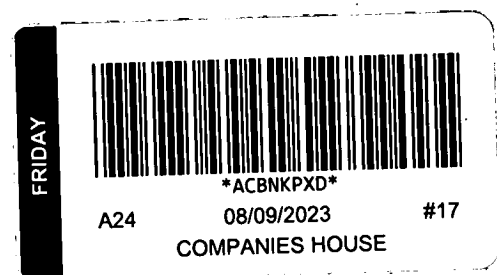


Registration number: 03059235

Connect M1-A1 Holdings Limited

Consolidated Financial Statements

for the Year Ended 31 March 2023



Connect M1-A1 Holdings Limited

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Connect M1-A1 Holdings Limited

Strategic Report for the Year Ended 31 March 2023

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activity

M1-A1 Holdings Limited is an investment holding company whose sole business is the holding of an investment in its wholly-owned subsidiary, Connect M1-A1 Limited (together the "Group"). 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 National Highways (the "Client") to design, build, finance and operate the M1-A1 Link Road (Lofthouse to Bramham) (the "D.B.F.O. Contract") under the Government's Private Finance Initiative ("PFI").

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 Group 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 10. The profit for the year before taxation was £3,415k (2022: profit of £3,833k) and the net assets position as at 31 March 2023 is £35,645k (2022: £46,448k) for the Group. The Directors expect the Group to continue its operations for the foreseeable future.

The financial position at the year-end is in-line with the Directors' expectations and can be found on page 12.

Key performance indicators

As part of the stewardship of the project the Directors regularly consider Board reports related to the performance of the Group and the information and Key Performance Indicators ("KPI's") contained therein. These include, amongst other things, variance against budget in the financial statements and forward cash flow forecasting and other qualitative and quantitative indicators of performance that, as a whole, provide the basis for the management of the Group.

The Group has set specific business objectives, which are monitored using a number of KPI's. The relevant KPI's for this report are detailed below:

| | 2023 £ 000 | 2022 £ 000 |
|-----------------------|---------------|---------------|
| Turnover | 32,873 | 22,088 |
| Profit after taxation | 2,675 | 3,147 |
| Net assets | <u>35,645</u> | <u>46,448</u> |

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 continue to operate for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Connect M1-A1 Holdings Limited

Strategic Report for the Year Ended 31 March 2023 (continued)

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 and cash flow risks

The relevant financial risks to the Group are credit and cash flow risks, which arise from its primary client, National Highways. 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 Group's subsidiary maintains reserve bank accounts to provide short-term liquidity against future debt service and other expenditure requirements.

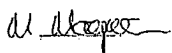
Economic Conditions

The Directors have considered the consequences to the Group of the current economic conditions, including the high rate of inflation, increasing energy costs and the impact of the war in Ukraine. As at the date of signing this report, this has not had a significant impact on the Group, and it is not currently anticipated that this will have a significant impact in the future. This is primarily due to the contractual nature of most of the Group's cash flows, including those which cover financing, which ensures that any inflationary changes to expenditure will be largely offset by equivalent changes to the Group's revenue.

Future developments

The Directors expect the general level of activity to remain stable in the forthcoming year. There have been no other changes to the Group's activities in the year under review and no others are currently contemplated.

Approved by the Board on **28/07/23** and signed on its behalf by:



Digitally signed by Mark Mageean
DN: cn=Mark Mageean, c=GB, o=BB1 /
Connect Roads, ou=Connect Roads,
email=mark.mageean@bbfourteenty.com
Reason: Approved
Date: 2023.07.31 16:45:00 +0100

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M P Mageean
Director

Registered office Q14 Quorum Business Park
Benton Lane
Newcastle Upon Tyne
NE12 8BU

Connect M1-A1 Holdings Limited

Directors Report for the Year Ended 31 March 2023

The Directors present their annual report together with the audited financial statements for the year ended 31 March 2023.

The following information has been disclosed in the Group Strategic Report:

- Principal activities and business review
- Key performance indicators
- Principal risks and uncertainties
- Indication of likely future developments in the business

Going concern

The Directors do not expect any significant change to the Group's activities to occur in the following financial year.

After making enquiries, as further elaborated in Note 1 of the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Results and dividends

The audited financial statements for the year ended 31 March 2023 are set out on pages 10 to 30. The profit for the year after tax was £2,675k (2022: £3,147k).

The Directors declared and paid dividends of £13,699 (2022: £Nil). The Directors expect the Group to continue its operations for the foreseeable future.

Directors of the Company

The directors who held office during the year were as follows:

M J Edwards

A M Exakoustidou (appointed 1 November 2022)

C D B Leverd (resigned 22 June 2022)

M P Mageean

J C P F Neves (appointed 22 June 2022)

A V Thorne (resigned 1 November 2022)

A P Walker

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all steps that they ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Connect M1-A1 Holdings Limited


Directors Report for the Year Ended 31 March 2023 (continued)

Reappointment of auditors

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.

28/07/23

Approved by the Board on and signed on its behalf by:

 Digitally signed by Mark Mageean
DN: cn=Mark Mageean, c=GB, o=BBI /
Connect Roads, ou=Connect Roads,
email=mark.mageean@bailourbeauty.com
Reason: Approved
Date: 2023.07.31 16:44:48 +01'00'

.....
M P Mageean
Director

Registered office Q14 Quorum Business Park
Benton Lane
Newcastle Upon Tyne
NE12 8BU

Connect M1-A1 Holdings Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' 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 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 of the Group's profit or loss for that period. In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and 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;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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

Opinion

We have audited the financial statements of Connect M1-A1 Holdings Limited (the 'Company') for the year ended 31 March 2023, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2023 and of the Group and Parent Company's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Connect M1-A1 Holdings Limited

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

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (fraud risks) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytic procedures to identify unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is a fixed mark-up by way of an agreement with a single customer.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries based on risk criteria and comparing the identified entries to supporting documentation. These included but not limited to entries posted to unusual account combinations/seldom used accounts and post-closing entries; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Connect M1-A1 Holdings Limited

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, and certain aspects of Group legislation recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

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

- adequate accounting records have not been kept by the Parent Company, 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.

We have nothing to report in these respects.

Connect M1-A1 Holdings Limited

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

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and Parent 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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Group and Parent 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 Group and Parent 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 Group and Parent Company and the Group and Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Dan Gibson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle Upon Tyne
United Kingdom
NE1 3DX

Date: 31 July 2023

Connect M1-A1 Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 March 2023

| | Note | 2023 £ 000 | 2022 £ 000 |
|--|------|---------------------|---------------------|
| Turnover | 3 | 32,873 | 22,088 |
| Cost of sales | | <u>(27,223)</u> | <u>(15,583)</u> |
| Gross profit | | 5,650 | 6,505 |
| Administrative expenses | | <u>(565)</u> | <u>(372)</u> |
| Operating profit | 4 | 5,085 | 6,133 |
| Interest receivable and similar income | 8 | 54 | 11 |
| Interest payable and similar expenses | 9 | <u>(1,724)</u> | <u>(2,311)</u> |
| Profit before tax | | 3,415 | 3,833 |
| Taxation | 10 | <u>(740)</u> | <u>(686)</u> |
| Profit for the financial year | | <u><u>2,675</u></u> | <u><u>3,147</u></u> |

The above results were derived from continuing operations.

The notes on pages 17 to 30 form an integral part of these financial statements.

Connect M1-A1 Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2023

| | 2023 £ 000 | 2022 £ 000 |
|---|---------------------|---------------------|
| Profit for the year | <u>2,675</u> | <u>3,147</u> |
| Fair value movement gain on derivatives | 294 | 823 |
| Deferred tax on fair value movements on financial instruments | <u>(73)</u> | <u>(140)</u> |
| | <u>221</u> | <u>683</u> |
| Total comprehensive income for the year | <u><u>2,896</u></u> | <u><u>3,830</u></u> |

The notes on pages 17 to 30 form an integral part of these financial statements.

Connect M1-A1 Holdings Limited


(Registration number: 03059235)

Consolidated Balance Sheet as at 31 March 2023

| | Note | 2023 £ 000 | 2022 £ 000 |
|--|------|----------------|-----------------|
| Non current assets | | | |
| Tangible assets | 13 | 25,755 | 34,340 |
| Debtors | 15 | 16,768 | 16,768 |
| | | <u>42,523</u> | <u>51,108</u> |
| Current assets | | | |
| Debtors | 16 | 5,254 | 1,504 |
| Cash at bank and in hand | 17 | 6,813 | 20,457 |
| | | 12,067 | 21,961 |
| Creditors: Amounts falling due within one year | 18 | <u>(8,892)</u> | <u>(10,574)</u> |
| Net current assets | | <u>3,175</u> | <u>11,387</u> |
| Total assets less current liabilities | | 45,698 | 62,495 |
| Creditors: Amounts falling due after more than one year | 18 | <u>(9,068)</u> | <u>(14,799)</u> |
| Deferred tax liabilities | 11 | <u>(985)</u> | <u>(1,248)</u> |
| Net assets | | <u>35,645</u> | <u>46,448</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 3,000 | 3,000 |
| Hedge reserve account | | 16 | (205) |
| Profit and loss account | | <u>32,629</u> | <u>43,653</u> |
| Total equity | | <u>35,645</u> | <u>46,448</u> |

28/07/23

Approved and authorised by the Board on and signed on its behalf by:



 Digitally signed by Mark Mageean
 DN: cn=Mark Mageean, c=GB, o=BB1 /
 Connect Roads, ou=Connect Roads,
 email=mark.mageean@ballfourbeatty.com
 Reason: Approved
 Date: 2023.07.31 16:44:34 +0100

M P Mageean
Director

The notes on pages 17 to 30 form an integral part of these financial statements.

Connect M1-A1 Holdings Limited

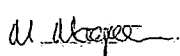
(Registration number: 03059235)
Balance Sheet as at 31 March 2023

| | Note | 2023 £ 000 | 2022 £ 000 |
|-----------------------------|------|---------------------|---------------------|
| Fixed assets | | | |
| Investments | 14 | <u>3,000</u> | <u>3,000</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 3,000 | 3,000 |
| Profit and loss account | | <u>-</u> | <u>-</u> |
| Total equity | | <u><u>3,000</u></u> | <u><u>3,000</u></u> |

The company made a profit after tax for the financial year of £13,699 (2022: £Nil see Note 12).

28/07/23

Approved and authorised by the Board on and signed on its behalf by:



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Connect Roads, ou=Connect Roads,
email=mark.mageean@balfourbeatty.com
Reason: Approved
Date: 2023.07.31 16:44:19 +0100

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M P Mageean
Director

The notes on pages 17 to 30 form an integral part of these financial statements.

Connect M1-A1 Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2023 **Equity attributable to the parent company**

| | Share capital £ 000 | Hedge reserve £ 000 | Profit and loss account £ 000 | Total £ 000 |
|----------------------------|------------------------|------------------------|-------------------------------------|----------------|
| At 1 April 2021 | 3,000 | (888) | 40,506 | 42,618 |
| Total comprehensive income | - | 683 | 3,147 | 3,830 |
| At 31 March 2022 | <u>3,000</u> | <u>(205)</u> | <u>43,653</u> | <u>46,448</u> |

| | Share capital £ 000 | Hedge reserve £ 000 | Profit and loss account £ 000 | Total £ 000 |
|----------------------------|------------------------|------------------------|-------------------------------------|----------------|
| At 1 April 2022 | 3,000 | (205) | 43,653 | 46,448 |
| Total comprehensive income | - | 221 | 2,675 | 2,896 |
| Dividends | - | - | (13,699) | (13,699) |
| At 31 March 2023 | <u>3,000</u> | <u>16</u> | <u>32,629</u> | <u>35,645</u> |

The notes on pages 17 to 30 form an integral part of these financial statements.

Connect M1-A1 Holdings Limited

Statement of Changes in Equity for the Year Ended 31 March 2023

| | Share capital £ 000 | Profit and loss account £ 000 | Total £ 000 |
|----------------------------|------------------------|-------------------------------------|----------------|
| At 1 April 2021 | 3,000 | - | 3,000 |
| Total comprehensive income | - | - | - |
| At 31 March 2022 | <u>3,000</u> | <u>-</u> | <u>3,000</u> |
| | Share capital £ 000 | Profit and loss account £ 000 | Total £ 000 |
| At 1 April 2022 | 3,000 | - | 3,000 |
| Total comprehensive income | - | 13,699 | 13,699 |
| Dividends | - | (13,699) | (13,699) |
| At 31 March 2023 | <u>3,000</u> | <u>-</u> | <u>3,000</u> |

The notes on pages 17 to 30 form an integral part of these financial statements.

Connect M1-A1 Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2023

| | 2023 £ 000 | 2022 £ 000 |
|---|---------------------|----------------------|
| Cash flows from operating activities | | |
| Profit for the year | 2,675 | 3,147 |
| Depreciation and amortisation | 8,585 | 8,585 |
| Finance income | (54) | (11) |
| Finance costs | 1,724 | 2,310 |
| Income tax expense | 740 | 686 |
| | <u>13,670</u> | <u>14,717</u> |
| Working capital adjustments | | |
| (Increase)/decrease in trade debtors | (3,750) | 810 |
| Decrease in trade creditors | (2,218) | (6,001) |
| | <u>7,702</u> | <u>9,526</u> |
| Cash generated from operations | 7,702 | 9,526 |
| Income taxes (paid)/received | (621) | 708 |
| | <u>7,081</u> | <u>10,234</u> |
| Net cash flow from operating activities | <u>7,081</u> | <u>10,234</u> |
| Cash flows from investing activities | | |
| Interest received | 54 | 10 |
| Cash flows from financing activities | | |
| Interest paid | (754) | (995) |
| Repayment of borrowing | (6,326) | (7,238) |
| Dividends paid | (13,699) | - |
| | <u>(20,779)</u> | <u>(8,233)</u> |
| Net cash flows from financing activities | <u>(20,779)</u> | <u>(8,233)</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(13,644)</u> | <u>2,011</u> |
| Cash and cash equivalents at 1 April | <u>20,457</u> | <u>18,446</u> |
| Cash and cash equivalents at 31 March | <u><u>6,813</u></u> | <u><u>20,457</u></u> |

The notes on pages 17 to 30 form an integral part of these financial statements.

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023

1 Accounting policies

Connect M1-A1 Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 03059235 and the registered address is, Q14, Quorum Business Park, Benton Lane, Newcastle upon Tyne, NE12 8BU.

A summary of the principal accounting policies of the Company and Group, all of which have been applied consistently throughout the current and preceding year, is set out below.

Basis of preparation

These 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") and the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000, unless otherwise stated.

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.

The judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are covered in note 2.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking drawn up to 31 March 2023. All inter-company balances, transactions and profits are eliminated on consolidation. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

Going concern

The Group's business activities, together with the factors likely to affect its future developments and position, are set out in the Strategic Report and Directors' Report.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

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 "Group").

The Directors have prepared cash flow forecasts covering a period of 14 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. In order to settle its own financial obligations and meet the compliance requirements of its external borrowings the Group is dependent on Connect M1-A1 Limited, a fellow group company with common Directors, generating sufficient cashflows to settle the payments of principal and interest on the onward loan of the funding which the Group raised. Those forecasts are dependent on Connect M1-A1 Limited's underlying customer, National Highways, continuing to meet its obligations under the Project Agreement.

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

1 Accounting policies (continued)

The Group's operating cash inflows are largely dependent on rental income receivable from National Highways. The Directors have no reason to believe these amounts will not continue to be received but, even in a severe but plausible downside scenario where there are delays in the receipt of the rental income, the Company could continue to meet its liabilities as they fall due through its available cash balances.

The Directors believe Connect M1-A1 Limited has sufficient funding in place and expects the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that Connect M1-A1 Holdings Limited will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Turnover

Revenue is recognised as turnover as it is earned and represents amounts due, exclusive of value added tax, in respect of services provided under the D.B.F.O. Contract.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

1 Accounting policies (continued)

Tangible 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.

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. Following an impairment of £1,977K recorded in the year ended 31 March 2021, the remaining carrying amount relating to the road surface and the balance of the road construction cost is being depreciated evenly over the remaining life of the concession (to a residual value of nil). The Directors consider that this method reflects their best estimate of the pattern of use and deterioration of the road.

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.

Financial instruments

Classification

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, reduced by allowances for estimated irrecoverable amounts and expected credit losses in the case of trade debtors.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Secured subordinated debt is initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period.

Term loans are initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Investments realisable within one year held by the Group represent amounts held on deposit with a financial institution which are not available for withdrawal without penalty in under 24 hours. Investments realisable within one year are stated at amortised cost with the interest receivable being recognised at a constant rate over the life of the investment.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Finance income and costs

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method.

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

1 Accounting policies (continued)

Derivative financial instruments

The Group applies the provisions of IFRS 9 to measure and recognise financial instruments. Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

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 Other 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.

Investments

Investment in the subsidiary undertaking is stated at cost less impairment. The carrying value of the investment is reviewed annually by the Directors to determine if there is any impairment.

2 Critical accounting estimates and judgements

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 Group 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.

Impairment of assets

The Directors use their judgement in assessing whether there are indicators of impairment of the fixed assets. They also use their judgement in calculating the Net Present Value ("NPV") of future cash-flows to assess the fair value of the fixed asset and hence whether an impairment of the carrying value of the fixed asset should be recognised. In order to assess how sensitive the NPV is to a range of discount rates a number of scenarios were modelled. This demonstrated that reasonably possible scenarios would not result in an impairment.

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

3 Turnover

Turnover by origin and destination from the Group's principal activity:

| | Group | |
|----|--------|--------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| UK | 32,873 | 22,088 |

4 Operating profit

Arrived at after charging

| | Group | |
|----------------------|-------|-------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Depreciation expense | 8,585 | 8,585 |

5 Directors' remuneration

The Directors received no salary, fees or other benefits in the performance of their duties in respect of the Group in the current or prior year.

6 Staff costs

All costs of staff are incurred by Balfour Beatty Investments Limited, which second its employees to the Company and charges related services costs. The Company had no employees in the current or prior year.

7 Auditors' remuneration

The audit fee for the Group was £34k and £1k for the Company (2022: £31k). The fee was borne by Connect M1-A1 Limited.

8 Interest receivable and similar income

| | Group | |
|----------------------------------|-------|-------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Interest income on bank deposits | 54 | 11 |

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

9 Interest payable and similar expenses

| | Group | |
|---|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Interest payable on senior bank loan | 588 | 1,026 |
| Interest payable on Subordinated loan stock | 971 | 1,108 |
| Other finance costs | 165 | 177 |
| | <u>1,724</u> | <u>2,311</u> |

10 Taxation

Tax charged/(credited) in the income statement

| | Group | |
|---|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Current taxation | | |
| UK corporation tax | 1,008 | 521 |
| UK corporation tax adjustment to prior periods | 68 | (678) |
| | <u>1,076</u> | <u>(157)</u> |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | (255) | 169 |
| Arising from changes in tax rates and laws | (81) | 316 |
| Arising from adjustments to prior periods | - | 358 |
| | <u>(336)</u> | <u>843</u> |
| Total deferred taxation | <u>(336)</u> | <u>843</u> |
| Tax expense in the income statement | <u>740</u> | <u>686</u> |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

10 Taxation (continued)

| | Group | |
|---|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Profit before tax | 3,415 | 3,833 |
| Corporation tax at standard rate | 649 | 728 |
| Effect of expense not deductible in determining taxable profit (tax loss) | - | (68) |
| Deferred tax (credit)/expense relating to changes in tax rates or laws | (81) | 316 |
| Increase/(decrease) in current tax from adjustments for prior periods | 68 | (678) |
| Deferred tax expense from adjustments for prior periods | - | 358 |
| Tax increase from other short-term timing differences | 104 | 30 |
| Total tax charge | 740 | 686 |

The Group earns its results primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the current UK corporation tax rate of 19% (2022: 19%).

Deferred tax is measured at a tax rate of 25% in line with rates enacted by the Finance Act 2021 which was enacted on 24 May 2021, a rate change arises in the tax reconciliation due to this being calculated at 19%.

Tax relating to items recognised in other comprehensive income or equity - group

| | 2023 | 2022 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Deferred tax related to items recognised as items of other comprehensive income | 73 | 140 |

11 Deferred tax liability

| | Group | |
|---|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| At 1 April | (1,248) | (265) |
| Credited/(charged) to the profit and loss account | 336 | (843) |
| Other comprehensive income movement | (73) | (140) |
| At 31 March | (985) | (1,248) |

| | Group | | | |
|------------------|---|---|--|------------------------|
| | Fair value movement on financial instruments £ 000 | Capitalised interest £ 000 | FRS 102 effective interest rate adjustment £000 | Total £ 000 |
| At 1 April 2022 | 69 | (1,234) | (83) | (1,248) |
| Movement | (73) | 309 | 27 | 263 |
| At 31 March 2023 | (4) | (925) | (56) | (985) |

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

11 Deferred tax liability (continued)

The deferred tax liability is a timing difference relating to capitalised interest for which a deduction was previously recognised. The timing difference is being released in line with the release of the capitalised interest element held within the financial asset.

12 Dividends

| | 2023 £ 000 | 2022 £ 000 |
|----------------|---------------|---------------|
| Dividends paid | <u>13,699</u> | <u>-</u> |

The company declared and paid dividends per share of £3,947.33 on 24 June 2022 and £619.00 on 18 November 2022 (2021: £Nil).

13 Tangible assets

Group

| | M1-A1 Link Road £ 000 | Other equipment £ 000 | Total £ 000 |
|------------------------------------|-----------------------------|-----------------------------|----------------|
| Cost or valuation | | | |
| At 1 April 2022 | <u>267,596</u> | <u>29,837</u> | <u>297,433</u> |
| At 31 March 2023 | <u>267,596</u> | <u>29,837</u> | <u>297,433</u> |
| Depreciation and impairment | | | |
| At 1 April 2022 | 233,256 | 29,837 | 263,093 |
| Charge for the year | <u>8,585</u> | <u>-</u> | <u>8,585</u> |
| At 31 March 2023 | <u>241,841</u> | <u>29,837</u> | <u>271,678</u> |
| Carrying amount | | | |
| At 31 March 2023 | <u>25,755</u> | <u>-</u> | <u>25,755</u> |
| At 31 March 2022 | <u>34,340</u> | <u>-</u> | <u>34,340</u> |

The cost of the M1-A1 Link Road includes capitalised interest of £42,507k (2022: £42,507k). 100% of interest was capitalised during construction, and 0% during operations.

Other equipment comprises traffic management equipment and computers.

No Impairment was recorded in the year as traffic volumes returned to largely pre COVID-19 levels (2022: £Nil).

The depreciation charges are recognised in the Cost of Sales line in the Profit and Loss account.

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

14 Investments in subsidiaries, joint ventures and associates

| | Company | |
|-----------------------------|----------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Investments in subsidiaries | 3,000 | 3,000 |

Details of undertakings

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

| Undertaking | Registered office | Holding | Proportion of voting rights and shares held | |
|-----------------------|---|----------------|--|-------------|
| | | | 2023 | 2022 |
| Connect M1-A1 Limited | Q14 Quorum Business Park, Ordinary Benton Lane, Newcastle Upon Tyne, NE12 8BU | | 100% | 100% |

The principal activity of Connect M1-A1 Limited is a PFI concession company.

15 Debtors due after more than one year

| | Group | |
|---------------|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Upstream loan | 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 Group is reserve constrained (the total maximum dividend paid to Shareholders throughout the year cannot exceed the profit and loss reserves balance) - therefore to provide the Shareholder with access to additional cash flow an upstream loan is created. The upstream loan has an interest rate of 0%. The upstream loan is due to be repaid in full on or before the concession end date.

16 Debtors

| | Group | |
|----------------|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Trade debtors | 4,222 | 106 |
| Prepayments | 76 | 78 |
| Accrued income | 956 | 1,320 |
| | 5,254 | 1,504 |

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

17 Restricted cash

Cash at bank and in hand includes £1,706k (2022: £1,996k) restricted from use in the business, being held in the Group's reserve accounts under the terms of its commercial bank facility.

18 Creditors

| | Group | |
|------------------------------|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Due within one year | | |
| Senior bank loan | 4,832 | 6,393 |
| Trade creditors | 34 | 29 |
| VAT payable | 764 | 8 |
| Corporation tax liability | 708 | 387 |
| Accruals | 2,112 | 1,268 |
| Subordinated debt interest | 442 | 2,489 |
| | 8,892 | 10,574 |
| Due after one year | | |
| Senior bank loan | - | 4,770 |
| Subordinated loan stock | 5,700 | 5,696 |
| Deferred income | 3,119 | 3,791 |
| Swap liability | (20) | 273 |
| Retention deduction operator | 269 | 269 |
| | 9,068 | 14,799 |

19 Loans and borrowings

| | Group | |
|-------------------------------|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Senior bank loan | 4,832 | 11,162 |
| Subordinated loan stock | 6,142 | 8,185 |
| | 10,974 | 19,347 |
| Analysis of maturity of debt: | | |

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

19 Loans and borrowings (continued)

| | Group | |
|------------------------------|---------------|---------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Within one year or on demand | 5,274 | 8,881 |
| Between one and two years | 4,780 | 4,770 |
| Between two and five years | 920 | 5,696 |
| | <u>10,974</u> | <u>19,347</u> |

The subordinated loan stock 2021 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 senior bank loan bears interest at a margin over the Sterling Overnight Industry Average ("SONIA") and Credit Adjustment Spread ("CAS") 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 mitigate 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' SONIA. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The variable elements of the bank loan and interest rate swaps were linked to the London Inter Bank Offered Rate (LIBOR) prior to its discontinuation.

The fair value of the interest rate swaps at 31 March 2023 was an asset of £20k (2022: liability of £273k).

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.

20 Financial instruments & liabilities

The Group has the following financial instruments:

Financial assets that are debt instruments measured at amortised cost:

| | Group | |
|------------------------------|---------------|---------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Trade and other receivables | 5,254 | 1,504 |
| Cash and short-term deposits | 6,813 | 20,457 |
| | <u>12,067</u> | <u>21,961</u> |

Financial (assets)/liabilities at fair value through profit or loss:

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

20 Financial instruments & liabilities (continued)

| | Group | |
|----------------------------------|--------------|--------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Derivative financial instruments | (20) | 273 |

Financial liabilities measured at amortised cost:

| | Group | |
|----------------------|---------------|---------------|
| | 2023 | 2022 |
| | £ 000 | £ 000 |
| Senior secured loans | 4,832 | 11,162 |
| Subordinated loans | 6,142 | 8,185 |
| Trade creditors | 34 | 29 |
| | <u>11,008</u> | <u>19,376</u> |

21 Share capital

Allotted, called up and fully paid shares

| | 2023 | | 2022 | |
|----------------------------|----------------|--------------|----------------|--------------|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| Ordinary shares of £1 each | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> |

The Company 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.

22 Related party transactions

Transactions during the year

| | Group |
|--|---------------|
| | 2023 |
| | £ 000 |
| Balfour Beatty Civil Engineering - operation and maintenance | 15,704 |
| Balfour Beatty Investments - staff secondment charges | <u>331</u> |
| | <u>16,035</u> |

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

22 Related party transactions (continued)

| | 2022 £ 000 |
|--|---------------|
| Balfour Beatty Civil Engineering - operation and maintenance | 8,948 |
| Balfour Beatty Investments - staff secondment charges | 267 |
| | <u>9,215</u> |

Outstanding balances owed by the Group at the end of the year

| | <u>Group</u> 2023 £ 000 |
|---|-------------------------------|
| Balfour Beatty plc - subordinated debt and accrued interest | 1,230 |
| BIIF Bidco Limited - subordinated debt and accrued interest | 3,077 |
| Infrastructure Investments Limited Partnership - subordinated debt and accrued interest | 1,845 |
| | <u>6,152</u> |

| | 2022 £ 000 |
|---|---------------|
| Balfour Beatty plc - subordinated debt and accrued interest | 1,639 |
| BIIF Bidco Limited - subordinated debt and accrued interest | 4,099 |
| Infrastructure Investments Limited Partnership - subordinated debt and accrued interest | 2,459 |
| | <u>8,197</u> |

Outstanding balances owed to the Group at the end of the year

| | <u>Group</u> 2023 £ 000 |
|--|-------------------------------|
| Balfour Beatty plc - upstream loan | 3,354 |
| BIIF Bidco Limited - upstream loan | 8,384 |
| Infrastructure Investments Limited Partnership - upstream loan | 5,030 |
| | <u>16,768</u> |

| | 2022 £ 000 |
|--|---------------|
| Balfour Beatty plc - upstream loan | 3,354 |
| BIIF Bidco Limited - upstream loan | 8,384 |
| Infrastructure Investments Limited Partnership - upstream loan | 5,030 |
| | <u>16,768</u> |

Connect M1-A1 Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

23 Parent and ultimate parent undertaking

The Company's ultimate parent companies and controlling parties are Balfour Beatty plc, BIIF LLP (acting by its manager, 3i BIFM Investments Ltd) and InfraRed Partners LLP, incorporated in the United Kingdom and registered in England and Wales.

Connect M1-A1 Holdings Limited is the parent company of the largest and smallest group of which the Company is a member.

24 Subsequent events

As at the date of the approval of these accounts, there were no material post balance sheet events arising after the reporting date.