

Registration number: 06714713

# Connect Plus (M25) Intermediate Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2021



# **Connect Plus (M25) Intermediate Limited**

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## **Connect Plus (M25) Intermediate Limited**

### **Strategic Report for the Year Ended 31 March 2021**

The Directors present their strategic report for the year ended 31 March 2021.

#### **Principal activity**

Connect Plus (M25) Intermediate Limited is incorporated in the United Kingdom, registered in England and Wales and domiciled in the United Kingdom. The Company is a financing company whose sole business is lending to Connect Plus (M25) Limited, an associated undertaking.

On 20 May 2009 Connect Plus (M25) Limited entered into a Private Finance Initiative ("PFI") contract with Highways England to upgrade and maintain the M25 motorway for 30 years. The construction of this initial upgrade was completed in July 2012. On 21 December 2012 Highways England commissioned a further 45km of road widening on the M25 under the existing agreement and construction was completed in March 2015.

#### **Review of the Business**

The results for the year are set out on page 10. The result for the year after taxation was £Nil (2020: £Nil). The net assets position as at 31 March 2021 is £Nil (2020: £Nil).

Connect Plus (M25) Limited has performed well financially and costs have been in line with the base case projections prepared in 2009 after adjusting for inflation. As a consequence Connect Plus (M25) Intermediate Limited is performing in line with its own base case projections.

The Directors expect the Company to continue its operations for the foreseeable future.

#### **Key Performance Indicators**

As part of the stewardship of the project the Directors regularly consider Board reports related to the performance of the Company and the information and key performance indicators ("KPIs") 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 Company.

Connect Plus (M25) Intermediate Ltd has made a loan to Connect Plus (M25) Ltd. The KPI is Connect Plus M25 Limited's ability to service this loan. Connect Plus (M25) Limited is meeting the key operational requirements of the PFI contract with Highways England and also operating within the required parameters of external lenders and accordingly, the directors are confident that key performance targets are being met.

#### **Principal Risks and Uncertainties**

The Company recognises that effective risk management is fundamental to achieving its business objectives in order for its associated undertaking, Connect Plus (M25) Limited, 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.

#### **Contractual relationships**

The Company operates within a contractual relationship with its associated entity Connect Plus (M25) Limited. Connect Plus (M25) Limited operates a PFI contract with Highways England. A significant impairment of Connect Plus (M25) Limited's contractual relationship with Highways England could have a detrimental effect on the Company's results. To manage this risk the Company's Directors have regular meetings with the Highways England representatives including discussions on performance, project progress, future plans and customer requirements.

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IN WHICH ARE CONTAINED THE  
MOST IMPORTANT PASSES OF HIS  
MILITARY AND POLITICAL LIFE  
FROM HIS FIRST ASCENSION TO THE  
THRONE, TO HIS DEATH  
BY  
JOHN BURNET, ESQ;  
OF LINCOLN'S INN, BARRISTER AT LAW.  
IN TWO VOLUMES.  
LONDON, Printed by J. Sturges, at the  
Sign of the Sun in St. Dunstons Church,  
near St. Pauls, 1680.

## **Connect Plus (M25) Intermediate Limited**

### **Strategic Report for the Year Ended 31 March 2021 (continued)**

#### Liquidity risk

The Company manages its liquidity risk with its associated entity, Connect Plus (M25) Limited. The 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's operating activities. In addition, the Company maintains reserve bank accounts to provide short-term liquidity against future debt service and other expenditure requirements.

#### Brexit

The Directors have considered the potential consequences to the Company of the United Kingdom having exited the European Union and, as at the date of signing the report, do not anticipate that this will have a significant impact on the Company. This is primarily because the Company's contractual agreements, including those which cover its financing, are unlikely to be affected.

#### COVID-19

The Directors have considered the potential impacts on the Company of the COVID-19 emergency and, as at the date of signing the report, do not anticipate that this will have a significant impact on the Company's ability to continue as a going concern.

The purpose of the Company is for the raising of finance and onward loan of the proceeds, with identical terms for payments of interest and principal, to a fellow group subsidiary, Connect Plus (M25) Ltd, which operates an availability-based PFI contract.

In making this assessment the Directors have considered the Government Guidance, as issued on 2 April 2020: "Supporting vital service provision in PFI/PF2 (and related) contracts during the COVID-19 emergency" and particularly the likely impact that this will have on Connect Plus (M25) Ltd.

The Directors expect the Company can continue to meet its contractual obligations as Highways England has adhered to the guidance as issued, and therefore the unitary charge payments have continued to be received, and the cash flows of the Company have been unaffected and are unlikely to be affected in the future. Additionally, the Directors have considered the contingency plans that the Company's supply chain has in place and consider that, in conjunction with the government guidance and taking account of reasonably possible counterparty performance, this will enable services to be maintained.

Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Approved by the Board on 24 June 2021 and signed on its behalf by:



.....  
A J Campbell  
Company secretary and director

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

## **Connect Plus (M25) Intermediate Limited**

### **Directors' Report for the Year Ended 31 March 2021**

The Directors have pleasure in presenting their Annual Report together with the Financial Statements and auditor's report for the year ended 31 March 2021.

The following information has been disclosed in the Strategic Report.

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

#### **Going Concern**

The Directors, as elaborated further in the Strategic Report, do not expect any significant change to the Company's activities to occur in the following financial year.

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. Connect Plus (M25) Limited is meeting the key operational requirements of the PFI contract with Highways England and also operating within the required parameters of lenders. As a consequence the Company continues to adopt the going concern basis in preparing the financial statements, as the Company's sole activity is lending to Connect Plus (M25) Limited.

#### **Share Capital**

The issued share capital at 31 March 2021 was £100 (2020: £100).

#### **Results and Dividends**

The audited financial statements for the year ended 31 March 2021 are set out on pages 10 to 20. The result for the year after taxation was £Nil (2020: £Nil). The Directors paid a dividend in respect of the year ended 31 March 2021 of £Nil (2020: £Nil).

#### **Directors of the Company**

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

S Athanassiou

A Benhatta

P M Bentley

A J Campbell - Company secretary and director

A M Dean

J S Gordon

J E Guyett

R D Knight

B P Millsom (resigned 25 June 2020)

J Pritchard (appointed 25 June 2020)

P A Skerman

B R Walker

S D Worthy

## **Connect Plus (M25) Intermediate Limited**

### **Directors' Report for the Year Ended 31 March 2021 (continued)**

#### **Disclosure of Information to the Auditor**

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 Company's Auditor is aware of that information.

#### **Auditor**

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.

Approved by the Board on 24 June 2021 and signed on its behalf by:



.....  
A J Campbell  
Company secretary and director

## **Connect Plus (M25) Intermediate 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 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 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 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 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 Company and to prevent and detect fraud and other irregularities.



## **Connect Plus (M25) Intermediate Limited**

### **Independent Auditor's Report to the Members of Connect Plus (M25) Intermediate Limited**

#### **Opinion**

We have audited the financial statements of Connect Plus (M25) Intermediate Limited (the 'Company') for the year ended 31 March 2021, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, 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 Company's affairs as at 31 March 2021 and of its results 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**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that 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 its 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 Company's business model and analysed how those risks might affect the 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 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 Plus (M25) Intermediate Limited**

### **Independent Auditor's Report to the Members of Connect Plus (M25) Intermediate 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 management as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for whistleblowing, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board meeting minutes; and
- 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 possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as cash flow assumptions in the operating model. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

##### ***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 and other management (as required by auditing standards), and discussed with the directors and other management 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.

The Company 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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

## **Connect Plus (M25) Intermediate Limited**

### **Independent Auditor's Report to the Members of Connect Plus (M25) Intermediate Limited (continued)**

#### ***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, 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 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 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.

As per, nothing to report in your respective

- *de jure* = not reflected in the information and relationships we receive for our benefit
- *ex ante* perception = a question, information described by law we not aware of
- the phrase of *ex ante* and *ex post* relationship with the development of the world. On the one hand we not aware of the other
- *ex post* = accounting for the price not paid for the technology for our benefit
- *ex ante* = accounting for the price not paid for the technology for our benefit

- [illegible]

the financial statements do not single properties based solely on that work.

based on our financial statements and *work*, the information therein is materially misstated or inconsistent with our records.

restructures does not correspond to the observed pattern of

The Director, the responsible for the Director, Robert  
Scientific Board and Director, Robert

and the other countries of the world.

[illegible]

regulations is how the various "and" transactions reflected in the financial statements, the fees (not) paid, and the transactions reflected by trading strategies would ideally be

reformation is found in the cases and discussions reported in the historical literature. The first likely step in cooperation with required "templates" for example, the genetic context and non-compliance with *PinA* and *PinB* are widespread mutants in the human cell genomes, even though we have biologically human and bacterial ones (Table 1) are important implications of our study that is an unavoidable task that we wish not have neglected. Context of the impact of the change to nuclear fusion in bacteria of *PinA* to *PinB* is significant.

**Independent Auditor's Report to the Members of Connecticut Blue (ABC) Interim**

Connect Plus (VSE) Intermediate Limited

## **Connect Plus (M25) Intermediate Limited**

### **Independent Auditor's Report to the Members of Connect Plus (M25) Intermediate Limited (continued)**

#### **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](http://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, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

Date:....25 June 2021.....

## **Connect Plus (M25) Intermediate Limited**

### **Profit and Loss Account for the Year Ended 31 March 2021**

	<b>Note</b>	<b>2021 £ 000</b>	<b>2020 £ 000</b>
Turnover		-	-
Operating profit/(loss)		-	-
Interest receivable and similar income	6	22,857	23,254
Interest payable and similar expenses	7	(22,857)	(23,254)
Profit/(loss) before tax		-	-
Profit/(loss) for the financial year		-	-

All activities are from continuing operations in the United Kingdom.

There are no other items of comprehensive income in either period other than those reflected in the Profit and Loss Account. Accordingly, no separate Statement of Other Comprehensive Income is presented.

# Connect Plus (M25) Intermediate Limited

(Registration number: 06714713)  
Balance Sheet as at 31 March 2021

	Note	2021 £ 000	2020 £ 000
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	14,352	14,224
Debtors: amounts falling due after more than one year	8	<u>181,796</u>	<u>184,787</u>
		196,148	199,011
<b>Creditors: Amounts falling due within one year</b>	9	<u>(14,352)</u>	<u>(14,224)</u>
<b>Net current assets (including £181,796k (2020: £184,787k) due after one year)</b>		181,796	184,787
<b>Creditors: Amounts falling due after more than one year</b>	9	<u>(181,796)</u>	<u>(184,787)</u>
<b>Net assets/(liabilities)</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account		<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>-</u>	<u>-</u>

Approved and authorised by the Board on 24 June 2021 and signed on its behalf by:



.....  
A J Campbell  
Company secretary and director

The notes on pages 14 to 20 form an integral part of these financial statements.

# **Connect Plus (M25) Intermediate Limited**

## **Statement of Changes in Equity for the Year Ended 31 March 2021**

	<b>Called up share capital £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 April 2019	-	-	-
Profit/(loss) for the year	-	-	-
At 31 March 2020	-	-	-
	<b>Called up share capital £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 April 2020	-	-	-
Profit/(loss) for the year	-	-	-
At 31 March 2021	-	-	-

The notes on pages 14 to 20 form an integral part of these financial statements.



## Connect Plus (M25) Intermediate Limited

### Statement of Cash Flows for the Year Ended 31 March 2021

	2021 £ 000	2020 £ 000
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year	-	-
Adjustments to cash flows from non-cash items		
Finance income	(22,857)	(23,254)
Finance costs	22,857	23,254
Net cash flow from operating activities	-	-
<b>Cash flows from investing activities</b>		
Interest received	23,058	23,378
Loan repayments from associated undertaking	2,662	2,186
Net cash flows from investing activities	25,720	25,564
<b>Cash flows from financing activities</b>		
Interest paid	(23,058)	(23,378)
Loans repaid to associated undertakings	(2,662)	(2,186)
Net cash flows from financing activities	(25,720)	(25,564)
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at 1 April	-	-
Cash and cash equivalents at 31 March	-	-

The notes on pages 14 to 20 form an integral part of these financial statements.

## **Connect Plus (M25) Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021**

#### **1 Accounting policies**

Connect Plus (M25) Intermediate Limited (the 'Company') is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 06714713 and the registered address is Connect Plus House, St Albans Road, South Mimms, Hertfordshire, EN6 3NP.

A summary of the principal accounting policies of the Company, 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.

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 discussed in note 2.

#### **Going concern**

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

After making enquiries, the Directors have a reasonable expectation that the Company 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.

#### **COVID-19**

The Company is a special purpose vehicle formed to act as financing conduit for the activities of a fellow subsidiary, Connect Plus (M25) Limited ("M25 Limited").

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

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides including the impact of COVID-19, the Company will have sufficient funds to meet its liabilities as they fall due for that period.. The Company lent the proceeds raised from these borrowings to M25 Limited, a fellow group company with common Directors, on the same terms. Therefore, to meets its liabilities the Company is dependent on M25 Limited, generating sufficient cashflows to settle the payments of principal and interest on the loans made to M25 Limited by the Company.

## **Connect Plus (M25) Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

#### **1 Accounting policies (continued)**

In making this assessment the Directors have reviewed the cashflow forecasts for M25 Limited covering a period of at least 12 months from the date of approval of these financial statements. These forecasts also take account of severe but plausible downside scenarios, including the impact of COVID-19 on M25 Limited's operations. Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of M25 Limited would lead to service failure points being awarded against M25 Limited in accordance with the terms of M25 Limited's contract with Highways England sufficient to cause an event of default under the terms of the Company's external borrowings. To date, taking into account the effect of COVID-19 and there has been no material adverse impact on M25 Limited's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure and the cashflow forecasts indicate that, even in downside scenarios, M25 Limited will be able to make all required payments of principal and interest throughout the forecast period.

Consequently, the Directors are confident that the Company 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.

#### **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.

#### **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.

##### ***Impairment***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## **Connect Plus (M25) Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Classification of financial instruments issued by the Company**

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

##### **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.

## **Connect Plus (M25) Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

#### **2 Critical accounting judgements and key sources of estimation and uncertainty**

##### **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.

The Directors consider there to be no critical judgements, apart from those involving estimations which are dealt with separately below.

##### **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.

##### **Shareholder loans**

The carrying value of the shareholder loans are based on calculations of the effective interest rate on the loan, calibrated using the projected payments or receipts over the life of the loan. The estimates and assumptions are reviewed on a on-going basis and any revisions to them are recognised in the period the revision occurs.

#### **3 Auditors' remuneration**

The audit fee for the Company was £1k (2020: £1k).

#### **4 Directors' remuneration**

The Directors received immaterial salary, fees, or other benefits in the performance of their duties in respect of the Company in the current or prior year.

#### **5 Staff costs**

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

## Connect Plus (M25) Intermediate Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 6 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Interest received on loans to associated undertaking (note 13)	<u>22,857</u>	<u>23,254</u>

#### 7 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest payable on loans to associated undertakings (note 13)	<u>22,857</u>	<u>23,254</u>

#### 8 Debtors

	2021 £ 000	2020 £ 000
<b>Due within one year</b>		
Loans due from associated undertaking (note 10)	2,991	2,662
Accrued interest income	<u>11,361</u>	<u>11,562</u>
	<u>14,352</u>	<u>14,224</u>
<b>Due after one year</b>		
Loans due from associated undertaking (note 10)	<u>181,796</u>	<u>184,787</u>

The terms of these loans on interest and repayment are equivalent in all regards to the terms the Company borrows money from its shareholders (note 10).

#### 9 Creditors

	2021 £ 000	2020 £ 000
<b>Due within one year</b>		
Loans due to associated undertakings (note 10)	2,991	2,662
Accrued interest payable	<u>11,361</u>	<u>11,562</u>
	<u>14,352</u>	<u>14,224</u>
<b>Due after one year</b>		
Loans due to associated undertakings (note 10)	<u>181,796</u>	<u>184,787</u>

## Connect Plus (M25) Intermediate Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 10 Loans and borrowings

The Company has received loans from associated entities as disclosed in note 13. The loans bear interest at a fixed rate of 12%.

Analysis of maturity of debt:

	2021 £ 000	2020 £ 000
Within one year	2,991	2,662
Between one and two years	3,361	2,991
Between two and five years	12,786	11,380
After five years	165,649	170,416
	<u>184,787</u>	<u>187,449</u>

#### 11 Financial instruments

The carrying value of financial assets:

	2021 £ 000	2020 £ 000
Debt instruments measured at amortised cost:		
- Accrued loan stock interest	11,361	11,562
- Amounts owed by associated undertaking	184,787	187,449
	<u>196,148</u>	<u>199,011</u>

The carrying value of financial liabilities:

	2021 £ 000	2020 £ 000
Measured at amortised cost:		
- Accrued loan stock interest	11,361	11,562
- Amounts owed to associated undertakings	184,787	187,449
	<u>196,148</u>	<u>199,011</u>

#### 12 Share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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.

## **Connect Plus (M25) Intermediate Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

#### **13 Related party transactions**

The Company has accepted loans from associated entities and has onward lent the funds received on equivalent terms to Connect Plus (M25) Limited.

The Company received interest of £22,857k (2020: £23,254k) on loans made to Connect Plus (M25) Limited. As of 31 March 2021 the balance of loans owing from Connect Plus (M25) Limited was £184,787k (2020: £187,449k). As of 31 March 2021 £11,361k (2020: £11,562k) of accrued interest receivable from Connect Plus (M25) Limited from this loan was included in accrued interest income.

The total loans from associated entities as of 31 March 2021 were £18,479k (2020: £18,745k) from Egis Investment Partners S.C.A, £73,915k (2020: £74,980k) from Edge Orbital Holdings Ltd, £18,478k (2020: £18,745k) from Edge Orbital Holdings 2 Ltd and £73,915k (2020: £74,980k) from BBDE Orbital Holdings LLP.

In addition as of 31 March 2021 the Company had unpaid accrued interest on these loan balances of £1,136k (2020: £1,156k) due to Egis Investment Partners S.C.A, £4,545k (2020: £4,625k) to Edge Orbital Holdings Ltd, £1,135k (2020: £1,156k) to Edge Orbital Holdings 2 Ltd and £4,545k (2020: £4,625k) to BBDE Orbital Holdings LLP.

The total interest payable on these loans during the year was a credit of £2,286k (2020: £2,325k) to Egis Investment Partners S.C.A and £9,143k (2020: £9,302k) to Edge Orbital Holdings LLP, £2,285k (2020: £2,325k) to Edge Orbital Holdings 2 Ltd and £9,143k (2020: £9,302k) to BBDE Orbital Holdings LLP.

All of the companies mentioned above are associates of the controlling parties identified in note 14.

#### **14 Parent and ultimate parent undertaking**

The ultimate controlling parties are Equitix Ltd, Dalmore Capital Ltd, Grosvenor Capital Management LP, Balfour Beatty Plc and Egis Projects SA, with interests in the ratio 37.5:20:17.5:15:10 respectively.

These financial statements are not consolidated in any set of group accounts.

#### **15 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.