

Connect Plus (M25) Holdings Limited

**Report and financial statements for the period from
29 August 2008 to 31 March 2009**



Directors' Report

For the period from incorporation to 31 March 2009

The Directors present their report together with the audited financial statements for the period from incorporation on 29 August 2008 to 31 March 2009.

The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 417 of the Companies Act 2006.

Incorporation

The Company was incorporated on 29 August 2008.

Principal Activity and Business Review

The Company is an investment holding company whose sole business is the holding of an investment in its wholly owned subsidiaries, Connect Plus (M25) Limited and Connect Plus (M25) Intermediate Limited.

On 1 October 2008 Connect Plus (M25) Limited, a subsidiary undertaking, entered a contract with the Secretary of State for Transport for the provision of construction services. The obligations of both the Secretary of State for Transport and the company for the contract entered into on 1 October were novated into the PFI contract on 20 May 2009.

Post Balance Sheet Event

On 20 May 2009 the Group entered into a PFI contract with the Secretary of State for Transport to upgrade and maintain the M25 motorway for the next 30 years.

Going Concern

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current economic conditions and concluded that it is appropriate. More information is provided in note 1 to the 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 to the Secretary of State for Transport 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.

Contractual relationships

The Group operates within a contractual relationship with its primary customer the Highways Agency. A significant impairment of this relationship could have a direct and detrimental effect on the Group's results and could ultimately result in termination of the concession. To manage this risk the Group has regular meetings with the Highways Agency including discussions on performance, project progress, future plans and customer requirements.

Share Capital

The authorised share capital of the Company at 31 March 2009 was £1,000. The issued share capital at 31 March 2009 was £100.

Results and Dividends

The Group made a loss for the period after taxation of £23,000. The Directors do not propose to pay or declare a dividend in respect of the period ended 31 March 2009. As this is the first reporting period since incorporation no comparatives have been prepared.

Directors

The following persons were Directors of the Company during the period, except as noted:

D Jardine	(Appointed 29 August 2008, resigned 15 October 2008)
J M Turner	(Appointed 29 August 2008, resigned 15 October 2008)
P A Bannister	(Appointed 15 October 2008)
C L Birdsong	(Appointed 15 October 2008)
R Joosten	(Appointed 15 October 2008)
I K Rylatt	(Appointed 15 October 2008)

Auditors

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


- i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- ii) the Director has taken all reasonable 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 auditors are aware of that information.

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

Deloitte LLP were appointed auditors of the Company on 19 March 2009 and have indicated their willingness to be reappointed for another term. Appropriate arrangements are being made for Deloitte LLP to be deemed reappointed in the absence of an AGM.

Connect Plus House
St Albans Road
South Mimms
Hertfordshire
EN6 3NP

By order of the Board



Alastair Campbell
Secretary
19th August 2009

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONNECT PLUS (M25) HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Connect Plus (M25) Holdings Limited for the period ended 31 March 2009 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cashflow statement and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if disclosures of directors' benefits, remuneration, pensions and compensation for loss of office specified by law are not made.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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 2009 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report is consistent with the financial statements.

A. J. Kelly 20 August 2009

Andrew Jack Kelly (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

Consolidated Profit and Loss Account

For the period from incorporation to 31 March 2009

	Notes	Period to 31 March 2009 £'000
Turnover	2	-
Cost of sales		-
Gross profit		-
Administrative expenses		(23)
Operating loss	3	(23)
Interest receivable and similar income		-
Interest payable and similar charges		-
Loss on ordinary activities before taxation		(23)
Tax on loss on ordinary activities	4	-
Loss on ordinary activities after taxation for the financial period	9	(23)

There were no recognised gains or losses in the period other than the reported loss shown above; consequently no separate statement of total recognised gains and losses is presented.

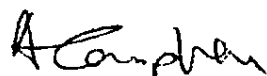
All activities are from continuing operations in the United Kingdom.

Consolidated and Company Balance Sheets

31 March 2009

	Notes	Group 2009 £'000	Company 2009 £'000
Fixed assets			
Investments	5	-	-
Current assets			
Construction Work in Progress	6	22,416	-
Creditors: amounts falling due within one year	7	(22,439)	-
Net current liabilities		(23)	-
Net liabilities		(23)	-
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	(23)	-
Shareholders' deficit	10	(23)	-

These financial statements were approved by the Board of Directors on 19th August 09 and signed on its behalf by:



Director
August 2009

Consolidated Cash Flow Statement

For the period from incorporation to 31 March 2009

	Notes	Period to 31 March 2009 £'000
Net cashflow from operating activities	11	-
Returns on investments and servicing of finance		
Interest received		-
Interest paid		-
Net cashflow from returns on investments and servicing of finance		-
Capital expenditure and financial investments		
Purchase of tangible fixed assets		-
Net cashflow before use of liquid resources and financing		-
Management of liquid resources		
Increase in cash on term deposits		-
Net cash flow from liquid resources		-
Financing		
Decrease in fixed rate senior secured bonds		-
Net cashflow from financing		-
Increase in cash in the year		-

Notes to the accounts

For the period from incorporation to 31 March 2009

1 Accounting policies

A summary of the principal accounting policies of the Group, all of which have been applied consistently during the period, is set out below:

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. They include the results of the activities described in the Directors' Report all of which are continuing.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March. All inter-company balances, transactions and profits are eliminated on consolidation. The profit for the year dealt with in the financial statements of the Company is £nil. No profit and loss account is presented for the Company, as permitted by section 408 of the Companies Act 2006.

c) Cash Flow Statement

The Group has not prepared a cash flow statement as there were no cash movements in the period.

d) Turnover

Revenue is recognised as turnover as it is earned and represents amounts due, exclusive of value added tax, in respect of services provided to the Secretary of State for Transport.

e) Construction work in progress

All construction costs including the capitalised interest on finance up to the date of financial close and incidental costs are recorded as construction work in progress.

f) FRS 5 Finance debtor

The Company operates a Private Finance Initiative ("PFI") contract. The underlying asset is not deemed to be an asset of the company under Financial Reporting Standard 5 Application Note F "Private Finance Initiative and Similar Contracts".

During the construction phase of the project, all attributable expenditure is included in construction work in progress. Upon the asset becoming operational, the costs are transferred to the FRS 5 finance debtor. During the operational phase, income is allocated between interest receivable and the finance debtor using a project specific rate. The remainder of the PFI unitary charge income is included within turnover.

g) Investments

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

h) Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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

Notes to the accounts (continued)

For the period from incorporation to 31 March 2009

included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

i) Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 and 3.

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 Secretary of State for Transport to meet their payment obligations for the M25 PFI contract 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. After making enquiries, 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 annual report and accounts.

2 Turnover

Turnover by origin and destination:

	Period to 31 March 2009 £'000
United Kingdom	nil

3 Operating loss

	Period to 31 March 2009 £'000
Operating loss is stated after charging:	
Fees payable to the Company's auditors for the audit of the Company's annual accounts	1
The audit of the Company's subsidiaries pursuant to legislation	22

The audit fee for the Group is borne by Connect Plus (M25) Limited.

The Directors received no salary, fees or other benefits in the performance of their duties in respect of their services in the period. All other staff costs are borne by the shareholders who second employees to the Connect Plus (M25) Limited and charge related service costs. The Group had no employees during the period.

Notes to the accounts (continued)

For the period from incorporation to 31 March 2009

4 Tax on loss on ordinary activities

Period to
31 March
2009
£'000

The tax credit is based on the loss for the period and comprises:

Current tax

UK corporation tax charge at 28%

Total tax on loss on ordinary activities

-
-
-

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

Period to
31 March
2009
£'000

Loss on ordinary activities before tax

Tax credit on loss on ordinary activities at standard UK corporation
tax rate of 28%

(23)
(7)

Effects of:

Tax losses not recognised

Current tax charge for period

7
-

5 Fixed asset investments

Company

£

Cost and net book value:

Shares in subsidiary undertakings

At 29 August 2008

Additions

At 31 March 2009

-
200
200

Principal subsidiary undertakings

The Company has an investment in the following subsidiary undertakings:

Country of
Incorporation

Shareholding

Connect Plus (M25) Limited

Connect Plus (Intermediate) Limited

England
England

100%
100%

6 Construction Work In Progress

31 March
2009
Group
£'000

31 March
2009
Company
£

Construction Work in Progress

22,416
-

Notes to the accounts (continued)

For the period from incorporation to 31 March 2009

7 Creditors: amounts falling due within one year

	31 March 2009 Group £'000	31 March 2009 Company £
Accruals	23	-
Amounts due to associated companies (note 11)	22,416	200
	<u>22,439</u>	<u>200</u>

8 Called Up Share Capital

	31 March 2009	
	No.	£
<i>Authorised</i>		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

The shareholders' percentage holdings in the Company as at 31 March 2009 are as follows:

Balfour Beatty Infrastructure Investments Limited	40%
Skanska Infrastructure Investment UK Limited	40%
Atkins Investments Limited	10%
Egis Investment Partners SCA	10%

9 Profit and loss account

	Group £'000	Company £
At 29 August 2008	-	-
Loss for the financial period	(23)	-
At 31 March 2009	<u>(23)</u>	<u>-</u>

10 Reconciliation of movements in shareholders' deficit

	Group £'000	Company £
At 29 August 2008	-	-
Shares issued in period (£100)	-	-
Loss for the financial period	(23)	-
At 31 March 2009	<u>(23)</u>	<u>-</u>

11 Net cashflow from operating activities

	Period to 31 March 2009 £'000
Operating loss	(23)
Increase in work in progress	(22,416)
Increase in creditors	22,439

Net cashflow from operating activities

-

12 Related party transactions

The group purchased construction services totalling £22.4m from an unincorporated joint venture comprising of Balfour Beatty Civil Engineering Limited and Skanska J.V. Projects Limited, a company owned by Skanska AB. This amount was outstanding as of 31 March 2009 but is payable within 12 months. The outstanding balance does not attract interest.

13 Controlling parties

The controlling parties are Balfour Beatty plc, Skanska AB, WS Atkins plc and Egis Projects SA, in the ratio 40:40:10:10. Connect Plus (M25) Holdings Limited is the parent company of the largest and smallest group of which the Company is a member and for which group accounts are drawn up.

14 Post Balance Sheet Event

On 20 May 2009 the Group entered into a PFI contract with the Secretary of State for Transport to upgrade and maintain the M25 motorway for the next 30 years.