Registered number
03059235

Connect M1-A1 Holdings Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

Connect M1-A1 Holdings Limited
Annual report and financial statements
Contents

Connect M1-A1 Holdings Limited
Group Strategic Report
for the year ended 31 March 2017

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006

Strategic Review
The Company is an investment holding company whose sole business is the holding of an investment in its wholly owned subsidiary, Connect M1-A1 Limited. The Company is incorporated in Great Britain, registered in England and Wales and domiciled in the United Kingdom.

On 26 March 1996 Connect M1-A1 Limited entered into a 30 year concession agreement with Highways England (the "D.B.F.O. Contract") to design, build, finance and operate the M1-A1 Link Road (Lofthouse to Bramham) under the Government's Private Finance Initiative.

The M1-A1 Link Road is a motorway link of almost 30 kilometres in length which provides a strategic connection between the M1 and M62 motorways south of Leeds and the A1 Trunk Road south of Wetherby.

The Group maintains and operates the M1-A1 Link Road for the duration of the concession and receives revenue from the Secretary of State for Transport in the form of shadow tolls based on the volume of traffic using the road. Payment of shadow tolls commenced when the M1-A1 Link Road opened and will continue until the end of the concession. In accordance with the concession agreement the Company is responsible for operating the road together with carrying out all of the routine and major life cycle maintenance for the life of the concession.

There have been no changes to the Company's or Group's activities in the year under review and none are currently contemplated.

Review of business
The results for the year are set out on page 7. The profit for the year before taxation was £5,354,000 (2016 – profit of £9,445,000) and the net assets position as at 31 March 2017 is £45,810,000 (2016 – £42,761,000) for the Group.

Key Performance Indicators
The Group has set specific business objectives, which are monitored using a number of key performance indicators ("KPIs"). The relevant KPIs for this report are detailed below:

	31 March 2017 £000's	**31 March 2016 £000's**
Turnover	28,771	28,550
Proft after taxation	4,168	7,727
Net assets	45,810	42,761

Connect M1-A1 Holdings Limited
Group Strategic Report (continued)

Key Performance Indicators (continued)

The Company performance for the year was as expected. The prior year performance was higher due to the receipt of £12m of insurance recoveries in that year. These related to work required on the pavement which had largely been paid to the Construction Joint Venture in previous years.

The Group is showing net assets and recording a profit in the year. The Group's projections, taking account of reasonably possible counterparty performance, show that the Group expects to be able to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Principal Risks and Uncertainties

The Group recognises that effective risk management is fundamental to achieving its business objectives in order to meet its commitments in fulfilling the PFI contract and in delivering a safe and efficient service. Risk management contributes to the success of the business by identifying opportunities and anticipating risks in order to improve business performance and fulfil our contractual obligations.

Credit & cash flow risks
The relevant financial risks to the Group are credit and cash flow risks, which arise from its primary client, Highways England. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

Interest rate risk
The financial risk management objective of the Group is to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. Financial instruments are not used for speculative purposes. Interest rate swaps are in place between 1996 and 2024 for notional principal amounts equating to 70% of the expected bank debt that is at a variable rate of interest to give an effective fixed interest rate payable on this debt.

Liquidity risk
The Group's liquidity risk is principally managed through financing the Company's subsidiary by means of long-term borrowings, with an amortisation profile that matches the expected availability of funds from the Company's subsidiary's operating activities. In addition, the Company's subsidiary maintains reserve bank accounts to provide short-term liquidity against future debt service and other expenditure requirements.

This report was approved by the board on 28 July 2017 and signed by its order.

P. McCarthy
Company Secretary

Connect M1-A1 Holdings Limited
Registered number: 03059235
Directors' Report
for the year ended 31 March 2017

The Directors present their annual report together with the audited financial statements for the year ended 31 March 2017.

The following information has been disclosed in the Strategic Report:

- Key performance indicators
- Financial risk management
- Indication of likely future developments in the business.
- Principle activities and business review

Results and dividends

The audited financial statements for the year ended 31 March 2017 are set out on pages 7 to 22. The profit for the year after taxation was £4,168,000 (2016 – profit of £7,727,000).

The Directors declared and paid dividends of £1,907,000 (2016 – £45,280,000). The Directors expect the Group to continue its operations for the foreseeable future.

Going Concern

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements. Further information is provided in note 1 to the financial statements.

Directors

The following persons served as directors throughout the year and up to the date of this report:

D. W. Bowler	
M.P. Mageean	
R. Driver	(appointed on 15/04/16)
S. Orrell	(appointed on 15/04/16)
M. J. Edwards	(appointed on 24/01/17)
A. P. Walker	(appointed on 20/06/17)
A. Dean	(resigned on 21/03/17)
L. J. Falero	(resigned on 02/09/16)

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Provision of Information to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(ii) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

This report was approved by the board on 28 July 2017 and signed by its order.

Patk McCarthy

P. McCarthy
Company Secretary

Connect M1-A1 Holdings Limited
Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements 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.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Connect M1-A1 Holdings Limited
Independent Auditor's Report
to the Members of Connect M1-A1 Holdings Limited

We have audited the financial statements of Connect M1-A1 Holdings Limited for the year ended 31 March 2017 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective Responsibilities of Directors and Auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on Which We are Required to Report by Exception

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

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

Tom Eve (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
31 July 2017

Connect M1-A1 Holdings Limited
Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2017

	Notes	2017 £000's	2016 £000's
Turnover	2	28,771	28,550
Cost of sales		(16,746)	(11,299)
Gross profit		12,025	17,251
Administrative expenses		(462)	(554)
Operating profit	3	11,563	16,697
Interest receiveable and similar income		32	185
Interest payable and other expenses	4	(6,241)	(7,437)
Profit before taxation		5,354	9,445
Tax on profit	5	(1,186)	(1,718)
Profit for the financial year		4,168	7,727
Other Comprehensive income for the year			
Fair value movement gain on derivatives		870	615
Deferred tax on fair value movements on financial instruments		(82)	(347)
Total Comprehensive income		4,956	7,995

Continuing operations
None of the Company's activities were acquired or discontinued during the above two financial years.

Connect M1-A1 Holdings Limited
Group and Company Balance Sheet
as at 31 March 2017

	Notes	Group 2017 £000's	Group 2016 £000's	Company 2017 £000's	Company 2016 £000's
Fixed assets					
Tangible assets	7	91,694	102,787	-	-
Investments	8	-	-	3,000	3,000
		91,694	102,787	3,000	3,000
Current assets					
Debtors: due within one year	9	3,106	3,658	-	-
Debtors: Other due after more than one year	10	16,768	16,768	-	-
Investments - due within one year	11	8,735	11,094	-	-
Cash at bank and in hand		4,623	3,818	-	-
		33,232	35,338	-	-
Creditors: amounts falling due within one year (Including £16,768,000 (2016: £16,768,000) due after more than one year)	12	(18,134)	(21,274)		
Net Current assets		15,098	14,064	-	-
Total assets less current liabilities		106,792	116,851	3,000	3,000
Creditors: amounts falling due after more than one year	13	(60,982)	(74,090)		
Net assets		45,810	42,761	3,000	3,000
Capital and reserves					
Called up share capital	17	3,000	3,000	3,000	3,000
Profit and loss account		46,498	44,237	-	-
Cash flow hedge reserve		(3,688)	(4,476)	-	-
Shareholders' funds		45,810	42,761	3,000	3,000

The Financial Statements of Connect M1-A1 Holdings Limited, company registration number 03059235, were approved by the board of Directors and authorised for issue on 28 July 2017. They were signed on its behalf by:

M. Wray

Director

Connect M1-A1 Holdings Limited
Statement of Changes in Equity
for the year ended 31 March 2017

Group

	Called up share capital £'000	Cash Flow Hedge Reserve £'000	Profit and loss account £'000	Total £'000
At 31 March 2015	3,000	(4,744)	81,790	80,046
Profit for the year	-	-	7,727	7,727
Other comprehensive income	-	268	-	268
Dividends paid on equity shares	-	-	(45,280)	(45,280)
At 31 March 2016	3,000	(4,476)	44,237	42,761
Profit for the year	-	-	4,168	4,168
Other comprehensive income	-	788	-	788
Dividends paid on equity shares	-	-	(1,907)	(1,907)
At 31 March 2017	**3,000**	**(3,688)**	**46,498**	**45,810**

Company

	Called up share capital £'000	Cash Flow Hedge Reserve £'000	Profit and loss account £'000	Total £'000
At 31 March 2015	3,000	-	-	3,000
Profit for the year	-	-	45,280	45,280
Dividends paid on equity shares	-	-	(45,280)	(45,280)
At 31 March 2016	3,000	-	-	3,000
Profit for the year	-	-	1,907	1,907
Dividends paid on equity shares	-	-	(1,907)	(1,907)
At 31 March 2017	**3,000**	**-**	**-**	**3,000**

Connect M1-A1 Holdings Limited
Consolidated Cash Flow Statement
for the year ended 31 March 2017

	Notes	2017 £000's	2016 £000's
Net cash inflow/outflow from operating activities			
Profit for the year		4,168	7,727
Adjustments for:			
Interest receivable and similar income		(32)	(185)
Interest payable and similar charges		6,241	7,437
Taxation		1,186	1,718
Depreciation		11,093	10,772
Decrease/(increase) in debtors		552	(773)
(Decrease)/increase in creditors		(1,294)	5,397
Tax paid		(1,756)	(1,162)
Net cash flows from operating activities		**20,158**	**30,931**
Cash flows from investing activities			
Interest received		34	185
Interest paid		(7,342)	(6,860)
Transfer to Investments		2,359	317
Net cash flows from investing activities		**(4,949)**	**(6,358)**
Cash flows from financing activities			
Repayment of borrowings		(12,497)	(11,600)
Equity dividends paid		(1,907)	(11,280)
Net cash flows from financing activities		**(14,404)**	**(22,880)**
Net (Decrease)/Increase in cash		**805**	**1,693**
Cash and cash equivalents at 1 April 2016		3,818	2,125
Cash and cash equivalents at 31 March 2017		**4,623**	**3,818**

Connect M1-A1 Holdings Limited
Notes to the Financial Statements
for the year ended 31 March 2017

1 Accounting policies

a) Basis of preparation

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:
• No separate parent company Cash Flow Statement with related notes is included.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.
The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.
The financial statements are prepared on the historical cost basis except that financial instruments classified as fair value through the profit or loss are stated at their fair value.

b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are

c) Going Concern

The current economic conditions create some general uncertainty. The Directors have reviewed the Group's supply chain and do not believe that any specific risk has been identified. The Directors have also considered the ability of the Authorities to continue to pay unitary fees due under the concession contract to the Company's subsidiary and do not consider this to be a material risk. The Group's forecasts and projections, taking account of reasonably possible counterparty performance, show the Group expects to be able to continue to operate for the full term of the concession. The Group's projections, taking account of reasonably possible counterparty performance, show that the Group expects to be able to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1 Accounting policies (continued)

d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment. Cost represents original purchase cost, except in the case of the construction cost of the M1-A1 Link Road where interest on finance up to the date of Permit to Use has been capitalised. Depreciation of these costs commenced at Permit to Use.

The carrying amount of this tangible fixed asset is reviewed annually by the Directors to determine whether there has been any impairment to its value.

Depreciation on the road surface and the balance of the road construction cost is on the basis of Heavy Goods Vehicle usage over the course of the operating life of the concession. This is becasue the level of deterioration of the road performed by High Goods Vehicles is significantly more than that caused by other vehicles, and as such Heavy Goods Vehicle usage best reflects the consumption of economic benefit over the life of the concession.

Depreciation on other equipment is provided at rates calculated to write off the cost less any residual value on a straight line basis on useful lives of between three and twenty years.

e) Investments

The investments in the subsidiary undertaking is stated at cost less provision for impairment. The carrying value of this investment is reviewed annually by the Directors to determine whether there has been any impairment to its value.

f) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Per the Change of Accounting Practice (COAP) Regulations (SI 2004/3271) all transitional FRS 102 tax adjustments are spread over 10 years (through deferred tax).

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

1 Accounting policies (continued)

g) Loans and receivables
Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

h) Other financial liabilities
Other financial liabilities, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

i) Derivative financial instruments
Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in Oher Comprehensive Income and any ineffective portion is recognised immediately in the Profit and Loss account. Amounts deferred in Other Comprehensive Income in respect of cash flow hedges are subsequently recognised in the Profit and Loss account in the same period in which the hedged item affects net profit or loss.

j) Trade and other debtors/creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

k) Cash and Cash Equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings.

1 Accounting policies (continued)

l) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements
In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Hedge accounting
The directors consider the Company to have met the criteria for hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of derivative financial instruments
The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets.

The fair value of derivative financial instruments at the balance sheet date was £4,444,000 (2016: £5,314,000). The Directors do not consider the impact of own credit risk to be material.

2 Analysis of turnover

	Group	
	2017	2016
	£000's	£000's
By geographical market:		
United Kingdom	28,771	28,550

3 **Operating profit**	Group 2017 £000's	Group 2016 £000's
This is stated after charging:		
Depreciation of owned fixed assets	11,093	10,772
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	1	1
Auditor's remuneration for audit services	9	17
	10	18

The Directors received no salary, fees, or other benefits in the performance of their duties in respect of the Company in the current year. All costs of the Directors and other staff are borne by the shareholders of the ultimate parent companies who second their employees to the Group.
The audit fee for the Group was £10,000 payable to KPMG LLP (2016: £18,000 payable to Deloitte LLP).

4 **Interest payable and other expenses**	Group 2017 £000's	Group 2016 £000's
Senior bank loan	2,282	1,923
European Investment Bank loan	2,909	3,639
Subordinated loan stock 2020	894	1,042
Financing fees	-	672
Other	156	161
	6,241	7,437

5 **Taxation**	Group 2017 £000's	Group 2016 £000's
The tax is based on the profit for the year and comprises:		
Current tax:		
UK corporation tax charge	1,456	2,595
Deferred tax:		
Adjustments to tax charge in respect of previous years	229	-
Capitalised Interest	(324)	(304)
Effect of reduced tax rate on opening liability	(153)	(344)
FRS102 transitional adjustment	(22)	-
Origination and reversal of timing differences	-	(229)
	(270)	(877)
Tax on profit	1,186	1,718

5 Taxation (continued)

Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	Group 2017 £000's	Group 2016 £000's
Profit before tax	5,354	9,445
Standard rate of corporation tax in the UK	20%	20%
	£000's	£000's
Profit before tax multiplied by the standard rate of corporation tax	1,071	1,889
Effects of:		
Expenses not deductible for tax purposes	-	706
Imputed Interest on Upstream Loan	39	-
Adjustments to tax charge in respect of previous years	229	-
Reduced tax rate on opening liability	(153)	(344)
Origination and reversal of timing differences	-	(229)
Total tax charge for year	1,186	1,718

Tax recognised in Other Comprehensive Income

	2017 £000's	2016 £000's
Deferred tax on fair value movements on financial instruments	82	347

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets at 31 December 2016 has been calculated based on these rates.

6 Dividends

	Group 2017 £000's	Group 2016 £000's
Dividends paid	1,907	45,280
	1,907	45,280

	No. of shares	2017 £'s	2016 £'s
Dividend per share	3,000,000	1	15

7 Tangible fixed assets

	Group		
	M1-A1 Link Road *At cost* **£000's**	**Other equipment** *At cost* **£000's**	**Total** **£000's**
Cost or valuation			
At 1 April 2016	267,596	29,837	297,433
At 31 March 2017	267,596	29,837	297,433
Depreciation			
At 1 April 2016*	169,243	25,403	194,646
Charge for the year	9,396	1,697	11,093
At 31 March 2017	178,639	27,100	205,739
Carrying amount			
At 31 March 2017	88,957	2,737	91,694
At 31 March 2016*	98,353	4,434	102,787

* The presentation of accumulated depreciation, the depreciation charge for the year and the resultant carrying amount between the 'M1-A1 Link Road' and 'Other equipment' asset categories was incorrectly stated in the 31 March 2016 statutory accounts. This has been corrected in the 01 April 2016 amounts in the table above.

The impact of the corrected presentation is to decrease the M1-A1 Link Road accumulated depreciation and therefore increase carrying amount as at 31 March 2016 by £1,582k, with an equal and opposite adjustment to Other equipment. The net impact on tangible fixed assets carrying value as at 31 March 2016 was £nil, the impact on the deprecation charge for the year ended 31 March 2016 was £nil and the impact on the net equity of the Company as at 31 March 2016 was £nil.

The cost of the M1-A1 Link Road includes capitalised interest of £42,507,000 (2016 – £42,507,000). 100% of interest is capitalised during construction, and 0% during operations. Other equipment comprises traffic management equipment and computers.

8 Investments

	Group		Company	
	2017 **£000's**	**2016** **£000's**	**2017** **£000's**	**2016** **£000's**
Shares in subsidiary undertakings	-	-	3,000	3,000

The parent company has investments in the following subsidiary undertakings incorporated in the UK:

Name:	Connect M1-A1 Limited
Registered Office Address:	6th Floor, 350 Euston Road, Regents Place, London, NW1 3AX
Activity:	PFI concession company
Shareholding:	100%
Number of shares:	3,000,000
Type of share:	Ordinary

9 Debtors - amounts falling due within one year	**Group 2017 £000's**	**Group 2016 £000's**
Trade debtors	74	668
Prepayments and accrued income	3,032	2,990
	3,106	3,658

10 Debtors - Other due after more than one year	**Group 2017 £000's**	**Group 2016 £000's**
Upstream loan	16,768	16,768
	16,768	16,768

There has been no movement in the Upstream Loan for the year.

Upstream loans are created to release excess cash to Shareholders in the form of a loan when the company is reserve constrained (the total maximum dividend paid to Shareholders throughout the year cannot exceed that of the revenue reserves balance) – therefore to maximise shareholder return an Upstream Loan is created.

11 Investments - due within one year

Investments due within one year represent amounts held on deposit > 3 months with a financial institution which are not available for withdrawal within that time and, in accordance with the Company's funding arrangements, are restricted and cannot be used to fund the on-going operations of the Company.
There are £nil amounts held on deposit > 3 months.
Restriced cash includes:
Debt Service Reserve: £6,191K
Maintenance Service Reserve: £2,050K
Tax Reserve: £493K

12 Creditors: amounts falling due within one year	**2017 £000's**	**2016 £000's**
Subordinated loans	-	1,400
European Investment Bank Loan	7,695	7,029
Senior bank loan	3,221	4,068
Trade creditors	9	42
VAT Payable	881	656
Corporation tax	1,171	1,319
Accruals and deferred income	5,157	6,760
	18,134	21,274

13 Creditors: amounts falling due after one year

	Group 2017 £000's	Group 2016 £000's
Accruals	-	1,608
Deferred income	4,711	4,751
Subordinated loan stock 2020	5,709	5,709
European Investment Bank Loan	17,658	25,353
Senior bank loan	28,239	31,460
Effective interest rate accounting adjustment	(1,617)	(2,131)
Swap Liability	4,444	5,314
Deferred Tax	1,838	2,026
	60,982	74,090

14 Deferred tax liabilities

	Group 2017 £000's	Group 2016 £000's
At 1 April	2,026	2,555
Adjustments to tax charge in respect of previous years	229	-
Credited to the profit and loss account	(499)	(877)
Other comprehensive income movement	82	348
At 31 March	1,838	2,026

	At 1 April 2016	Movement in the year	At 31 March 2017
Fair value movement on financial instruments	838	(82)	756
Capitalised Interest	(2,667)	237	(2,430)
FRS102 transitional adjustment	(197)	33	(164)
	(2,026)	188	(1,838)

15 Borrowings

	Group 2017 £000's	Group 2016 £000's
Loans not wholly repayable within five years:		
Subordinated loan stock 2020	5,709	5,709
European Investment Bank Loan	25,353	32,382
Senior bank loan	31,460	35,528
	62,522	73,619
Less: effective interest rate accounting adjustment	(1,617)	(2,131)
	60,905	71,488
Analysis of maturity of debt:		
Within one year or on demand	10,916	11,097
Between one and two years	11,378	10,916
Between two and five years	29,675	34,657
After five years	10,553	16,949
	62,522	73,619
Less: effective interest rate accounting adjustment	(1,617)	(2,131)
	60,905	71,488

The subordinated loan stock 2020 bears interest at 15% per annum which, if not paid, is compounded each March and September. The loan is repayable in two instalments in September 2024 and March 2025.

The European Investment Bank loan is repayable in instalments between 2000 and 2020. A portion of the loan is guaranteed by the European Investment Fund (£22,500,000). The guaranteed portion of the loan bears interest at 9.23% per year and the remaining portion bears interest at 9.53% per year. The loan agreement allows the guarantee to be released based on the achievement of certain financial covenants.

The senior bank loan bears interest at a margin over LIBOR and is repayable in instalments between 2000 and 2024.

The Company's subsidiary, Connect M1-A1 Limited has entered into interest rate swaps to manage its exposure to interest rate fluctuations. Under interest rate swaps, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitiage the risk of changing interest rates on the fair value of issued fixed rate debt held and the cashflow exposure on the issued variable rate debt held. The fair value of interest rate swaps at the reported date is determined by discounting the future cash flows using market data available at the reporting date. The average interest rate is based on the outstanding balance at the end of the period.

The interest rate swaps settle on a six-monthly basis. The fixed interest rate on the interest rate swaps is 5.68% and the floating rate on the interest rate swaps is six months' LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The fair value of the interest rate swaps at 31 March 2017 was a liability of £4,444,000 (2016 - £5,314,000).

All of the Group's borrowings contain either a fixed or varying security interest over the assets of the Group, as defined by an inter-creditor agreement. All borrowings would be repaid in advance of other general creditors in the event of the Group becoming insolvent, except as prohibited by any legal restriction.

16 Financial Instruments

The Group has the following financial instruments:

	Group 2017 £000's	Group 2016 £000's
Financial assets that are debt instruments measured at amortised cost:		
-Trade debtors	74	668
	74	668
Financial liabilities at fair value through profit or loss:		
- Derivative financial instruments	4,444	5,314
Financial liabilities measure at amortised cost:		
- Senior secured loans	55,239	66,283
- Subordinated loans	5,666	7,085
- Trade creditors	9	42
	65,358	78,724

17 Called up share capital

	Nominal value	2017 Number	2017 £000's	2016 £000's
Allotted, called up and fully paid:				
Ordinary shares	£1 each	3,000,000	3,000	3,000

The Group has one class of ordinary shares which carry no rights to fixed income.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Group's other reserves are as follows:
The profit and loss reserve represents cumulative profits or losses, net of dividends paid.
The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

18 Related party transactions

	2017 £000's	2016 £000's
Transactions during the year		
Balfour Beatty Civil Engineering - operation and maintenance	8,283	12,340
Balfour Beatty Investments - staff secondment charges	357	485
Balfour Beatty Infrastructure Investments - distributions	1,028	7,049
Barclays Infrastructure Fund (BIIF)3I - distributions	2,442	6,972
Infrared Ltd - distributions	1,542	-
	13,652	26,846
Outstanding balances owed by the Group at the end of the year		
Balfour Beatty Civil Engineering - operation and maintenance	945	1,568
Balfour Beatty Investments - staff secondment charges	37	135
Balfour Beatty Infrastructure Investments - subordinated debt and and accrued interest	1,219	4,360
Barclays Infrastructure Fund (BIIF)3I - subordinated debt and accrued interest	3,046	4,360
Infrared Ltd - subordinated debt and accrued interest	1,828	-
	7,075	10,423
Outstanding balances owed to the Group at the end of the year		
Balfour Beatty Infrastructure Investments - upstream loan	3,354	3,354
Barclays Infrastructure Fund (BIIF)3I - upstream loan	8,384	8,384
Infrared Ltd - upstream loan	5,030	5,030
	16,768	16,768

19 Ultimate parent companies and controlling parties

The ultimate parent companies and controlling parties are Balfour Beatty plc, M1-A1 Yorkshire Limited and Infrastructure Investments Holdings Limited which are incorporated in the United Kingdom and registered in England and Wales. The registered offices of the controlling parties are; 5 Churchill Place, Canary Wharf, London, E14 5HU; Cannon Place, 78 Cannon Street, London, EC4N 6AF; and 12 Charles II Street, London, SW1Y 4QU respectively.

The largest and smallest group in which the results of Connect M1-A1 Holdings Limited are consolidated is Connect M1-A1 Holdings Limited, copies of whose financial statements are available from 350 Euston Road, London NW1 3AX.