

REGISTERED NUMBER: 02995531 (England and Wales)

**Annual Report and
Financial Statements for the Year Ended 31 December 2018
for
Amey Rail Limited**



Amey Rail Limited

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for the Year Ended 31 December 2018**

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Amey Rail Limited

**Company Information
for the Year Ended 31 December 2018**

Directors N R Hindle
A L Milner
A L Nelson

Company Secretary Sherard Secretariat Services Limited

Registered Office The Sherard Building
Edmund Halley Road
Oxford
Oxfordshire
OX4 4DQ

Auditor Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

Principal activity

The Company is principally engaged in the activity of providing renewal and modification of track, signalling and electrical infrastructure in the UK for the rail industry. There have been no changes in the Company's activities during the year.

Review of business and future developments

The income statement for the year is set out on page 8 and shows revenue of £474,071,000 (2017 - £239,156,000) and a profit after tax amounting to £6,844,000 (2017 - £3,353,000), all of which arose from continuing activities.

In February 2018, the Company paid £2.1 million to secure certain Carillion rail contracts following the liquidation of that company. As a result, the Company has shown significant growth in revenue of 100% but with gross profit margins at 8.3% (2017 - 8.1%), the Company's operating profit is considerably increased overall.

Administrative expenses include group management charges and divisional overhead allocations, which have increased following the increased levels of activity in the Company. The Directors anticipate a reduction to the level of activity following the completion of certain contracts.

Post balance sheet event

On 30 July 2019, the Company granted loan facilities to fellow group undertakings, Amey LG Limited and Enterprise plc, for £32.8 million and £55.3 million respectively. These are perpetual investment loans with an applicable interest rate of 12-month LIBOR plus 200 basis points.

There have been no other events since the balance sheet date which materially affect the position of the Company.

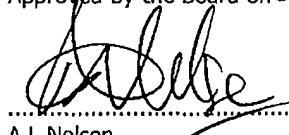
Key performance indicators

The Company's principal key performance indicators are revenue and profit before tax which are shown in the income statement for the year set out on page 8.

Principal risks and uncertainties

The Company's risks and other key performance indicators are only reported and managed on a Divisional basis. To gain a further understanding of this business, details of the principal risks and uncertainties and other key performance indicators are contained in the Annual Report and Financial Statements of the intermediate parent undertaking, Amey UK plc ('the Group'), for the year ended 31 December 2018. The Company is a member of the Consulting and Rail division of the Group.

Approved by the Board on 31 July 2019 and signed on its behalf by:



A L Nelson
Director

Amey Rail Limited

Report of the Directors for the Year Ended 31 December 2018

The Directors present their annual report with the audited financial statements of the Company for the year ended 31 December 2018.

Strategic Report

Details of future developments and financial risk management can be found in the Strategic Report on page 2 and form part of this report by cross reference.

Dividends

No dividends were paid by the Company during the year (2017 - £nil). The Directors do not recommend the payment of a final dividend.

Directors of the Company

The Directors who held office during the year and up to the date of this Report were as follows:

N R Hindle

A L Milner

A L Nelson

Going concern

After making enquiries, and based on the assumptions outlined in note 2 to the financial statements, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Policy on slavery and human trafficking

In accordance with the Modern Slavery Act 2015, the Group is committed to ensuring that there is no modern slavery or human trafficking in our supply chains, or in any part of our business, with a zero tolerance for non-compliance. A full statement reflecting that commitment can be found on the Amey website www.amey.co.uk and an abridged statement is included in the financial statements of the Company's intermediate parent company, Amey UK plc.

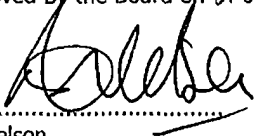
Statement as to disclosure of information to the auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

Deloitte LLP has been appointed as Auditor and has expressed their willingness to continue in office as Auditor. In accordance with s487 of the Companies Act 2006, Deloitte LLP will be re-appointed as Auditor to the Company.

Approved by the Board on 31 JULY 2019 and signed on its behalf by:


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A L Nelson
Director

Amey Rail Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Amey Rail Limited

Independent auditor's report to the members of Amey Rail Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Amey Rail Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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.

Material uncertainty related to going concern - Proposed plans to sell the Amey Group of Companies (the Group)

We draw attention to note 2 of the financial statements concerning the proposed plans to sell the Group and the impact this will have on the Group's ability to continue as a going concern, which is dependent on the loans the Group has from its ultimate parent undertaking, Ferrovial, S.A., together with the provision of external facilities which may be withdrawn on a change of control. Whilst the Directors of the Group consider that the Group is a going concern, the intentions of future management are uncertain, including the amount of support, if any, the Group will receive in the form of guarantees or loans from its new parent. As stated in note 2, these events or conditions, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern as it is not practicable to determine or quantify them. Our opinion is not modified in respect of this matter.

Amey Rail Limited

Independent auditor's report to the members of Amey Rail Limited (continued)

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 respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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.

Amey Rail Limited

Independent auditor's report to the members of Amey Rail Limited (continued)

Report on other legal and regulatory requirements

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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our 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.



Andrew Hornby (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom

31/7/19

Amey Rail Limited

Income Statement for the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	4	474,071	239,156
Cost of sales		<u>(437,760)</u>	<u>(219,872)</u>
Gross profit		36,311	19,284
Administrative expenses		<u>(26,976)</u>	<u>(15,050)</u>
Operating profit		9,335	4,234
Interest receivable and similar income	6	209	108
Income from investment in fixed asset		<u>660</u>	<u>-</u>
		10,204	4,342
Finance expense	7	<u>(1,628)</u>	<u>(8)</u>
Profit before taxation	8	8,576	4,334
Tax on profit	9	<u>(1,732)</u>	<u>(981)</u>
Profit for the year		<u><u>6,844</u></u>	<u><u>3,353</u></u>

The notes on pages 12 to 33 form part of these financial statements.

Amey Rail Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018	2017
	£'000	£'000
Profit for the year	<u>6,844</u>	<u>3,353</u>
Total comprehensive income for the year	<u><u>6,844</u></u>	<u><u>3,353</u></u>

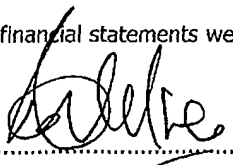
The notes on pages 12 to 33 form part of these financial statements.

Amey Rail Limited (Registered number: 02995531)

Balance Sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	10	1,198	-
Tangible assets	11	567	382
Investments	12	7,240	680
		<u>9,005</u>	<u>1,062</u>
Current assets			
Inventories	13	67	67
Debtors: amounts falling due within one year	14	197,058	118,833
Debtors: amounts falling due after more than one year	14	874	-
Cash at bank and in hand		<u>8,307</u>	<u>26,005</u>
		206,306	144,905
Creditors:			
Amounts falling due within one year	15	<u>(174,023)</u>	<u>(111,782)</u>
Net current assets		<u>32,283</u>	<u>33,123</u>
Net assets		<u>41,288</u>	<u>34,185</u>
Capital and reserves			
Share capital	19	8,544	8,544
Retained earnings		<u>32,744</u>	<u>25,641</u>
Shareholders' funds		<u>41,288</u>	<u>34,185</u>

The financial statements were approved by the Board of Directors on 31 July 2019 and signed on its behalf by:



A L Nelson
Director

The notes on pages 12 to 33 form part of these financial statements.

Amey Rail Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2017	8,544	22,288	30,832
Profit for the year	-	3,353	3,353
Total comprehensive income	-	3,353	3,353
At 31 December 2017	8,544	25,641	34,185

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2018	8,544	25,641	34,185
Impact of transition to IFRS 15 (see note 22)	-	259	259
At 1 January 2018 post transition to IFRS 15	8,544	25,900	34,444
Profit for the year	-	6,844	6,844
Total comprehensive income	-	6,844	6,844
At 31 December 2018	8,544	32,744	41,288

The notes on pages 12 to 33 form part of these financial statements.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The principal activity of Amey Rail Limited (the Company) is providing renewal and modification of track, signalling and electrical infrastructure in the UK for the rail industry and it operates principally within the UK. The Company is a private company limited by share capital, incorporated and domiciled in the UK and registered in England and Wales.

The Company Secretary and address of the registered office is as follows:

Sherard Secretariat Services Limited
The Sherard Building
Edmund Halley Road
Oxford
Oxfordshire
OX4 4DQ

2 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

On 1 January 2018, the following standards which might have an impact on the financial statements came into force in the European Union: IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments, IFRIC Interpretation 22, Amendments to IFRS 2, IFRS 4 and IAS 40, and Annual Improvements to IFRS 2014-2016 cycle. No significant impact on the Company financial statements has been identified because of these amendments, other than those identified below:

IFRS 15, Revenue from Contracts with Customers: IFRS 15 was applied retrospectively, recognising the cumulative effect of initial application as an adjustment to the opening balances for 2018 on the balance sheet, calculated only for those contracts that were not completed contracts at 1 January 2018. Therefore, the comparative information for 2017 was not restated and continues to be presented in accordance with IAS 11 and IAS 18. The main impact of the application of IFRS 15 was to increase the equity attributable to shareholders by £259,000, the main balancing entry being an increase of £259,000 in the balance of trade and other receivables (mainly amounts to be billed for work performed), net of a deferred tax liability of £53,000. See note 22 for further analysis.

New standards or interpretations that are applicable to the Company for accounting periods commencing on or after 1 January 2019 which are expected to have an impact on the Company are as follows:

IFRS 16, Leases: IFRS 16 is mandatorily applicable on 1 January 2019 and the Company does not intend to apply the standard early. Amounts in the balance sheet will be increased due to the recognition of right-of-use assets and financial liabilities for future payment obligations relating to leases classified to date as operating leases. The Company expects to adopt the recognition exemptions permitted for short-term leases (less than twelve months) and leases for which the underlying asset is of low value. Based on the preliminary analysis of the operating leases at the end of the reporting period, an impact of approximately £0.1 million is estimated corresponding to the non-cancellable future minimum lease payments, discounted at the interest rate implicit in each lease considering the type of underlying asset, which could be comparable to the right-of-use asset and the financial liability that would have to be recognised in the balance sheet. This estimate was made by reference to the lease portfolio and market conditions existing at 31 December 2018, although this will change because of variations in underlying assumptions until the standard is effectively applied at 1 January 2019.

There are no other new standards or interpretations that would be expected to have a material impact on the Company.

2 Accounting policies (continued)

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 'Reduced Disclosure Framework':

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group; and
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

2 Accounting policies (continued)

Going concern

The Company is a subsidiary of Amey UK plc (the Group) and its financial resources are managed on a group basis. The ultimate parent of the Group is Ferrovial, S.A. (Ferrovial). The Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, finance leases, non-recourse project-related bank term loans, other bank loans and overdrafts.

The Group's key external banking facilities are through five five-year bilateral facility agreements of £32 million with each of HSBC Bank plc, Lloyds Bank plc, Royal Bank of Canada, The Royal Bank of Scotland plc and Santander (Abbey National Treasury Services plc). These agreements total £160 million with £32 million maturing in July 2021, £96 million maturing in July 2022 and £32 million maturing in November 2022. At 31 December 2018, these facilities were undrawn and the Group also held £118.4 million of unrestricted cash on the Group balance sheet.

Subsequent to the year-end, the following matters that have an impact on the Group's going concern assessment occurred:

- On 29 June 2019, the Group concluded an agreement with Amey Birmingham Highways Limited (ABHL) to exit from the contract to provide highways maintenance services to Birmingham City Council. Under the settlement arrangements, the Group is obliged to pay £215 million in total to ABHL over a six-year period (£100 million on 29 June 2019, two further instalments of £30 million each at the end of September and December 2019, £10 million each year from 2020 to 2024 and £5 million in 2025), for a full release of the Group's liability in respect of the Birmingham project from all key stakeholders.
- On 29 June 2019, the Group received a new intercompany loan of £75.0 million from Ferrofin, SL which was received in cash. This loan bears interest at 1-month LIBOR plus 227 basis points and is due to repaid by 31 July 2020. This loan has been fully subordinated in favour of any amounts due to the Group's banks under the five five-year bilateral facility agreements in place and which have recourse to the Group's balance sheet; and
- On 8 July 2019, the terms and conditions of part of the Group's existing subordinated loans to Landmille Limited, which were held by a fellow subsidiary undertaking, Amey plc, were amended and £200.0 million of these loans replaced with a new Other Equity Instrument with Landmille Limited which will be classed as part of equity on the Group balance sheet. This loan instrument has no specified maturity date but can be redeemed by the Group at any time. The Group also has the power to delay timing of the interest payments at its sole discretion which cannot be claimed by the lender. The proceeds of this loan were used to reduce the existing loans of £369.0 million from Landmille Limited. The remaining loans of £169.0 million with Landmille Limited were consolidated into a new sterling revolver facility which bears interest at 1-month LIBOR plus between 372 and 472 basis points dependent on the drawn amount. This new sterling revolver facility is available until 31 July 2020. These loans have been fully subordinated in favour of any amounts due to the Group's banks under the five five-year bilateral facility agreements in place and which have recourse to the Group's balance sheet.

The impact of these transactions has been a net £85 million cash outflow together with an improved Group net asset position. This together with the impact of the timing of supplier payments, which have in certain cases been brought forward to comply with the requirements outlined in the Procurement Policy Note Issue by Cabinet Office, have reduced the level of cash headroom since the year-end.

2 Accounting policies (continued)

Going concern (continued)

In light of this reduced headroom, the Directors of the Group have reviewed a number of factors including: the future business plans of the Group (comprising the budget for 2019 and the strategic plan for 2019-2023); the availability of core and ancillary financing facilities; the compliance with the related net debt/EBITDA covenant; the projected drawn positions and headroom available on the core committed financing facilities; and the projected future cash flows of the Group comprising a Base Case forecast (which includes the settlement payments agreed as a result from exiting from the Birmingham City Council Highways PFI contract and the funding structure described in the previous paragraphs) and a Reasonable Worse Case ('RWC') forecast (which applies sensitivities against the base case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in UK trading performance and sector dynamics). The RWC forecast looks at the following key sensitivities: compliance with the requirements outlined in the Procurement Policy Note issue by Cabinet Office which aims to take into account a supplier's approach to payment in the procurement of major contracts; short-term timing delays in collections from customers; and longer-term reductions in performance and growth when compared to those set out in the Group's strategic plan. Even after assuming that the sensitivities outlined above will materialise the Group's cash flow forecasts show that there is sufficient liquidity to enable it to continue trading.

As noted in the Group Annual Report and Accounts, in October 2018, Ferrovial, S.A., the ultimate parent company, announced a strategic review of the markets it operates in. This review concluded in February 2019 that Ferrovial would divest their wider Services portfolio, which includes the Group. This decision does not impact day-to-day operations and, in any event, as the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group. The impact on financing on a change of control would be as follows:

- The external facilities may become due for repayment subject to the detailed change of control requirements which are primarily dependent on the credit worthiness of the purchaser. The Directors of the Group believe that the Group would be able to renew or replace these facilities, if necessary;
- Any consideration still outstanding to Amey Birmingham Highways Limited would be immediately payable under the terms of the settlement agreement; and
- The facilities due to the parent totalling £274 million would be due for repayment in the event that this debt was not transferred to a new shareholder.

Whilst the Directors consider that the Group is a going concern, in the circumstances of any sale of the Group by the existing shareholder, the intentions of any future parent as regards shareholder financing is uncertain, including the amount of support, if any, the Group would receive from any new parent. However, as would be usual in the context of a third-party sale arrangement, the Directors would expect the existing shareholder debt to be managed in an appropriate manner as part of the sale process.

These events or conditions indicate, only in the event of a sale, the existence of a material uncertainty which may cast significant doubt about the Group's, and therefore the Company's, ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern as it is not practicable to determine or quantify them. Notwithstanding this, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The Company is exempt from preparing consolidated financial statements under section 400 of the Companies Act 2006 on the grounds that it is itself a wholly owned subsidiary undertaking of a company registered in England and Wales. These financial statements therefore, present information about the individual undertaking and not about its group. These financial statements are separate financial statements.

2 Accounting policies (continued)

Other principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue recognition

All revenue is accounted for under the requirement of IFRS 15 - Revenue from Contracts with Customers. Set out below are specific details of the methods applied as part of this policy:

(i) General revenue recognition criterion

The first step for revenue recognition purposes is to identify the contracts and the performance obligations contained therein. The number of performance obligations that a contract has will depend on the type of contract and the activity. In general, the performance obligations that the Group engages in are satisfied over time and not at a specific point in time, since the customer simultaneously receives and consumes the benefits provided by the entity's performance as the service is performed.

With respect to the method for recognising revenue over time (i.e. the method for measuring progress towards complete satisfaction of a performance obligation), the Group has established certain criteria that are applied consistently for similar performance obligations. In this regard, the method chosen by the Group to measure the value of goods or services for which control is transferred to the customer over time is the output method; this method is applied provided that the progress of the work performed can be measured on the basis of the contract and during its performance.

In contracts to provide different highly interrelated goods or services in order to produce a combined output, which is habitually the case in contracts with a construction activity, the applicable output method is that of surveys of performance completed to date (or measured unit of work), according to which revenue is recognised corresponding to the units of work performed and on the basis of the price allocated thereto. Under this method, on a regular basis, the units of work completed under each contract are measured and the corresponding output is recognised as revenue. Costs of work or services projects performed are recognised on an accrual basis, and the costs actually incurred in completing the units performed are recognised as an expense, together with those which, even though they are expected to be incurred in the future, have to be allocated to the units of work completed to date.

Also, in routine or recurring service contracts (in which the services are substantially the same), such as maintenance and cleaning services, which are transferred with the same pattern of consumption over time and whose remuneration consists of a recurring fixed amount over the term of the contract (e.g. monthly or annual payment), in such a way that the customer receives and consumes the benefits of the services as the entity provides them, the method selected by the Group to recognise revenue is the time elapsed output method. Under this method, revenue is recognised on a straight-line basis over the term of the contract and costs are recognised on an accrual basis.

Lastly, only in those contracts that are not for routine or recurring services and for which the unitary price of the units to be performed cannot be determined, use of the of the stage of completion measured in terms of the costs incurred (input method) is permitted. Under this method, the entity recognises revenue based on the proportion that costs incurred to date bear to the total costs expected to be incurred to complete the work, taking into account the expected margins of the whole project per the latest updated budget. This method involves measuring the proportion of the costs incurred in the work completed to date to the total costs envisaged and recognising revenue in proportion to total expected revenue. Under this method, the proportion that contract costs incurred bear to the estimated total contract costs is used to determine the revenue to be recognised, by reference to the estimated margin for the entire term of the contract. As indicated above, this method is only applied to complex construction or service contracts with a fixed price ("lump sum") in which it is not possible to break down the units produced and measure them.

2 Accounting policies (continued)

Revenue recognition (continued)

(ii) Recognition of revenue from contract modifications, claims and disputes

Contract modifications are defined as changes in the scope of the work, other than changes envisaged in the original contract, that may result in a change in the revenue associated with that contract. Modifications to the initial contract require the customer's technical and financial approval before billings can be issued and the amounts relating to the additional work can be collected. The Group does not recognise the revenue from such additional work until the customer's approval has been obtained. In cases where the additional work has been approved but the corresponding change in price has not been determined, the requirement described below for variable consideration is applied: namely, to recognise revenue for an amount with respect to which it is highly probable that a significant reversal will not occur. The costs associated with these additional units or services performed are recognised when incurred, irrespective of whether or not the modification has been approved.

A claim is a request for payment or compensation from the customer (for example, for compensation, reimbursement of costs, or a legally compulsory inflation review) that is made directly to the customer. The method followed by the Group with respect to claims is to apply the method described above for modifications, when the claims are not covered by the contract, or the method used for variable consideration, when the claims are covered by the contract but need to be quantified.

A dispute is the result of a disconformity or rejection following a claim made to the customer under the contract, the resolution of which is dependent on a procedure conducted directly with the customer or a court or arbitration proceeding. Per the criteria followed by the Group, revenue relating to disputes in which the enforceability of the amount claimed is questioned is not recognised, and previously recognised revenue is derecognised, since the dispute demonstrates the absence of the customer's approval of the work completed. If the customer only questions the price, revenue recognition is based on the criterion applied in cases of variable consideration discussed below.

Only in those cases in which there is a legal report confirming that the rights under dispute are clearly due and enforceable and that, therefore, at least the costs directly associated with the related service will be recovered, may revenue be recognised up to the limit of the amount of the costs incurred.

(iii) Variable consideration

If the consideration promised in a contract includes a variable amount, this amount is recognised only to the extent that it is highly probable that a significant reversal in the amount recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(iv) Balance sheet items relating to revenue recognition: amounts recoverable on contracts/payments received on account

Unlike the method used to recognise contract revenue, the amounts billed to the customer are based on achievement of the various milestones established in the contract and on acknowledgement thereof by the customer, which takes the form of a contractual document called "certificate of completion" or "work order". Thus, the amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed or certified, the difference is recognised (as a contract asset) in an asset account called "Amounts recoverable on contracts" under "Trade and other receivables", whereas in contracts in which the goods or services transferred are lower than the amount billed to or certified by the customer, the difference is recognised (as a contract liability) in a liability account called "Deferred income" under "Trade and other payables".

2 Accounting policies (continued)

Joint Arrangement that is Not an Entity ('JANE')

Where the Company has an interest in a joint venture that amounts to a JANE, the Company directly accounts for its part of the results, assets and liabilities held within the structure.

Foreign currency transactions and balances

The functional currency is the currency of the primary economic environment in which the Company operates (Pound Sterling). Foreign currency denominated transactions and balances are translated using the exchange rate ruling at the date of the transaction or balance. Gains or losses arising are included in the income statement as they arise.

Intangible assets (goodwill and other intangible assets)

Non-financial assets which are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment where indications exist that the amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable value. Prior impairments (other than for goodwill) are reviewed for reversal at subsequent reporting dates.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. Freehold land and buildings are not depreciated. The rates generally applicable are:

Short leasehold land and buildings - term of the lease

Plant and machinery -5% to 33%

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

Investment in joint ventures

Investments by the Company in the shares of, or the loans to, joint venture undertakings are stated at cost less accumulated impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using either the weighted average method or the first-in, first-out method as appropriate.

2 Accounting policies (continued)

Financial instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component, and which are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for applicable transaction costs. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: amortised cost; fair value through profit or loss (FVTPL); or fair value through other comprehensive income (FVOCI). The classification is determined by both the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

(a) Financial assets at amortised cost - financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL): they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest.

(b) Financial assets at FVTPL - financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

(c) Financial assets at FVOCI - the Group accounts for financial assets at FVOCI if the assets meet the following conditions: they are held under a business model whose objective it is 'hold to collect' the associated cash flows and the contractual terms of financial assets give rise to cash flows that are solely payments of principal and interest. Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon de-recognition of the asset.

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between: Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk; Stage 2 - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low; and Stage 3 - financial assets that have objective evidence of impairment at the reporting date. Twelve-month expected credit losses are recognised for the first category while lifetime expected credit losses are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(a) Trade and other receivables - trade receivables are initially recognised and carried at the lower of their original invoiced value and recoverable amount. Balances are written off when the probability of recovery is remote. The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Group uses historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Group assesses impairment of trade receivables on a collective basis. Where they possess shared credit risk characteristics, they have been grouped based on industry sector global default rates.

(b) Intercompany loans receivable - intercompany advances to other Group companies are all held to maturity, neither parties have an option to call or prepay the loan before the contracted maturity date. Such assets are held under a business model to hold and collect contractual cash flows and therefore meet the 'solely payments of principal and interest' test. No embedded derivatives are currently recognised in these advances, and the amortised cost classification is not impacted. All intercompany advances are assessed for impairment under the ECL model.

Classification and measurement of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that provides a residual interest in the assets of a business after deducting all other liabilities.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL. Subsequently, financial liabilities are measured at amortised cost using the effective interest rate (EIR) method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

2 Accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

(a) Borrowings - borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they form part of a fair value hedge relationship. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method. Borrowings being novated or cancelled and re-issued, with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the income statement.

(b) Trade and other payables - trade and other payables are non-interest bearing and are stated at their fair value and subsequently measured at amortised cost using the EIR method.

(c) Derivative financial instruments and hedging activities - derivatives are initially recognised at fair value on the date a derivative contract is entered and are subsequently re-measured at their fair value. Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet the following requirements: there is an economic relationship between the hedged item and the hedging instrument; and the effect of credit risk does not dominate the value changes that result from that economic relationship. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives either as fair value hedges, where they hedge exposure to changes in the fair value of the hedged asset or liability or as cash flow hedges, where they hedge exposure to variability in cash flows that are attributable to a risk associated with any changes in the fair value of the hedged asset, liability or forecasted transaction. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair value of a derivatives is classified as a non-current asset or liability when the remaining maturity is more than 12 months and as a current asset or liability where it is less than 12 months.

(d) Fair value hedge - all hedging relationships that were hedging relationships under IAS 39 at the 31 December 2017 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the EIR method is used is amortised in the income statement over the period to maturity.

(e) Cash flow hedge - the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in OCI and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When or if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2 Accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

(f) Derivatives at fair value through profit and loss - certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement. When derivatives are designated in a hedge relationship, the net interest payable or receivable on those derivatives is recorded net of the interest on the underlying hedged item in the income statement. When derivatives are not in a hedge relationship, the fair value changes on these derivatives are recognised within fair value gains or losses on financial instruments in the income statement. The interest payable and receivable on those derivatives are recorded at their net amount in finance costs in the income statement.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2 Accounting policies (continued)

Pre-contract costs and certain other costs arising on contracts

The Company expenses all pre-contract costs and other costs where recovery is not specifically provided for in accordance with the contract terms. The Company recognises on the balance sheet bid costs where it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows with a present value greater than the amount recognised as an asset and where recovery is specifically provided for in accordance with the contract terms. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

Cash at bank and in hand

Cash at bank and in hand includes cash and deposits with banks. Bank overdrafts are shown within borrowings in current liabilities.

Creditors

Obligations to pay for goods and services are recognised initially at fair value and subsequently measured at amortised cost.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's existing accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

IFRS 15

Estimates taken into consideration for the purpose of recognising revenue from contracts with customers including most notably those associated with: determining whether enforceable rights exist, in order to recognise revenue; determining whether a contract modification has been approved; establishing whether the conditions for recognising revenue for variable consideration are met; recognising revenue in relation to a claim or a dispute; establishing whether the contract includes one or several performance obligations, and determining the price allocable to each of them; defining for each performance obligation the applicable method for recognising revenue over time, taking into account that, based on the accounting policy established by the Company, the preferred method is the "survey of performance completed to date" output method (units of production or based on time elapsed), and the "stage of completion measured in terms of costs incurred" input model is applied in those cases in which the services provided are not routine and recurring services and in which the unit price of the units of work to be performed cannot be determined; in the case of contracts recognised using the survey of performance completed to date method, measuring the units completed and the price that can be allocated thereto; in the case of contracts recognised using the "percentage of completion method" input method, defining the costs incurred relative to total contract costs, and the expected profit margin for the contract; determining whether to capitalise bidding costs and mobilisation costs; and making estimates relating to the calculation of the provision for expected losses and deferred expenses.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

4 Revenue

Revenue is wholly attributable to the principal activity of providing renewal and modification of track, signalling and electrical infrastructure in the UK for the rail industry. All revenue arises solely in the UK.

5 Employees and Directors

The Company had no direct employees in either 2018 or 2017. The costs of employees of Amey Services Limited are recharged to this Company in direct support of its trade.

No Directors were remunerated through the Company in either 2018 or 2017.

Details of the remuneration of the other Directors, whose services are of a non-executive nature and who are also directors of the Company's intermediate undertaking, Amey UK plc, or of its fellow group undertaking, Amey OW Limited, are disclosed in those companies' financial statements. Their remuneration is deemed to be wholly attributable to their services to those companies.

6 Interest receivable and similar income

	2018 £'000	2017 £'000
Foreign exchange gains	2	2
Other interest receivable	50	6
Interest receivable from fellow group undertakings	157	100
	<u>209</u>	<u>108</u>

7 Finance expense

	2018 £'000	2017 £'000
Foreign exchange losses	6	8
Other interest payable	1,622	-
	<u>1,628</u>	<u>8</u>

8 Profit before taxation

The profit before taxation is stated after charging/(crediting):

	2018 £'000	2017 £'000
Hire of plant and machinery	57,407	33,499
Other operating leases	1,263	132
Depreciation - owned assets	510	271
Amortisation - intangible assets	855	-
Dividend income received from joint venture investments	(660)	-

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)****8 Profit before taxation (continued)**

The auditor's remuneration is borne by Amey Group Services Limited, a fellow subsidiary undertaking of the Company, and is not recharged.

Operating lease charges include recharge of costs incurred by fellow group undertakings on behalf of the Company.

9 Taxation**Analysis of tax charge**

	2018 £'000	2017 £'000
Current tax		
Tax - current year	1,730	988
UK corporation tax adjustment to prior periods	-	96
Total current tax	<u>1,730</u>	<u>1,084</u>
Deferred tax - current year charge	(21)	(95)
Deferred tax - adjustment in respect of prior period	<u>23</u>	<u>(8)</u>
Total deferred tax	<u>2</u>	<u>(103)</u>
Total tax expense in income statement	<u><u>1,732</u></u>	<u><u>981</u></u>

Factors affecting the tax expense

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)

The differences are reconciled below:

	2018 £'000	2017 £'000
Profit before income tax	<u>8,576</u>	<u>4,334</u>
Tax on profit calculated at standard rate	1,629	834
Effects of:		
Increase in tax from adjustment for prior periods	23	88
(Decrease)/increase from effect of expenses not deductible in determining taxable (tax loss)/profit	(97)	13
Deferred tax expense from unrecognised temporary difference from a prior period	156	-
Deferred tax expense relating to changes in tax rates or laws	21	11
Fixed asset differences	<u>-</u>	<u>35</u>
Tax charge	<u><u>1,732</u></u>	<u><u>981</u></u>

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

9 Taxation (continued)

The UK Finance Act 2016 included provision for the main rate of corporation tax to reduce from 19% to 17% from 1 April 2020. This will reduce the Company's future tax charge accordingly.

10 Intangible fixed assets

	Secured orderbook £'000	Total £'000
Cost		
Additions	<u>2,053</u>	<u>2,053</u>
At 31 December 2018	<u>2,053</u>	<u>2,053</u>
Amortisation		
Amortisation charge	<u>855</u>	<u>855</u>
At 31 December 2018	<u>855</u>	<u>855</u>
Net book value		
At 31 December 2018	<u>1,198</u>	<u>1,198</u>
At 31 December 2017	<u>-</u>	<u>-</u>

Intangible assets amortisation is recorded as cost of sales in the income statement.

Additions to secured order books relate to the Company taking over certain rail contracts following the liquidation of Carillion plc in January 2018. The order book is being amortised over the remaining term of those contracts.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Tangible fixed assets

	Long leasehold £'000	Short leasehold £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2018	175	680	800	1,655
Additions	-	-	695	695
At 31 December 2018	175	680	1,495	2,350
Depreciation				
At 1 January 2018	126	680	467	1,273
Charge for the year	2	-	508	510
At 31 December 2018	128	680	975	1,783
Net book value				
At 31 December 2018	47	-	520	567
At 31 December 2017	49	-	333	382

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

12 Investments

At 31 December 2018, the Company held 90% (2017 - nil) of the share capital of a subsidiary undertaking, Amey Keolis Infrastructure / Seilwaith Amey Keolis Limited which is not publicly traded. The subsidiary undertaking is incorporated in England and Wales and operates in the UK, and has a total share capital of £100 ordinary shares of £1 each. The registered office of the subsidiary undertaking is The Sherard Building, Edmund Halley Road, Oxford, OX4 4DQ, United Kingdom.

At 31 December 2018, the Company held share capital of the following joint venture undertakings, none of which are publicly traded and all of which are registered in England and Wales and operate in the UK:

Undertaking	Nature of business	Class of share capital held	Share capital held
Keolis Amey Docklands Limited	Railways maintenance	Ordinary	30.00%
Keolis Amey Metrolink Limited	Railways maintenance	Ordinary	40.00%
Keolis Amey Wales Cymru Limited	Railways maintenance	Ordinary	40.00%
Keolis Amey Operations / Gweithrediadau Keolis Amey Limited	Railways maintenance	Ordinary	36.00%

Joint ventures	Investment in joint venture £'000
Cost of shares held in joint ventures	
At 1 January 2018	-
Additions	360
At 31 December 2018	360
Carrying amount	
At 31 December 2018	360
At 31 December 2017	-
Loans advanced to joint ventures	
At 1 January 2018	680
Additions	6,200
At 31 December 2018	6,880
At 31 December 2017	680

The registered office of all joint venture undertakings is Evergreen Building North, 160 Euston Road, London, NW1 2DX, United Kingdom, with the exception of Keolis Amey Wales Cymru Limited which is Amey Rail Maindee Depot, off Caerleon Road, Newport, NP19 9DZ.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)****13 Inventories**

	2018	2017
	£'000	£'000
Raw materials and consumables	<u>67</u>	<u>67</u>

14 Trade and other receivables

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	14,930	15,293
Amounts recoverable on contracts	58,738	20,025
Amounts owed by group undertakings	101,554	70,821
Amounts owed by joint ventures	461	490
Other debtors	15,544	7,079
Deferred tax asset (see note 18)	578	633
Payments and accrued income	<u>5,253</u>	<u>4,492</u>
	197,058	118,833
Amounts falling due after more than one year:		
Amounts recoverable on contracts	<u>874</u>	<u>-</u>
Aggregate amounts	<u>197,932</u>	<u>118,833</u>

Amounts owed by group undertakings are unsecured and are repayable on demand. There is no difference between the book value and the fair value of amounts owed by group undertakings.

15 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans and overdrafts (see note 16)	1,137	-
Trade creditors	37,997	41,917
Social security and other taxes	6,307	7,648
Amounts owed to group undertakings	48,180	26,736
Other creditors	-	2
Accruals and deferred income	<u>80,402</u>	<u>35,479</u>
	<u>174,023</u>	<u>111,782</u>

Amounts due to fellow group undertakings are unsecured and are payable on demand. There is no difference between the book value and the fair value of amounts owed to group undertakings.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)****16 Financial liabilities - borrowings**

	2018	2017
	£'000	£'000
Current:		
Bank overdrafts	<u>1,137</u>	<u>-</u>

The bank overdraft facilities are repayable on demand under the terms of the Group's banking arrangements. Group balances and overdrafts are subject to pooling under this arrangement and no interest has arisen on the net amount.

17 Leasing agreements**Operating leases**

Minimum lease payments under non-cancellable operating leases on land and buildings fall due as follows:

	2018	2017
	£'000	£'000
Within one year	312	294
In two to five years	236	31
In over five years	<u>37</u>	<u>-</u>
	<u>585</u>	<u>325</u>

Operating leases relate to many small agreements none of which are deemed significant enough for separate disclosure.

18 Deferred tax asset

	£'000
Balance at 1 January 2018	633
Impact of transition of IFRS 15	<u>(53)</u>
At 1 January 2018 post transition to IFRS 15	580
Charged to Income Statement during year	<u>(2)</u>
At 31 December 2018	<u>578</u>

	2018	2017
	£'000	£'000
Deferred tax asset comprises:		
Other timing differences	17	225
Deferred capital allowances	<u>561</u>	<u>408</u>
	<u>578</u>	<u>633</u>

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

18 Deferred tax asset (continued)

The Company has recognised a deferred tax assets in respect of deferred capital allowances and other timing differences as the reversal of those items is foreseeable in future periods. All deferred tax assets have been recognised in full.

All deferred tax assets have been measured at a rate of 17% (2017 - 17%).

19 Share capital

Ordinary shares of £1 each

Authorised and issued at 1 January 2017, 31 December 2017 and 31 December 2018

Number	£'000
8,544,000	8,544

20 Contingent liabilities

As a member of the Amey UK plc Group of Companies, the Company is a participating guarantor in respect of certain Group borrowings, bank account pooling arrangements, Group VAT registrations and HMRC UK Corporation Tax Group Payment arrangement and is jointly and severally liable with other group companies for the total Group balances outstanding. At 31 December 2018, the only net liability arising across the Amey Group was £27,937,000 (2017 - £43,311,000) in respect of VAT.

Under the terms of the Group's settlement arrangements on the Birmingham City Council Highways PFI contract, the Company is party to Group guarantees in respect of the payment of the settlement accounts. The full amount of deferred consideration can be accelerated upon the occurrence of either a change of control or flotation of the Group; the sale of all or substantially all of the assets of the Group; abandonment by the Group of the original services agreement; material breach of certain business continuity covenants where such breach has a material adverse effect on the services provided by the Group; non-payment of amounts due under the settlement agreement; breach of payment security provisions in the settlement agreement; commencement of an insolvency process in relation to Amey companies party to the agreement; or acceleration of repayment of the Group's corporate banking facilities. Until the full amount of the deferred consideration is paid, subject to certain exceptions, there are restrictions on the disposal of assets which Amey UK plc and the Amey Group can make. Upon certain material disposals, Amey LG Limited is required to pay a proportion towards any payment of any deferred consideration. Until the first £160 million has been paid (due by 31 December 2019), the Group is prohibited from paying dividends or payment on intra-company debt to affiliates, save that the Group can pay Ferrovial group recharges of up to £8.0 million during that period.

Losses, for which no provision has been made in these financial statements, which might arise from litigation in the normal course of business are not expected to be material in the context of these financial statements.

There were no other contingent liabilities at 31 December 2018 or at 31 December 2017.

21 Capital commitments

The Company has commitments to provide loan finance to its subsidiary undertaking of £2,700,000 at 31 December 2018 (2017 - £nil). This finance can be drawn down at any time.

The Company had no other capital commitments at 31 December 2018 or at 31 December 2017.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

22 Change in accounting policies - transition to IFRS 15

The impact of the transition to IFRS 15 on the balance sheet as at 1 January 2018 was as follows:

	Balance at 1 January 2018 £'000	Transition to IFRS 15 £'000	Balance at 1 January 2018 Post IFRS 15 £'000
Fixed assets			
Tangible assets	382	-	382
Investments	680	-	680
	<u>1,062</u>	<u>-</u>	<u>1,062</u>
Current assets			
Inventories	67	-	67
Debtors: amounts falling due within one year	118,833	259	119,092
Cash at bank and in hand	26,005	-	26,005
	<u>144,905</u>	<u>259</u>	<u>145,164</u>
Creditors:			
Amounts falling due within one year	<u>(111,782)</u>	<u>-</u>	<u>(111,782)</u>
Net current assets	<u>33,123</u>	<u>259</u>	<u>33,382</u>
Net assets	<u>34,185</u>	<u>259</u>	<u>34,444</u>
Capital and reserves			
Share capital	8,544	-	8,544
Retained earnings	25,641	259	25,900
Shareholders' funds	<u>34,185</u>	<u>259</u>	<u>34,444</u>

The impact of the application of IFRS 15 is to increase the amounts recoverable on contracts by £312,000 with a corresponding reduction to the deferred tax asset of £53,000 resulting from the reduced tax losses generated.

23 Post balance sheet event

On 30 July 2019, the Company granted loan facilities to fellow group undertakings, Amey LG Limited and Enterprise plc, for £32.8 million and £55.3 million respectively. These are perpetual investment loans with an applicable interest rate of 12-month LIBOR plus 200 basis points.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

24 Controlling parties

The immediate parent undertaking is Amey plc.

The ultimate parent undertaking and the largest group to consolidate these financial statements is Ferrovial, S.A., a company incorporated in Spain.

Copies of the Ferrovial, S.A. consolidated financial statements can be obtained from:

Ferrovial, S.A.
Principe de Vergara, 135
28002 Madrid
Spain

or from the Ferrovial, S.A. website: www.ferrovial.com

The parent of the smallest group in which these financial statements are consolidated is Amey UK plc, incorporated in England and Wales.

Copies of those consolidated financial statements can be obtained from the registered office of Amey UK plc:

The Company Secretary
Amey UK plc
The Sherard Building
Edmund Halley Road
Oxford, OX4 4DQ
United Kingdom