

Registration number: 07276835

# Connect Roads Infrastructure Investments Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



# **Connect Roads Infrastructure Investments Limited**

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## **Connect Roads Infrastructure Investments Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The Directors present their strategic report for the year ended 31 December 2019.

#### **Principal activity**

The Company's principal activity is that of an intermediate parent company of a group of companies, ultimately headed by Balfour Beatty plc (the "Balfour Beatty Group"), whose principal activities include receiving income from investments in joint ventures.

#### **Risk management**

Effective risk management is fundamental to how the Company runs its business and underpins the delivery of Balfour Beatty Group's objectives. It is essential in helping to achieve sustainable shareholder value and in protecting Balfour Beatty Group's reputation. The Company's approach to risk management is to identify at an early stage key risks and then to develop actions to eliminate or mitigate, to an acceptable level, the impact and likelihood of those risks.

Balfour Beatty Group's risk management policy requires all divisions and the operating companies within them to identify and assess the risks to which they are exposed and which could impact their ability to deliver their and Balfour Beatty Group's objectives. Risk registers are used to record the risk events identified, their causes and possible consequences. Risks are then analysed as to the likelihood of occurrence and also the potential impact on the business. Actions are then developed and put in place to mitigate or eliminate unwanted exposures. Individuals are allocated responsibility for evaluating and managing risks identified to an agreed timescale. Risk registers and relevant action plans are regularly reviewed, at various levels throughout the business, to identify new risks as they arise, update mitigation plans, and to remove risks that are no longer relevant.

#### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the Company are considered to relate to the deterioration of the underlying businesses that support the investments held. Additional risks that this Company and the Balfour Beatty Group are subject to, and how they are managed, in the context of the Balfour Beatty Group as a whole is provided in the Balfour Beatty plc published Annual Report and Accounts for the year ended 31 December 2019.

The impact of COVID-19 was reported as an emerging risk in the Balfour Beatty plc published Annual Report and Accounts for the year ended 31 December 2019. The Directors have assessed the impact of COVID-19 on each of the investments held by the Company and, in particular the Directors have considered UK Government Guidance issued on 2 April 2020: "Supporting vital service provision in PFI/PF2 (and related) contracts during the COVID-19 emergency".

As of the date of this report the risks of COVID-19 continue to emerge however based on the information available as of that date the Directors are confident that the Company can manage the risks and uncertainties associated with COVID-19.

#### **Business review**

The results and key performance indicators of the Company are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Profit for the year	<u>3,911,774</u>	<u>3,386,444</u>

The audited financial statements of the Company appear on pages 7 to 19. The profit for the year increased to £3,911,774 (2018: £3,386,444) mainly as a result of additional interest receivable.

## **Connect Roads Infrastructure Investments Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **Going concern**

The Directors have considered the Company's investments in Public-Private Partnership ("PPP") concessions and infrastructure investments, and believe their underlying results support their carrying value. Having made appropriate enquiries, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the accounts.


#### **Financial instruments**

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the only financial risk the Directors consider relevant to the Company is credit risk. The Directors do not consider credit risk to be material for the short-term loan to the parent company Balfour Beatty Infrastructure Investments Limited or the loans to PPP concession companies as these have stable long term cashflows.

#### **Future developments and subsequent events**

In future accounting periods, the Company intends to continue as an investment holding company for Balfour Beatty plc.

Approved by the Board on 8 Sep 2020 and signed on its behalf by:



A P Walker  
Director

**Registered office**      6th Floor  
350 Euston Road  
Regents Place  
London  
NW1 3AX

## **Connect Roads Infrastructure Investments Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present the annual report of the affairs of the Company, together with the Financial Statements and Auditor's report for the year ended 31 December 2019.

#### **Financial statements and dividends**

The audited financial statements of the Company appear on pages 7 to 19. The profit for the year after tax was £3,911,774 (2018: £3,386,444). The Company paid a dividend of £Nil (2018: £12,446,000).

#### **Directors of the company**

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

I F Appuhamy

I K Rylatt

A P Walker

#### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report from page 1.

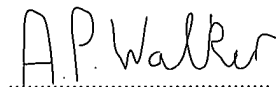
#### **Disclosure of information to the auditor**

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 the steps that they ought to have taken as a director to make themselves 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 8 Sep 2020 and signed on its behalf by:



A P Walker  
Director

## **Connect Roads Infrastructure Investments 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 101 *Reduced Disclosure Framework*.

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 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 Roads Infrastructure Investments Limited**

### **Independent Auditor's Report to the Members of Connect Roads Infrastructure Investments Limited**

#### **Opinion**

We have audited the financial statements of Connect Roads Infrastructure Investments Limited ("the Company") for the year ended 31 December 2019, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, 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 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* 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").

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 a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

#### **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 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.

## **Connect Roads Infrastructure Investments Limited**

### **Independent Auditor's Report to the Members of Connect Roads Infrastructure Investments Limited (continued)**

#### **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](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.



.....  
William Meredith (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square  
Canary Wharf  
London  
E14 5GL

Date:.....8 September 2020.....



# **Connect Roads Infrastructure Investments Limited**

## **Profit and Loss Account for the Year Ended 31 December 2019**

		2019	2018
	Note	£	£
Income from investments	6	1,098,200	1,381,350
Interest income	7	2,846,474	2,044,244
Finance expense	8	<u>(32,900)</u>	<u>(39,150)</u>
Total income from investments, interest and finance		<u>3,911,774</u>	<u>3,386,444</u>
Profit before tax		3,911,774	3,386,444
Tax on profit on ordinary activities	9	<u>-</u>	<u>-</u>
Profit for the year		<u><u>3,911,774</u></u>	<u><u>3,386,444</u></u>

The above results were derived from continuing operations in the United Kingdom.

There are no items of other 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 Roads Infrastructure Investments Limited

(Registration number: 07276835)  
Balance Sheet as at 31 December 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Investments in joint ventures and associates	10	2,999,917	2,999,917
<b>Current assets</b>			
Debtors: Amounts falling due within one year	11	25,581,918	19,874,265
Debtors: Amounts falling due after more than one year	11	<u>20,926,919</u>	<u>22,230,552</u>
		46,508,837	42,104,817
<b>Creditors: Amounts falling due within one year</b>	12	<u>(286,614)</u>	<u>(295,314)</u>
<b>Net current assets</b>		<u>46,222,223</u>	<u>41,809,503</u>
<b>Total assets less current liabilities</b>		49,222,140	44,809,420
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(4,396,196)</u>	<u>(3,895,250)</u>
<b>Net assets</b>		<u>44,825,944</u>	<u>40,914,170</u>
<b>Capital and reserves</b>			
Called up share capital	14	10,882,100	10,882,100
Profit and loss account		<u>33,943,844</u>	<u>30,032,070</u>
<b>Shareholder's funds</b>		<u>44,825,944</u>	<u>40,914,170</u>

Approved by the Board on 8 Sep 2020 and signed on its behalf by:



A P Walker  
Director

# **Connect Roads Infrastructure Investments Limited**

## **Statement of Changes in Equity for the Year Ended 31 December 2019**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
At 1 January 2018	10,882,100	39,091,626	49,973,726
Profit for the year	-	3,386,444	3,386,444
Dividends	-	(12,446,000)	(12,446,000)
At 31 December 2018	<u>10,882,100</u>	<u>30,032,070</u>	<u>40,914,170</u>

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
At 1 January 2019	10,882,100	30,032,070	40,914,170
Profit for the year	-	3,911,774	3,911,774
At 31 December 2019	<u>10,882,100</u>	<u>33,943,844</u>	<u>44,825,944</u>

The notes on pages 10 to 19 form an integral part of these financial statements.

## **Connect Roads Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 Accounting policies**

Connect Roads Infrastructure Investments Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 07276835 and the registered address is 6th Floor, 350 Euston Road, London, NW1 3AX.

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 101 Reduced Disclosure Framework ("FRS 101") 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, unless otherwise stated.

The Company's ultimate parent undertaking, Balfour Beatty plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Balfour Beatty plc are available to the public and may be obtained from the address in note 17.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

## **Connect Roads Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

As the consolidated financial statements of Balfour Beatty plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

#### **Change in significant accounting policies**

The Company has applied IFRS 16 using the modified retrospective approach. As the Company has had no lease contracts there is no impact on the financial statements or the prior year comparatives.

#### **Going concern**

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

In light of the economic uncertainty arising from the COVID-19 outbreak, the Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent company, Balfour Beatty plc, to meet its liabilities as they fall due for that period. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Balfour Beatty Infrastructure Investments Limited (BBIL) has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecast. BBIL has itself received a letter of support from its parent, Balfour Beatty plc, which indicates a similar intention to provide funds to BBIL as and when these funds are needed. As with any company placing a reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Balfour Beatty plc released interim financial statements on 12 August 2020 which include the going concern assessment of the Balfour Beatty plc group.

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.

## **Connect Roads Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **Investments**

Investments comprise holdings in joint ventures and associate undertakings. The Company's investments are stated at cost less amounts provided to reflect impairments in value.

Loans due from joint ventures and associate undertakings are initially recorded at fair value and subsequently accounted for at amortised cost.

##### **Tax**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

##### **Dividend and interest income**

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### **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.

###### **Impairment of financial assets**

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 Roads Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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

##### Judgements

In the application of the Company's accounting policies, which are described in note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the amounts recognised for assets and liabilities and the amounts of income and expense incurred during the reporting period. Actual outcomes may therefore differ from these estimates and assumptions.

The judgements, estimates and assumptions that have the most significant effect on income and expenses and the carrying value of assets and liabilities of the Company as at 31 December 2019 are discussed below.

##### Carrying value of investments

The Company reviews the recoverability of its investments annually. If the recoverable amount is less than the carrying value a provision is recognised. Determining the recoverable amount requires an estimate of fair value which is calculated by discounting future cash flows.

#### 3 Staff costs

The Company had no employees and therefore has incurred no employment or pension costs in the current or prior year.

#### 4 Directors' remuneration

	2019 £	2018 £
Directors' remuneration	23,519	23,058
Company contributions to money purchase pension plans	315	309
	<u>23,834</u>	<u>23,367</u>

Retirement benefits are accruing to the following number of directors under:

	2019 Number	2018 Number
Money purchase schemes	<u>1</u>	<u>1</u>

From 1 February 2013, Directors' remuneration is paid by Balfour Beatty Group Employment Limited.

## Connect Roads Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 5 Auditor's remuneration

In both periods, the audit fee payable for audit of the Company's annual accounts was borne by the ultimate parent.

#### 6 Income from investments

	2019 £	2018 £
Dividends received from joint ventures and associate undertakings	<u>1,098,200</u>	<u>1,381,350</u>

#### 7 Interest receivable and similar income

	2019 £	2018 £
Interest receivable on loans to joint ventures and associate undertakings	<u>2,846,474</u>	<u>2,044,244</u>

#### 8 Finance expense

	2019 £	2018 £
Interest payable on loans from joint ventures and associate undertakings	<u>32,900</u>	<u>39,150</u>

#### 9 Income tax

Tax charged in the profit and loss account

	2019 £	2018 £
Tax expense/(receipt) in the profit and loss account	<u>-</u>	<u>-</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>3,911,774</u>	<u>3,386,444</u>
Corporation tax at standard rate	743,237	643,424
Increase (decrease) arising from group relief tax reconciliation	(534,579)	(380,968)
Increase (decrease) from effect of dividends from UK companies	<u>(208,658)</u>	<u>(262,456)</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>



## Connect Roads Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Income tax (continued)

The Company earns its results primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the current UK corporation tax rate of 19% (2018: 19%).

For the year end 31 December 2019, a corporation tax rate of 19% has been applied in line with rates enacted by the Finance Act 2016. The Finance Act 2016, which was substantively enacted on 6 September 2016, provided for a reduction in the main rate of UK corporation tax to 19% effective from 1 April 2016 and a further reduction to 17% from 1 April 2020. However, the Finance Bill 2020 substantively enacted on 17 March 2020 supersedes this, and states, that the UK corporation tax rate will remain at 19% for the financial years ended 2020 and 2021.

#### 10 Investments

##### Joint ventures

##### Cost or valuation

At 1 January 2019	£
	2,999,917
At 31 December 2019	2,999,917

Details of the joint ventures as at 31 December 2019 are as follows:

Name of Joint-venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2019	2018
Connect Roads Cambridgeshire Holdings Limited* (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Cambridgeshire Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Cambridgeshire Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Coventry Holdings Limited* (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Coventry Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Coventry Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Northamptonshire Holdings Limited* (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Northamptonshire Intermediate Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Northamptonshire Limited (1)	PPP concession company	England and Wales	20%	20%

## Connect Roads Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 10 Investments (continued)

Name of Joint-venture	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2019	2018
Connect A30/A35 Holdings Limited* (1)	PPP concession company	England and Wales	20%	20%
Connect A30/35 Limited (1)	PPP concession company	England and Wales	20%	20%
Connect Roads Limited* (1)	PPP concession company	England and Wales	25%	25%
Connect A50 Limited (1)	PPP concession company	England and Wales	25%	25%
Connect M77/GSO plc** (1)	PPP concession company	England and Wales	1%	1%
Aberdeen Roads Holdings Limited* (2)	PPP concession company	England and Wales	33%	33%
Aberdeen Roads (Finance) plc (2)	PPP concession company	England and Wales	33%	33%
Aberdeen Roads Limited (2)	PPP concession company	England and Wales	33%	33%

\* held directly by Connect Roads Infrastructure Investments Limited

\*\* the holding is < 1%

(1) Registered office: 350 Euston Road, London, NW1 3AX, United Kingdom

(2) Registered office: Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown, Scotland, ML1 4WQ, United Kingdom

#### 11 Trade and other debtors

*Amounts due within one year:*

	2019 £	2018 £
Interest receivable from joint ventures and associate undertakings	4,172,000	1,727,256
Amounts owed by group undertakings	18,964,735	16,912,449
Loans due from joint ventures and associate undertakings	2,445,183	1,234,560
	<u>25,581,918</u>	<u>19,874,265</u>

Amounts owed by Group undertakings are repayable on demand and interest free.

## Connect Roads Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Trade and other debtors (continued)

*Amounts due after one year:*

	2019 £	2018 £
Loans due from joint venture and associate undertakings	<u>20,926,919</u>	<u>22,230,552</u>

#### 12 Trade and other creditors

*Amounts due within one year:*

	2019 £	2018 £
Amounts owed to Group undertakings	286,614	286,614
Accruals	<u>-</u>	<u>8,700</u>
	<u>286,614</u>	<u>295,314</u>

Amounts owed to group undertakings are repayable on demand and are interest free.

*Amounts due after one year:*

	2019 £	2018 £
Loans owed to joint ventures and associated undertakings	<u>4,396,196</u>	<u>3,895,250</u>

The joint venture loans are repayable subject to conditions detailed in the loan agreements and the interest rate charged is LIBOR plus 0.5% or 2.91%. The final loan principal repayment is in March 2026 and November 2035, respectively.

#### 13 Contingent liabilities

The Company and certain subsidiary undertakings have, in the normal course of business given guarantees. Guarantees are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the guarantee.

## Connect Roads Infrastructure Investments Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 14 Share capital

##### Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
Ordinary shares of £1 each	100	100	100	100
Ordinary shares of £15,567.95 each	699	10,882,000	699	10,882,000
	<u>799</u>	<u>10,882,100</u>	<u>799</u>	<u>10,882,100</u>

The value of £15,567.95, to which 699 shares is attributable to, has been rounded.

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.

#### 15 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Nominal value of share capital subscribed for.
Profit and loss account	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

#### 16 Related party transactions

As a wholly-owned subsidiary undertaking of Balfour Beatty plc, the Company has taken advantage of the exemptions in FRS 101 "Reduced Disclosure Framework" not to disclose transactions with other wholly-owned members of the group headed by Balfour Beatty plc.

The transactions with joint ventures and associates are disclosed in Notes 6 and 7. The amounts due from or to joint ventures and associates at the reporting date are disclosed in Notes 11 and 12. These transactions occurred in the normal course of business at market rates and terms.

## **Connect Roads Infrastructure Investments Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **17 Parent and ultimate parent undertaking**

The Company's immediate parent is Balfour Beatty Infrastructure Investments Limited.

The ultimate parent is Balfour Beatty plc.

The largest and smallest group in which the results of the Company are consolidated is that headed by Balfour Beatty plc. These financial statements are available upon request from 5 Churchill Place, Canary Wharf, London, E14 5HU and on the Balfour Beatty website: [www.balfourbeatty.com](http://www.balfourbeatty.com). They may be also viewed at the Companies House website at [www.beta.companieshouse.gov.uk](http://www.beta.companieshouse.gov.uk) and via the National Storage Mechanism, which is located at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).

#### **18 Subsequent events**

The COVID-19 pandemic developed rapidly in the first half of 2020. The highly contagious nature of this virus required governments to put in place restrictions aiming to reduce its spread among the general population. These restrictions directly impacted a large portion of the Company's underlying businesses in the second quarter of 2020. However, the Directors do not expect any impairment to the carrying value of its investments as a result of COVID-19.

The Directors have considered whether the effects of the COVID-19 pandemic should be classified as an adjusting or non-adjusting post balance sheet event. A post balance sheet event is adjusting if it provides more information about circumstances that existed as at the balance sheet date. The Directors have concluded that the COVID-19 pandemic is a non-adjusting post balance sheet event at 31 December 2019 on the basis that at that date:

- The World Health Organisation had not declared a global health emergency;
- There was no significant spread of the virus outside of China; and
- There was no significant spread of the virus outside of China; and

Whilst the economies in which Balfour Beatty operates are now broadly reopened, the impact of those measures and the new requirements to manage the spread of the virus are expected to persist throughout the remainder of 2020 and potentially beyond.