to the subcontractors. Further, the Group's liability in relation to the rectification of latent defects in the structures considered most at risk is capped.

The Group's principal financial assets are cash, financial assets and other receivables. The board of Directors is of the opinion that the risk of non-settlement or non-recoverability is limited.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## GROUP STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2022**

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### Financial key performance indicators

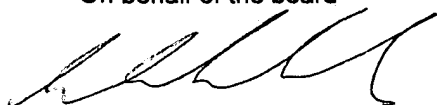
The Group has financial and non financial key performance indicators, each of which impacts its results for the period and will impact its future performance.

The key performance indicators of the Group are:

- Progress against the financial model. The Group created a model before the commencement of the project which forecasts all income and expenditure. The Group tracks its progress against the financial model. The activities of the Group continue to progress in line with the financial model.
- The level of service provided. This is measured through the availability of the asset and therefore the deductions to unitary payments levied by the Scottish Ministers when the asset is partially or completely unavailable for use. During the year, the level of performance deduction was low.
- The quantum of costs incurred as compared to budget. Overall there were no significant cost deviations from budget.

At 31 March 2022 performance against these measures was satisfactory.

On behalf of the board



P Ashbrook

**Director**

20 September 2022

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2022

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The Directors present their annual report and audited consolidated financial statements for the year ended 31 March 2022.

#### Directors

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

R M Ashcroft	(Resigned 27 April 2021)
J G Connelly	(Resigned 31 March 2022)
J R Perez Perez	
L McKenna	
P Ashbrook	
A Clapp	(Resigned 27 August 2021)
A Wallace	
A Orol Martin-Aragon	
B Lantz	(Appointed 27 April 2021)
J Linney	(Appointed 27 August 2021 and resigned 18 February 2022)
Mr A Thakrar	(Appointed 18 February 2022)
K Pearman	(Appointed 31 March 2022)

#### Statement of Directors responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with the UK-adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards are in conformity with the requirements of the Companies Act 2006 and have been followed for the Group financial statements as well as have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### Dividends

The Directors do not recommend payment of a dividend (2021: £nil).

# **SCOT ROADS PARTNERSHIP HOLDINGS LTD**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2022***

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### **Directors indemnities**

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

### **Financial risk management**

The Group has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Group's performance. The Directors have policies for managing each of these risks which are set out in the Strategic Report and note 17 to the financial statements.

### **Future developments**

The Group has completed the investment works alongside a range of maintenance activities which were carried out on sections of highway which did not require substantial upgrade. The Group will continue to focus on providing the planned and reactive maintenance work until the end of the concession in 2047.

### **Corporate governance**

The board are appointed by the shareholders and review the financial and operational performance of the Group. The Group consists of special purpose entities established to engage in a Private Finance Initiative ("PFI") project as noted in the principal activities in the Strategic Report. The Group's business is confined to that project and its activities are clearly defined and restricted by the contracts which it has entered into. The board has an experienced operational management and finance team who monitor the Group's and its subcontractors' compliance with those contracts as well as reporting financial and operational performance to the board. Internal risk management processes and systems are also in place to monitor, report and address any significant issues identified.



# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### Going Concern

The Directors have considered a number of factors in determining whether the Group and Company remain a going concern.

The key factors and related conclusions are summarised below:

- The Directors have considered the ability of the Scottish Ministers to meet future contractual payments. The Directors have concluded that they do not currently consider this to be a material risk;
- The Directors have considered the impact of changes in the performance of key subcontractors, and their ability to continue to meet contractual commitments. The Directors do not currently consider this to be a material risk;
- The Directors have considered the impact of inflation. The additional surpluses generated as a result of higher inflation rates will broadly cover the additional costs as a result of having index linked contract cash flows. The Directors do not consider this to be a material risk;
- At the start of the project the Group secured and had fully drawn bank facilities of £174,808,000 and bond finance of £175,453,000 with an additional shareholder loan of £38,916,000. At the year end the combined amount of these borrowings owed by the Group was £359,000,000 (2021: £365,333,000) repayable in six monthly instalments until 2045 and will incur interest in line with facility agreements. The Directors have considered the continued availability of finance from the Group's lenders and their ability to repay in line with the agreements and do not currently consider this to be a material risk;
- The Directors continue to consider the ongoing impact of Coronavirus pandemic on the project to be minimal. The Group Directors have concluded based on the evidence of the prior two year's activity, that they do not consider any change to be required to the financial statements in relation to this matter;
- The Directors have considered the Group's compliance with financial covenant tests. The Directors do not consider there to be a material risk that these covenants will be breached in the foreseeable future; and
- The Directors have considered the current status of the disputes as well as the potential technical Event of Default which resulted in the Senior Creditors issuing a Reservation of Rights delaying the shareholder loan repayments. The risk is mitigated by the back to back nature of the sub-contractor contract and a resolution is expected in the going concern assessment period therefore the Directors do not anticipate a material risk.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider that it is appropriate for the financial statements of the Group and Company to be prepared on a going concern basis.

#### Independent auditors

PricewaterhouseCoopers LLP were appointed auditors to the Group and in accordance with section 485 of the Companies Act 2006 and are deemed to be reappointed each year unless the Group decides otherwise.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2022**

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### Statement of disclosure to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow Directors and the Group's auditors, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the board



P Ashbrook

Director

20 September 2022

# Independent auditors' report to the members of Scot Roads Partnership Holdings Ltd

## Report on the audit of the financial statements

### Opinion

In our opinion, Scot Roads Partnership Holdings Ltd's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's result and the group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position and Company statement of financial position as at 31 March 2022; the Consolidated statement of profit or loss and other comprehensive income, Consolidated and company statement of changes in equity and Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Our audit approach

#### Context

We have performed a full scope audit of the Group and Company.

#### Overview

##### Audit scope

- The audit provides coverage across all balances and disclosures in the financial statements.

##### Key audit matters

- Risk of inappropriate revenue recognition, driven by error in the financial model (group)

##### Materiality

- Overall group materiality: £332,000 (2021: £336,000) based on 1% of total expenses, including finance costs.
- Overall company materiality: £10 (2021: £10) based on 1% of total assets.
- Performance materiality: £249,000 (2021: £252,000) (group) and £7 (2021: £7) (company).

# Independent auditors' report to the members of Scot Roads Partnership Holdings Ltd (continued)

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

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

This is not a complete list of all risks identified by our audit.

Consideration of the impact of Covid-19, which was a key audit matter last year, is no longer included because of the limited impact this has had on this Group and the easing of restrictions related to the pandemic. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Risk of inappropriate revenue recognition, driven by error in the financial model (group)</i></p> <p>Income received under the Private Finance Initiative ('PFI') contract is allocated to different components of the contract based on the fair value of services provided during the year, and an imputed interest rate on the financial asset receivable. The fair values are typically estimated based on costs plus an appropriate margin, based on the expected margin over the life of the contract. An adjustment is then applied to recognise rebates payable to Scottish Ministers under the Non-Profit Distributing ('NPD') model. The recognition of revenue is therefore driven by a spreadsheet model that incorporates the above assumptions. Due to the use of a complex spreadsheet model and the assumptions required to estimate the appropriate margins and interest rate on the financial asset, and the treatment adopted to take account of the NPD model under which the group operates, we consider the risk of inappropriate revenue recognition, driven by error in the financial model, to be a key audit matter.</p>	<p>We have reviewed the key contracts and assessed the appropriateness of the revenue recognition policies adopted, particularly in relation to the revenue recognition model under IFRS 15, and ensured appropriate treatment under the NPD model of any surplus arising. We have validated invoiced amounts to underlying contracts and subsequent cash receipts on a sample basis. We have reviewed the calculations within the IFRS 15 revenue recognition model and ensured that the corresponding balance sheet accounts (net contract asset) are appropriately stated. We have assessed the mathematical accuracy of the model and the consistency of the methodology used to allocate income received between the various services provided under the contract. In particular, we assessed the reasonableness of the margin recognised by reference to the expected margin over the contract as a whole, assessing the reasonableness of the forecast future cash flow assumptions in that model. We also recalculated margin applied in the current year to ensure a consistent and reasonable approach has been adopted. We validated the NPD rebate adjustment and ensured that this has been calculated appropriately.</p>

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

# Independent auditors' report to the members of Scot Roads Partnership Holdings Ltd (continued)

## How we tailored the audit scope

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

The Group comprises two companies, Scot Roads Partnership Project Ltd, the project company and Scot Roads Partnership Finance Ltd, a finance company that raises external debt which is passed through to the project company on identical terms. We tailored the scope of our audit to ensure that we performed audit procedures sufficient to be able to give an opinion on the financial statements as a whole, taking into account the nature of the Group and Company, the accounting policies and processes, and the industry in which it operates.

## Materiality

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

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

	Financial statements - group	Financial statements - company
<i>Overall materiality</i>	£332,000 (2021: £336,000).	£10 (2021: £10).
<i>How we determined it</i>	1% of total expenses, including finance costs	1% of total assets
<i>Rationale for benchmark applied</i>	Due to the non-profit distributing ('NPD') model under which the group operates, we believe that total expenses, including finance costs, is the primary measure in assessing the performance of the group, and hence is an appropriate benchmark.	The company's only activity is to hold investments in its subsidiaries, therefore we believe that total assets is an appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £331,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £249,000 (2021: £252,000) for the group financial statements and £7 (2021: £7) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £17,000 (group audit) (2021: £17,000) and £1 (company audit) (2021: £1) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

# Independent auditors' report to the members of Scot Roads Partnership Holdings Ltd (continued)

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the financial position and the project financial model of Scot Roads Partnership Project Ltd to determine whether it is forecasting sufficient future cash flows to make capital and interest repayments to Scot Roads Partnership Finance Ltd to service the debt obligations of the Group;
- testing whether the company is forecasting to be able to meet its debt covenants; and
- review the banking agreements and legal documents related to the potential technical Event of Default to determine the impact on the going concern period.

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 and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

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

## Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

# Independent auditors' report to the members of Scot Roads Partnership Holdings Ltd (continued)

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

### **Responsibilities of the directors for the financial statements**

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

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

# Independent auditors' report to the members of Scot Roads Partnership Holdings Ltd (continued)

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

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

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and VAT, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 the misappropriation of cash through inappropriate payments and manual journal manipulation. Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance of any known or suspected instances of fraud or breaches of non-compliance with laws and regulations, together with a review of board meeting minutes;
- Testing a sample of journal entries posted during the financial year that meets risk based criteria, for example journal entries posted with unusual account combinations;
- Incorporating an element of unpredictability within our procedures focused on appropriateness of cash payments; and
- Reviewing financial statement disclosures and testing to support documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.



# Independent auditors' report to the members of Scot Roads Partnership Holdings Ltd (continued)

## Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Rachel Cletheroe (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
20 September 2022

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £'000	2021 £'000
Revenue	2	12,724	12,607
Cost of sales		(10,935)	(11,339)
<b>Gross profit</b>		<b>1,789</b>	<b>1,266</b>
Administrative expenses		(463)	(196)
<b>Operating profit</b>	3	<b>1,326</b>	<b>1,070</b>
Finance income	5	20,559	20,953
Finance costs	5	(21,885)	(22,025)
<b>Profit before taxation</b>		<b>-</b>	<b>-</b>
Income tax expense		-	-
<b>Result and other comprehensive result for the year</b>		<b>-</b>	<b>-</b>

The statement of profit or loss and other comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 20 to 34 form part of these financial statements.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

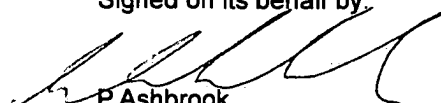
AS AT 31 MARCH 2022

	Note	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Contract asset	6	336,845	343,633
		<u>336,845</u>	<u>343,633</u>
<b>Current assets</b>			
Contract asset	6	2,862	3,141
Trade and other receivables	7	4,264	4,258
Cash and cash equivalents	8	36,619	32,278
		<u>43,745</u>	<u>39,677</u>
<b>Current liabilities</b>			
Trade and other payables	9	(7,174)	(5,693)
Borrowings	10	(7,758)	(6,191)
		<u>(14,932)</u>	<u>(11,884)</u>
Total assets less current liabilities		<u>365,658</u>	<u>371,426</u>
<b>Non-current liabilities</b>			
Borrowings	10	(351,242)	(359,142)
Other non-current payables	11	(14,414)	(12,283)
		<u>(365,656)</u>	<u>(371,425)</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Equity</b>			
Share capital	13	1	1
Retained earnings		-	-
<b>Total equity</b>		<u>1</u>	<u>1</u>

Result and other comprehensive result for the year £nil (2021: £nil)

The consolidated financial statements on pages 15 to 34 were approved by the board of Directors and authorised for issue on 20 September 2022

Signed on its behalf by:



P Ashbrook  
Director

Company Registration No. SC463968

The notes on pages 20 to 34 form part of these financial statements.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

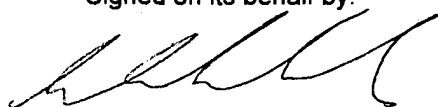
## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Note	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Investments	12	1	1
		<u>1</u>	<u>1</u>
<b>Current assets</b>			
Cash and cash equivalents		-	-
		<u>-</u>	<u>-</u>
<b>Total assets</b>		<u>1</u>	<u>1</u>
		<u><u>1</u></u>	<u><u>1</u></u>
<b>Net assets</b>		<u><u>1</u></u>	<u><u>1</u></u>
<b>Equity</b>			
Share capital	13	1	1
		<u>1</u>	<u>1</u>
<b>Total equity</b>		<u><u>1</u></u>	<u><u>1</u></u>

The financial statements on pages 15 to 34 were approved by the board of Directors and authorised for issue on 20 September 2022

Signed on its behalf by:



P Ashbrook  
Director

Company Registration No. SC463968

The notes on pages 20 to 34 form part of these financial statements.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

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	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2020	1	-	1
Result for the year and total comprehensive result	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	1	-	1
Result for the year and total comprehensive result	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	<u>1</u>	<u>-</u>	<u>1</u>

The notes on pages 20 to 34 form part of these financial statements.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
<b>Operating activities</b>					
Result for the year			-		-
<b>Adjustments to reconcile result for the year to net cash flow from operating activities:</b>					
Net finance costs		1,326		1,072	
Taxation		-		-	
<b>Working capital adjustments:</b>					
Increase in receivables		(5)		(58)	
Decrease in Contract asset		27,617		26,944	
Increase/(decrease) in payables		1,479		(2)	
Increase in non-current payables		2,132		2,470	
<b>Cash generated from operations</b>			32,549		30,426
Income taxes paid			-		-
<b>Net Cash inflow from operating activities</b>			32,549		30,426
<b>Investing activities</b>					
Interest received		10		5	
<b>Net cash generated from investing activities</b>			10		5
<b>Financing activities</b>					
Interest paid		(21,709)		(21,836)	
Net payment on loan		(6,509)		(5,190)	
<b>Net Cash used in financing activities</b>			(28,217)		(27,026)
<b>Net increase in cash and cash equivalents</b>			4,341		3,404
<b>Cash and cash equivalents at beginning of year</b>			32,278		28,874
<b>Cash and cash equivalents at end of year</b>	8		36,619		32,278

The Company had no cash flows, and therefore no Company cash flow statement has been presented.

The notes on pages 20 to 34 form part of these financial statements.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2022**

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### Significant Accounting Policies

#### 1 General Information

The significant policies set out below have unless otherwise stated been, applied to all periods presented in these financial statements.

The Company is a private company limited by shares and registered, incorporated and domiciled in Scotland. Its principal activity is to act as a holding company for Scot Roads Partnership Project Ltd, whose principal activity is the provision of design, construction, operation and maintenance services on a section of the M8, M73 and M74 motorways in Scotland.

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, as applicable to Group and Company reporting under those standards.

The financial statements follow the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of transaction. The principal accounting policies adopted, have been applied consistently.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group and Company operates. All values are rounded to the nearest £000's, except when otherwise indicated.

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account has been presented for the Company.

#### 1.2 Going Concern

The Directors have considered a number of factors in determining whether the Group and Company remain a going concern.

The key factors and related conclusions are summarised below:

- The Directors have considered the ability of the Scottish Ministers to meet future contractual payments. The Directors have concluded that they do not currently consider this to be a material risk;

- The Directors have considered the impact of changes in the performance of key subcontractors, and their ability to continue to meet contractual commitments. The Directors do not currently consider this to be a material risk;

- The Directors have considered The impact of inflation. The additional surpluses generated as a result of higher inflation rates, will broadly cover The additional costs as a result of having index linked contract cash flows. The Directors do not consider this to be a material risk

- At the start of the project the Group secured and had fully drawn down bank facilities of £174,808,000 and bond finance of £175,453,000 with an additional shareholder loan of £38,916,000. At the year end the combined amount of these borrowings owed by the Group was £359,000,000 (2021: £365,333,000) repayable in six monthly instalments until 2045 and will continue to incur interest in line with facility agreements. The Directors have considered the continued availability of finance from the Group's lenders and their ability to repay in line with the agreements and do not currently consider this to be a material risk;

- The Directors continue to consider the ongoing impact of Coronavirus pandemic on the project to be minimal. The Group Directors have concluded based on the evidence of the prior two year's activity, that they do not consider any change to be required to the financial statements in relation to this matter;

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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### Significant Accounting Policies

(Continued)

#### 1.2 Going Concern (continued)

- The Directors have considered the Group's compliance with financial covenant tests. The Directors do not consider there to be a material risk that these covenants will be breached in the foreseeable future; and
- The Directors have considered the current status of the disputes as well as the potential technical Event of Default which resulted in the Senior Creditors issuing a Reservation of Rights delaying the shareholder loan repayments. The risk is mitigated by the back-to-back nature of the sub-contractor contract and a resolution is expected in the going concern assessment period therefore the Directors do not anticipate a material risk.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider that it is appropriate for the financial statements of the Group and Company to be prepared on a going concern basis.

#### 1.3 Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Subsidiary undertakings include all entities (including structured entities) over which the Company has control. Control is exercised over an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing the Company's exposure to variable returns, consideration is given to the potential impact of returns on future investment to which the Company is committed.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Transactions with non-controlling interests which relate to their ownership interests and do not result in a loss of control are accounted for as equity transactions. Intercompany transactions, balances and unrealised gains on transactions between the Company and its subsidiaries are fully eliminated on consolidation.

#### 1.4 Accounting for service concession arrangements

The Group has been established to undertake the upgrade, operation and maintenance of a section of the M8 motorway in Scotland. The Group has subsequently entered into agreements with finance providers and operational sub contractors. Based on the contractual arrangements, the Group has classified the project as a service concession arrangement, and has accounted for the principal assets, and income streams from the project in accordance with IFRIC 12 Service Concession Arrangements.

Under the terms of the arrangement, where the Group has the right to receive unitary payments from the Scottish Ministers, the asset created and/or provided is accounted for as a contract asset. Revenue will be recognised by allocating a proportion of the unitary payments to investment, operational and maintenance income. The consideration received is allocated by reference to the relative fair value of the services delivered, where the amounts are separately identifiable.

Cash flows arising from receipt of the unitary charge and payments for construction services are all treated as operating cash flows as they are integral to the Group's operating activities



# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### Significant Accounting Policies

(Continued)

#### 1.5 Revenue recognition

Revenue is recognised at cost, plus attributable profit to the extent that this is reasonably certain, in accordance with IFRS 15 Revenue from Contracts with customers. Costs for this purpose include all works carried out and certified by operational subcontractors, and include all overheads other than those relating to general administration.

Cash received in respect of the service concession is allocated to operational income based on its fair value, with the remainder being allocated between the capital repayment and interest income, applying the effective interest method. Service revenue is recognised in accordance with IAS 18 as the services are performed.

Revenue is adjusted to reflect rebates payable to Scottish Ministers under the non-profit distributing PFI model (see note 2).

#### 1.6 Contract asset and interest receivable

The contract asset represents the costs arising on the construction of the assets. During asset construction, finance debtor interest income was recognised on an accruals basis and capitalised within the contract asset receivable. Once the project reached its operational phase and achieved final completion a proportion of the planned net revenue arising from the project is allocated to remunerate the contract asset. Imputed interest receivable is allocated to the contract asset using a specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

#### 1.7 Trade receivables

Trade and other receivables are stated at their gross amounts less any provisions for uncollectible amounts.

#### 1.8 Trade and other payables

Liabilities are recognised for amounts to be paid to the Scottish Ministers as a rebate of service income under the Non-Profit Distribution Model.

#### 1.9 Financial liabilities and finance costs

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Interest accrues on bank loan and bond finance borrowings at a fixed rate on a daily basis.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and short term deposits with original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash and short term deposits.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### Significant Accounting Policies

(Continued)

##### 1.11 Borrowings

Project specific interest costs incurred in the performance of the service concession contract, are expensed using the effective interest rate method.

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition borrowings are held at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised costs of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Arrangement fees are netted off against the carrying value of the loan facility and charged to the Profit or Loss over the term of the debt.

##### 1.12 Share capital

Ordinary shares are classified as equity instruments on the basis that they evidence a residual interest in the assets of the Group after deducting all of its liabilities.

##### 1.13 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 the revision and future periods if the revision affects both current and future periods.

The Group's critical accounting judgement is in respect of the revenue recognition policy to reflect a rebate adjustment as discussed in section 1.4 above, and in respect of the treatment of deductions. A portion of the deductions charged by Scottish Ministers are disputed, however the Directors do not believe that the company has any material exposure as they expect such charges to either be passed onto sub-contractors (which would result in an equal and opposite reduction in revenue and cost of sales). In the event that certain deductions are found not to be covered, then this would result in a reduction in revenue and a corresponding adjustment to the non-profit distribution rebate adjustment. No adjustment for these items has been recognised in these financial statements.

There are no key estimates that are likely to result in a material adjustment to the carrying value of assets or liabilities in the next twelve months.

##### 1.14 New accounting standards amendments and IFRIC interpretations

There are no new accounting standards, amendments or interpretations, effective for the first time for the year ended 31 March 2022 that have a material impact on the Group's financial statements.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 2 Revenue

	Group	Group
	2022	2021
	£'000	£'000
Liquidated damages	-	(296)
Service income	14,855	15,374
	14,855	15,078
Revenue adjustment	(2,131)	(2,471)
	12,724	12,607

All revenue arose within the United Kingdom.

The contractual arrangements of the Group, which is operating under a non-profit distributing model, are such that all surpluses arising are repaid to the Scottish Ministers as a rebate of service income. Therefore the Group has recorded an adjustment to revenue so as to result in a zero profit for the period to reflect these contractual arrangements.

### 3 Operating profit

The operating profit is stated after charging:

	Group	Group
	2022	2021
	£'000	£'000
Auditors' remuneration in relation to the annual statutory audit	48	32

The audits' remuneration of £48,000 (2021: 32,000) disclosed is in respect of Scot Roads Partnership Holdings Ltd and its two subsidiaries, the costs of which are borne by Scot Roads Partnership Project Ltd.

In the current financial year there were no non-audit services provided to the Group (2021: £nil)

The Group and Company had no employees during the year (2021: nil). The Group and Company is managed by secondees from the shareholders under a secondment and management services agreement. The cost of £579,000 (2021: £566,000) is borne by the Scot Roads Partnership Project Ltd, a fellow subsidiary undertaking.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 4 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	2	-
Sums paid to third parties for directors' services	18	18
	<u>20</u>	<u>18</u>

The Public Interest Director is borne by and only in respect of Scot Roads Partnership Project Ltd, a fellow subsidiary undertaking.

The directors of the Company do not receive remuneration in respect of their services to the Company or Group and are remunerated by the shareholders through other duties.

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to £nil (2021: (£nil)).

### 5 Finance income and Finance costs

	Group 2022 £'000	Group 2021 £'000
<b>Finance income</b>		
Contract asset interest	20,549	20,948
Bank interest	10	5
	<u>20,559</u>	<u>20,953</u>
<b>Finance costs</b>		
On bank loans and bond finance	21,885	22,025
	<u>21,885</u>	<u>22,025</u>

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 6 Contract assets

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
<b>Service concessions contract asset</b>				
Opening balance	346,774	-	352,770	-
Contract asset interest	20,550	-	20,948	-
Contract asset repayment	(27,617)	-	(26,944)	-
<b>At the year end</b>	<b>339,707</b>	<b>-</b>	<b>346,774</b>	<b>-</b>
<b>Analysed as</b>				
Less than one year	2,862	-	3,141	-
Greater than one year	336,845	-	343,633	-
	<b>339,707</b>	<b>-</b>	<b>346,774</b>	<b>-</b>

### 7 Trade and other receivables

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Trade receivables	4,227	-	4,219	-
Prepayments and accrued income	37	-	39	-
	<b>4,264</b>	<b>-</b>	<b>4,258</b>	<b>-</b>

### 8 Cash and cash equivalents

	2022	2021
	£'000	£'000
Group cash at bank and in hand	36,619	32,278
	<b>36,619</b>	<b>32,278</b>

Cash at bank earns interest at floating rate based on daily bank deposit rates. The fair value of cash and cash equivalents is £36,619,000 (2021: £32,278,000)

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 9 Trade and other payables

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Accruals and deferred income	5,998	-	4,495	-
Other taxation and social security	1,176	-	1,198	-
	<u>7,174</u>	<u>-</u>	<u>5,693</u>	<u>-</u>

### 10 Borrowings

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
<b>Bank loan, bond finance and shareholder loan</b>				
Opening balance	365,333	-	370,335	-
Net repayments	(6,509)	-	(5,190)	-
Loan arrangement fees and effective interest	176	-	188	-
At the year end	<u>359,000</u>	<u>-</u>	<u>365,333</u>	<u>-</u>
<b>Analysed as</b>				
Current	7,758	-	6,191	-
Non Current	351,242	-	359,142	-
	<u>359,000</u>	<u>-</u>	<u>365,333</u>	<u>-</u>

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 10 Borrowings

(Continued)

On 13 February 2014, the Group issued £175,453,000 of 5.591% fixed rate security bonds due in March 2045 on the Luxembourg Stock Exchange, of which £36,688,000 was paid for and the remaining held by the bond custodian to be purchased at a later date. As at the year end £162,578,000 (2021: £165,789,000) of bonds are outstanding. The Group also entered into a loan agreement with the European Investment Bank ("EIB") under which EIB guaranteed it a £174,808,000 loan facility attracting a fixed interest rate of 4.556% due in March 2045 of which £162,003,000 (2021: £165,198,000) is outstanding at the year end. A loan of £38,916,000 provided by the Shareholders (Meridiam, PIP, Amey and Cintra) at a fixed interest rate of 12.42% was fully drawn between November 2016 and March 2017. The loan balance outstanding at year end was £38,250,000 (2021: £38,352,000). Both the bond and bank loan are repayable in six monthly instalments with repayments having started in September 2017 and no interest accrual is required at year end (2021: £nil); The repayment of the Shareholder loan commenced in September 2018 with repayments due every six months until 2047. The Shareholder repayments were delayed in the year due to the Senior Creditors issuing a Reservation of Rights following disputes on the project triggering a potential technical Event of Default. As a result the interest accrued at year end is £4,898,000 (2021: £2,375,000). Principal repayments of £6,509,000 (2021: £5,190,000) and interest repayments of £21,885,000 (2021: £22,025,000) were made on borrowings in the year.

The senior bond facility and EIB loan are secured by a fixed and floating charge over all property, bank accounts, receivables, investments, intellectual property, insurances, and all rights, title and interest of the Group.

The table below details the maturity profile of the bank loan, bond finance and shareholder loan

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Less than one year	7,758	-	6,191	-
Between one and two years	8,517	-	7,661	-
Between two and five years	25,368	-	26,327	-
Over five years	317,357	-	325,154	-
	<u>359,000</u>	<u>-</u>	<u>365,333</u>	<u>-</u>

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 11 Other non-current payables

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Liability due to Scottish Ministers	14,414	-	12,283	-
	14,414	-	12,283	-

The above liability relates to surpluses payable to the Scottish Ministers as a rebate of service income under the Non-Profit Distributing Model. The timing of surplus payments has been provisionally discussed with Scottish Futures Trust and will be reviewed within the following year

### 12 Investments

Details of the Company's subsidiaries at 31 March 2022 are as follows:

Company name	Place of incorporation	Proportion of ownership interest	Proportion of voting power held
Scot Roads Partnership Project Limited	United Kingdom	99.9%	99.9%
Scot Roads Partnership Finance Limited	United Kingdom	100%	100%

The registered office of the above direct investments is 1E Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB

The investments in subsidiaries are all stated at cost.

### 13 Share capital

	Group	Company	Group	Company
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
<b>Authorised, allotted, called up and fully paid</b>				
1,000 Ordinary Share of £1 each	1	1	1	1
	1	1	1	1

There are no preferences or restrictions on the Group and Company share capital.

### 14 Capital commitments

As at 31 March 2022 the Company had no capital commitments in the year (2021: £nil)

As at 31 March 2022 the Group's future capital expenditure on the financial asset which is contracted but not provided for in these financial statements amounts to £nil (2021: £nil).



# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 15 Related party transactions

During the year, the Group carried out a number of transactions with related parties in the normal course of business. The Company did not transact in its own right with related parties. The names of the Group's related parties and the total value of transactions are shown below:

	Expenses / (revenue)	Payable / (receivable)	Expenses / (revenue)	Payable / (receivable)
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
PIP Infrastructure Investments (No 6) Limited	743	1,536	1,494	743
Amey LG Limited	9,791	654	10,245	711
Amey Infrastructure Management (1) Limited	496	1,024	996	496
Cintra Infrastructures UK Limited	412	-	404	-
Cintra Servicios de Infraestructuras S.A	49	-	-	-
Ferrovial Lagan Joint Venture	(315)	-	292	-
Financinfrastructures Limited	496	1,024	996	496
Fulcrum Infrastructure Management Limited	167	-	162	-
Meridiam Infrastructure Finance II S.à.r.l.	743	1,536	1,494	743
Scottish Futures Trust Limited	18	-	18	-
Transport Scotland	(42,468)	(4,227)	(42,305)	(4,219)

In addition to the trading balances included in the table above, interest payable of £4,898,000 (2021: £2,375,000) and principal loan balance of £38,250,000 (2020: £38,352,000) is due to the shareholders (Amey Infrastructure Management (1) Limited (20%), Financinfrastructures Limited (20%), Meridiam Infrastructure Finance II S.à.r.l. (30%) and PIP Infrastructure Investments (No 6) (30%)).

PIP Infrastructure Investments (No 5) Limited is a 30% shareholder of the Group. PIP Infrastructure Investments (No 6) Limited provides finance support services to the Group.

Amey Venture Asset Holdings Limited provides finance support services and is a 20% shareholder of the Group, and a member of the Amey Group through its parent company Amey UK Plc. Amey Infrastructure Management (1) limited is 50.1% owned by Amey Ventures Asset Holdings Limited. Amey LG Limited is a member of the Amey Group through its parent company Amey UK Plc, and is the operating subcontractor.

The Amey Group is owned by Ferrovial Servicios, S.A. (Ferrovial), a wholly owned subsidiary of Ferrovial, S.A. Ferrovial Lagan Joint Venture provide development services and is a joint venture between Ferrovial Agroman (UK) Limited and Lagan Construction Group Holdings Limited.

Cintra Infrastructures UK Limited is a 20% shareholder of the Group, and provides staff to the Group as part of a secondment agreement. Its fellow subsidiary Cintra Infraestructuras S.A. provides finance support services, and its fellow subsidiary Cintra Servicios de Infraestructuras S.A provides management services.

Fulcrum Infrastructure Management Limited is a related party of Meridiam Infrastructure Finance II S.à.r.l. and provides management services to the Group through a Management Services Agreement. Meridiam Infrastructure Finance II S.à.r.l. is a 30% shareholder of the Group, and provides finance support services. Its related party Meridiam Infrastructure Managers S.à.r.l. provides management services.

Scottish Futures Trust Limited provides directorship services to the Group and is wholly owned by Scottish Ministers who are a shareholder of the Group. Transport Scotland is the contracting authority which represents the Scottish Ministers. The Group received services payments from Transport Scotland.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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### 15 Related party transactions

(Continued)

There were no related party transactions in the year in relation to the Company (2021: £nil)

### 16 Controlling party

The Company is a joint venture between Meridiam Infrastructure Finance II S.à.r.l. incorporated in Luxembourg (30%), PIP Infrastructure Investments (No 5) Limited incorporated in the United Kingdom, (30%), Amey Ventures Asset Holdings Limited incorporated in the United Kingdom (20%) and Cintra Infrastructures UK Limited incorporated in the United Kingdom (20%). The Directors consider there to be no ultimate controlling entity.

This is the smallest and largest group to consolidate the Company's financial statements.

### 17 Financial instruments

#### Capital management

The Group's capital and debt structure is set out in the concession term financial model at the commencement of the project. The equity and debt has been subscribed for in accordance with this model to date.

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

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. Fulcrum Infrastructure Management Limited, as a provider of financial services to the Group under a contractual arrangement, implements the policies set by the board of Directors.

The Group has raised finance through guaranteed secured bonds and bank borrowings. The Group operates a long-term business and its policy is to finance it with long-term borrowings. The most recent underlying rating on the bond and EIB loan is A (2021: Rating A).

The Group has to comply with a number of banking covenants which are set out in the financial arrangement agreement. These include financial covenants which are measured using the performance of the Group. The Group has complied with its banking covenants during the period.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 17 Financial instruments

(Continued)

#### Interest rate risk profile of financial assets and financial liabilities

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

#### As at 31 March 2022:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000	Total £'000
<b>Financial assets</b>							
<b>Fixed rate:</b>							
Contract asset	2,862	6,044	9,078	10,987	11,518	299,218	339,707
<b>Floating rate:</b>							
Cash and cash equivalents	36,619	-	-	-	-	-	36,619
<b>Financial liabilities</b>							
<b>Fixed rate:</b>							
Bank loan	3,631	4,106	4,090	4,237	3,779	140,166	160,009
Bond Finance	3,651	4,128	4,112	4,259	3,798	140,793	160,741
Shareholder loan	475	283	321	362	408	36,401	38,250

#### As at 31 March 2021:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	Over 5 years £'000	Total £'000
<b>Financial assets</b>							
<b>Fixed rate:</b>							
Contract asset	3,141	2,925	6,070	9,071	10,964	314,603	346,774
<b>Floating rate:</b>							
Cash and cash equivalents	32,278	-	-	-	-	-	32,278
<b>Financial liabilities</b>							
<b>Fixed rate:</b>							
Bank loan	2,981	3,701	4,186	4,169	4,319	143,737	163,093
Bond Finance	2,999	3,723	4,209	4,193	4,343	144,420	163,887
Shareholder loan	210	237	268	300	341	36,997	38,353

The fixed rate financial liabilities comprise a 5.591% guaranteed secured bond a 4.556% EIB loan, and a 12.42% junior loan.

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 17 Financial instruments

(Continued)

#### Credit risk

The Group's exposure to credit risk is principally dependent on the creditworthiness of the Scottish Ministers as the Group's sole client. The risk associated with this is mitigated as the PFI roadway concession asset cash flows are secured under the Project Agreement with the Scottish Ministers. The Group monitors the timely collection of amounts due under the contract.

There are no debtors that are past due on the reporting date. The maximum credit risk exposure relating to financial assets is represented by the carrying value at the balance sheet date.

#### Liquidity risk

The table below summarises the maturity profile of the Group's financial liability at 31 March 2022, based on contractual undiscounted payments

#### As at 31 March 2022:

	Less than 3 months	3 to 12 months	1-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Bank Loan	-	11,303	45,083	209,576	265,962
Bond Finance	-	13,057	51,653	227,005	291,715
Shareholder Loan	-	10,408	19,881	99,390	129,679
Trade and other payables	1,960	315	-	-	2,275
Other non-current payables	-	-	14,414	-	14,414

#### As at 31 March 2021:

	Less than 3 months	3 to 12 months	1-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Bank loan	-	10,685	45,723	220,239	276,647
Bond Finance	-	12,471	52,477	239,238	304,186
Shareholder Loan	2,478	2,489	19,881	106,836	131,684
Trade and other payables	1,927	1,391	-	-	3,318
Other non-current payables	-	-	12,283	-	12,283

#### Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

	Book value 2022 £'000	Fair value 2022 £'000	Book value 2021 £'000	Fair value 2021 £'000
<b>Financial assets</b>				
Contract asset	339,707	521,311	346,774	429,721
<b>Financial liabilities</b>				
Bank loan	160,009	266,133	163,094	217,908
Bond Finance	160,741	260,631	163,887	216,846
Shareholder loan	38,250	58,913	38,352	48,846

# SCOT ROADS PARTNERSHIP HOLDINGS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2022**

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### 17 Financial instruments

(Continued)

Market values have been used to determine the fair value of the listed bond loans. The fair value of the EIB loan has been calculated by discounting the expected future cash flows at prevailing market rates for similar instruments.

All financial instruments for which fair value is disclosed are categorised within the fair value hierarchy described below. The categorisation is based on the lowest level input that is significant to the fair value measurement as a whole.

- |                |   |
|----------------|---|
| <b>Level 1</b> | Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.   |
| <b>Level 2</b> | Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable). |
| <b>Level 3</b> | Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).                      |

#### Level 1

There are no items classified as level 1.

#### Level 2

The financial instruments classified as a level 2 are the bank loan, bond finance and shareholder loan. The fair value of these financial instruments at 31 March 2022 is £266,133,000 (2021: £217,908,000), £260,631,000 (2021: £216,846,000) and £58,913,000 (2020: £48,846,000) respectively.

#### Level 3

The financial instrument classified as a level 3 is the contract asset. At 31 March 2022, the fair value of the contract asset is £521,311,000 (2021: £429,721,000).

During the period there were no transfers between levels.

### 18 Subsequent Events

There have been no subsequent events or transactions after 31 March 2022, that require recognition or disclosure in the Company's financial statements