Registered number
02999303

Connect M1-A1 Limited

Annual Report and Financial Statements

For the year ended 31 March 2018

Connect M1-A1 Limited
Annual report and financial statements
Contents

Connect M1-A1 Limited
Strategic Report
for the year ended 31 March 2018

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

Strategic Review
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 Company 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 activities in the year under review and none are currently contemplated.

Review of business
The results for the year are set out on page 8. The profit for the year before taxation was £5,706,000 (2017 – profit of £5,354,000) and the net assets position as at 31 March 2018 is £46,209,000 (2017 – £45,810,000) for the Company.

Key Performance Indicators
The Company 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 2018 £000's	**31 March £000's**
Turnover	27,915	28,771
Proft after taxation	4,626	4,168
Net assets	46,209	45,810

Key Performance Indicators (continued)

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 Company 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 Company 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 Company 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

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

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 Company's activities in the year under review and no others are

This report was approved by the board on 25 July 2018 and signed by its order.

P. McCarthy
Company Secretary

Connect M1-A1 Limited
Registered number: 02999303
Directors' Report
for the year ended 31 March 2018

The Directors present their annual report together with the audited financial statements for the year ended 31 March 2018.
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 2018 are set out on pages 8 to 21. The profit for the year after taxation was £5,747,000 (2017 – profit of £4,956,000).
The Directors declared and paid dividends of £5,348,000 (2017 – £1,907,000). The Directors expect the Company to continue its operations for the foreseeable future.

Going Concern
The Company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Company 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	
R. Driver	
M. J. Edwards	
C. D. B. Leverd	(appointed 26/09/17)
M. P. Mageean	
A. P. Walker	
S. Orrell	(resigned 26/09/17)

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.

Registered Office
The Company's registered office is 6th Floor, 350 Euston Road, Regents Place, London, NW1 3AX

Provision of Information to Auditor
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.

Connect M1-A1 Limited
Registered number: 02999303
Directors' Report
for the year ended 31 March 2018

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 25 July 2018 and signed by its order.

P. McCarthy
Company Secretary

Connect M1-A1 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 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 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 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 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 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 Company and to prevent and detect fraud and other irregularities.

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

Opinion
We have audited the financial statements of Connect M1-A1 Limited ("the company") for the year ended 31/03/2018 which comprise the Profit and Loss account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the key accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its 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 company 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.

Going concern
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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 the other information and accordingly, we do not express an audit opion or, except as explicity stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in [the strategic report and] the directors report 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.

Connect M1-A1 Limited
Independent Auditor's Report

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Directors' responsibilities
As explained more fully in their 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; 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 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 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 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.

Tom Eve (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
27 September 2018

Connect M1-A1 Limited
Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2018

	Notes	2018 £000's	2017 £000's
Turnover	2	27,915	28,771
Cost of sales		(14,929)	(16,746)
Gross profit		12,986	12,025
Administrative expenses		(1,986)	(462)
Operating profit	3	11,000	11,563
Interest receiveable and similar income		61	32
Interest payable and other expenses	4	(5,355)	(6,241)
Profit before taxation		5,706	5,354
Tax on profit	5	(1,080)	(1,186)
Profit for the financial year		4,626	4,168
Other Comprehensive income for the year			
Fair value movement gain on derivatives		1,350	870
Deferred tax on fair value movements on financial instruments		(229)	(82)
Total Comprehensive income		**5,747**	**4,956**

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

Connect M1-A1 Limited
Balance Sheet
as at 31 March 2018

	Notes	2018 £000's	2017 £000's
Fixed assets			
Tangible assets	7	80,609	91,694
		80,609	91,694
Current assets			
Debtors: due within one year	8	3,086	3,106
Debtors: Other due after more than one year	9	16,768	16,768
Investments - due within one year	10	6,161	8,735
Cash at bank and in hand		6,145	4,623
		32,160	33,232
Creditors: amounts falling due within one year	11	(18,233)	(18,134)
Net Current assets		**13,927**	**15,098**
Total assets less current liabilities		**94,536**	**106,792**
Creditors: amounts falling due after more than one year	12	(48,327)	(60,982)
Net assets		**46,209**	**45,810**
Capital and reserves			
Called up share capital	16	3,000	3,000
Profit and loss account		45,776	46,498
Cash flow hedge reserve		(2,567)	(3,688)
Shareholders' funds		**46,209**	**45,810**

The Financial Statements of Connect M1-A1 Limited, company registration number 02999303, were approved by the board of Directors and authorised for issue on 25 July 2018. They were signed on its behalf by:

Adam Walker
Director

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

	Called up share capital £'000	Cash Flow Hedge Reserve £'000	Profit and loss account £'000	Total £'000
At 31 March 2016	3,000	(4,476)	44,237	42,761
Profit for the year	-	-	4,168	4,168
Fair value movement gain on derivatives	-	870	-	870
Deferred tax on fair value movements on financial instruments	-	(82)	-	(82)
Dividends paid on equity shares	-	-	(1,907)	(1,907)
At 31 March 2017	3,000	(3,688)	46,498	45,810
Profit for the year	-	-	4,626	4,626
Fair value movement gain on derivatives	-	1,350	-	1,350
Deferred tax on fair value movements on financial instruments	-	(229)	-	(229)
Dividends paid on equity shares	-	-	(5,348)	(5,348)
At 31 March 2018	**3,000**	**(2,567)**	**45,776**	**46,209**

Connect M1-A1 Limited
Notes to the Financial Statements
for the year ended 31 March 2018

1 Accounting policies

a) 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") 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 Company's parent undertaking, Connect M1-A1 Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Connect M1-A1 Holdings Limited are available to the public and may be obtained from the address in note 18.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the preparation of a Cash Flow Statement and related notes.

As the consolidated financial statements of Connect M1-A1 Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

• The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 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) Going Concern

The current economic conditions create some general uncertainty. The Directors have reviewed the Company'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 Company's forecasts and projections, taking account of reasonably possible counterparty performance, show the Company expects to be able to continue to operate for the full term of the concession. The Company's projections, taking account of reasonably possible counterparty performance, show that the Company 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.

c) 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.

1 Accounting policies (continued)

d) 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.

e) 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

f) 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.

1 Accounting policies (continued)

g) 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.

h) 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.

i) 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.

j) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements
In the application of the Company'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 Company 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.

1 Accounting policies (continued)

j) Critical accounting judgements and key sources of estimation uncertainty (continued)

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 Company 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 £3,094,000 (2017: £4,444,000). The Directors do not consider the impact of own credit risk to be material.

2 Analysis of turnover

	2018 £000's	2017 £000's
By geographical market:		
United Kingdom	27,915	28,771

3 Operating profit

	2018 £000's	2017 £000's
This is stated after charging:		
Depreciation of owned fixed assets	11,085	11,093
Auditor's remuneration for audit services	10	9

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 Company. The audit fee for the Company was £10,000 payable to KPMG LLP (2017: £9,000 payable to KPMG LLP).

4 Interest payable and other expenses

	2018 £000's	2017 £000's
Senior bank loan	2,081	2,282
European Investment Bank loan	2,212	2,909
Subordinated loan stock 2020	860	894
Financing fees	-	-
Other	202	156
	5,355	6,241

5 Taxation

	2018	**2017**
	£000's	**£000's**
The tax is based on the profit for the year and comprises:		
Current tax:		
UK corporation tax charge	1,336	1,456
Deferred tax:		
Adjustments to tax charge in respect of previous years	-	229
Capitalised Interest	(237)	(324)
Effect of reduced tax rate on opening liability	-	(153)
FRS102 transitional adjustment	(19)	(22)
Origination and reversal of timing differences	-	-
	(256)	(270)
Tax on profit	1,080	1,186

Factors affecting tax charge for the year

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

	2018	**2017**
	£000's	**£000's**
Profit before tax	5,706	5,354
Standard rate of corporation tax in the UK	19%	20%
	£000's	**£000's**
Profit before tax multiplied by the standard rate of corporation	1,084	1,071
Effects of:		
Expenses not deductible for tax purposes	-	-
Imputed Interest on Upstream Loan	48	39
Adjustments to tax charge in respect of previous years	(52)	229
Reduced tax rate on opening liability	-	(153)
Origination and reversal of timing differences	-	-
Total tax charge for year	1,080	1,186

Tax recognised in Other Comprehensive Income

	2018	**2017**
	£000's	**£000's**
Deferred tax on fair value movements on financial instruments	229	82

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 March 2018 has been calculated based on these rates.

6 Dividends

		2018 £000's	2017 £000's
Dividends paid		5,348	1,907
		5,348	1,907
		2018	**2017**
Dividend per share	No. of shares	**£'s**	**£'s**
	3,000,000	2	1

7 Tangible fixed assets

	M1-A1 Link Road *At cost* £000's	Other equipment *At cost* £000's	Total £000's
Cost or valuation			
At 1 April 2017	267,596	29,837	297,433
At 31 March 2018	267,596	29,837	297,433
Depreciation			
At 1 April 2017	178,639	27,100	205,739
Charge for the year	9,524	1,561	11,085
At 31 March 2018	188,163	28,661	216,824
Carrying amount			
At 31 March 2018	79,433	1,176	80,609
At 31 March 2017	88,957	2,737	91,694

The cost of the M1-A1 Link Road includes capitalised interest of £42,507,000 (2017 – £42,507,000). 100% of interest is capitalised during construction, and 0% during operations. Other equipment comprises traffic management equipment and computers.

8 Debtors - amounts falling due within one year

	2018 £000's	2017 £000's
Trade debtors	2,919	74
Prepayments and accrued income	167	3,032
	3,086	3,106

9 Debtors - Other due after more than one year

	2018 £000's	2017 £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 provide the Shareholder with access to additional cash flow an Upstream Loan is created. The Group considers the loan amounts to be fully recoverable.

10 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 (2017 : nil).
Restriced cash includes:
Debt Service Reserve: £6,161K (2017 : £6,191k)
Maintenance Service Reserve: £nil (2017 : £2,050k)
Tax Reserve: £nil (2017 : £493k)

11 Creditors: amounts falling due within one year

	2018 £000's	2017 £000's
European Investment Bank Loan	8,415	7,695
Senior bank loan	2,963	3,221
Trade creditors	337	9
VAT Payable	884	881
Corporation tax	892	1,171
Accruals	4,742	5,157
	18,233	18,134

12 Creditors: amounts falling due after one year

	2018 £000's	2017 £000's
Deferred income	4,311	4,711
Subordinated loan stock 2020	5,709	5,709
European Investment Bank Loan	9,243	17,658
Senior bank loan	25,276	28,239
Effective interest rate accounting adjustment	(1,117)	(1,617)
Swap Liability	3,094	4,444
Deferred Tax	1,811	1,838
	48,327	60,982

13 Deferred tax liabilities

	2018 £000's	2017 £000's
At 1 April	1,838	2,026
Adjustments to tax charge in respect of previous years	-	229
Credited to the profit and loss account	(256)	(499)
Other comprehensive income movement	229	82
At 31 March	1,811	1,838

	At 1 April 2017	Movement in the year	At 31 March 2018
Fair value movement on financial instruments	756	(229)	527
Capitalised Interest	(2,430)	237	(2,193)
FRS102 transitional adjustment	(164)	19	(145)
	(1,838)	27	(1,811)

14 Borrowings

	2018 £000's	2017 £000's
Loans not wholly repayable within five years:		
Subordinated loan stock 2020	5,709	5,709
European Investment Bank Loan	17,658	25,353
Senior bank loan	28,239	31,460
	51,606	62,522
Less: effective interest rate accounting adjustment	(1,117)	(1,617)
	50,489	60,905

	2018 £000's	2017 £000's
Analysis of maturity of debt:		
Within one year or on demand	11,378	10,916
Between one and two years	10,959	11,378
Between two and five years	18,716	23,280
After five years	10,553	16,948
	51,606	62,522
Less: effective interest rate accounting adjustment	(1,117)	(1,617)
	50,489	60,905

14 Borrowings (continued)

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 has entered into interest rate swaps to manage its exposure to interest rate fluctuations. Under interest rate swaps, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company 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 Company 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 2018 was a liability of £3,094,000 (2017 - £4,444,000).

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

15 Financial Instruments

The Company has the following financial instruments:

	2018 £000's	2017 £000's
Financial assets that are debt instruments measured at amortised cost:		
-Trade debtors	2,919	74
	2,919	74
Financial liabilities at fair value through profit or loss:		
- Derivative financial instruments	3,094	4,444
Financial liabilities measure at amortised cost:		
- Senior secured loans	44,820	55,239
- Subordinated loans	5,669	5,666
- Trade creditors	337	9
	53,920	65,358

16 Called up share capital

	Nominal value	2018 Number	2018 £000's	2017 £000's
Allotted, called up and fully paid:				
Ordinary shares	£1 each	3,000,000	3,000	3,000

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 Company'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.

17 Related party transactions

	2018 £000's	2017 £000's
Transactions during the year		
Balfour Beatty Civil Engineering - operation and maintenance	8,222	8,283
Balfour Beatty Investments - staff secondment charges	349	357
Balfour Beatty PLC - distributions	1,241	1,028
BIIF Bidco Limited - distributions	3,102	2,442
Infrastructure Investments Limited Partnership- distributions	1,861	1,542
	14,775	13,652
Outstanding balances owed by the Company at the end of the year		
Balfour Beatty Civil Engineering - operation and maintenance	-	945
Balfour Beatty Investments - staff secondment charges	-	37
Balfour Beatty PLC - subordinated debt	1,227	1,219
BIIF Bidco Limited - subordinated debt	3,068	3,046
Infrastructure Investments Limited Partnership - subordinated debt	1,841	1,828
	6,136	7,075
Outstanding balances owed to the Company at the end of the year		
Balfour Beatty PLC - upstream loan	3,354	3,354
BIIF Bidco Limited - upstream loan	8,384	8,384
Infrastructure Investments Trafalgar Limited - upstream loan	5,030	5,030
	16,768	16,768

18 Ultimate parent companies and controlling parties

The Company's immediate parent company is Connect M1-A1 Holdings Limited, which is incorporated in Great Britain and registered in England and Wales, the registered office address is 350 Euston Road, London NW1 3AX. 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,
The Company is a wholly-owned subsidiary of Connect M1-A1 Holdings Limited which is registered in England and Wales. The largest and smallest Company 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.