

**Peregrine Motorways Limited**

**Annual report and financial statements**

**For the year ended 31 December 2019**

REGISTERED NUMBER: 08636122



# **Peregrine Motorways Limited**

## **Annual report and financial statements for the year ended 31 December 2019**

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# **Peregrine Motorways Limited**

## **Directors and advisors**

### **Directors**

A Cliffe

B Rosewell

K Daley

M Mehta

D Chintamaneni

G Parcell

Chief Executive

Chairperson

### **Company Secretary**

J Allen

### **Registered Office**

Operations Centre

Express Way

Weeford

Lichfield

Staffordshire

WS14 0PQ

### **Bankers**

Barclays Bank Plc

Barclays Corporate

PO Box 3333

One Snowhill

Snow Hill Queensway

Birmingham

B3 2WN

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

One Chamberlain Square

Birmingham

B3 3AX

# **Peregrine Motorways Limited**

## **Strategic report for the year ended 31 December 2019**

The directors present their Strategic report for the group for the year ended 31 December 2019.

### **Principal activities**

The principal activity of the company is that of a parent company of a group which is engaged in the financing and operation of the 27-mile M6toll motorway, under a 53-year Concession Agreement with the Government running from 26 January 2001 to 2054.

### **Business review**

The company and group's trading results for the year and the financial position at the year end are shown in the attached financial statements.

Traffic on the M6toll fell in 2019 by 7.7% to 16.8m vehicles (2018: 18.2m) reflecting an Annual Average Daily Traffic of 45,976 (2018: 49,831). The fall was driven principally by a reduction in long distance car journeys, a feature noted across the West Midlands corridor, with more stable performance in heavy commercial traffic. M6toll market share remained stable.

Total revenues decreased to £92,764k (2018: £94,332k) due to lower toll revenues derived from reduced traffic volume and decreases in motorway service area usage offset by the beneficial impact of toll price increases which were applied to certain vehicle classes and times from July 2019. During 2019, M6toll expanded trials of new products with discounted prices to encourage increased usage of the road for car journeys where significant journey time savings are potentially available for a range of customers. Those products have contributed increases to both volume and revenue and are part of a significant, emerging development programme, underpinned by market research, to support the growth strategy for the business. M6toll further enhanced its account development with haulage and freight operators adding significant numbers of new accounts to take advantage of the time and cost savings of the road as well as benefit from the increased journey time reliability of M6toll to support their network operations.

Operating costs increased to £11,305k (2018: £10,312k). This increase was principally due to cost of living salary increases and additional staff recruited to the business to support the growth strategy.

On a like-for-like basis adjusted earnings before interest, tax and depreciation (adjusted EBITDA) decreased to £81,459k (2018: £84,020k) reflecting an EBITDA margin of 87.8%. Loss before tax was £951,902k (2018: £109,852k).

As at 31 December 2019, the group had net liabilities of £1,441,705k (2018: £486,401k) and met its debt servicing obligations as they fell due and complied with all its covenant reporting requirements.

The group continued the major resurfacing and structures refurbishment programme commenced in 2017 which formed the largest part of a £5,176k capital expenditure spend. The final phase of pavement work was completed in 2019.

# **Peregrine Motorways Limited**

## **Strategic report for the year ended 31 December 2019 (continued)**

### **Business review (continued)**

#### **Future developments**

It is expected, in the medium term, that overall traffic corridor growth in the West Midlands will continue to be stimulated by the strong economic performance in the region, further boosted by the activities of the West Midlands Combined Authority, Transport for West Midlands, the West Midlands Mayor and associated developments relating to the UK "Midlands Engine". The group continues to work with these bodies, and Highways England and the Department for Transport, to ensure that the M6toll helps to deliver the maximum benefit for the region. M6toll continues to develop its strategic approach in order to attract further usage of the road for both car and heavy vehicle journeys.

Following a review by Government, HS2 is expected to proceed to delivery and some enabling work were concluded in 2019, and further works are anticipated in 2020. The company continues to have dialogue with the relevant parties to minimise any potential negative impact to the road asset or operation.

#### **Key performance indicators**

Given the straightforward nature of the business and the information provided elsewhere in this report, for example regarding tolling revenues and traffic volumes which can be found in the Business review section, the directors are of the opinion that the publication of further KPIs is not necessary for an understanding of the development, performance or positioning of the business.

#### **Principal risks and uncertainties**

At the time of signing the accounts, the global economy is in the midst of responding to the coronavirus ("COVID-19") pandemic. The directors provide further commentary later in the Strategic report and at note 3 in the notes to the accounts in respect to the group and believe that with its major customer base and strategically important role both within the UK strategic road and the wider transport network, the group is well placed to address the issues that are being faced.

The business risks that affect the company and group are principally the risks that affect the infrastructure project that the group has invested in.

The group's key operational and financial risks are set out below along with the risk management policies put in place to mitigate these risks.

# Peregrine Motorways Limited

## Strategic report for the year ended 31 December 2019 (continued)

### Principal risks and uncertainties (continued)

- The continuing availability of finance
- The effects of any change in Government policy towards private operators.
- The continued ability to collect tolls over the life of the concession.
- Increased competition from other routes as a result of continued government capital spending
- Immediate and medium term impact of the COVID-19 pandemic on the country's economy and road usage
- The group undertakes regular financial forecasting to monitor compliance with its financial covenants.
- The group includes a private entity that operates the road under a Concession Agreement which provides specific obligations on the Government should they wish to effect such changes.
- The group monitors its performance to ensure it remains compliant with the concession obligations. Dialogue is maintained with Highways England and the Department for Transport to enhance the M6toll's key role within the region's strategic road network.
- The group seeks to address such competition by providing exemplary service to customers, as well as adding value to customers' reliability and quality of drive, in order to build long term customer loyalty.
- The group has developed a range of models which assesses a sustained impact on usage of the road and has identified a number of operational and financial mitigating actions

On 27 September 2018, Highways England announced its preferred route alignment for a north-bound extension of the M54 which does not involve a motorway to motorway link to M6toll; a public consultation on the preferred route closed on 5<sup>th</sup> July 2019. Based on the current proposals, the route chosen does not meet the criteria for a contribution by the group. The scheme will continue to be monitored and should the detailed design change such that it is considered a qualifying scheme the accounting treatment will be updated accordingly.

As part of the Group refinancing in 2013 and subsequent amendment in 2015, £1,084,017k was novated by Midland Motorways Group Limited to Peregrine Motorways Limited. This tranche of the debt only becomes payable if the group generates sufficient cash flows and has no recourse to the group. Interest payable on the loan is capitalised if cashflows are not available. Further details regarding the loan and its current valuation are provided in note 16.

Subsequent to the year end on 19 March 2020 the company repaid £336,991k (including accrued interest) of the outstanding £1,118,900k of debt due 1 June 2020.

On 19<sup>th</sup> May 2020 the shares in the company were transferred to Starling Investments Limited, a subsidiary of the IFM Global Infrastructure Fund. As part of the restructuring the remaining £791m (including accrued interest) of debt was repaid from the issuing of Loan Notes by the company. The Loan Notes do not have any recourse to the subsidiary companies of Peregrine Motorways Limited.

# **Peregrine Motorways Limited**

## **Strategic report for the year ended 31 December 2019 (continued)**

### **Operational risk management**

Risk is inherent to the business and to the operation of the M6toll. Accordingly, the group is committed to establishing, maintaining and continually improving arrangements to manage risk. Such arrangements are incorporated within an integrated Management System which has been developed and certified in accordance with ISO 9001 Quality Management, ISO 14001 Environmental Management, OHSAS 18001 Occupational Health and Safety Management, and Fire Safety.

All board members are aware of their risk management responsibilities and risk management is on the agenda and discussed at Board meetings on a regular basis. The Board has appointed the Chief Executive to direct the planning, implementation and overview of risk management arrangements across all departments and activities and to report to the Board on risk management performance. As a minimum this will include identification of significant risks, actions to reduce, mitigate or control such risks, ranking of residual risks and the names of allocated risk managers.

### **Financial risk management**

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. The policies set by the board of directors are implemented by the company's finance department as required.

During the year the group had both interest bearing assets and interest bearing liabilities. Bank loans have a fixed rate of interest for the life of the facility.

The group has interest bearing assets consisting of short-term deposits and cash balances. The group has a policy of maximising income from short term deposits via the monitoring of cash balances to ensure working capital requirements are at an appropriate level to fund its operations and subject to compliance with the debt facility agreement.

Under S172 of the Companies Act 2006 the directors of their company have a duty to promote the success of the company. During the year in order to fulfil their duties the directors have:

- Met on a regular basis to review past performance of the company and identify future opportunities and risks highlighted by the performance to date particularly around cash flows to ensure that future liabilities can be met as and when they fall due;
- Ensured that all information to properly assess decision making is available to all members in a timely fashion and that where appropriate external advisors have been engaged to provide extra insight;
- Completed the recruitment of a Non-Executive Chair to add additional knowledge and skills to the group;
- Revised the company risk management regime and introducing a risk appetite measure into the business. The reporting of risks to the Board by the executive leadership team was reviewed by the company internal auditors;
- Ensured sufficient resources were available to the group to maintain its ISO 9001, 18001 and 45001 status;
- Worked with local and national stakeholders to promote the company and the benefits the operation brings to both the strategic and local road networks;
- Reviewed the resources available to the company and where appropriate strengthened these through recruitment or consultant partnerships to enable the company access new markets previously untapped.

# **Peregrine Motorways Limited**

## **Strategic report for the year ended 31 December 2019 (continued)**

### **COVID-19 Impact and Management**

As a result of the COVID-19 pandemic, the Government instituted significant movement restrictions in the UK from 24 March 2019. The movement restrictions implemented have had a material impact on traffic volume, however at the time of signing these accounts, those restrictions have been eased somewhat and there is some recovery in traffic volume albeit the outlook remains uncertain. During this time, the business has remained fully operational without interruption. The directors instituted a number of key measures to deal with the impact of the pandemic, including revised working procedures to minimise employee and customer contact, and enhanced management control and communication procedures.

Based upon the experience of the movement restrictions, the directors have analysed the traffic and financial impact and modelled a range of future potential scenarios including a plausible worst-case scenario. Mitigating actions have been implemented which comprise pausing all non-essential capital expenditure work for the foreseeable future, participating in appropriate government-backed schemes designed to assist UK business through the pandemic, controlling discretionary operating expenditure, and reviewing options under existing debt facilities to draw down on additional liquidity resources.

The directors continue to monitor the impacts on traffic from the Government's response to the pandemic. From the patterns of traffic volumes since the lock-down and the range of scenarios developed the directors consider that the company will be able to continue trading as a going concern. Further details are disclosed within Note 3 of the financial statements.

This report was approved by order of the Board on 03 July 2020 and signed on its behalf by:



**A Cliffe**  
**Director**

07 July 2020



# **Peregrine Motorways Limited**

## **Directors' report for the year ended 31 December 2019**

The directors present their annual report and the audited consolidated financial statements of the group and the company for the year ended 31 December 2019.

### **Statement of directors' responsibilities**

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

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.

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.

### **Disclosure of information to auditors**

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

### **Future developments**

Future developments have been discussed within the Strategic Report.

### **Financial risk management**

Financial risk management has been discussed within the Strategic Report.

### **Results and dividends**

The group's loss for the financial year was £955,304k (2018: £114,012k). The directors have not recommended a dividend (2018: £nil).

# **Peregrine Motorways Limited**

## **Directors' report for the year ended 31 December 2019 (continued)**

### **Directors**

The directors of the company during the year and up until the date of signing the financial statements, unless otherwise stated, were:

A Cliffe	
B Rosewell	Appointed 2 January 2020
K Daley	
M Mehta	
D Chintamaneni	Resigned 20 March 2019 and appointed 6 January 2020
G Parcell	
D Symonds	Appointed 20 March 2019 and resigned 18 May 2020

### **Directors' indemnity insurance**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

### **Charitable and political contributions**

During the financial year ended 31 December 2019 the group made donations totalling £35k to help charities and local community projects, including contributions to the Midlands Air Ambulance Service and various local schools (2018: £42k).

There were no donations to political parties (2018: £nil).

### **Employees**

The group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, to ensure a common awareness on the part of all employees of the financial and economic factors affecting the group.

### **Environmental policy**

The group recognises that its activities impact on the environment to some degree and aims to secure positive advantages and reduce negative impacts through a system of active environmental monitoring and management, which will in many cases, contribute positively to its future performance.

The group aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- prevent pollution from activities;
- plan the contingency/emergency response for major incidents, with other environmental stakeholders, to minimise environmental impact;

# **Peregrine Motorways Limited**

## **Directors' report for the year ended 31 December 2019 (continued)**

### **Environmental policy (continued)**

- engender within staff and, as far as practicable, contractors, a culture of awareness and responsibility for relevant environmental issues by promoting this Policy internally;
- develop, implement and audit an Environmental Management System (EMS) to support these aims;
- maintain certification to ISO 14001 "Environmental management systems" gained on 15 December 2006; and
- promote its environmental-friendly credentials as widely as possible.

### **Health and safety**

The group is committed to complying with applicable health and safety legislation and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

The group achieved certification to the Occupational Health and Safety Standard OHSAS 18001 in July 2005 and has signed up to a partnership agreement with Lichfield District Council on health and safety.

### **Going concern**

A full and detailed assessment of going concern has been carried out and considered by the directors. As part of this process, detailed cash flow forecasts have been produced for a period of over twelve months from the date the financial statements were signed which reflect a range of plausible downside scenarios in relation to the impact of the COVID-19 pandemic. Based on these forecasts, the group is expected to be able to comply with its financial covenants for a period of at least twelve months from the date of signing the financial statements.

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered. The trading subsidiary Midland Expressway Limited's traffic and cash flow forecasts have been formulated prudently and headroom for the next twelve months is considered sufficient under a range of downside trading scenarios.

Based on the above, and the enquiries made by the directors, the financial results have been prepared on a going concern basis, which assumes that group will be able to meet its liabilities as and when they fall due for the foreseeable future. Further details are disclosed within Note 3 of the financial statements.

This report was approved by order of the Board on 03 July 2020 and signed on its behalf by:



**A Cliffe**  
**Director**  
07 July 2020

# **Independent auditors' report to the members of Peregrine Motorways Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Peregrine Motorways Limited'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 December 2019 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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 and company statements of financial position as at 31 December 2019; the consolidated income statement, the consolidated cash flow statement, and the consolidated and company statements of changes in equity 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Material uncertainty related to going concern – Group and company**

In forming our opinion on the Group's and company's financial statements, which are not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the Group's and company's ability to continue as a going concern. The Directors have modelled plausible downside impact scenarios on the potential effect of COVID-19 on the Group and company. Should the impact be significantly more prolonged and pronounced than the Directors have modelled in their plausible downside scenarios, as described in note 3, there is a possibility that the Group may breach the financial covenants attached to the facility held by the company's subsidiary Midland Motorways Group Limited, that finances the Group's operations. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and company's ability to continue as a going concern. The Group and company financial statements do not include the adjustments that would result if the Group and company were unable to continue as a going concern.

# **Independent auditors' report to the members of Peregrine Motorways Limited (continued)**

## **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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 December 2019 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, 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.

## **Independent auditors' report to the members of Peregrine Motorways Limited (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.

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.

### *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 received 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.



**Neil Philpott (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

*7 July 2020*

# Peregrine Motorways Limited

## Consolidated income statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Turnover</b>	5	<b>89,471</b>	<b>90,984</b>
Other operating income		<b>3,293</b>	3,348
<b>Total operating income</b>		<b>92,764</b>	<b>94,332</b>
Staff costs	6	<b>(5,809)</b>	(5,211)
Depreciation written off tangible fixed assets	6,10	<b>(18,354)</b>	(18,219)
Other operating expenses		<b>(5,496)</b>	(5,101)
<b>Operating profit</b>		<b>63,105</b>	<b>65,801</b>
Interest receivable and similar income	8	<b>512</b>	154
Interest payable and similar expenses	8	<b>(1,015,519)</b>	(175,807)
<b>Loss on ordinary activities before taxation</b>		<b>(951,902)</b>	<b>(109,852)</b>
Tax on loss on ordinary activities	9	<b>(3,402)</b>	(4,160)
<b>Loss for the financial year</b>		<b>(955,304)</b>	<b>(114,012)</b>

The above income statement should be read in conjunction with the accompanying notes on pages 17 to 40.

All the above amounts relate to continuing operations.

# Peregrine Motorways Limited

## Consolidated and company statements of financial position as at 31 December 2019

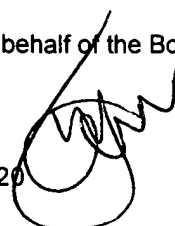
	Note	Group 2019 £'000	2018 £'000	Company 2019 £'000	2018 £'000
<b>Fixed assets</b>					
Tangible assets	10	550,904	564,083	-	-
Investments	11	-	-	-	-
<b>Current assets</b>					
Inventories	12	173	165	-	-
Debtors	13	1,666	1,977	-	-
Cash at bank and in hand	14	306,344	94,793	20,027	20,001
		308,183	96,935	20,027	20,001
Creditors: amounts falling due within one year	15	(1,133,850)	(13,866)	(1,118,900)	-
<b>Net current (liabilities)/assets</b>		<b>(825,667)</b>	<b>83,069</b>	<b>(1,098,873)</b>	<b>20,001</b>
<b>Total assets less current liabilities</b>		<b>(274,763)</b>	<b>647,152</b>	<b>(1,098,873)</b>	<b>20,001</b>
Creditors: amounts falling due after more than one year	16	(1,166,942)	(1,133,553)	(114,374)	(247,809)
<b>Net liabilities</b>		<b>(1,441,705)</b>	<b>(486,401)</b>	<b>(1,213,247)</b>	<b>(227,808)</b>
<b>Capital and reserves</b>					
Called up share capital	19	-	-	-	-
Merger reserve		833,570	833,570	-	-
Accumulated losses brought forward		(1,319,971)	(1,205,959)	(227,808)	(82,550)
Loss for the year		(955,304)	(114,012)	(985,439)	(145,258)
<b>Total shareholders' deficit</b>		<b>(1,441,705)</b>	<b>(486,401)</b>	<b>(1,213,247)</b>	<b>(227,808)</b>

The above Statements of financial position should be read in conjunction with the accompanying notes on pages 17 to 40.

The financial statements on pages 13 to 40 were approved by the Board of Directors on the date shown below.

Signed on behalf of the Board of Directors by:

A Cliffe  
Director  
07 July 2020



Registered number: 08636122



## Peregrine Motorways Limited

### Consolidated and company statements of changes in equity for the year ended 31 December 2019

Group	Called up share capital £000	Merger reserve £000	Accumulated losses £000	Total £000
<b>At 1 January 2018</b>	-	833,570	(1,205,959)	<b>(372,389)</b>
Loss for the financial year	-	-	(114,012)	(114,012)
<b>At 31 December 2018</b>	-	833,570	(1,319,971)	<b>(486,401)</b>
Loss for the financial year	-	-	(955,304)	(955,304)
<b>At 31 December 2019</b>	-	833,570	(2,275,275)	<b>(1,441,705)</b>

Company	Called up share capital £000	Merger reserve £000	Retained earnings £000	Total £000
<b>At 1 January 2018</b>	-	-	(82,550)	<b>(82,550)</b>
Loss for the financial year	-	-	(145,258)	(145,258)
<b>At 31 December 2018</b>	-	-	(227,808)	<b>(227,808)</b>
Loss for the financial year	-	-	(985,439)	(985,439)
<b>At 31 December 2019</b>	-	-	(1,213,247)	<b>(1,213,247)</b>

# Peregrine Motorways Limited

## Consolidated cash flow statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Net cash generated from operating activities</b>	21	<b>83,109</b>	83,719
<b>Taxation</b>			
UK Corporation Tax Paid		(4,365)	(3,750)
		<b>78,744</b>	79,969
<b>Cash flow from investing activities</b>			
Purchase of tangible assets		(5,176)	(8,235)
<b>Net cash used in investing activities</b>		<b>(5,176)</b>	(8,235)
<b>Cash flow from financing activities</b>			
New loans taken in the year		174,700	-
Loan issue costs		(1,520)	-
Interest received		512	154
Interest paid		(35,324)	(36,744)
Bank fees		(385)	(374)
<b>Net cash generated from/used in financing activities</b>		<b>137,983</b>	(36,964)
<b>Net increase in cash at bank and in hand</b>		<b>211,551</b>	34,770
<b>Cash and cash equivalents at the beginning of the year</b>		<b>94,793</b>	60,023
<b>Cash and cash equivalents at the end of the year</b>		<b>306,344</b>	94,793
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		306,344	94,793
<b>Cash and cash equivalents</b>		<b>306,344</b>	94,793

# **Peregrine Motorways Limited**

## **Notes to the financial statements for the year ended 31 December 2019**

### **1. Company information**

Peregrine Motorways Limited is the parent company of a group which is engaged in the financing and operation of the 27-mile M6toll motorway, under a 53 year Concession Agreement with the Government running from 26 January 2001 and expiring in 2054.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England.

The address of its registered office is Operations Centre, Express Way, Weeford, Lichfield, WS14 0PQ.

### **2. Statement of compliance**

The consolidated financial statements of Peregrine Motorways Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

### **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company and group have adopted FRS 102 in these financial statements.

#### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual income statement. The group loss for the year includes a loss after tax of £985,439k (2018: loss £145,258k) which is dealt with in the financial statements of the company.

#### **Basis of consolidation**

The consolidated financial statements include the company and its subsidiary companies. In August 2013 Peregrine Motorways Limited and Midland Motorways Group Limited (formerly known as Macquarie Motorways Group Limited) merged. The merger was accounted for using the merger accounting principles set out in the Companies Act 2006 as applicable to group reconstructions.

The financial year end for all companies within the group is 31 December. Uniform accounting policies are adopted throughout the group. Intragroup transactions and balances have been eliminated fully on consolidation.

# **Peregrine Motorways Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **Going concern**

A full and detailed assessment of going concern has been carried out and considered by the directors. As part of this process, detailed cash flow forecasts for the group have been produced for a period of twelve months from the date of the signing of the financial statements. Based on these forecasts, the group is expected to be able to comply with its financial covenants for a period of at least twelve months from the date of signing the financial statements.

The sensitivity of the forecasts to certain scenarios which could reasonably be expected to arise has been considered, including the potential impact of Brexit during 2020 and the COVID-19 impact assessment considered below. Midland Expressway Limited's (the trading subsidiary) traffic and cash flow forecasts have been formulated prudently and headroom for the next twelve months is considered sufficient under a range of downside trading scenarios.

Based on the above, and the enquiries made by the directors, the financial results have been prepared on a going concern basis, which assumes that group will be able to meet its liabilities as and when they fall due for the foreseeable future.

#### **COVID-19 Impact assessment**

The recent outbreak of COVID-19 has clearly affected many parts of the UK economy including transport operators and transport infrastructure providers such as M6toll. This has typically been manifested in materially lower volumes as movement restrictions have been put into place to control the spread of the virus.

On 17 March 2020, the UK Government urged social distancing and the commencement of work from home where possible, with schools closed on the 20 March 2020 and the UK movement restriction 'lockdown' implemented on the evening of the 23 March 2020. At the time of signing the accounts, those movement restrictions have begun to be eased somewhat.

Throughout that period and subsequently, the group's operating subsidiary Midland Expressway Limited has maintained relevant contact with its key customers and implemented a range of measures to respond to the change in operational circumstances. The health and safety of our colleagues and customers is of paramount importance and we moved quickly to segregated teams and implemented appropriate social distancing within the workforce and took the step to remove the handling of cash entirely within the business from the first day of lockdown. Those steps have enabled the M6toll to remain fully and safely operational throughout the period since the commencement of the COVID-19 pandemic.

The immediate experience is that traffic volume reductions on the M6toll, whilst significant, are not significantly dissimilar to those on the wider strategic road network in the UK for similar journey types. The extent to which the effects of COVID-19 will impact M6toll on an extended look forward basis is uncertain, and we cannot fully exclude the possibility that the pandemic moves through a subsequent wave of re-infection and requires Government intervention that restricts the opportunity for recovery outlined in the modelled scenario. There is also the possibility, outside of the direct control measures of the pandemic, that the effect upon macro-economic performance following the suppression of economic activity is more severe than currently anticipated or indeed that the gradual removal of economic support measures delays economic recovery.

The directors have modelled a series of scenarios using these parameters including a plausible worst-case scenario, which, based on experience from the imposition of movement restrictions, allows for a potential reduction in demand in excess of one-third across the whole year compared to 2019.

As these factors are assessed, the Directors consider that there is a material uncertainty that may give rise to significant doubt about the Group and company's ability to continue as a going concern should the impact be more prolonged and pronounced than currently reasonably expected.

# **Peregrine Motorways Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **COVID-19 Impact assessment (continued)**

We also note the opportunity:

- I. For a swifter removal of movement restrictions;
- II. A swifter recovery in road traffic volumes as opposed to other forms of transport such as public transport, where it is possible that ongoing social distancing measures reduce available capacity;
- III. For UK destinations to be more attractive as we move towards the holiday season offering the potential for increased UK road use as an alternative to international travel;
- IV. To extend recent growth trials and products to attract new demand to use M6toll, particularly for regional and inter-regional where the company's market analysis indicates there is significant opportunity for growth.

Based on the work carried out the Directors expect that the Group will be able to fulfil its financial obligations and meet its look-forward covenants for at least the twelve month period from the date of signing.

In the context of a strong liquidity position to withstand further reductions beyond those modelled, there is also the possibility of seeking additional solutions such as seeking a waiver from the lenders of the Debt Service Cover Ratio test attached to the financing facilities. Consequently, the directors continue to believe that it is appropriate to prepare the group and company financial statements on a going concern basis. Neither the group financial statements nor those of the company include the adjustments that would result if the group or company were unable to continue as a going concern.

#### **Exemptions for qualifying entities under FRS102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- Under FRS 102 paragraph 1.12(b), the exemption from preparing a statement of cash flows, on the basis that, it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- Under FRS 102 paragraph 33.1A, the exemption from disclosing related party transactions with other companies that are wholly owned by the company.

#### **Revenue recognition**

Turnover represents amounts received and receivable in respect of tolling revenues, exclusive of value added tax. Revenue is recognised at the time the journey is completed.

Other operating income includes revenues received and receivable on the rental of the Motorway Service Area. The rental is recognised in line with the turnover declared monthly by the Motorway Service Area operator.

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 3. Summary of significant accounting policies (continued)

#### Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

*i. Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

*ii. Defined contribution pension plans*

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

*iii. Annual bonus plan*

The group operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

*i. Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*ii. Deferred tax*

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 3. Summary of significant accounting policies (continued)

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost represents original purchase cost and in the case of the construction of the M6toll all expenses that are directly attributable to bringing the road into final condition. Finance costs up to 'Permit to Use' have been capitalised in accordance with FRS102 section 25 "Borrowing costs".

Depreciation of tangible fixed assets commenced at "Permit to Use" or date of acquisition and is calculated to write off the cost of tangible fixed assets less their residual values over their expected useful lives at the following rates:

Asset description	Categorisation	Estimated useful life	Depreciation rate
M6toll Road Infrastructure	M6toll	50 yrs	Vehicle usage over useful life
Roadbase	M6toll	15 yrs	Vehicle usage over useful life
Wearing Course	M6toll	8 - 12 yrs	8 - 12.5%
M6toll Buildings and Motorway Service Area	M6toll /short leasehold land and buildings	50 yrs	2%
Masts and Columns	Plant and machinery	12 yrs	8%
Office Furniture and Fittings	Plant and machinery	10 yrs	10%
Signage	Plant and machinery	6 yrs	17%
Vehicles and Maintenance Equipment	Plant and machinery	5 yrs	20%
IT Equipment	Plant and machinery	3 yrs	33%
Toll Collection System	Plant and machinery	3 yrs	33%
Land fund	Short leasehold land and buildings	50 yrs	2%

The carrying value of these tangible fixed assets is assessed by the directors annually to determine whether there has been any impairment to their value.

#### Borrowings

Borrowings are carried at their issue proceeds, net of issue costs less amounts repaid. Issue costs are allocated over the years of the borrowing to achieve a constant rate on the carrying amount.

# **Peregrine Motorways Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Leased assets**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### *i. Finance leased assets*

Leases of assets that transfer substantially all the risk and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for the impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

##### *ii. Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### **Motorway Service Area**

The costs of construction of the Motorway Service Area (MSA) at Norton Canes have been capitalised and depreciated in line with assets of a similar nature.

The operation of the MSA is leased to RoadChef and the rental income receivable is included within other operating income.

#### **Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined by the most recent purchase price.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.



# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 3. Summary of significant accounting policies (continued)

#### Provisions and contingencies

Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular:

*i. Provision is not made for future operating losses*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

*ii. Contingencies*

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

#### Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

*i. Financial assets*

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

*ii. Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The group has a loan which is classified as a complex financial instrument under Sections 11 and 12 of FRS 102. Repayment of this loan is dependent upon future cash flows and is measured at amortised cost. The carrying value of the loan is remeasured annually. See Note 16.

# **Peregrine Motorways Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **Related party transactions**

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### **Fixed and current asset investments**

Fixed and current asset investments are stated at cost less provisions for impairment.

#### **Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 4. Significant estimation techniques

#### *i. Depreciation*

Depreciation of M6toll infrastructure assets is calculated to amortise the cost of the assets using a formula of actual vehicle usage for the period proportionate to the total forecast usage over the remaining asset life. The forecast vehicle usage has been assessed by the directors using information provided by independent third party consultants and judgement based on past experience and local market knowledge.

#### *ii. Recognition of deferred tax assets*

In order to consider whether any deferred tax asset should be recognised the directors assess the recoverability of this asset against expected future profits. This assessment is based upon traffic forecast information which has been provided by independent third party consultants and judgement based on past experience and local market knowledge.

#### *iii. Carrying value of tangible fixed assets*

In order to consider whether the carrying value of tangible fixed assets is supportable the directors assess the expected future cash flows of these assets. This assessment is again based upon traffic forecast information which has been provided by independent third party consultants and judgement based on past experience and local market knowledge. The cash flows expected from these forecasts is then discounted at an appropriate rate to reflect the present value of future cash flows. In order to determine a suitable discount rate, the directors consider a number of factors including the weighted average cost of capital for the business.

#### *iv. Carrying value of unsecured loan*

As disclosed in note 16, liabilities of £1,118,900k (2018: £1,092,077k) remain outstanding under the terms of the 31 March 2015 amendment having been novated by Midland Motorways Group Limited to Peregrine Motorways Limited on this date. Both interest and principal will only become payable if the group generates sufficient cashflows to allow payment and has no recourse to the group. During the year £nil (2018: £nil) was repaid on the facility with an equivalent amount charged to the group income statement. The loan is measured at amortised cost, based on the expected future repayments.

In order to calculate the carrying value of the debt instrument the directors have based the valuation on transactions post year end, as disclosed in Note 25 discounted back to the 31<sup>st</sup> December 2019. These transactions were a cash prepayment of £336,991k on 19<sup>th</sup> March 2020 and an issuance of Loan Notes of £790,922k on 19<sup>th</sup> May 2020.

### 5. Turnover

All of the group's turnover and operating profit were derived from its activities based in the United Kingdom. All turnover was derived from the same class of business.

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 6. Group operating profit

	2019	2018
	£'000	£'000
<b>Operating profit is stated after charging:</b>		
Wages and salaries	5,211	4,716
Other pension costs	122	81
Social security costs	476	414
<b>Staff costs</b>	<b>5,809</b>	<b>5,211</b>
Other staff costs (including temporary and secondment fees)	-	135
Depreciation of tangible fixed assets		
- owned assets	15,790	15,655
- leased assets	2,564	2,564
Operating lease charges	146	69
Impairment of trade receivables	2	-
Fees payable to company's auditors		
- Fees payable for the audit of the company and the consolidated financial statements	12	4
- Fees payable for the audit of subsidiary companies	96	90
- Fees payable for tax compliance services	55	70
- Fees payable for other services	11	8

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 7. Employees and directors

#### Employees

The average monthly number of persons (including executive directors) employed by the group during the year was:

	2019	2018
By activity	Number	Number
Operations and maintenance	109	107
Administration and marketing	42	38
	151	145

The company had no employees during 2019 or 2018.

#### Group

#### Directors

The directors' emoluments were as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments including benefits in kind	510	344

#### Highest Paid Director

The highest paid director's emoluments were as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments including benefits in kind	385	284

No directors (2018: one) were accruing retirement benefits under a defined contribution pension scheme. The total cost in the year was £nil (2018:£7k).

Two directors (2018: two) received remuneration from a subsidiary of IFM Investors Pty Ltd, which is the advisor to the IFM Global Infrastructure Fund. The directors perform director duties for the company, as well as their employment duties with IFM Investors. A further director is contracted by the IFM Global Infrastructure Fund as a senior advisor, which includes representing the IFM Global Infrastructure Fund on the board of various toll roads. Consequently, allocating their compensation across all these duties would mean any amounts allocated to their director duties for the company would be an immaterial nominal amount. Accordingly, no separate remuneration has been disclosed. No recharge of this remuneration is made to the company.

The company does not have any key management personnel that require disclosure under FRS 102 paragraph 33.7.

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 7. Employees and directors (continued)

#### Employees (continued)

The group maintains a defined contribution pension scheme, which is open to all employees. Member funds for the defined contribution scheme are held in the People Pension Scheme, a master trust administered by B&CE. The total cost recognised in operating profit for the year was £122k (2018: £81k). No accrued or prepaid contributions have been included in the financial statements (2018: £nil).

### 8. Interest payable and receivable

	2019	2018
	£'000	£'000
<b>Interest payable and similar expenses:</b>		
Interest payable on secured loans	35,982	35,228
Loan issue cost amortisation	209	206
Remeasurement of financial liability (Note 16)	978,900	140,000
Bank fees	385	373
Other interest	43	-
	<b>1,015,519</b>	<b>175,807</b>
	2019	2018
	£'000	£'000
<b>Interest receivable and similar income:</b>		
On bank deposits	512	154
	<b>512</b>	<b>154</b>

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 9. Tax on loss

Analysis of the tax charge

The tax charge on the loss for the year was as follows:

	2019	2018
	£'000	£'000
Current tax:		
UK Corporation Tax	3,324	3,699
Adjustments in respect of prior periods	78	461
<b>Total current tax</b>	<b>3,402</b>	<b>4,160</b>

UK corporation tax has been charged at 19.00% (2018 – 19.00%)

#### Reconciliation of the total tax charge included in the profit and loss

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK 19.00% (2018: 19.00%). Factors affecting the current tax charge for the year are as follows:

	2019	2018
	£'000	£'000
<b>Reconciliation of total tax charge</b>		
Loss on ordinary activities before taxation	(951,902)	(109,852)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK 19.00% (2018: 19.00%)	(180,861)	(20,872)
Effects of:		
Permanent timing differences	2,298	-
Expenses not deductible for tax purposes	185,998	28,938
Change in rate of corporation tax	16	24
Deferred tax not recognised	134	194
Losses utilised in the current year	(4,261)	(4,585)
Adjustments in respect of prior periods	78	461
<b>Total tax charge for the year</b>	<b>3,402</b>	<b>4,160</b>

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 9. Tax on loss (continued)

At 31 December 2019 there are deferred tax assets of £190,006k (2018: £193,994k) not recognised in respect of tax losses recoverable. These amounts will be recognised in the future if the directors consider that the nature, size and certainty of the company's forecast profits make it appropriate to do so. Further details are disclosed within note 18.

### 10. Tangible fixed assets

Group	Plant and machinery	Short leasehold land and buildings	M6 toll	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2019	53,602	124,388	664,705	842,695
Additions	1,728	-	3,448	5,176
Disposals	(490)	(1)	(17,639)	(18,130)
<b>At 31 December 2019</b>	<b>54,840</b>	<b>124,387</b>	<b>650,514</b>	<b>829,741</b>
<b>Accumulated depreciation</b>				
At 1 January 2019	45,410	35,388	197,814	278,612
Charge for the year	1,734	2,564	14,056	18,354
Disposals	(490)	-	(17,639)	(18,129)
<b>At 31 December 2019</b>	<b>46,654</b>	<b>37,952</b>	<b>194,231</b>	<b>278,837</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>8,186</b>	<b>86,435</b>	<b>456,283</b>	<b>550,904</b>
At 31 December 2018	8,192	89,000	466,891	564,083

No finance costs have been capitalised during the year (2018: £nil). Aggregate finance costs, after depreciation, included in tangible fixed assets are £65,660k (2018: £67,779k).

The group has carried out an impairment review on the toll road at 31 December 2019. On the basis of the review no adjustment to the carrying value of the toll road was considered necessary by the directors.



# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 10. Tangible fixed assets (continued)

Short leasehold land and buildings comprise:

	Land fund	Motorway Service Area	Total
	£'000	£'000	£'000
Cost as at 1 January 2018	111,582	12,806	124,388
Aggregate depreciation	(31,534)	(3,854)	(35,388)
<b>Net book amount as at 31 December 2018</b>	<b>80,048</b>	<b>8,952</b>	<b>89,000</b>
Cost as at 1 January 2019	111,582	12,806	124,388
Disposals	(1)	-	(1)
Aggregate depreciation	(33,842)	(4,110)	(37,952)
<b>Net book amount as at 31 December 2019</b>	<b>77,739</b>	<b>8,696</b>	<b>86,435</b>

#### Assets held under finance lease

The Land fund asset represents the capital cost of land leased by Midland Expressway Limited from Highways England. £527k (2018: £528k) has been accrued to the Land Fund asset and corresponding liability for the estimated outstanding land compensation claims yet to be paid or agreed by Highways England. The net book value of the land fund is £77,739k (2018: £80,048k).

#### Company

The company does not have any tangible fixed assets (2018: £nil).

### 11. Investments

#### Company

The investments at the statement of financial position date in the share capital of companies include the following:

#### Investments in subsidiary undertakings

	2019	2018
	£'000	£'000
Net book value		
<b>At 31 December 2018 and 31 December 2019</b>	<b>-</b>	<b>-</b>

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 11. Investments (continued)

The company has the following subsidiaries:

Name of undertaking	Description of shares held	Principal activity	Registered Office	Holding of the group	Holding of the company
Midland Expressway Limited*	Ordinary shares of £1 each	Toll Road operator	Operations Centre Express Way Weeford Lichfield, Staffordshire WS14 0PQ	100%	100%
Midland Motorways Group Limited	Ordinary shares of £1 each	Holding company	Operations Centre Express Way Weeford Lichfield, Staffordshire WS14 0PQ	100%	100%

\*Indirect shareholding through Midland Motorways Group Limited.

### 12. Inventories

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Inventories	173	165	-	-

### 13. Debtors

Debtors due within one year:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	1,529	1,443	-	-
Prepayments and accrued income	137	534	-	-
	1,666	1,977	-	-

Trade debtors are stated after provisions for impairment of £14k (2018: £12k).

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 14. Cash at bank and in hand

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Bank and cash balances	<b>306,344</b>	94,793	<b>20,027</b>	20,001

Cash at bank includes £20,696k (2018: £17,923k) held in a cash reserve account. This account has restrictions on its use.

### 15. Creditors: amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Trade creditors	<b>1,046</b>	825	-	-
Taxation and social security	<b>2,864</b>	3,095	-	-
Unsecured Loan	<b>1,118,900</b>	-	<b>1,118,900</b>	-
Corporation tax	<b>1,484</b>	2,447	-	-
Obligations under finance leases	<b>527</b>	528	-	-
Accruals and deferred income	<b>9,029</b>	6,971	-	-
	<b>1,133,850</b>	13,866	<b>1,118,900</b>	-

The Land fund liability has been valued by Highways England as at 31 December 2019 at £527k (2018: £528k) and represents the liability for estimated outstanding land compensation claims yet to be paid or agreed by Highways England.

#### Unsecured loans

£1,118,900k (2018: £1,092,077k) remains outstanding under the terms of the 31 March 2015 amendment having been novated by Midland Motorways Group Limited to Peregrine Motorways Limited on this date. Both interest and principal will only become payable if the group generates sufficient cashflows to allow payment and has no recourse to the group. During the year £nil (2018: £nil) was repaid on the facility with an equivalent amount charged to the group income statement.

A review of the carrying value of the debt was undertaken in the year based on discounted expected future cashflows of the group and the directors concluded the amount to be recognised in the statement of financial position for the current year is £1,118,900k (2018: £140,000k). Further details on the valuation are included in Note 4.

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 16. Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans	1,174,700	1,000,000	-	-
Less issue costs	(7,758)	(6,447)	-	-
	1,166,942	993,553		-
Loan from subsidiary company	-	-	114,374	107,809
Unsecured loan	-	140,000	-	140,000
	1,166,942	1,133,553	114,374	247,809
The maturity profile of the above mentioned bank loan is:				
Later than one year and not later than five years	24,700	-	-	-
More than five years	1,142,242	993,553	-	-
	1,166,942	993,553	-	-

#### Bank loans

On 2 June 2017, £500,000k was borrowed under a Note Purchase Agreement. This is a fixed rate of interest repayable by 31 December 2049.

On the 23 November 2017 £125,000k was borrowed under a Note Purchase Agreement. This is a rate for 20 years before increasing to a further fixed rate until the repayment date of 31 December 2045.

On 28 November 2017 the following amounts were borrowed under note purchase agreements:

- £250,000k Guaranteed Senior Secured Notes. This is a fixed rate of interest repayable by due 31 December 2042
- £125,000k Guaranteed Senior Secured Notes. This is a fixed rate of interest repayable by 31 December 2045

On 30 October 2019 the following amounts were borrowed under note purchase agreements:

- £65,000k was borrowed under a PP Note Purchase Agreement. This is a fixed rate of interest repayable by 31 December 2039;
- £35,000k was borrowed under a PP Note Purchase Agreement. This is a fixed rate of interest repayable by 31 December 2050;
- £50,000k was borrowed under a PP Note Purchase Agreement. This is a fixed rate of interest repayable by 31 December 2050;

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 16. Creditors: amounts falling due after more than one year (continued)

#### Bank loans (continued)

During the year, £24,700k was drawn from authorised credit facilities. Total available facility is £60,000k and is a variable rate of interest repayable by 02 June 2022.

All facilities have fixed interest rates below 4% for the life of the facility.

#### Unsecured loans

£1,118,900k (2018: £1,092,077k) remains outstanding under the terms of the 31 March 2015 amendment having been novated by Midland Motorways Group Limited to Peregrine Motorways Limited on this date. Both interest and principal will only become payable if the group generates sufficient cashflows to allow payment and has no recourse to the group. During the year £nil (2018: £nil) was repaid on the facility with an equivalent amount charged to the group income statement.

A review of the carrying value of the debt was undertaken in the year based on discounted expected future cashflows of the group and the directors concluded the amount to be recognised in the statement of financial position for the current year is £1,118,900k (2018: £140,000k). Further details on the valuation are included in Note 4.

### 17. Financial instruments

	Note	Group 2019	2018	Company 2019	2018
<b>Financial assets that are debt instruments measured at amortised cost</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade receivables	13	1,529	1,443	-	-
		1,529	1,443	-	-
		<b>Group 2019</b>	<b>2018</b>	<b>Company 2019</b>	<b>2018</b>
<b>Financial liabilities measured at amortised cost</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	15	1,046	825	-	-
Accruals	15	8,353	6,971	-	-
Bank loan	16	1,166,942	993,553	-	-
Loan from subsidiary company	16	-	-	114,374	107,809
Unsecured loan	15	1,118,900	140,000	1,118,900	140,000
Finance leases	15	527	528	-	-
		2,295,768	1,141,877	1,233,274	247,809

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 18. Deferred taxation

#### Group

At the year end the group has no potential liability to deferred taxation.

A deferred tax asset of £190,006k (2018: £193,994k) has not been recognised as currently there is insufficient evidence that any asset would be recoverable. The deferred tax asset would be recoverable when the group makes sufficient profits to utilise the losses brought forward. The asset consists of:

	2019		2018	
	Provided £'000	Unrecognised £'000	Provided £'000	Unrecognised £'000
Accelerated capital allowances	(4,686)	-	(4,576)	-
Capitalised Interest	(17,249)	-	(17,601)	-
Losses	21,935	190,006	22,177	193,994
	-	190,006	-	193,994

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and are reflected in these financial statements.

It was announced in the Budget on 11 March 2020 that the reduction to 17% would no longer take effect from 1 April 2020. This change was not substantively enacted at the balance sheet date and therefore no adjustment has been made to the deferred taxation balances as at 31 December 2019. The impact of this change is not considered to be material.

#### Company

The company does not have any deferred taxation (2018: £nil).

### 19. Called up share capital

#### Group and company

	2019	2018
	£	£
Allotted and fully paid		
100 (2018: 100) ordinary shares of £1 each	100	100
1 (2018: 1) special share of £5 each	5	5

The share capital of the company is divided into Ordinary Shares and a Special Share. Such shares shall entitle the holders to the respective rights and privileges, and subject them to the respective restrictions and provisions, contained in the Articles of Association ("Articles") and the Shareholders' Deed effective from 13 December 2013.

# **Peregrine Motorways Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **19. Called up share capital (continued)**

#### **Ordinary Shares**

Ordinary Shares entitle the holder thereof to the following rights:

(a) **Capital:**

On a return of assets on a liquidation, reduction of capital or otherwise, the holder of Ordinary Shares shall be entitled to the repayment of a sum equal to £100.

(b) **Voting in general meetings:**

The holder of the Ordinary Shares shall be entitled to receive notice of, to attend and vote at general meetings of the company.

(c) **Dividends:**

The holder of Ordinary Shares shall not be entitled to any dividends.

#### **The Special Share**

The Special Share entitles the holder thereof to the following rights:

(a) **Capital:**

On a return of assets on a liquidation, reduction of capital or otherwise, the holder of the Special Share shall be entitled to be paid out of the surplus assets of the company remaining after payment of the sum to be paid to the Ordinary Shareholder.

(b) **Voting in general meetings:**

The Special Shareholder shall be entitled to receive notice of and speak at any general meeting or any meeting of any class of shareholders of the company but the Special Share shall carry no right to vote nor any other rights at any such meeting except for certain reserved matters as detailed in the shareholder agreement where special shareholder consent is required.

(c) **Dividends:**

There is no restriction (under the Articles or Shareholders' Deed) on the Special Shareholder's entitlement to receive dividends save that no dividend may be declared or paid without the approval of a Board majority.

The company has granted a first mortgage over all of Midland Motorways Group Limited's shares and assets and a first fixed charge over all related share rights in favour of the security trustee with full guarantee and as security for the payment of all secured liabilities. The debenture is subject to the terms of a deed created 13 December 2013 between the company and Crédit Agricole-CIB acting as the security trustee for the benefit of the secured creditors.

# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 20. Operating lease commitments

At 31 December the group had commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	2019	2018
	£'000	£'000
Not later than one year	106	80
Later than one year and not later than five years	137	155
More than five years	13	45
	<b>256</b>	<b>280</b>

The company had no commitments under operating leases (2018: none).

### 21. Notes to the cash flow statement

	2019	2018
	£'000	£'000
<b>Loss for the financial year</b>	<b>(955,304)</b>	<b>(114,012)</b>
Tax on profit on ordinary activities	3,402	4,160
Net interest expense	1,015,007	175,653
<b>Operating profit</b>	<b>63,105</b>	<b>65,801</b>
Depreciation of tangible assets	18,354	18,219
Working capital movements:		
- Increase in Inventory	(8)	(165)
- Decrease in receivables	315	447
- Increase/ (decrease) in payables	1,342	(583)
<b>Net cash generated from operating activities</b>	<b>83,109</b>	<b>83,719</b>



# Peregrine Motorways Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 21. Notes to the cash flow statement (continued)

#### Analysis of changes in net debt

	At 1 January 2019	Cash movements	Non cash movements	At 31 December 2019
	£'000	£'000	£'000	£'000
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	94,793	211,551	-	306,344
<b>Borrowings</b>				
Unsecured loan	(140,000)	-	(978,900)	(1,118,900)
Obligations under finance leases	(528)	1	-	(527)
Bank loans	(993,553)	(173,180)	(209)	(1,166,942)
<b>Net debt</b>	<b>(1,039,288)</b>	<b>38,372</b>	<b>(979,109)</b>	<b>(1,980,025)</b>

Non cash movements reflect the remeasurement of the financial liability (see note 4) and amortisation of issue costs (see note 8).

### 22. Related party transactions

The company is exempt from the requirement in FRS 102 paragraph 33.1A to disclose transactions with entities that are part of the 100% owned group of which it controls, or investees of this group, qualifying as related parties. The only related party transactions requiring disclosure during the year are as shown below:

#### Other Fees Payable

During the year the group paid £18k (2018: £14k) to Kleinwort Hambros in relation to the management fees of Peregrine Holding Company Limited (PHCL), the holder of the special share in Peregrine Motorways Limited, the ultimate parent of the company. A further £21k (2018: £13k) was paid to Kleinwort Hambros in relation to management fees and out of pocket expenses for services provided to Peregrine M6toll Road Trust, the parent of PHCL.

### 23. Ultimate parent undertaking and controlling party

The ultimate controlling party at the year end was The Peregrine M6 Toll Road Trust which acted at the direction of the majority lenders of Peregrine Motorways Limited. Following the repayment of the lenders on 19 March 2020 and 19 May 2020 the ultimate controlling party became IFM Global Infrastructure Fund.

The smallest and largest group of undertakings to consolidate these financial statements is Peregrine Motorways Limited. Peregrine Motorways Limited is owned and controlled by The Peregrine M6 Toll Road Trust which acts at the direction of the majority lenders of Peregrine Motorways Limited.

## **Peregrine Motorways Limited**

### **Notes to the financial statements for the year ended 31 December 2019 (continued)**

#### **24. Contingent liabilities**

As part of the debt refinancing of the M6toll in August 2006, the group acceded to a formal obligation with the Secretary of State to contribute up to a maximum of £70,000k (indexed according to the Road and Construction Tender Index from May 2006) towards a road enhancement project which would provide a motorway to motorway link between the M54 to the M6toll and to meet the costs of maintaining this link thereafter. On 27 September 2018, Highways England announced its preferred route alignment for a north-bound extension of the M54 which does not involve a motorway to motorway link to M6toll. Based on the current proposals, the route chosen does not meet the criteria for a contribution by the group. The scheme will continue to be monitored and should the detailed design change such that it is considered a qualifying scheme the accounting treatment will be updated accordingly.

#### **25. Post Balance Sheet Event**

Subsequent to the year end on 19 March 2020 the company repaid £336,991k (including accrued interest) of the outstanding £1,118,900k of debt due 1 June 2020.

On 19<sup>th</sup> May 2020 the shares in the company were transferred to Starling Investments Limited, a subsidiary of the IFM Global Infrastructure Fund. As part of the restructuring the remaining £790,922k (including accrued interest) of debt was repaid from the issuing of Loan Notes by the company. The Loan Notes do not have any recourse to the subsidiary companies of Peregrine Motorways Limited.