

AUTOLINK CONCESSIONAIRES (M6) PLC

**INTERIM MANAGEMENT REPORT AND CONDENSED UNAUDITED INTERIM FINANCIAL
STATEMENTS**

FOR THE FIVE MONTH PERIOD ENDED 31 MAY 2018



Registered in England and Wales No. 3201364

INTERIM MANAGEMENT REPORT

Directors: N J E Crowther
J Graham (resigned 23 May 2018)
R J W Wotherspoon
A R Gates (alternate to R J W Wotherspoon)
D R Bradbury
M C Shelley

Secretary: K J Pearson

The directors present their interim management report together with the condensed unaudited interim financial statements for the five month period ended 31 May 2018.

1. DIRECTORS

The directors, as set out above, served throughout the period and remain in office, except J Graham who resigned on 23 May 2018.

2. REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of Autolink Holdings (M6) Limited.

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

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

The company continues to meet its contractual obligations to The Scottish Ministers whilst also working to improve its efficiency in controlling costs. As shown in the company's profit and loss account the company made a profit in the period. Revenue for the period was £2,974,000 on operating costs of £2,980,000. The interest income for the period of £4,776,000 exceeded the interest expense for the period of £2,442,000 by £2,334,000 and this was the primary factor for the profit in the period. The balance sheet shows that the company's financial position at the period end remains robust, and that the company has sufficient funds to cover its liabilities as they fall due.

The directors have modelled the anticipated financial performance of the company's concession across its full term. The directors monitor its actual performance against the anticipated performance. At 31 May 2018 the company's performance against this measure was satisfactory.

The revenue of the company is dependent upon the unitary charge receivable from the authority and the expected costs over the lifetime of the project. The income receivable from the authority is dependent on traffic flows on the Road with the charge varying with reference to the traffic flow bands within the Contract. The nature of the bands means that traffic flows can vary significantly without changing the banding and hence the income receivable from the authority. The company measures the actual traffic volumes and forecasts future traffic flows, and compares to the original traffic expectations. At 31 May 2018 the company's performance against this measure was satisfactory.

The company's operations are managed under the supervision of its directors in accordance with its funding arrangements. These operations are largely determined by the detailed terms of the Contract. For this reason, the company's directors consider that further Key Performance Indicators (KPIs) for the company are not necessary or appropriate for an understanding of the performance or position of the business.

INTERIM MANAGEMENT REPORT (CONTINUED)

3. PRINCIPAL RISKS AND UNCERTAINTIES

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

4. FINANCIAL RISK MANAGEMENT

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

Interest rate risk

The majority of the company's debt is at a fixed rate thereby minimising its interest rate risk.

Inflation risk

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

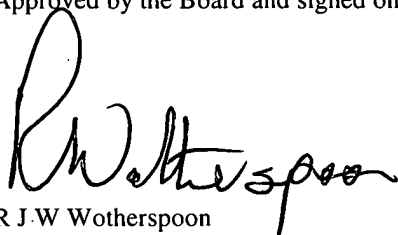
Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its forecast obligations. The nature of the project is such that cash flows are reasonably predictable.

Credit risk

The company receives the majority of its revenue from The Scottish Ministers in the form of a unitary payment, and therefore it is not exposed to significant credit risk.

Approved by the Board and signed on its behalf by:



R J W Wotherspoon
Director

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

28th June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM MANAGEMENT REPORT

The directors are responsible for preparing the Interim Management Report and the Condensed Unaudited Interim Financial Statements in accordance with the applicable Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority in relation to an Issuer of Debt Securities which are listed on the London Stock Exchange.

The annual financial statements of the Company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The financial information contained in the Condensed Unaudited Interim Financial Statements is pro-forma and does not constitute full statutory accounts within the meaning of section 435 of the Companies Act 2006. The information has been extracted from the records of the Company for the five month period ended 31 May 2018. The information has been prepared using the accounting policies and basis of preparation set out in Note 1 to the Annual Report and Accounts 2017.

Cautionary statement regarding forward-looking statements

The Interim Management Report and Condensed Unaudited Interim Financial Statements (together the "Interim Report") may contain certain projections and other forward-looking statements with respect to the financial condition, results of operations and the business of Autolink Concessionaires (M6) PLC. These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Although Autolink Concessionaires (M6) PLC currently believes that the assumptions underlying these forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and therefore there can be no assurance that any results contemplated in the forward-looking statements will actually be achieved. Nothing contained in this Interim Report should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. Autolink Concessionaires (M6) PLC undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances. This Interim Report does not constitute an invitation or inducement to any person to subscribe for, or otherwise acquire, securities issued by Autolink Concessionaires (M6) PLC.

We confirm to the best of our knowledge:

- The Condensed Unaudited Interim Financial Statements included in this Interim Financial Report have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- Appropriate disclosure under DTR 4.2.7R of the Disclosure and Transparency Rules has been made in the Interim Management Report as to any significant events that have occurred during the five months of the financial year that have had a material impact on the Condensed Unaudited Interim Financial Statements; and
- Appropriate disclosure under DTR 4.2.7R of the Disclosure and Transparency Rules has been made in the Interim Management Report as to a description of the principal risks and uncertainties for the remaining seven months of the financial year.

On behalf of the board



R J W Wotherspoon
Director

28th June 2018

CONDENSED UNAUDITED INTERIM PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER
COMPREHENSIVE INCOME

for the five month period ended 31 May 2018

	<u>Notes</u>	<u>31 May 2018</u>	<u>2017</u>
		£000	£000
Turnover	1	2,974	14,349
Operating costs		(2,980)	(13,454)
Operating (loss)/profit		(6)	895
Other interest receivable and similar income	2	4,776	11,912
Interest payable and similar expenses	3	(2,442)	(6,584)
Profit before taxation	4	2,328	6,223
Taxation on profit	6	(644)	(1,531)
Total comprehensive income for the period/year		1,684	4,692

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

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

The accompanying notes form part of these Condensed Unaudited Interim Financial Statements.

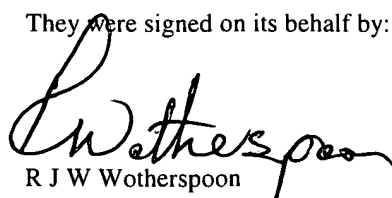
CONDENSED UNAUDITED INTERIM BALANCE SHEET
at 31 May 2018

	Notes	31 May 2018	2017
		£000	£000
CURRENT ASSETS			
Work in progress		-	-
Debtors: Amounts falling due within one year	7	9,402	6,540
Debtors: Amounts falling due after more than one year	8	86,748	89,352
Investments	9	18,267	9,779
Cash at bank and in hand		24,590	21,403
		<hr/>	<hr/>
		139,007	127,074
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	10	(17,158)	(14,996)
		<hr/>	<hr/>
NET CURRENT ASSETS		121,849	112,078
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	11	(119,142)	(108,045)
PROVISIONS FOR LIABILITIES AND CHARGES			
	13	(585)	(595)
		<hr/>	<hr/>
NET ASSETS		2,122	3,438
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	79	79
Profit and loss account		2,043	3,359
		<hr/>	<hr/>
Shareholders' funds		2,122	3,438
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 28th June 2018.

The accompanying notes form part of these condensed unaudited interim financial statements.

They were signed on its behalf by:


R J W Wotherspoon
Director

Company registration number: 3201364

STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Profit and Loss Account £000	Total £000
At 1 January 2017	79	8,417	8,496
Profit for the financial year	-	4,692	4,692
Interim dividends paid of £123.42 per Ordinary share	-	(9,750)	(9,750)
At 31 December 2017	<u>79</u>	<u>3,359</u>	<u>3,438</u>

	Share Capital £000	Profit and Loss Account £000	Total £000
At 1 January 2018	79	3,359	3,438
Profit for the financial period	-	1,684	1,684
Interim dividends paid of £37.97 per Ordinary share	-	(3,000)	(3,000)
At 31 May 2018	<u>79</u>	<u>2,043</u>	<u>2,122</u>

CONDENSED UNAUDITED INTERIM CASH FLOW STATEMENT
for the five month period ended 31 May 2018

	31 May <u>2018</u>	<u>2017</u>
	£000	£000
Cash flows from operating activities		
Profit for the period/year	1,684	4,692
Adjustments for:		
Interest receivable and similar income	(4,776)	(11,912)
Interest payable and similar charges	2,442	6,584
Taxation	644	1,531
	<u>(6)</u>	<u>895</u>
(Increase)/decrease in debtors	(258)	5,298
Decrease in work in progress	-	5,294
Increase in creditors	10,991	9,656
	<u>10,727</u>	<u>21,143</u>
Corporation tax paid	(790)	(1,437)
Net cash flows from operating activities	<u>9,937</u>	<u>19,706</u>
Cash flows from investing activities		
Interest received	4,776	11,912
Net cash flows from investing activities	<u>4,776</u>	<u>11,912</u>
Cash flows from financing activities		
Equity dividends paid	(3,000)	(9,750)
Interest paid	(38)	(6,116)
Repayment of long term loans	-	(11,031)
Net cash flows from financing activities	<u>(3,038)</u>	<u>(26,897)</u>
Net decrease in cash and cash equivalents	11,675	4,721
Cash and cash equivalents at 1 January	31,182	26,461
Cash and cash equivalents at 31 May/December	<u>42,857</u>	<u>31,182</u>

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

1. ACCOUNTING POLICIES

Autolink Concessionaires (M6) PLC is a company limited by shares and incorporated and domiciled in the UK.

The financial statements have been prepared in accordance with applicable United Kingdom law and Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. The accounting policies have been applied consistently throughout the current period and preceding years under the historical cost convention.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

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

(a) Going Concern

The company has considerable financial resources together with a long term contract with The Scottish Ministers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to June 2027. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis. Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Principal Activities.

(b) Finance debtor

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

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The company recognises revenue in respect of the services provided, including lifecycle services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

(c) Turnover

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

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

1. ACCOUNTING POLICIES (CONTINUED)

(d) Maintenance

Lifecycle costs are recognised on a contractual basis and charge to the Profit and Loss in the period in which the work is completed. To the extent an element is incomplete it is recorded in Work in Progress.

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

(e) Taxation

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

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

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

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

(f) Basic financial instruments

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

Trade debtors

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

Current asset investments

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

Cash at bank and in hand

Cash at bank and in hand is carried in the balance sheet at nominal value. The company is obligated to keep separate cash reserves in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £19,230,000 at the period end (2017: £19,203,000).

Trade creditors

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

Loans

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

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

2. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	31 May <u>2018</u> £000	<u>2017</u> £000
Finance debtor interest receivable	4,686	11,714
Other interest receivable	90	198
	<u>4,776</u>	<u>11,912</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	31 May <u>2018</u> £000	<u>2017</u> £000
Debenture loans	2,435	6,569
Bank loans	7	15
	<u>2,442</u>	<u>6,584</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 May <u>2018</u> £000	<u>2017</u> £000
Profit on ordinary activities is stated after charging:		
Fees paid to the auditor for audit services	12	30

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the period and therefore no staff costs and no emoluments were paid to key management personnel or the directors for their services. £33,000 was paid to the controlling shareholders for directors' services (2017: £77,000).

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

On the results for the period at 19.00% (2017: 19.25%):

	31 May <u>2018</u> £000	<u>2017</u> £000
Current period/year tax:		
United Kingdom corporation tax	654	1,576
Adjustment in respect of previous periods	-	-
Total United Kingdom corporation tax	<u>654</u>	<u>1,576</u>
Deferred taxation		
Origination/reversal of timing differences (note 13)	(10)	(45)
Effects of changes in tax rates (note 13)	-	-
Adjustment in respect of previous periods	-	-
Total deferred taxation	<u>(10)</u>	<u>(45)</u>
Tax on profit on ordinary activities	<u>644</u>	<u>1,531</u>

Factors affecting the total tax charge for the current period:

	31 May <u>2018</u> £000	<u>2017</u> £000
Profit on ordinary activities before tax	2,328	6,223
Tax at 19.00% (2017: 19.25%)	442	1,198
Expenses not deductible for tax purposes	202	326
Change in tax rate on deferred tax balances	-	5
Tax on change of interest loan basis	-	-
	<u>644</u>	<u>1,531</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 May <u>2018</u> £000	<u>2017</u> £000
Trade debtors	586	460
Finance debtor (note 8)	6,094	5,863
Amounts owed from parent company	2,625	-
Other debtors	4	4
Prepayments and accrued income	93	213
	<u>9,402</u>	<u>6,540</u>

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

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

	31 May 2018 £000	2017 £000
Finance debtor	86,748	89,352
	<u>86,748</u>	<u>89,352</u>

9. INVESTMENTS

	31 May 2018 £000	2017 £000
Short term deposits	18,267	9,779
	<u>18,267</u>	<u>9,779</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 May 2018 £000	2017 £000
Secured debenture loans (note 11)	11,273	11,254
Secured bank loan (note 11)	347	347
Trade creditors	93	89
Amounts owed to parent undertaking	378	378
Taxation	1,815	1,902
Accruals and deferred income	3,252	1,026
	<u>17,158</u>	<u>14,996</u>

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

	31 May 2018 £000	2017 £000
Secured debenture loans (a)	48,560	48,391
Secured bank loan (b)	1,215	1,214
Accruals and deferred income	69,367	58,440
	<u>119,142</u>	<u>108,045</u>

- (a) The secured debenture loans are secured by a fixed and floating charge on the assets of the company. The loans are repayable by instalments from 15 December 2007 to 15 June 2022.
- (b) The bank loan is secured by a financial guaranty policy, and is repayable by equal semi-annual instalments from 15 June 2004 to 15 June 2022. The interest rate is variable and determined quarterly in advance in accordance with the standard procedures of the lending bank.

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

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

The loans are repayable as follows:

	31 May <u>2018</u>	<u>2017</u>
	£000	£000
Within one year:		
A1 secured debenture loan at 8.39% per annum	10,396	10,396
B1 secured debenture loan at 11.27% per annum	1,210	1,210
Secured bank loan	349	349
	<hr/> 11,955	<hr/> 11,955
Between one and two years:		
A1 secured debenture loan at 8.39% per annum	11,294	11,294
B1 secured debenture loan at 11.27% per annum	1,349	1,349
Secured bank loan	349	349
	<hr/> 12,992	<hr/> 12,992
Between two and five years:		
A1 secured debenture loan at 8.39% per annum	32,598	32,598
B1 secured debenture loan at 11.27% per annum	4,097	4,097
Secured bank loan	871	871
	<hr/> 37,566	<hr/> 37,566
In more than five years:		
A1 secured debenture loan at 8.39% per annum	-	-
B1 secured debenture loan at 11.27% per annum	-	-
Secured bank loan	-	-
	<hr/> -	<hr/> -
	<hr/> 62,513	<hr/> 62,513
Less: effective interest rate adjustments	(1,119)	(1,308)
	<hr/> 61,394	<hr/> 61,205
	<hr/> <hr/>	<hr/> <hr/>
Included in creditors: amounts falling due within one year	11,620	11,601
Included in creditors: amounts falling due after more than one year	49,774	49,604
	<hr/> 61,394	<hr/> 61,205
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

12. FINANCIAL INSTRUMENTS

Financial Assets

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

	31 May <u>2018</u> £000	<u>2017</u> £000
Assets measured at amortised cost		
- Trade debtors	586	460
- Finance debtor	92,842	95,215
- Current asset investments	18,267	9,779
- Cash at bank and in hand *	24,590	21,403
	<u>136,285</u>	<u>127,386</u>

The finance debtor has a carrying value of £92,842,000 (2017: £95,215,000). The fair value of the finance debtor is £129,489,000 (2017: £135,548,000). This has been calculated using the discounted cash flows used to repay the finance debtor. The discount rate is based upon the gilt yield reflecting the unexpired term of the concession, which is published by the Bank of England, and a 1.5% premium is added to reflect the market rate. The directors have not made a provision for diminution in value of the financial asset as it is not impaired.

The fair value of the finance debtor will fluctuate in line with market rates. The effects of a change in market rate on the fair value are as follows:

	31 May <u>2018</u> £000	<u>2017</u> £000
At market rate 3.59% (2017: 3.59%)	129,489	135,548
At market rate plus 1%	124,033	129,563
At market rate less 1%	135,326	141,970

The directors perceive little financial or liquidity risk in respect of the finance debtor. The forecast revenue receipts from The Scottish Ministers comfortably exceed the value of the finance debtor. Credit risk is considered to be negligible given that income receipts are from a low risk public sector body. Future changes in interest rates would not affect the future income receivable for the finance debtor, and therefore the financial asset is not directly exposed to interest rate risk.

* All cash balances are sterling denominated and receive interest at a variable rate with reference to the Bank of England base rate.

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities

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

	31 May 2018 £000	2017 £000
Liabilities measured at amortised cost		
- Listed debenture loans	60,944	60,944
- Secured bank loans	1,569	1,569
	<u>62,513</u>	<u>62,513</u>

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

See note 11 for the repayment terms of the debenture loans.

The debenture loans are at a fixed rate of interest, denominated in sterling and have a carrying value of £59,833,000 (2017: £59,645,000). The weighted average interest rate is 8.70% (2017: 8.70%) and the weighted average period for which the borrowing is fixed at 31 May 2018 is 4.5 years (2017: 4.5 years).

The fair value of the secured debenture loans has been calculated to be £69,605,000 (2017: £69,417,000), based upon market values. There is no obligation or present intention to repay the debt, other than on maturity, when the redemption would be made at book value.

The secured bank loans are at a floating rate of interest, denominated in sterling, and have a carrying value of £1,561,000 (2017: £1,561,000). The difference between the carrying amount and the fair value is not considered to be material. The loans are repayable as follows:

See note 11 for the repayment terms of the secured bank loans.

Notes to the condensed unaudited interim financial statements for the five month period ended 31 May 2018

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>Tax</u> £000	<u>Total</u> £000
At 1 January 2018	595	595
Charged to the profit and loss account	(10)	(10)
At 31 May 2018	<u>585</u>	<u>585</u>

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

	31 May <u>2018</u> £000	<u>2017</u> £000
Accelerated capital allowances	430	436
Short term timing differences	155	159
	<u>585</u>	<u>595</u>

The deferred tax liability has been calculated at 17% as this was the rate substantively enacted at the balance sheet date.

There were no unprovided deferred tax assets or liabilities at the period end (2017: £Nil).

14. CALLED UP SHARE CAPITAL

	31 May <u>2018</u> £000	<u>2017</u> £000
Allotted, called up and fully paid: 79,253 Ordinary shares of £1 each	<u>79</u>	<u>79</u>

15. RELATED PARTY TRANSACTIONS

The company entered into the following material transactions with related parties:

On 29 July 2013 the company entered into a four year Routine Operating and Maintenance contract with Sir Robert McAlpine Limited, a subsidiary of one of the parent company's current controlling shareholders. This contract was amended and restated in February 2016 and now expires at the end of the concession. A total of £2,640,000 (2017: £5,927,000) was paid during the period under this contract.

At the period end £556,000 (2017: £487,000) was owed to Sir Robert McAlpine Limited, and included in creditors: amounts falling due within one year.

The company paid to the controlling shareholders of its immediate parent and their subsidiaries a total of £189,000 (2017: £409,000) for the provision of staff and other services.

16. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company is Autolink Holdings (M6) Limited which is registered in England and Wales. This is the only company to prepare consolidated accounts which include the results of this entity. Copies of the group accounts can be obtained from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR.

17. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

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

Critical judgements

Service concession accounting

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

Finance debtor

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

Debtors

The recoverability of the company's debtors has been assessed by the directors and, where any uncertainty has been identified, sufficient provisions have been posted to reflect uncertainty.