COMPANY NUMBER: 02995525

COLAS RAIL LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2019

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The Company's

Page

Directors

JP Bertrand
H Le Joliff
G Oriol

Registered office

25 Victoria Street, London, SW1H 0EX

Registered number

02995525

Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD
United Kingdom

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

Principal activity

The principal activities of the Company are to undertake railway design, engineering and major works build contracts and to operate specialised railway engineering plant in the United Kingdom.

Review of the Company's business

The Company has continued to make significant strategic and operational progress in the year. During the year, the Company increased profitability at gross profit level, while continuing to focus on safety, operational delivery and on generally improving quality.

The Company continues to seek opportunities to enhance its operations further in support of its mission to become the United Kingdom's leading provider of rail infrastructure services. The financial statements set out the performance and position of the Company for the year ended 31 December 2019.

Revenue for the year was £291.0 million, compared to £265.2 million in 2018.

The construction segment continues to be the main revenue contributor for the business. In the year the construction segment presented a 12% increase in revenue over the prior year and represents 65% of the total income of the Company (2018: 64%). The freight and maintenance segment with a 6% revenue increase over the previous year contributed with the remaining 35% of the total income (2018: 36%).

The profit for the year after tax amounted to £11.9 million (2018: £8.2 million - Including a £7.7m exceptional profit on disposal of assets).

Business environment, strategy and principal risks

The Company's activities support the aims and objectives of the wider Colas group, which is to create shareholder wealth through the provision of railway engineering services. As a result, the Company's business environment and strategy are contained within the annual report of Colas SA.

The Board has ultimate responsibility for risk management. This responsibility encapsulates an understanding of the key risks, recognition and oversight of the measures in place to manage risks and acceptance of the residual risks. Any areas where the Board is uncomfortable with the risk exposure are investigated further, to ensure that either additional controls are implemented to reduce the risk to an acceptable level, or if not possible, that the activities giving rise to the risk are curtailed. .

The principal risks faced by the Company are as follows:

- safety: implementing effective health and safety management systems and working practices;
- regulatory compliance: complying with applicable laws and regulations;
- customer reliance: dependence on and volatility of client expenditure in the rail sector;
- supply chain: managing a logistically complex and diverse national supply chain;
- project execution: completing contracts to programme requirements;
- engaged commercial terms: forecasting accurately the financial outturn of contracts; and
- people management: attracting and retaining skilled personnel.

The full impact of Brexit on the Company still remains to be seen. However it is expected that stimulus wider investment in transport infrastructure in the UK will continue. This is expected to bring additional business opportunities to Colas Rail Limited.

Post balance sheet events

This report was prepared at the time of uncertainty due to the Global Covid19 pandemic. Following the outbreak, despite having experienced some disruption in the normal operations, the Company's financial performance has not been substantially affected. The safety, health and wellbeing of our employees; partners and the general public remains Company's main priority. Business activity has continued in strict adherence of Government and health authorities guidance. While this situation did not affect the financial performance for the year ended 31 December 2019, it is still uncertain what impact on the business and its future financial performance the overall disruption will have.

Further information on the impact of these risks and how they are managed can be found in the Colas SA annual report.

Future developments
The outbreak of the Covid19 pandemic is a significant humanitarian and socioeconomic event directly affecting most businesses. In this period of high uncertainty, it is difficult to make forward looking statements or predictions. However the Company is still committed to be seen as a rail industry leader on safety and sustainability issues. Management is confident the effect of the pandemic will be a temporary disruption and ultimately pass. Colas Rail Limited has the prime objective to cause no harm to people or to the environment and is fully committed to continue improvement towards this goal through innovation and its robust management system and processes.

The Directors do not expect any significant changes to the principal activities of the Company in the foreseeable future.

Going concern
The financial statements have been prepared on the going concern basis, and no material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors.

Key performance indicators
A wide range of key performance indicators are monitored to measure the Company's performance over time. The non financial key performance indicators are:

- safety: where indicators show how successful the Company has been in protecting its employees from harm;
- regulatory compliance: where indicators measure compliance with applicable regulations;
- supply chain: where indicators measure the number of suppliers and payment performance;
- engaged commercial terms: where indicators measure the amount of work contracted for future periods; and
- people management: where indicators measure the number of permanent staff.

Safety
The Company is committed to achieving the highest standards of health and safety. Policies and practices in place are regularly reviewed to ensure that appropriate standards are maintained. In the year ended 31 December 2019, the Company had a fatality and weighted injuries score of 0.068 incidents per million hours worked (2018: 0.053).

Regulatory compliance
The Company is committed to full regulatory compliance. In the year ended 31 December 2019 the Company maintained regulatory compliance in the two key areas of Network Rail Principal Contractor status and the Railways and Other Guided Transport Systems (Safety) Regulations 2006.

Supply chain
The Company practices ethical and sustainable procurement. Procurement is undertaken within structured guidelines on the sustainability issues that should be considered during supplier selection, ongoing supplier management and engagement. In the year ended 31 December 2019, the Company used 1,028 different suppliers and sub-contractors (2018: 1,420 suppliers and sub-contractors), awarding work to the greatest operational extent possible to participants who operate in the locality of its work.

The Company's policy concerning the payment of trade creditors and other suppliers is to set the terms of payment with major suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment by including the relevant terms in their contracts, and pay all suppliers in accordance with the Company's contractual and legal obligations. The standard payment terms of the Company are 28 days, reflecting its commitment to its industry promise of the Fair Payment Charter.

At the balance sheet date the Company had 39 days (2018: 40 days) of trade and sub-contract purchases outstanding.

Engaged commercial terms
Work contracted for future periods was in line with expectations at 31 December 2019 with a total order book of £793m (2018: £281m).

People management
The Company is committed to recruiting and retaining the very best individuals in the labour market, and providing a workplace which offers equal opportunity for promotion and advancement to all employees, regardless of gender, colour, ethnicity, religion, sexual orientation or disability.

As part of the Company's equal opportunities policy, procedures are in place designed to provide full and fair consideration and selection of disabled applicants. Where an employee becomes disabled in the course of their employment, the Company will actively seek to retain them. Wherever possible adjustments to their work content and environment are made by retraining them to undertake new roles.

Details on the number of employees in the Company are given in Note 6.

Section 172(1) statement

As required by Section 172(1) of the Companies Act 2006, the directors of the Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

a. the likely consequences of any decision in the long term;
b. the interests of the Company's employees;
c. the need to foster the Company's business relationships with suppliers, customers and others;
d. the impact of the Company's operations on the community and the environment;
e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly as between members of the company."

The directors believe the following issues are relevant in complying with section 172(1)of the Companies Act 2006.
The smallest group into which the company consolidates is Colas SA, a Company which is registered and operates in France. The Company operates under the umbrella of the values and corporate governance required by the Colas group.

a. the likely consequences of any decision in the long term;

The Company's goals are described in the Review of the Company's business section of the strategic report. Due to the long term nature of the type of contracts that the Company has, there is no significant variant between the Company's short and long-term targets.

b. the interests of the Company's employees;

In line with the Company commitments, protecting the health, safety and wellbeing of everyone who comes into contact with our business is our number one priority. In addition to this the company is committed to a diverse and inclusive environment and helping our employees gain skills that support their personal ambitions and drive the business forward.
The Company recognises the need to ensure effective communication with employees and has developed various communication channels taking into account factors such as numbers employed and location, an intranet and in-house newsletters.

c. the need to foster the Company's business relationships with suppliers, customers and others;

Fostering positive long-term relationships with clients and suppliers has been key to the Company's success, and the Company recognises the need to continue to develop and maintain such relationships.
Our suppliers and subcontractors are critical to our operations and the Company takes a long-term collaborative approach to working with them. Additionally, the Company requires that its supply chain is aligned with the Company's code of business ethics and corporate responsibility policies, which covers areas such as employee welfare, quality, health and safety and the environment.

d. the impact of the Company's operations on the community and the environment;

As an active member of the construction and engineering industry, the Company embraces its responsibility to be active in the resolution of most pressing social issues in the environments in which it operates. The company works hard to ensure it is able to leave behind a worthwhile and meaningful legacy by recruiting local people and collaborating with organisations targeting those societal groups most in need of support.
Sustainability is a key aspect in the Company's activities. It is the reason why it is committed to reducing the environmental impact of its actions, prioritizing the security of persons and contributing to a sustainable development of society.

e. the desirability of the Company maintaining a reputation for high standards of business conduct;

It is critical that the Company maintains the highest standards of business conduct in order to win further work. In addition to this, without this commitment to the highest standards of conduct, it would not be possible to build long-terms relationships with our Clients and Suppliers.

f. the need to act fairly as between members of the company.
The immediate parent Company is Colas Rail Holdings Limited, a Company which is registered in England and Wales and operates in the United Kingdom. Colas Rail Limited is a wholly owned subsidiary of Colas Rail Holdings Limited.

Engagement with stakeholders
At a high level, the Company engages with its stakeholders as part of the broader communications strategy of the group.
At a more local level, the Company's directors, and employees at all levels of the business, are in constant communication with their counterparts from clients and suppliers. Key issues are escalated to the Company's board of Directors.

Effect of the Company's decisions and strategies during the financial year.
The impact and effects of the Director's decisions are described in the Strategic report, in particular in the Review of the Company's business section.

On behalf of the Board:

Jean-Pierre Bertrand
CEO
Date: 03/12/2020

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors
The Directors who held office during the year and to the date of the signing of these accounts were as follows:

JP Bertrand
H Le Joliff (appointed 1 January 2020)
G Oriol
F Grass (resigned 1 January 2020)

The Articles of Association deal with the powers, appointment and replacement of Directors. Under the provisions of its Articles of Association, the Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the financial year and remains in force on the date of the approval of the Directors' report.

Directors receive a significant induction programme and a range of information about the Company when they join the Board. This includes considerable background information on Colas Rail, Board procedures and the Company's codes of business conduct and ethics. In addition, Directors also take part in a series of one-to-one meetings with other members of the Board and senior executives, which includes briefings on the Company's business strategy, financial procedures, business development and other key issues.

The training is supplemented throughout the year by a series of internal and external updates, including visits to operating sites to meet local management and to visit Colas Rail projects in the United Kingdom.

Dividend
The Directors do not recommend the payment of a dividend (2018: £nil).

Charitable and political contributions
The Company made £3,500 of charitable donations in the year (2018: £6,950). No political donations were made in either 2019 or 2018.

Disclosure in the Strategic Report
As permitted by paragraph 1A of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Director's Report have been omitted as they are included in the Strategic Report on page 1. These maters relate to the principal activity of the business and the review of the business and future developments.

Disclosure of information to auditor
Each of the persons who are Directors at the date of approval of this Directors' report confirms that:
• so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
• that Director has taken all steps that ought to have been taken as Director in order to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor
Pursuant to the Companies Act 2006, the Company is not required to reappoint its auditor annually.

On behalf of the Board:

Jean-Pierre Bertrand
CEO
Date: 03/12/2020

Statement of Directors' responsibilities

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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion
We have audited the financial statements of Colas Rail Limited (the 'Company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements
In forming our opinion on the Company financial statements, which is not modified, we draw your attention to the directors' view on the impact of COVID-19 as disclosed on page 1, the consideration in the going concern basis of preparation on page 12 and non- adjusting post balance sheet events on page 26.
Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and the pandemic is causing widespread disruption to normal patterns of business activity across the world, including the UK. The full impact following the recent emergence of COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

• the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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.

Neale

William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD
Date 3 DECEMBER 2020

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	As Restated 2018 £'000
Revenue	3	291,015	265,244
Cost of sales		(257,096)	(243,932)
Gross profit		**33,919**	**21,312**
Administrative expenses		(17,708)	(16,215)
Operating profit	4	**16,211**	**5,097**
Profit on sale of non-current assets	12	289	7,645
Finance income	7	726	124
Finance costs	8	(2,783)	(2,249)
Profit before tax		**14,443**	**10,617**
Income tax expense	9	(2,523)	(2,436)
Profit after tax		**11,920**	**8,181**
Other comprehensive income:			
Revaluation of non-current assets	12	363	1,510
Deferred tax charge on revaluation of non-current assets	9	(94)	(334)
Actuarial (loss) / gain on Company pension scheme	19	(5,800)	21,620
Deferred tax credit / (charge) on (loss) / gain on Company pension scheme	9	986	(3,468)
Total other comprehensive income		**(4,545)**	**19,328**
Total comprehensive income		**7,375**	**27,509**

The notes on pages 12 to 26 form an integral part of these financial statements.

COLAS RAIL LIMITED **COMPANY NUMBER: 02995525**

Statement of financial position as at 31 December 2019

	Note	2019	As Restated 2018
		£'000	£'000
Non-current assets			
Goodwill	10	1,410	1,410
Intangible asset	11	251	316
Property, plant and equipment	12	31,353	23,975
Right of use assets	13	45,087	46,395
Deferred tax asset	9	9,122	7,854
		87,223	79,950
Current assets			
Inventories	14	1,803	1,580
Trade and other receivables	15	95,103	90,909
Cash and cash equivalents		7,426	27,390
		104,332	119,879
Current liabilities			
Trade and other payables	16	(48,829)	(70,669)
Provisions	17	(125)	(199)
Lease liabilities	18	(8,149)	(7,799)
Deferred tax liability	9	(459)	(672)
		(57,562)	(79,339)
Net current assets		46,770	40,540
Total assets less current liabilities		133,993	120,490
Non-current liabilities			
Lease liabilities	18	(38,098)	(39,170)
Employee benefits	19	(53,400)	(46,200)
		(91,498)	(85,370)
Net assets		**42,495**	**35,120**
Equity			
Called up share capital	20	10	10
Revaluation reserve		5,198	4,977
Retained earnings		27,287	20,133
Other distributable reserves		10,000	10,000
Total equity		**42,495**	**35,120**

Approved by the Board of Directors on 3rd December 2020 and signed on its behalf by:

Jean-Pierre Bertrand
CEO

The notes on pages 12 to 26 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Other distributable reserves £'000	Total equity £'000
At 1 January 2018	10	4,004	(5,912)	10,000	8,102
2018 IFRS16 opening balance adjustment	-	-	(491)	-	(491)
Restated 1 January 2018	**10**	**4,004**	**(6,403)**	**10,000**	**7,611**
Profit for the year	-	-	8,181	-	8,181
Actuarial gain on Company pension scheme	-	-	21,620	-	21,620
Deferred tax charge on Company pension scheme	-	-	(3,468)	-	(3,468)
Deferred tax charge on asset revaluation	-	(334)	-	-	(334)
Revaluation of property	-	1,510	-	-	1,510
Transfer	-	(203)	203	-	-
Balance at 31 December 2018 as restated	**10**	**4,977**	**20,133**	**10,000**	**35,120**
Profit for the year	-	-	11,920	-	11,920
Actuarial loss on Company pension scheme	-	-	(5,800)	-	(5,800)
Deferred tax charge on Company pension scheme	-	-	986	-	986
Deferred tax charge on asset revaluation	-	(94)	-	-	(94)
Revaluation of property	-	363	-	-	363
Transfer	-	(48)	48	-	-
Balance at 31 December 2019	**10**	**5,198**	**27,287**	**10,000**	**42,495**

The revaluation reserve represents the increase and decrease recorded in the fair value of the land and buildings based on assessments of the year end fair value along with the associated deferred tax arising on the revaluations and the transfers to retained earnings for excess depreciation recognised as an expense.

Retained earnings represents cumulative profits and losses of the Company less dividends paid.

Other distributable reserves represents additional amounts contributed by the parent Company.

The notes on pages 12 to 26 form an integral part of these financial statements.

1 ACCOUNTING POLICIES

Basis of preparation
Colas Rail Limited ("the Company") is a Company limited by shares registered in England and Wales and operating in the United Kingdom. The financial statements aggregate those of the Company and its share of interests in joint arrangements.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

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

The financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates. The level of rounding used is to the nearest thousand.

Going concern
The financial statements have been prepared on the going concern basis, and no material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors.

This report was prepared at the time of uncertainty due to the Global Covid19 pandemic. Following the outbreak, despite having experienced some disruption in the normal operations, the Company's financial performance has not been substantially affected. The safety, health and wellbeing of our employees, partners and the general public remains Company's main priority. Business activity has continued in strict adherence of Government and health authorities guidance. While this situation did not affect the financial performance for the year ended 31 December 2019, it is still uncertain what impact on the business and its future financial performance the overall disruption will have.

FRS 101
Consolidated financial statements of Colas SA, the smallest group into which the company consolidates, are prepared according to the full recognition, measurement and disclosure requirements of EU-IFRS. The Company has taken the available exemptions under FRS 101 in respect of the following:

- certain disclosures required by IFRS 7 Financial Instrument Disclosures (paragraph 8(d))
- disclosures required by IFRS 13 Fair Value Measurement (paragraph 8(e))
- the requirement of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments;
- preparation of a cash flow statement and related notes;
- comparative period reconciliations for property, plant and equipment;
- disclosure of related party transactions between wholly-owned members of the same group;
- statement of the Company's objectives, policies and processes for managing capital;
- disclosure of impact on opening balances upon transition to IFRS16 under IAS 1.10(f);
- disclosure and assessment of the impact of new EU-IFRS that are issued but not yet effective; and
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers.

Measurement convention
The financial statements of the Company have been prepared in accordance with the historical cost convention, except for the periodic revaluation of land and buildings.

Revenue
Revenue is measured at the fair value of consideration received or receivable for the supply of goods and services, excluding value added tax. Following IFRS 15, revenue is recognised as soon as the outcome of a long-term contract can be assessed with reasonable certainty. Contract revenue and costs are recognised in the statement of comprehensive income in proportion to the stage of completion of the contract.

The stage of completion of the contract is assessed by reference to surveys of work performed. Where the outcome of a contract cannot be assessed with reasonable certainty, revenue is recognised in proportion to the level of directly attributable contract costs incurred, with any expected loss on a contract being recognised immediately in the statement of comprehensive income.

Revenue and margin from plant and machinery hires is recognised as and when the service is provided.

1 ACCOUNTING POLICIES (continued)

New and amended standards adapted by the Company
The company has implemented the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 leases
- Interpretation 23 Uncertainty over Income Tax Treatments

The impact of this is set out in Note 23.

Property, plant and equipment
Plant and equipment is stated at historical cost with the exception of Freehold and long leasehold properties that are held at fair value with a full external valuation undertaken every five years in accordance with IAS 16 *Property, Plant and Equipment.* Any resultant gains or losses are recognised in other comprehensive income. Revaluation of land and buildings is based on the estimated value in use, which is determined by discounting the estimated rental value of property based on comparable market data. The last external valuation occurred in August 2019 and has been used by the directors as the basis for their assessment at year end.

Property, plant and equipment is depreciated at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its anticipated useful life, as follows:

Freehold buildings:	50 years
Leasehold land and buildings:	50 years or the length of the lease if shorter
Plant and equipment:	3 to 20 years

A transfer is made from the revaluation reserve to retained earnings for any excess depreciation charged to the income statement on revalued property.

Land and assets under construction or development for future operating activities are not depreciated.

Leases
The Company has adopted IFRS 16 Leases in the current year. This has resulted in the company making some modifications to its accounting policies for Leases.

The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is a lessee, except for short term leases (lease term of 12 months or less) and leases of low value assets (value of the asset when new less than £5k) which are classified as operating leases. For these operating leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the relevant lease, except where a different approach can be shown to be more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability, and makes a corresponding adjustment to the relate right-of-use asset, whenever there is any lease modification or extension.

1 ACCOUNTING POLICIES (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the period of the lease term. The depreciation starts at the commencement date of the lease.

Both lease liabilities and right-of-use assets are presented in separate lines in the balance sheet.

The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

Intangible assets
Intangible assets are amortised on a straight-line basis over ten years. Amortisation is included within cost of sales in the statement of comprehensive income.

Goodwill
Goodwill recognised separately as an intangible asset is tested for impairment annually. Whenever there is indication that the goodwill may be impaired an impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

Inventories
Inventories are held at the lower of cost and net realisable value.

Provisions
A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that the Company will be required to settle the obligation for an amount that can be reliably estimated.

Employee benefits
Defined contribution pension plans
Obligations for contributions to defined contribution pension plans are recognised in the statement of comprehensive income as incurred.

Defined benefit pension plans
The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; the benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA rate corporate bonds that have maturity dates approximating to terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised as other comprehensive income in the year in which they arise.

Share based payment
The Company's ultimate parent company operates a share option scheme under which options over shares in the Company's ultimate parent company have been granted to certain Company Directors and employees. The Directors do not consider the associated share based payment charge to be material and, as permitted by FRS 101, the Company has applied the disclosure exemptions available in respect of share based payments.

Taxation
The income tax expense represents the tax due on results for the year and adjustments to previous years and deferred tax.

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

Deferred tax liabilities are generally recognised for all appropriate taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

1 ACCOUNTING POLICIES (continued)

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

Deferred tax is calculated at the rates of tax expected to apply in the period when the liability is settled or the asset realised.

Financial Instruments
Financial instruments are initially recorded at fair value. Subsequent valuation depends on the designation of the instrument.

Cash and cash equivalents comprise cash in hand and deposits with banks. Amounts not accessible within 3 months are held within trade and other receivables.

Trade receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any provision for impairment, to ensure that amounts recognised represent the recoverable amount.

A provision for impairment arises where there is evidence that the Company will not be able to collect amounts due, which is achieved by creating an allowance for doubtful debts recognised in the profit and loss account within administrative expenses. Determining whether a trade receivable is impaired requires judgement to be applied based on the information available at each reporting date. Key indicators of impairment include disputes with customers over commercial positions, or where debtors have significant financial difficulties such as historic default of payments or information that suggests bankruptcy or financial reorganisation are a reasonable possibility.

When a trade receivable is expected to be uncollectible, it is written off against the allowance for doubtful debts. Subsequent recoveries of amounts previously provided for or written off are credited against administrative expenses.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis.
Areas requiring the use of estimates and critical judgment that may impact on the Company's earnings and financial position include:

- Revaluation of freehold buildings and leasehold land and buildings, where the Directors have relied upon external valuations carried out by Matthews & Goodman LLP in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. Management do not believe there was any substantial movement on those valuations between August and year end;

- Calculation of the actuarial position on the Company pension scheme, where the Directors have instructed JLT Benefits Solutions Limited to review the Company's pension valuation in accordance with IAS 19 Employee Benefits. Details on Employee Benefits and assumptions are given in Note 19.

- Terms of leases and discount rates for IFRS 16 leases and recording right of use assets and lease liabilities.

- Useful economic lives of equipment is determined based on type of asset, existing knowledge of usage and applicable regulatory standards and requirements. Economic lives are reviewed annually to ensure any impairment is appropriately recognised.

3 REVENUE

The Directors regard the activities of the Company as a single geographical market with all operations in the UK.

	2019	2018
	£'000	£'000
Turnover by operating segments:		
Freight and maintenance	101,023	95,470
Construction	189,992	169,774
	291,015	265,244

4 OPERATING PROFIT

	2019 £'000	As Restated 2018 £'000
Operating profit is stated after charging:		
Amortisation of intangible assets	65	65
Depreciation of property, plant & equipment	5,067	7,512
Depreciation of right of use assets	8,495	2,820
Operating lease payments	311	3,149
Auditor's remuneration - audit services	198	140

Auditor's remuneration includes £37,800 (2018: £32,000) borne on behalf of other group companies.

5 DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Fees and other emoluments	419	379

The fees and other emoluments of the highest paid Director amounted to £419,000 (2018: £379,000). The Company made pension contributions on this Director's behalf of £37k (2018: £nil). The Company considers that there is no practicable method to accurately allocate a portion of the emoluments the non-UK Directors receive from their respective Group Company employer to the qualifying services they provide to the Company. The Company is also of the opinion any allocation would be immaterial.

6 STAFF COSTS

	2019 £'000	2018 £'000
Wages and salaries	74,641	73,125
Social security costs	8,500	8,309
Other pension costs	4,493	4,187
	87,634	85,621

Defined contribution pension contributions made during the year amounted to £2,897,000 (2018: £2,730,000).

Average number of employees during the year (including Directors):

	2019	2018
Management	214	220
Administration	79	68
Freight and Maintenance	581	589
Construction	387	402
	1,261	1,279

7 FINANCE INCOME

	2019 £'000	2018 £'000
Bank interest receivable	22	-
Interest receivable from other group companies	704	124
	726	124

8 FINANCE COSTS

	2019	As Restated 2018
	£'000	£'000
Interest on right of use assets	1,402	400
Interest on finance lease	-	3
Bank interest payable and similar charges	81	9
Interest payable to other group companies	-	237
Net interest cost on pension scheme	1,300	1,600
	2,783	2,249

9 TAXATION

	2019	2018
	£'000	£'000
Current tax charge	3,105	1,534
Deferred tax (credit) / charge	(371)	473
Deferred tax adjustment in respect of prior year	(218)	(1,761)
Current tax adjustment in respect of prior year	7	2,190
Income tax expense	2,523	2,436

The income tax expense arises as follows:

	2019	As restated 2018
	£'000	£'000
Profit before tax	14,443	10,617
Taxation at the UK corporation tax rate of 19% (2018: 19%)	2,744	2,017
Expenses not deductible for tax purposes	54	38
Differences in tax rates	(64)	(48)
Adjustment to deferred tax credit in respect of previous periods	(218)	(1,761)
Adjustment to tax charge in respect of previous periods	7	2,190
Income tax expense	2,523	2,436

Tax amounts recognised directly in other comprehensive income:

	2019	2018
	£'000	£'000
On actuarial gains and losses	986	(3,468)
On asset revaluation	(94)	(334)
	892	(3,802)

The Company's recognised deferred tax asset is attributable to the following:

	2019	2018
	£'000	£'000
Asset on plant and equipment capital allowances	44	-
Asset on pension liability	9,078	7,854
Deferred tax asset	9,122	7,854
Liability on revalued property	(416)	(346)
Liability on plant and equipment capital allowances	-	(273)
Liability on intangible asset	(43)	(53)
Deferred tax liability	(459)	(672)
	8,663	7,182

9 TAXATION (CONTINUED)

The following are the movements of deferred tax during the year

	2019	2018
	£'000	£'000
At 1 January	7,182	9,695
Charged to profit and Loss account	589	1,289
Charged to other comprehensive Income	892	(3,802)
	8,663	7,182

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). These included reductions to the main rate, to reduce the rate to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the tax in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantially enacted by the balance sheet date, deferred balances as at 31 December 2019 continued to be measured at 17% (2018 17%). The estimated impact of the rate change is a decrease in the carry value of the net deferred tax asset by £913,000.

10 GOODWILL

	2019	2018
Cost	£'000	£'000
As at 1 January and 31 December	1,800	1,800
Accumulated impairment		
As at 1 January and 31 December	(390)	(390)
Net book value		
As at 31 December	**1,410**	**1,410**

The goodwill relates to the acquisition of on track tamping Machine (OTM) business in 2008 and 2013.

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period. There were no indicators of impairment identified in 2019 or 2018 which might trigger a write-down of the value of the goodwill.

11 INTANGIBLE ASSET

	2019	2018
Cost	£'000	£'000
As at 1 January and 31 December	649	649
Accumulated amortisation		
As at 1 January	(333)	(268)
Charge for the year	(65)	(65)
As at 31 December	(398)	(333)
Net book value as at 31 December	**251**	**316**

The intangible asset relates to sales contracts acquired by the Company. This asset is being amortised on a straight-line basis over ten years. Amortisation is included within cost of sales in the statement of comprehensive income.

12 PROPERTY, PLANT AND EQUIPMENT

	Assets under construction £'000	Freehold and Leasehold Land and buildings £'000	Plant £'000	Equipment £'000	Total £'000
Cost / valuation					
As at 1 January 2019	327	11,879	38,566	3,058	53,830
Additions	12,113	-	-	-	12,113
Disposals	-	(966)	(44)	-	(1,010)
Revaluation	-	315	-	-	315
Transfer of assets	(11,968)	188	11,780	-	-
As at 31 December 2019	**472**	**11,416**	**50,302**	**3,058**	**65,248**
Depreciation					
As at 1 January 2019	-	953	26,618	2,284	29,855
Charge for the year	-	222	4,360	485	5,067
Disposals	-	(966)	(13)	-	(979)
Reversal on revaluation	-	(48)	-	-	(48)
As at 31 December 2019	**-**	**161**	**30,965**	**2,769**	**33,895**
Net book value					
As at 31 December 2019	**472**	**11,255**	**19,337**	**289**	**31,353**
As at 1 January 2019	327	10,926	11,948	774	23,975

All significant freehold and long leasehold properties were externally valued in August 2019 by Matthews & Goodman LLP, a professionally qualified valuer, in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The Directors believe that this provides a good indication of the valuation of the assets at 31 December 2019 and have used this in making their assessment of the fair value at 31 December 2018 and 31 December 2019.

The valuation of land and buildings at historical cost is as follows:

	2019 £'000	2018 £'000
Cost	7,190	7,002
Accumulated depreciation	(1,749)	(1,555)
Net book value	5,441	5,447

During the prior year the Company sold assets which realised a profit on disposal of £7,645,000.

At 31 December 2019, the net book value of short leasehold included within Leasehold Land and Buildings was £0.00, (2018: £13,000).

13 RIGHT OF USE ASSETS

	Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost / valuation				
As at 1 January 2019 (restated - see note 23)	5,819	41,779	5,328	52,926
Additions	3,981	-	3,206	7,187
As at 31 December 2019	**9,800**	**41,779**	**8,534**	**60,113**
Depreciation				
As at 1 January 2019 (restated)	2,833	1,213	2,485	6,531
Charge for the year	1,488	5,035	1,972	8,495
As at 31 December 2019	**4,321**	**6,248**	**4,457**	**15,026**
Net book value				
As at 31 December 2019	**5,479**	**35,531**	**4,077**	**45,087**
As at 1 January 2019	2,986	40,566	2,843	46,395

14 INVENTORIES

	2019 £'000	2018 £'000
Raw materials	1,803	1,580

The amount of stock recognised as an expense in the period was £2,079k (2018: £1,674k)

15 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	4,410	3,790
Amounts owed by group undertakings	62,309	54,014
Amounts recoverable on contracts	13,793	20,559
Other receivables and prepayments	14,591	12,546
	95,103	90,909

The Company has an intercompany committed facility agreement with Colas Rail Holdings Limited. As at 31 December 2018 the agreement stipulates a 2.5% annual interest rate on any outstanding amount for the duration of the facility and that any balance due should be repaid in £100k monthly instalments. Subsequently, in 2019 the intercompany facility agreement was amended, changing the interest rate to "the Bank of England base rate plus 0.5%" and repayments terms to "as agreed between the parties from time to time".

16 TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	17,441	20,583
Contract accruals	17,446	26,834
Other accruals and deferred income	6,124	5,727
Taxation and social security	5,341	12,740
Amounts owed to group undertakings	2,477	4,785
	48,829	70,669

Amounts owed to group undertakings are due for payment within 30 days from date of invoice.

17 PROVISIONS

	At 1 January 2019	Amounts utilised	At 31 December 2019
	£'000	£'000	£'000
Reorganisation	74	(74)	-
Industrial disease claim provision	125	-	125
	199	(74)	125

Reorganisation
As part of the end of works in the Wessex Alliance project, the Company had to reorganise its people and resources including the gradual redundancy of 34 staff.

Industrial disease claim provision
Colas Rail Limited is very proud of its safety record, but is aware that its current employees may be exposed to certain substances or conditions that may lead to industrial disease in the future. Therefore a provision is recognised for potential future claims by former workers arising as a result of events or circumstances they encountered while working at Colas Rail Limited or a predecessor company.

18 LEASES

	2019	As Restated 2018
	£'000	£'000
Lease liabilities in respect of right of use assets		
Within one year	8,149	7,799
In the second to fifth years inclusive	25,990	21,637
After five years	12,108	17,533
	46,247	46,969

The total cash outflow for leases in 2019 was £9,326k. (2018: £3,138)

	2019	As restated 2018
	£'000	£'000
Operating lease commitments		
Lease payments recognised in the statement of comprehensive income for the year	311	3,149

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	As restated 2018
	£'000	£'000
Amounts payable under operating leases:		
Within one year	144	311
In the second to fifth years inclusive	-	3
After five years	-	-
Total operating lease commitments	144	314

19 EMPLOYEE BENEFITS

The Company operates both a defined benefit pension scheme and a defined contribution scheme for its employees. The defined benefit scheme is a final salary scheme and was closed to new entrants in 2009.

The defined benefit scheme is part of a sectionalised multi-employer industry-wide arrangement, the Railways Pension Scheme, that is run by a trustee company. Each section of the multi-employer scheme is ring-fenced; the Company has no liability to members other than those in its own section. The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. Contribution levels are set following negotiations between the Company, the trustees and scheme members. Current contributions are made in respect of accrual of benefits and a £1.7m annual deficit reduction contribution agreed as part of the 31 December 2013 valuation.

The defined benefit scheme received its most recent actuarial valuation at 31 December 2016, and previously at 31 December 2013. The next triennial review for 31 December 2019 is anticipated to be completed by the end of 2020.
The net pension liability presented by the Directors at 31 December 2019 is calculated as stated in Note 1 and will next be updated at 31 December 2020.

The key assumptions employed to calculate the defined benefit scheme's liabilities using a projected unit valuation method are as follows:

	2019	2018
Discount rate	2.00% pa	2.80% pa
Inflation	2.16% pa	2.35% pa
Rate of increase in salaries	2.16% pa	2.35% pa
Rate of increase in pension payments	2.16% pa	2.35% pa
Life expectancy at age 65 of a male retiring in 2019 / 2018	21.0 years	21.2 years
Life expectancy at age 65 of a female retiring in 2019 / 2018	22.9 years	23.1 years
Life expectancy at age 65 of a male retiring in 2039 / 2038	22.4 years	22.6 years
Life expectancy at age 65 of a female retiring in 2039 / 2038	24.5 years	24.7 years

The assumptions used by actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Deficit recognition percentage assumption
The defined benefit pension scheme is a shared cost scheme between the Company and relevant members. The scheme is designed to share both future service and any deficit reducing contributions between the Company and the relevant members.

The Directors note that the burden of the deficit could make the members decide that meeting their share of the deficit contribution was unaffordable. In such circumstances that all members chose to leave the defined benefit pension scheme, the burden of the deficit would pass in its entirety to the Company.

In forming their view for the balance sheet date on the most likely outcome and in the light of the latest actuarial valuation, the Directors consider that the members may come to this view and hence the Company recognises the liability of the defined benefit pension scheme in its entirety on its balance sheet.

Discount rate
An annual discount rate of 2.0% has been adopted, which is a cash flow-weighted single equivalent rate based on a yield curve derived from Bank of America Merrill Lynch's AA corporate bond yield curve. The Directors consider the rate to be well within the acceptable market range.

Inflation
An annual inflation assumption of 2.16% has been employed.

19 EMPLOYEE BENEFITS (continued)

Rate of increase in salaries
A rate of 2.16% per annum is assumed based on market information, the Company's experience of the core inflation assumption over the past three years and its projections for the coming years. An agreement was made with members and trustees during the December 2010 actuarial valuation to cap future salary increases at CPI.

Rate of increase of pensions in payment
A rate of increase of pensions in payment of 2.16% is assumed based on inflationary expectations.

Life expectancy
The mortality assumptions adopted at 31 December 2019 are 110% of the standard tables S2PxA and are in line with those used in CMI_2018.

The fair value of the defined benefit pension scheme's assets (which are not intended to be realised in the short-term, and may be subject to significant change before they are realised), the long-term expected rates of return on these assets, and the present value of the scheme's liabilities (which are derived from cash flow projections over long periods and thus inherently uncertain) were as follows:

	Value as at 31 December 2019	Value as at 31 December 2018
	£'000	£'000
Equities	115,200	103,500
Bonds	73,600	72,000
Property	4,500	4,800
Cash	200	100
Total fair value of scheme assets	193,500	180,400
Present value of scheme liabilities	(246,900)	(226,600)
Net pension liability	(53,400)	(46,200)

The scheme assets are diversified into a number of unquoted Railways Pension Trustee Company pool funds which invest in high quality quoted and non-quoted assets spanning growth, infrastructure, private equity and government bond sectors.

None of the fair values of the assets shown above include any direct investments in the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

The movement in the scheme assets during the year is as follows:

	2019	2018
	£'000	£'000
Fair value of scheme assets at start of year	180,400	185,300
Interest income	5,000	4,600
Return on scheme assets (excluding amounts recognised in interest income)	14,100	(4,900)
Contributions by the Company	2,900	3,000
Contributions by plan participants	1,000	1,100
Expenses	(300)	(400)
Benefits paid	(9,600)	(8,300)
Fair value of scheme assets at end of year	193,500	180,400

19 EMPLOYEE BENEFITS (continued)

The movement in the present value of the defined benefit obligation during the year is as follows:

	2019 £'000	2018 £'000
Defined benefit obligation at start of year	226,600	251,300
Current service cost	2,700	2,800
Interest expense	6,300	6,200
Contributions by plan participants	1,000	1,100
Actuarial gains due to scheme experience	-	(11,020)
Actuarial gains due to changes in demographic assumptions	(2,300)	(2,500)
Actuarial losses / (gains) due to changes in financial assumptions	22,200	(13,000)
Benefits paid	(9,600)	(8,300)
Past service cost	-	20
Defined benefit obligation at end of year	246,900	226,600

Defined benefit costs recognised in the Profit and Loss are as follows:

	2019 £'000	2018 £'000
Current service cost	2,700	2,800
Past service cost and loss from settlements	-	20
Expenses	300	400
Net interest cost	1,300	1,600
Defined benefit costs recognised in profit or loss	4,300	4,820

The total gain recognised in other comprehensive income is as follows:

	2019 £'000	2018 £'000
Return on scheme assets (excluding amounts recognised in interest income)	14,100	(4,900)
Actuarial gains due to scheme experience	-	11,020
Actuarial gains due to changes in demographic assumptions	2,300	2,500
Actuarial (losses) / gains due to changes in financial assumptions	(22,200)	13,000
	(5,800)	21,620

The Company has concluded that it is not necessary to make any adjustments to these figures in respect of an asset ceiling or Minimum Funding Requirement as at 31 December 2019.

There have been no scheme amendments, curtailments or settlements in the year.

There are no asset-liability matching strategies currently being used by the scheme.

The best estimate of contributions to be paid by the Company to the scheme for the period ending 31 December 2020 is £2,890,000.

An analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation is as follows:

Assumption	Change in assumption	Change in liability
Discount rate	Increase of 0.20% pa	Decrease by 3.1%
Rate of inflation	Increase of 0.20% pa	Increase by 3.1%
Rate salary growth	Increase of 0.20% pa	Increase by 0.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.3%

The sensitivities above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth.

The average duration of the defined benefit obligation at the end of the year ended 31 December 2019 is 15 years.

20 CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised:		
15,000,000 ordinary shares of £1 each	15,000	15,000
Allotted, called up and fully paid:		
10,000 ordinary shares of £1 each	10	10

Each ordinary share carries a right to one vote per share

21 CAPITAL COMMITMENTS

The Company has a capital expenditure commitment related to the purchase of 2 tampers for €5,179,038 and additional £849,786 related to the purchase of necessary parts to carry maintenance to plant and equipment at 31 December 2019. There were no other capital expenditure commitment related to property, plant and equipment at 31 December 2019 (2018: €18,084,802).

22 IMMEDIATE AND ULTIMATE PARENT COMPANY

At the balance sheet date and on the date of approval of the financial statements, the immediate parent Company was Colas Rail Holdings Limited, a Company which is registered in England and Wales and operates in the United Kingdom. Colas Rail Limited is a wholly owned subsidiary of Colas Rail Holdings Limited.

The ultimate parent Company at the balance sheet date and on the date of approval of the financial statements is Bouygues SA, a Company which is registered and operates in France. Copies of the ultimate parent Company's consolidated financial statements may be obtained from Bouygues SA, 32 Avenue Hoche, 75008 Paris.

The largest group in which the results of the Company are consolidated is that headed by Bouygues SA. The smallest group in which they are consolidated is that headed by Colas Rail SA, a Company which is registered and operates in France.

23 CHANGES IN ACCOUNTING POLICIES

The Company has adopted IFRS 16 Leases with effect from 1 January 2019, with retrospective application and presentation of a comparative year. 2018 figures have been restated accordingly to reflect the adoption. The new full accounting policies are disclosed in notes 1. The restated figures are presented in notes 13 and 18.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the lease payments from the commencement of the lease, discounted using the rate implicit in the lease.

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

23 CHANGES IN ACCOUNTING POLICIES (continued)

Adjustments recognised in the balance sheet on:

1 January 2018

The change in accounting policy affected the following items in the balance sheet on 31 December 2018:
• right-of-use assets – increase by £8,568k
• lease liabilities – increase by £9,058k
The net impact on retained earnings on 31 December 2018 was a decrease of £490k.

31 December 2018

The change in accounting policy affected the following items in the balance sheet on 31 December 2018:
• right-of-use assets – increase by £46,395k
• lease liabilities – increase by £46,969k
The net impact on retained earnings on 31 December 2018 was a decrease of £574k.

24 POST BALANCE SHEET EVENTS

Since 31 December 2019, the spread of Covid-19 has severely impacted many local economies around the world. Measures have been taken to contain the spread of the virus, including travel bans, social distancing, quarantines, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in economic slowdown. Following the outbreak, despite having experienced some disruption in the normal operations, the Company's financial performance has not been substantially affected. Business activity has continued in strict adherence of Government and health authorities guidance. While this situation did not affect the financial performance for the year ended 31 December 2019 of the Company, it is still uncertain what impact on the business and its future financial performance the overall disruption will have.