

Company Registration No. SC465816

SCOT ROADS PARTNERSHIP PROJECT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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SCOT ROADS PARTNERSHIP PROJECT LIMITED

COMPANY INFORMATION

Directors	J G Connelly	(Appointed 23 April 2020)
	N Gemmell	
	J R Perez Perez	
	L McKenna	
	P Ashbrook	
	A Clapp	
	A Wallace	
	A Orol	(Appointed 17 July 2020)
	B Lantz	(Appointed 27 April 2021)

Secretary	Fulcrum Infrastructure Management Limited
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Company number	SC465816
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Registered office	1E Willow House Kestrel View Strathclyde Business Park Bellshill ML4 3PB
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Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR
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SCOT ROADS PARTNERSHIP PROJECT LIMITED

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SCOT ROADS PARTNERSHIP PROJECT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present the strategic report and audited financial statements for the year ended 31 March 2021.

Principal Activities and Review of the Business

The principal activity of Scot Roads Partnership Project Limited (the "Company") during the year was the provision of design, construction, operation, and maintenance services on a section of the M8, M73 and M74 motorways in Scotland. The project will incorporate upgrading the A8 (the existing trunk road) by building a motorway standard carriageway next to the existing road.

On 13 February 2014, the Company 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 Company 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 Company 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 pre-defined quality and service level, following which time the Company will provide a sustained level of service for the remaining 30 years of the project. The main construction work has been completed and performance against the original plan is discussed below under Financial Key Performance Indicators.

On 13 February 2014, Scot Roads Partnership Finance Limited, a fellow subsidiary undertaking, 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 have been 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 proceeds of both the bond issue and the bank loan were loaned to the Company with identical terms for payment of interest and principal.

The result after taxation for the period amounted to £nil (2020: £nil). The Company 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 Company.

Statement by the Directors in relation to the Companies Act 2006; section 172 Statement

The SRP board of directors are committed to promoting the success of the company by acting in good faith to continuously developing, improving, and maintaining 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.

Stakeholders 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 company has a keen interest in ensuring that it minimises its operational impact on the environment where possible.

The company 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 company has engaged pro-actively with Scottish Ministers and with its sub-contractor on the project.

Employee Interest

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

SCOT ROADS PARTNERSHIP PROJECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Principal risks and uncertainties

The Company'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 with the Scottish Ministers.

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

The Company 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 Company incurring performance deductions. This risk is mitigated by a back-to-back contract with the operational contractor 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. Although the directors do not believe that the company has any material exposure and is largely facilitating settlement, there remains a risk that certain costs may ultimately be borne by the company.

The Company 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 Company's liability in relation to the rectification of latent defects in the structures considered most at risk is capped.

The Company has limited exposure and financial risk as a result of COVID19 pandemic as noted in further detail within the Directors' report.

The Company's principal financial assets are cash, financial assets and other receivables. The board of Directors is of the opinion that the risk of default is limited.

Financial Key Performance Indicators

The Company 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 Company are:

- Progress against the financial model. The Company created a model before the commencement of the project which forecasts all income and expenditure. The Company tracks its progress against the financial model. The activities of the Company 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 deductions was minimal.
- The quantum of costs incurred as compared to budget. There were no significant cost deviations from budget.

At 31 March 2021, performance against these measures were satisfactory

On behalf of the board



A Clapp

Director

10 August 2021

SCOT ROADS PARTNERSHIP PROJECT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their annual report and audited financial statements for the year ended 31 March 2021.

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	(Appointed 23 April 2020)
N Gemmell	
J R Perez Perez	
L McKenna	
P Ashbrook	
C Torrell Torrente	(Resigned 17 July 2020)
A Clapp	
A Wallace	
A Orol	(Appointed 17 July 2020)
B Lantz	(Appointed 27 April 2021)

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 financial statements in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006. 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 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, 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

SCOT ROADS PARTNERSHIP PROJECT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Dividends

The Directors do not recommend payment of a dividend (2020: £nil).

Directors' indemnities

The Company 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 Company has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance. The Directors have policies for managing each of these risks, which are set out in the Strategic Report and Note 12 of the financial statements.

Future developments

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

Going concern

The Directors have considered a number of factors in determining whether the Company remains 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 Company is funded by an "on-loan" agreement with the fellow subsidiary Scot Roads Partnership Finance Limited, which has secured bank facilities of £174.8 million and bond finance of £175.5 million, with an additional shareholder loan of £38.9 million available to the Company. All lending has been fully drawn. The Directors have considered the continued availability of finance from the Company's lenders. During the investment phase of the project, the Directors regularly monitor the creditworthiness of the lenders, and do not currently consider this to be a material risk;
- The Directors consider the impact of COVID-19 pandemic on the project to be minimal, as revenues continue to be received on time and essential maintenance works are continuing in accordance with all relevant government guidelines. The Company Directors have concluded based on the evidence of the prior year's activity, that they do not consider any change to be required to the financial statements in relation to this matter; and
- The Directors have considered the Company'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.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has 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 Company to be prepared on a going concern basis.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Independent auditors

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

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 company'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



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A Clapp

Director

10 August 2021
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Independent auditors' report to the members of Scot Roads Partnership Project Limited

Report on the audit of the financial statements

Opinion

In our opinion, Scot Roads Partnership Project Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 Statement of financial position as at 31 March 2021; the Statement of profit or loss and other comprehensive income, the Statement of changes in equity and the 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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to 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.

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 2021 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 company and its 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 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.

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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to those with a direct impact on the financial statements, for example the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 posting of manual journal entries to manipulate the financial statements. 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 laws and regulations, together with a review of Board meeting minutes;
- Testing of manual journals entries, with a focus on those posted to unusual account combinations.

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.

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. This description forms part of our auditors' report.

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
10 August 2021

SCOT ROADS PARTNERSHIP PROJECT LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Revenue	2	12,607	11,558
Cost of sales		(11,339)	(10,516)
Gross profit		<u>1,268</u>	<u>1,042</u>
Administrative expenses		(196)	(230)
Operating profit	3	<u>1,072</u>	<u>812</u>
Finance income	4	20,953	21,450
Finance costs	4	(22,025)	(22,260)
Profit before taxation		<u>-</u>	<u>2</u>
Income tax expense	5	-	(2)
Result for the year		<u><u>-</u></u>	<u><u>-</u></u>

OTHER COMPREHENSIVE INCOME:

Items that will not be reclassified to profit and loss:

Gains arising during the year	-	-
Other comprehensive result for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive result for the year	<u><u>-</u></u>	<u><u>-</u></u>
Result attributable to owners of the parent:	-	-
	<u>-</u>	<u>-</u>

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

The notes on pages 13 to 25 form part of these financial statements.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Contract Asset	6	343,633	346,162
Current assets			
Contract Asset	6	3,141	6,608
Trade and other receivables	7	4,258	4,200
Cash and cash equivalents	8	32,278	28,874
		<u>39,677</u>	<u>39,682</u>
Current liabilities			
Trade and other payables	9	(5,694)	(5,696)
Borrowings	11	(6,191)	(4,927)
		<u>(11,885)</u>	<u>(10,623)</u>
Total assets less current liabilities		<u>371,426</u>	<u>375,221</u>
Non-current liabilities			
Other non-current payables	10	(12,283)	(9,812)
Borrowings	11	(359,142)	(365,408)
		<u>(371,425)</u>	<u>(375,220)</u>
Net assets		<u>1</u>	<u>1</u>
Equity			
Share capital	12	1	1
Retained earnings		-	-
Total equity		<u>1</u>	<u>1</u>

The financial statements on pages 9 to 25 were approved by the board of Directors and authorised for issue on 10 August 2021....

Signed on its behalf by:



A Clapp
Director

Company Registration No. SC465816

The notes on pages 13 to 25 form part of these financial statements.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	1	-	1
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	1	-	1
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	<u>1</u>	<u>-</u>	<u>1</u>

SCOT ROADS PARTNERSHIP PROJECT LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Operating activities					
Result for the year			-		-
Adjustments to reconcile result for the year to net cash flow from operating activities:					
Net finance costs		1,072		810	
Taxation		-		2	
Working capital adjustments:					
Increase in receivables		(58)		(125)	
Decrease in Contract asset		26,944		27,407	
Decrease in payables		(2)		(882)	
Increase in non-current payables		2,470		2,809	
Cash generated from operations			30,426		30,021
Income taxes paid			-		(26)
Net cash generated from operating activities			30,426		29,995
Investing activities					
Interest received		5		163	
Net cash generated from investing activities			5		163
Financing activities					
Interest paid		(21,836)		(22,157)	
Net payment on loan from fellow group undertaking		(5,190)		(5,324)	
Net cash used in financing activities			(27,026)		(27,481)
Net increase in cash and cash equivalents			3,404		2,677
Cash and cash equivalents at beginning of year			28,874		26,197
Cash and cash equivalents at end of year	8		32,278		28,874

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

The Company is a private company limited by shares and is registered in Scotland. Its 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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. The principal accounting policies adopted, which 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 Company operates and all values are rounded to the nearest (£000's), except when otherwise indicated.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report.

1.2 Accounting for service concession arrangements

The Company has been established to undertake the upgrade, operation and maintenance of a section of the M8 motorway in Scotland. The Company has subsequently entered into agreements with finance providers and sub contractors. Based on the contractual arrangements, the Company 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 Company 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 are all treated as operating cash flows as they are integral to the company's operating activities.

1.3 Revenue recognition

Revenue is recognised at cost, plus attributable profit to the extent that this is reasonably certain, in accordance with IFRS15 Revenue and Contracts with customers. Costs for this purpose include all works carried out and certified by subcontractors, and include all overheads other than those relating to general administration of the specific purpose company.

Cash received in respect of the service concession is allocated to operational income based on its fair value, and the remainder being allocated between the capital repayment and interest income, applying the effective interest method. Service revenue is recognised in accordance with IFRS 15 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).

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

1.5 Cash and cash equivalents

Cash and cash equivalents in the 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 as defined above, net of bank overdrafts.

1.6 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 income statement over the term of the debt.

1.7 Share capital

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

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.8 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 Company's critical accounting judgement is in respect of the revenue recognition policy to reflect a rebate adjustment as discussed in section 1.3 above, and in respect of the treatment of liquidated damages and 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) or be covered by Letters of credit. In the event that certain deductions are found not to be covered by the letters of credit, then this would result in a reduction in revenue and a corresponding adjustment to the non-profit distribution rebate adjustment.

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.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

2 Revenue

	2021 £'000	2020 £'000
Construction income	-	-
Liquidated Damages	(296)	506
Service income	15,374	13,861
	<u>15,078</u>	<u>14,367</u>
Revenue adjustment	(2,471)	(2,809)
	<u>12,607</u>	<u>11,558</u>

All revenue arose within the United Kingdom.

The contractual arrangements of the Company, 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 Company has recorded an adjustment to revenue so as to result in a zero profit for the year to reflect these contractual arrangements.

3 Operating profit/ (loss)

The operating profit/ (loss) is stated after charging:

	2021 £'000	2020 £'000
Auditors' remuneration in relation to the annual statutory audit	32	29
	<u>32</u>	<u>29</u>

The Company is managed by secondees from the shareholders under a management services contract. The cost of this is borne by the Company.

The Company had no employees during the year (2020: nil). The Directors received no remuneration in respect of their services to the Company (2020: nil)

Scottish Futures Trust received a fee in respect of the Public Interest Director of £17,691 (2020 £17,217)

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

4 Finance income and costs

	2021 £'000	2020 £'000
Finance income		
Financial asset interest	20,948	21,287
Bank interest	5	163
	<u>20,953</u>	<u>21,450</u>
Finance costs		
On bank loans and bond finance	22,025	22,260
	<u>22,025</u>	<u>22,260</u>

5 Income tax expense

	2021 £'000	2020 £'000
Current tax		
Adjustments in respect of prior periods	-	2
Total UK current tax	<u>-</u>	<u>2</u>

The charge for the year can be reconciled to the profit per the income statement as follows:

	2021 £'000	2020 £'000
profit before taxation	-	2
Expected tax charge based on a corporation tax rate of 19% (2020: 19%)	-	-
Adjustment in respect of prior periods	-	2
Taxation charge for the year	<u>-</u>	<u>2</u>

As the Company is operating under the non-profit distributing model it expects to make zero profit each year and so does not expect to pay any material amounts of tax.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6 Contract assets

	2021 £'000	2020 £'000
Service concessions contract asset		
Opening Balance	352,770	358,889
Additions	-	-
Contract Asset Interest	20,948	21,287
Contract Asset Repayment	(26,944)	(27,407)
At the year end	346,774	352,770
Analysed as		
Less than one year	3,141	6,608
Greater than one year	343,633	346,162
	346,774	352,770

7 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	4,219	4,195
Prepayments and accrued income	39	5
	4,258	4,200

8 Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	32,278	28,874
	32,278	28,874

Cash at bank earns interest at floating rate based on daily bank deposit rates. The fair value of cash and cash equivalents is £32,278,000 (2020: £28,874,000)

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	-	-
Corporation Tax	-	-
Accruals and deferred income	4,496	4,554
Other Taxation	1,198	1,142
	<u>5,694</u>	<u>5,696</u>

10 Other non-current payables

	2021 £'000	2020 £'000
Liability due to Scottish Ministers	12,283	9,812
	<u>12,283</u>	<u>9,812</u>

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.

11 Borrowings

	2021 £'000	2020 £'000
Intercompany loan with fellow subsidiary Scot Roads Partnership Finance Limited		
Opening balance	370,335	375,555
Net repayments	(5,190)	(5,323)
Loan arrangement fees and effective interest	188	103
At the year end	<u>365,333</u>	<u>370,335</u>
Analysed as		
Current	6,191	4,927
Non Current	359,142	365,408
	<u>365,333</u>	<u>370,335</u>

Borrowings owed to fellow subsidiary undertaking relate to borrowing for financing the project arranged by Scot Roads Partnership Finance Limited. The funds were loaned to the company on similar terms.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

11 Borrowings

(Continued)

On 13 February 2014, Scot Roads Partnership Finance Limited, a fellow subsidiary undertaking 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 £165,789,000 (2020: £168,297,000) of bonds are outstanding. Scot Roads Partnership Finance Limited 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 £165,198,000 (2020: £167,694,000) is outstanding at the year end. A loan of £38,916,000 provided by the Shareholders (Meridiam, PIP, Amey and Cintra) was fully drawn between November 2016 and March 2017. Both the bond and bank loan are repayable in six monthly instalments with repayments having started in September 2017; repayment of the Shareholder loan commenced in September 2018. The proceeds of each funding source were on loaned to the Company, with identical terms for payment of interest and principal.

The senior bond facility and EIB loan are secured by a fixed charge over all property, bank accounts, receivables, investments, intellectual property, plant and machines, insurances, and all rights, title and interest of the parent Company and its subsidiaries.

The table below details the maturity profile of the intercompany loan:

	2021 £'000	2020 £'000
Less than one year	6,191	4,927
Between one and two years	7,661	6,279
Between two and five years	26,327	25,342
Over five years	325,154	333,787
	<u>365,333</u>	<u>370,335</u>

12 Share capital

	2021 £'000	2020 £'000
Authorised, allotted, called up and fully paid		
999 (2020: 999) ordinary A shares of £1 each	1	1
1 (2020: 1) ordinary B share of £1	-	-
	<u>1</u>	<u>1</u>

13 Financial instruments

Capital management

The Company'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 NPD model means the Company retains zero retained earnings at the end of each financial year.

The Company's operations expose it to a variety of financial risks that include credit risk, interest rate risk and liquidity 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.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

13 Financial instruments

(Continued)

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. Fulcrum Infrastructure Management Limited, as a provider of financial services to the company under a contractual arrangement, implements the policies set by the board of Directors.

The Company has raised finance through loans from a fellow subsidiary undertaking, Scot Roads Partnership Finance Limited which issued bonds and secured an EIB loan to onward lend to the Company. The Company operates a long-term business and its policy is to finance it with long-term borrowings. At the year end, the underlying rating on the bond and EIB loan is A.

The Company 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 Company. The Company has complied with its banking covenants during the period.

Interest rate risk profile of financial assets and financial liabilities

This section includes financial instruments that are exposed to interest rate risk. Trade receivables, payables and the liability due to the Scottish Ministers are all non-interest bearing and therefore are not included.

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

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
Financial assets							
Fixed rate:							
Finance debtor	3,141	2,925	6,070	9,071	10,964	314,603	346,774
Floating rate:							
Cash deposits	32,278	-	-	-	-	-	32,278
Financial liabilities							
Fixed rate:							
Amount due to fellow group undertakings	6,191	7,661	8,662	8,662	9,003	325,154	365,333

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

13 Financial instruments

(Continued)

As at 31 March 2020:

	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
Financial assets							
Fixed rate:							
Finance debtor	6,608	3,133	2,915	6,066	9,072	324,976	352,770
Floating rate:							
Cash deposits	28,874	-	-	-	-	-	28,874
Financial liabilities							
Fixed rate:							
Amount due to fellow group undertakings	4,927	6,279	7,771	8,786	8,785	333,787	370,335

The fixed rate financial liabilities comprise amounts due to fellow group undertaking comprising a 5.591% on the secured bond component, 4.556% on the EIB loan component, and 12.42% on the shareholder loan component.

Credit risk

The Company's long term exposure to credit risk is principally dependent on the creditworthiness of the Scottish Ministers as the company's sole client. This risk associated with this is mitigated as the cash flows are secured under the Project Agreement, which is a long term contract with the Scottish Ministers, whose obligations and liabilities are effectively underwritten by the government.

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 Company's financial liability at 31 March 2021 based on contractual undiscounted payments.

As at 31 March 2021:

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Amounts due to fellow group undertaking	-	2,478	25,646	118,081	566,311	712,516
Trade and other creditors	-	1,927	1,391	12,283	-	15,601

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

13 Financial instruments

(Continued)

As at 31 March 2020:

	On demand	Less than 3 months	3 to 12 months	1-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to fellow group undertaking	-	2,490	26,857	116,665	592,308	738,319
Trade and other creditors	-	1,828	1,427	9,812	-	13,067

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 Company's financial instruments.

	Book value 2021 £'000	Fair value 2021 £'000	Book value 2020 £'000	Fair value 2020 £'000
Financial assets				
Contract asset	346,774	429,721	352,770	352,770
Financial liabilities				
Amounts due to fellow group undertaking	365,333	483,600	370,335	391,365

Market values have been used to determine the fair value of the amounts due to fellow group undertaking. The fair value has been calculated by discounting the expected future cash flows at prevailing market rates for similar instruments. The amount due to fellow subsidiary undertaking, in respect of the on-loan of the EIB and listed bond loans, exactly matches the external loans payable by Scot Roads Project Finance Limited and its fair value reflects this.

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.

- Level 1** Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2** Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3** 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 instrument classified as a level 2 is a loan from a fellow subsidiary undertaking. At 31 March 2021, the fair value of this financial instrument is £483,600,000 (2020: £391,365,000)

Level 3

The financial instrument classified as a level 3 is the contract asset. At 31 March 2021, the fair value of the contract asset is £429,721,000 (2020: £352,770,000).

During the year there were no transfers between levels.

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

14 Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the Company's related parties and the total value of transactions are shown below:

	Expenses/ (revenue)	Payable / (receivable) at year end	Expenses/ (revenue)	Payable / (receivable) at year end
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Amey LG Limited	10,245	711	9,869	552
Cintra Infrastructures UK Limited	404	-	303	-
Cintra Servicios de Infraestructuras S.A	-	-	15	-
Eurolink Motorway Operation (M3) Limited	-	-	-	(1)
Ferrovial Lagan Joint Venture (Payable)	-	-	475	20
Ferrovial Lagan Joint Venture (Receivable)	292	-	(838)	(19)
Fulcrum Infrastructure Management Limited	162	-	161	-
Scottish Futures Trust Limited	18	-	17	-
Transport Scotland	(42,305)	(4,219)	(41,190)	(4,176)

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 Construction (UK) Limited and Lagan Construction Group Holdings Limited.

Cintra Infrastructures UK Limited is a 20% shareholder of the Company's immediate parent, Scot Roads Partnership Holdings Limited, and provides staff to the Company as part of a secondment agreement.

Fulcrum Infrastructure Management Limited is a related party of Meridiam Infrastructure Finance II S.à.r.l. and provides management services to the Company through a Management Services Agreement. Meridiam Infrastructure Finance II S.à.r.l. is a 30% shareholder of the Company's immediate parent, Scot Roads Partnership Holdings Limited, and provides finance support services.

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

In addition to the payment for receipt of service disclosed above Scot Roads Partnership Finance Limited, a fellow group undertaking, has provided loan financing to the company of £365,333,000 (2020: £370,335,000) and incurred £22,025,000 (2020: £22,260,000) of interest and fees associated with these loans. At the year end the Company had an outstanding loan balance of £365,333,000 (2020: £370,335,000) included within borrowings and outstanding interest of £2,375,000 (2020: £2,400,000) included within accruals both payable to Scot Roads Partnership Finance Limited

SCOT ROADS PARTNERSHIP PROJECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

15 Ultimate parent undertaking and controlling party

The Company's ultimate and immediate parent company and controlling entity, and the largest and smallest group in which its results are consolidated, is Scot Roads Partnership Holdings Limited, a company incorporated in Great Britain and registered in Scotland whose registered office is 1E Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB.

16 Capital commitments

As at 31 March 2021 the Company had capital commitments as follows:

Future capital expenditure on the financial asset which is contracted but not provided for in these financial statements amounts to £nil (2020: £nil).

17 Subsequent events

There have been no subsequent events or transactions after 31 March 2021 that require recognition or disclosure in the Company's financial statements