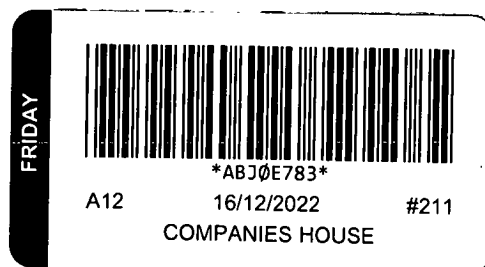


REGISTERED NUMBER: 02995531 (England and Wales)

**Annual Report and
Financial Statements for the Year Ended 31 December 2021
for
Amey Rail Limited**



Amey Rail Limited

**Contents of the Financial Statements
for the Year Ended 31 December 2021**

Company Information	1
Strategic Report	2 to 4
Report of the Directors	5 to 6
Statement of Director's Responsibilities	7
Independent auditor's report	8 to 11
Income Statement	12
Statement of Comprehensive Income	13
Balance Sheet	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16 to 39

Amey Rail Limited

**Company Information
for the Year Ended 31 December 2021**

Directors

P S Anderson
K Bennett
A L Nelson

Company Secretary

Sherard Secretariat Services Limited

Registered Office

Chancery Exchange
10 Fumival Street
London
EC4A 1AB
United Kingdom

Auditor

Deloitte LLP
4 Brindleyplace
Birmingham
B1 2HZ
United Kingdom

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2021

The Directors presents their strategic report for the year ended 31 December 2021.

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 12 and shows revenue of £183,505,000 (2020 - £120,939,000) and a loss after tax amounting to £2,133,000 (2020 – profit of £16,808,000), all of which arose from continuing activities.

Revenue was significantly higher by 53% year on year which reflected new revenues on the Civil Examinations Framework Agreement with Network Rail, and significantly higher volumes associated with the TransPennine and Wales and Borders contracts. These increases were offset by lower volumes on the London to Corby contract and the now completed Crossrail contract.

The higher volumes helped the Company return to a gross profit in 2021 following the losses noted for 2020, which primarily arose on certain loss-making operations which have now ended. Administration expenses were broadly the same year on year and as a result the overall operating loss incurred in 2021 has been significantly reduced this year from £29,178,000 in 2020 to £3,254,000 in 2021.

In 2021, the Company incurred exceptional costs of £3,500,000 due to a legal provision.

In 2020, the Company also incurred an exceptional loss of £18.1 million (2021 - £nil) in respect of its investment in the joint venture undertakings forming part of the Wales and Borders rail operations contract which has been severely impacted by the COVID-19 pandemic.

A credit arose in 2021 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £7,480,000 (2020 - £55,251,000). These provisions reflect the difficult trading conditions experienced by some of the Group's principal operating subsidiaries, though the outlook has considerably improved following the exit from loss-making contracts by the Amey Group and as a result of additional capital contributions made to those group companies in need of support. During the year, management has reassessed the carrying value of investments in group undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment may also consider whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related investment.

The Directors anticipate that the Company will experience similar levels of activity in 2022 and that improvements to operating profitability will be maintained.

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Post balance sheet events

Change in ultimate parent undertaking

The Company is a subsidiary of Amey UK Limited (the Group, formerly Amey UK plc). On 11 October 2022, the Group's ultimate parent undertaking, Ferrovial, S.A., announced that it had reached agreement to sell the whole of the share capital of Amey UK Limited and the other equity instruments held by Ferrovial as issued by Amey UK Limited and its subsidiary undertaking, Amey Limited (formerly Amey plc) to a company controlled by One Equity Partners and Buckthorn Partners. The sale of the Group is conditional on the completion of the transfer of the Waste Treatment CGU to Ferrovial, as this CGU does not form part of the Group's ongoing business that One Equity Partners and Buckthorn Partners have agreed to purchase and the approval by the Secretary of State for BEIS, as the transaction is subject to the National Security and Investment Act 2021. It is expected that the sale will be completed prior to 31 December 2022. Any change of ownership has no impact on the financial statements of the Group for the year ended 31 December 2021 and is also not expected to have any impact on the Group's operations and activities following completion of the sale.

The transaction represents an enterprise value of £400 million and an estimated equity value of approximately £245 million. The final consideration to be paid upon completion of the transaction will be adjusted by reference to the net debt and working capital figures resulting from a balance sheet prepared as of that date. The net consideration will be in the form of cash of £109 million and a vendor loan note of £136 million repayable over the next 5 years with an interest of 6% per annum, increasing to 8% after the third year. As part of the transaction, the Group consulted with the pension scheme trustees concerning the sale, who, upon advice, were content to execute a letter of agreement recording that the trustees do not consider the transaction (including the terms of the vendor loan note subordinated in favour of the pension schemes) will be materially detrimental to the ongoing employer covenant or the likelihood of accrued scheme benefits being received by members.

Repayment of other equity investment

On 13 December 2022, Enterprise Limited (previously Enterprise plc) repaid the other equity investment of £55,251,000. The proceeds from this repayment were lent back to Amey Group companies as an intercompany receivable.

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 after tax which are shown in the income statement for the year set out on page 12.

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 Limited ('the Group'), for the year ended 31 December 2021. The Company is a member of the Transport Infrastructure division of the Group.

Financial risk management

A discussion of the objectives and policies employed in managing risk and the Company's use of financial instruments can be found in the Amey UK Limited Annual Report and Accounts for the Year Ended 31 December 2021 as the Company is subject to the application of Group-wide policies and practices when assessing financial risk.

The Company does not hold any derivative financial instruments. There is no material financial risk arising on the assets and liabilities held by the Company.

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

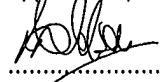
The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021 (see also the Corporate Governance statement and a detailed s172(1) statement on the Amey Group's website: www.amey.co.uk and the Amey UK Limited 2021 group accounts for more information).

In discharging their duties in relation to s172(1) of the Companies Act 2006, the Directors have paid regard to the following matters:

- (a) the likely consequences of any decision in the long-term, such as strategic planning, Brexit impact and business development opportunities;
- (b) interests of the Group's employees including health and safety, employee involvement and initiatives, diversity, inclusion and gender pay gap issues;
- (c) the need to foster relationships with suppliers, customers and others including supplier evaluation, social values and payment practices;
- (d) to act fairly between members of the Company;
- (e) impact of operations on community and the environment, including carbon management, climate crisis initiatives; and
- (f) reputation for high standards of business conduct including adoption of corporate governance standards, training of Directors and whistleblowing reporting.

As the Company is a wholly owned subsidiary of the Amey group of companies, and ultimately the Ferrovial group of companies, the Company's Directors discharge their duties within policies, procedures and authorisation limits set out on a group-wide basis. Further information on how officers within the Amey Group of companies discharge their duties is included in the Amey UK Limited 2021 group accounts. The Directors of this Company also achieve this through attendance at relevant executive meetings, involvement in executive briefings and training, and through having responsibility for implementation of group-wide initiatives to promote best practice.

Approved by the Board on 13 December 2022 and signed on its behalf by:



.....

A L Nelson
Director
13 December 2022

Amey Rail Limited

Report of the Directors for the Year Ended 31 December 2021

The Directors presents their annual report with the audited financial statements of the Company for the year ended 31 December 2021.

Strategic Report

Details of future developments, post balance sheet events (if any) and financial risk management can be found in the Strategic Report on pages 2 to 4 and form part of this report by cross reference.

Energy and Carbon Performance

The Company has taken exemption from reporting on Energy and Carbon Performance as this information is included in the consolidated group accounts of Amey UK Limited, of which this Company is a member. Full disclosure can be found in the Amey UK Limited Annual Report and Accounts for 2021.

Business Relationships

The Directors have had regard to the need to foster the company's business relationships with stakeholders. This is explained further within the S172 statement part c) in the strategic report on page 4.

Dividends

No dividends were paid by the Company during the year (2020 - £nil). In view that the Company has a retained deficit, the Directors are unable to recommend the payment of any dividend.

Director of the Company

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

P S Anderson

K Bennett (appointed 28 October 2021)

A L Nelson

A R Joy (resigned 22 October 2021)

Directors' indemnity

Directors and Officers of the Company benefit from directors' and officers' liability insurance cover provided by the Amey Group in respect of legal actions brought against them for any of the directorships held within the Amey Group. In addition, Directors are indemnified under the Company's articles of association to the extent permitted by law, such indemnities being qualified third party indemnities.

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.

The Directors have considered the implications behind the Ferrovial, S.A. Group's strategic decision to divest the Amey UK Limited Group. This decision does not impact the Company's day to day operations.

Policy on slavery and human trafficking

In accordance with the Modern Slavery Act 2015, the Amey Group of which this Company is a member, 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 Limited.

Amey Rail Limited

Report of the Directors for the Year Ended 31 December 2021 (continued)

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.

Auditors

Deloitte LLP have indicated to the Directors their intention to resign as auditor to the Company following completion of the 2021 financial statements. The Directors have appointed Mazars LLP as auditor of the Company for 2022.

Approved by the Board on 13 December 2022 and signed on its behalf by:



.....
A L Nelson
Director

13 December 2022

Amey Rail Limited

Statement of Director's 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 Generally Accepted 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 then 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 2021 and of its loss 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 26.

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Amey Rail Limited

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of the Directors

As explained more fully in the Statement of Director's Responsibilities, 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 FRC'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)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation and COVID-19 UK Government relief; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Bribery Act, General Data Protection Regulation and health and safety laws and regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Risk of fraud in revenue recognition in construction and other long term contracts including the risk in the valuation of accrued income and also that of the completeness of onerous contract provisions - We have isolated the significant risk within revenue recognition to be in respect of those output specification contracts where the revenue calculation is driven by a full cost to complete model and revenue is not simply recognised over time. Embedded within these contracts are a number of assumptions that drive the cost to complete which was a focus of our audit work and challenge. In addressing this significant risk, we have:
 - obtained an understanding of management's process for monitoring revenue recognition in construction contracts and performed a walkthrough of the process;
 - used qualitative and quantitative criteria to identify contracts for testing across all of the Company;
 - performed focused substantive testing on the sampled contracts and challenged and evaluated assumptions in the cost to complete models;
 - analysed and evaluated recognition of revenue based on the percentage of completion of the projects;
 - corroborated the appropriate timing of revenue recognition (based on the percentage completion model and therefore testing the transactional cost listing) and subsequent credit notes; and
 - analysed, challenged and tested budgeted losses on construction projects to test the reasonableness of the future loss provision position or the absence thereof.

Amey Rail Limited

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house/external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 or the Report of the Directors.

Matters on which we are required to report by exception

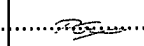
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 Director's 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.

DocuSigned by:

Peter Gallimore FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham,
United Kingdom
15 December 2022

Amey Rail Limited**Income Statement for the Year Ended 31 December 2021**

	Note	2021 £'000	2020 £'000
Revenue	4	187,040	120,939
Cost of sales (2021 includes exceptional costs of £3,500,000)	6	(178,894)	(138,624)
Gross profit/(loss)		8,146	(17,685)
Administrative expenses		(11,400)	(11,493)
Operating loss		(3,254)	(29,178)
Provision against investment in joint venture	10	-	(18,148)
Release of provision against investments in subsidiary undertakings	7	7,480	55,251
Profit before interest and taxation		4,226	7,925
Interest receivable and similar income	8	146	934
		4,372	8,859
Finance expense	9	(1,536)	(2,493)
Profit before taxation	10	2,836	6,366
Tax on profit	11	(703)	10,442
Profit after tax for the year		2,133	16,808

The notes on pages 16 to 39 form part of these financial statements.

Amey Rail Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

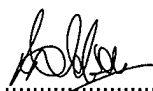
	2021 £'000	2020 £'000
(Loss)/profit for the year	2,133	16,808
Total comprehensive (expense)/income for the year	2,133	16,808

The notes on pages 16 to 39 form part of these financial statements.

Amey Rail Limited (Registered number: 02995531)**Balance Sheet as at 31 December 2021**

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	7,415	221
Investments	14	63,266	55,251
		<u>70,681</u>	<u>55,472</u>
Current assets			
Inventories	15	-	67
Debtors: amounts falling due within one year	16	32,181	19,010
Debtors: amounts falling due after more than one year	16	1,163	830
Cash at bank and in hand		1,893	7,519
		<u>35,237</u>	<u>27,426</u>
Creditors:			
Amounts falling due within one year	17	(52,470)	(41,190)
Net current liabilities		<u>(17,233)</u>	<u>(13,764)</u>
Total assets less current liabilities		53,448	41,708
Creditors: amounts falling due after one year	18	(6,107)	-
Provisions for liabilities and charges	19	(3,500)	-
Net assets		<u>43,841</u>	<u>41,708</u>
Capital and reserves			
Share capital	21	26,544	26,544
Other equity instrument	22	70,390	70,191
Retained deficit		<u>(53,093)</u>	<u>(55,027)</u>
Shareholders' funds		<u>43,841</u>	<u>41,708</u>

The financial statements were approved by the Board of Directors on 13 December 2022 and signed on its behalf by:



.....
A L Nelson

Director

13 December 2022

The notes on pages 16 to 39 form part of these financial statements.

Amey Rail Limited**Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital £'000	Other equity instrument £'000	Retained deficit £'000	Total £'000
At 1 January 2020	8,544	-	(71,644)	(63,100)
Profit for the year	-	-	16,808	16,808
Total comprehensive income	-	-	16,808	16,808
Share capital issued	18,000	-	-	18,000
Other equity instrument issued	-	70,000	-	70,000
Other equity instrument interest	-	191	(191)	-
At 31 December 2020	26,544	70,191	(55,027)	41,708

	Share capital £'000	Other equity instrument £'000	Retained deficit £'000	Total £'000
At 1 January 2021	26,544	70,191	(55,027)	41,708
Loss for the year	-	-	2,133	2,133
Total comprehensive expense	-	-	2,133	2,133
Other equity instrument interest	-	199	(199)	-
At 31 December 2021	26,544	70,390	(53,093)	43,841

The notes on pages 16 to 39 form part of these financial statements.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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
Chancery Exchange
10 Furnival Street
London
EC4A 1AB
United Kingdom

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.

During the year ended 31 December 2021, the following additional standards which might have had an impact on the financial statements came into force in the United Kingdom:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform
Amendment to IFRS 16	Covid related rent concessions
Amendments to IFRS 4	Applying IFRS 9 with IFRS 4

No significant impact on the Company's financial statements has been identified because of these additional standards and amendments.

New standards or interpretations applicable to the Company for accounting periods commencing on or after 1 January 2022 are not expected to have a material impact on the Company.

Amey Rail Limited

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

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;
- IFRS 2, 'Share based payments';
- IAS 36, 'Impairment of assets' paragraphs 134 and 135;
- IFRS 15, 'Revenue from contracts with customers': second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129; and
- IFRS 16, 'Leases': paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93. Paragraph 58, provided that the disclosure of details of indebtedness required by paragraph 61(c) of Schedule 1 of the Regulations is presented separately for lease liabilities and other liabilities in total.

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.

Amey Rail Limited

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

2 Accounting policies (continued)

Going concern

The Company is a subsidiary of Amey UK Limited (the Group) and its financial resources are managed on a group basis. The Company is accordingly a cross-guarantor to certain liabilities of the Group as described in note 23. The Company has also received written confirmation from the intermediate parent undertaking, Amey UK Limited, that it will continue to provide financial support to the Company for the period of at least twelve months from the date of signing these financial statements in order to fund day-to-day operations and to meet liabilities to the extent that the Company is unable to do so. The ultimate parent of the Group is Ferrovial, S.A.

The Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, leases, non-recourse project-related bank term loans, other bank loans and overdrafts. Details of all bank loans and their maturity are set out in the Amey UK Limited financial statements as are details of finance risks.

The Directors have also considered the implications of the recently announced sale of the Group to One Equity Partners and Buckthorn Partners. This decision does not impact the Group's day-to-day operations and given that the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group after completion of any sale. The impact on our financing arising from a change of control is considered below.

The Group's key external banking facilities are bilateral facility agreements of £38 million with each of HSBC and Santander and £44 million with Royal Bank of Canada. These agreements total £120 million and mature on the earlier of July 2023 or on the date of completion of the proposed sale of the Group. At 31 December 2021, all of the facilities in place at that time were undrawn and the Group also held £46.9 million of unrestricted cash on the Group balance sheet.

In October 2022, the Group received commitments from three lenders, HSBC, Natwest Group and ABN Amro, to enter into a four-year syndicated revolving credit facility. The facility is sized at £125 million and will be used to support the Group's future bonding and working capital requirements once the sale of the Group has been completed.

Notwithstanding this continuity of financing, the Directors of the Group have reviewed several factors including:

- the future business plans of the Group (including the current year results up to the date of these accounts, the current forecast for 2022 and the strategic plan for 2023 to 2026);
- the obligation, on completion of the sale of the Group, to pay in full to Birmingham Highways Limited the outstanding £35 million liability;
- servicing additional debt post-completion of the sale of the Group;
- the availability of core and ancillary financing facilities;
- the compliance with the post completion related net debt/EBITDA banking covenant which must remain under 1.5x;
- 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 built up from the budget for 2022; and
 - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case

The RWC forecast looks at the following key sensitivities:

- £14 million net cash outflows due to unwind of working capital on contracts ending and other agreements in 2022 and 2023;
- the liquidity impact of lower-than-expected future revenue growth in each business stream through a lower bid win ratio; and
- consideration of a slowing down of working capital flows, in particular a market-wide increase in days sales outstanding.

Amey Rail Limited

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

2 Accounting policies (continued)

Going concern (continued)

The Group's cash flow forecasts show that there is sufficient liquidity to enable it to continue trading should all the above sensitivities materialise. In addition to the above sensitivities, management has also considered actions that can be taken to mitigate any significant additional reductions in headroom due to unforeseen events which would include actions such as delaying management fees and payments to suppliers. The increased liquidity of these actions give comfort to the Directors that it would have enough headroom to manage such unforeseen impacts.

The Directors have considered the pension risks and sensitivities in the Amey UK Limited financial statements and reviewed Value-at-Risk analysis. The Directors consider the exposure to be adequately mitigated by strong governance, de-risked scheme assets, various contingent assets and committed payments for the benefit of the schemes.

The Directors have also considered the impact on the Group's ability to continue as a going concern in the event of delayed completion of the sale to One Equity Partners and Buckthorn Partners. The Directors are comfortable that although commencement of the new syndicated revolving credit facility would be delayed, the existing facilities would remain in place until July 2023. The Group would seek to extend those facilities for a further period, but the Directors consider that even if an extension of those facilities were not granted, the Group has sufficient cash resources to enable it to continue operating in a normal manner.

In summary, since the Group's last set of financial statements for the year ended 2020 signed in May 2021, the Group's liquidity has strengthened and its external financing requirement reduced substantially. Accordingly, the Directors have adopted the going concern principle in preparing these financial statements.

Amey Rail Limited

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

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.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****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".

Amey Rail Limited

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

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 and impairment. 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%

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than €5,000, equivalent to £4,207). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the net present value of the future lease payments at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company has taken advantage of the practical expedients available in IFRS 16 to apply a single discount rate to a portfolio of leases.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****2 Accounting policies (continued)****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.

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 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.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****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.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****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 2020 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.

Amey Rail Limited

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

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.

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.

Investment in subsidiary undertakings

Investments by the Company in the shares of subsidiary undertakings are stated at cost less accumulated impairment losses.

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.

Amey Rail Limited

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

2 Accounting policies (continued)

Creditors

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

Exceptional items

Material items of income and expense are disclosed separately in the financial statements where it is necessary to do so in order to provide further understanding of the financial performance of the Company due to their nature or amount.

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.

Impairments of investment in subsidiary undertakings and amounts due from fellow group undertakings:

Management have assessed the carrying value of investments in subsidiary undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment considers whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related subsidiary undertaking.

Other Equity Instrument

Significant judgement has been applied in respect of the recognition of the subordinated loan facility as an Other Equity Instrument (see note 22).

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (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.

The value of revenue recognised in the current year in respect of performance obligations satisfied in prior years was £1,191,000 (2020 - £1,695,000).

5 Employees and Directors

The Company had no direct employees in either 2021 or 2020. 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 2021 or 2020.

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 Limited, or of its fellow group undertakings, Amey OWR Limited or Amey LG Limited, are disclosed in those companies' financial statements. Their remuneration is deemed to be wholly attributable to their services to those companies. The emoluments of another Director are paid by the parent group. Their remuneration is deemed to be wholly attributable to their services to the parent group.

6 Exceptional items

	2021	2020
	£'000	£'000
Provisions recognised	3,500	-
Total exceptional items	<u>3,500</u>	<u>-</u>

In 2021, the Company incurred exceptional costs of £3,500,000 due to a legal provision.

7 Provision for investments in fellow group companies

	2021	2020
	£'000	£'000
Release for the year	<u>(7,480)</u>	<u>(55,251)</u>

Further detail on the change in investment provision recorded in the year is included in note 14.

8 Interest receivable and similar income

	2021	2020
	£'000	£'000
Other interest receivable	<u>146</u>	<u>934</u>

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****9 Finance expense**

	2021	2020
	£'000	£'000
Other interest payable	1,195	130
Lease interest	331	67
Foreign exchange loss	10	-
Payable to fellow subsidiary undertakings	-	2,296
	<u>1,536</u>	<u>2,493</u>

10 Loss before taxation

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

	2021	2020
	£'000	£'000
Deferred income deferred/(recognised) in the year	1,124	(1,575)
Amortisation - other intangible assets	-	171
Depreciation - owned assets	114	246
- leased assets	1,500	127
Short term and low value lease rentals - land and buildings	-	31
- hire of plant and machinery	17,273	13,058
- IT licences and rentals	1,159	2,012
Cost of inventory recognised as an expense	14,832	6,813
Release of provision for investments in group companies (see note 7)	(7,480)	(55,251)
Impairment of investments in joint venture	-	18,148
Exceptional items (see note 6)	<u>7,035</u>	<u>-</u>

The auditor's remuneration is borne by Amey Group Services Limited, a fellow subsidiary undertaking of the Company, and is not recharged. The allocation to the Company of the auditor's fees, which are attributable solely to the audit of these financial statements, is £113,000 (2020: £72,000).

Short term and low value lease rental charges include recharge of costs incurred by fellow group undertakings on behalf of the Company.

In 2020, the Company also incurred an exceptional loss of £18.1 million in respect of its investment in the joint venture undertakings forming part of the Wales and Borders rail operations contract which has been severely impacted by the COVID-19 pandemic.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****11 Taxation**

Analysis of tax expense/(income)

	2021 £'000	2020 £'000
Current tax		
Tax - current year	(816)	(8,459)
Tax - adjustment in respect of prior periods	1,852	(1,902)
Total current tax charge/(credit)	1,036	(10,361)
Deferred tax - current year credit	(52)	(74)
Deferred tax - credit relating to changes in tax laws	(196)	(88)
Deferred tax - adjustment in respect of prior periods	(85)	81
Total deferred tax credit	(333)	(81)
Total tax expense/(income) in income statement	703	(10,442)

Factors affecting the tax expense/(income)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%).

The differences are reconciled below:

	2021 £'000	2020 £'000
Profit before income tax	2,836	6,366
Tax on (loss)/profit calculated at standard rate	539	1,210
Effects of:		
Increase/(decrease) in tax from adjustment for prior periods	1,767	(1,821)
Rate differential between current and deferred tax	(164)	-
(Increase)/decrease from effect of expenses not deductible in determining taxable tax loss	177	(101)
Tax effect of asset impairments not deductible in determining taxable profit	(1,420)	(10,498)
Deferred tax expense from unrecognised temporary difference from a prior period	-	846
Deferred tax income relating to changes in tax rates or laws	(196)	(78)
Tax expense/(income)	703	(10,442)

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****12 Intangible fixed assets**

	Secured orderbook £'000	Total £'000
Cost		
At 1 January 2021 and at 31 December 2021	<u>2,053</u>	<u>2,053</u>
Amortisation		
At 1 January 2021 and at 31 December 2021	<u>2,053</u>	<u>2,053</u>
Net book value		
At 31 December 2020 and at 31 December 2021	<u>-</u>	<u>-</u>

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

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

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****13 Tangible fixed assets**

	Right of use £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2021	995	1,606	2,601
Additions	8,808	-	8,808
Disposals	-	(543)	(543)
At 31 December 2021	9,803	1,063	10,866
Depreciation			
At 1 January 2021	943	1,437	2,380
Charge for the year	1,500	114	1,614
Disposals	-	(543)	(543)
At 31 December 2021	2,443	1,008	3,451
Net book value			
At 31 December 2021	7,360	55	7,415
At 31 December 2020	52	169	221

Right-of-use assets

The Company leases plant and machinery. The average lease term is 6 years. The Company's leasing arrangements do not have any variable payment mechanisms and no residual values have been ascribed to the leases. The Company has not entered into any sale or leaseback type of transaction. As at 31 December 2021, there were no leases not yet commenced to which the Company was committed (2020 - none).

	2021 £'000	2020 £'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	1,500	127
Interest expense on lease liabilities	331	67

Lease liabilities

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

	2021 £'000	2020 £'000
Within one year	1,811	94
In the second to fifth years inclusive	5,816	-
After five years	1,033	-
Total undiscounted lease liabilities at 31 December	8,660	94
Current	1,661	91
Non current	6,107	-
Lease liabilities included in the Statement of Financial Position at 31 December	7,768	91

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****14 Investments**

	Shares in subsidiary undertakings £'000	Equity loans to fellow group companies £'000	Shares in joint ventures £'000	Loans advanced to joint ventures £'000	Total £000
Cost					
At 1 January 2021	-	88,095	360	17,788	106,243
Additions	535	-	-	-	535
At 31 December 2021		88,095	360	17,788	106,778
Provision for impairment					
At 1 January 2021	-	32,844	360	17,788	50,992
(Release)/charge for the year	-	(7,480)	-	-	-
At 31 December 2021	-	25,364	360	17,788	50,992
Carrying amount					
At 31 December 2021	535	62,731	-	-	63,266
At 31 December 2020	-	55,251	-	-	55,251

The additions to shares in subsidiary undertakings arose in respect of the acquisition of all of the 10% non-controlling interest in Seiltwaith Amey Cymru/Amey Infrastructure Wales Limited in January 2021.

The Company holds all of the share capital of Seiltwaith Amey Cymru/Amey Infrastructure Wales Limited at 31 December 2021. This subsidiary undertaking is incorporated in England and Wales and operates in the UK and provides rail maintenance services. The registered office of this company is Transport For Wales Cvi Infrastructure Depot Ty Trafnidiaeth, Treforest Industrial Estate, Gwent Road, Pontypridd, CF37 5UT, United Kingdom.

At 31 December 2021, the Company held 90% (2020 – 90%) of the share capital of a subsidiary undertaking, Amey Keolis Infrastructure / Seiltwaith 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 Transport for Wales, Cvi Infrastructure Depot, Ty Trafnidiaeth, Treforest Industrial Estate Gwent Road, Pontypridd CF37 5UT United Kingdom.

A credit arose in 2021 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £7,480,000 (2020 - £55,251,000). These provisions reflect the difficult trading conditions experienced by some of the Group's principal operating subsidiaries, though the outlook has considerably improved following the exit from loss-making contracts by the Amey Group and as a result of additional capital contributions made to those group companies in need of support. During the year, management has reassessed the carrying value of investments in group undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment may also consider whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related investment.

The recoverable amounts are based on value-in-use which reflects forecast cash flows as derived from approved budgets and plans for the next five years. The future cash flows are based on the completed Budget 2022 and the 2023-2026 Strategic Plan. Residual values have also been included which are based on the normalised activity cash flow plus a growth factor. The growth rate used has been 1.76% (2020: 1.75%). The underlying assumptions of these cash flows are based on the existing contract order book, management's past experience and on probability ratios for new business generation. The cash flows have been discounted using a risk-based discount rate of 9.52% (2020: 9.76%). This pre-tax discount rate is a measure based on the 10-year UK bond rate adjusted for a risk premium to reflect both the increased risk of investments generally in the sector.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****14 Investments (continued)***Post balance sheet event - repayment of other equity investment*

On 13 December 2022, Enterprise Limited (previously Enterprise plc) repaid the other equity investment of £55,251,000. The proceeds from this repayment were lent back to Amey Group companies as an intercompany receivable.

At 31 December 2021, 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%
Keolis Amey Consulting Limited (previously KA Wales Consulting Limited)	Railways maintenance	Ordinary	36.00%
TfW Innovation Services Limited	Railways maintenance	Ordinary	17.60%

The registered office of Keolis Amey Docklands Limited, Keolis Amey Metrolink Limited and Keolis Amey Consulting Limited is Evergreen Building North, 160 Euston Road, London, NW1 2DX, United Kingdom.

The registered office of Keolis Amey Wales Cymru Limited and Keolis Amey Operations/Gweithrediadau Keolis Amey Limited is 2 Callaghan Square, Cardiff, CF10 5BT.

The registered office of TfW Innovation Services Limited is 3 Llys Cadwyn, Taff Street, Pontypridd, Rhondda Cynon Taf, CF37 4TH.

15 Inventories

	2021	2020
	£'000	£'000
Raw materials and consumables	-	67

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****16 Trade and other receivables**

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	2,873	1,300
Amounts recoverable on contracts	17,892	9,641
Amounts owed by other fellow subsidiaries of the Amey UK Limited group	9,458	4,524
Amounts owed by the parent undertaking of the Company	-	234
Amounts owed by Ferrovial, S.A. group undertakings	-	823
Amounts owed by joint ventures	178	198
Other debtors	499	36
Payments and accrued income	1,281	2,254
	<u>32,181</u>	<u>19,010</u>
Amounts falling due after more than one year:		
Deferred tax asset (see note 20)	1,163	830
Aggregate amounts	<u>33,344</u>	<u>19,840</u>

Amounts owed by group undertakings are repayable on demand and bear interest at a market rate of 0.4% (2020: 0.4%). There is no difference between the book value and the fair value of amounts owed by group undertakings.

As required by the disclosure requirements of IFRS 15, current amounts recoverable on contracts at 31 December 2019 was £36,023,000.

17 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank overdrafts	2,795	-
Trade creditors	1,148	5,203
Social security and other taxes	6,208	2,465
Amounts owed to other fellow subsidiaries of the Amey UK Limited group	934	3,144
Amounts owed to parent undertakings of the Company	3,693	1,234
Lease liabilities (see note 13)	1,661	91
Other creditors	-	1
Accruals	30,176	24,321
Deferred income	5,855	4,731
	<u>52,470</u>	<u>41,190</u>

Amounts due to fellow group undertakings are payable on demand and bear interest at a market rate of 1.9% (2020: 1.9%). There is no difference between the book value and the fair value of amounts owed to group undertakings.

As required by the disclosure requirements of IFRS 15, the amount of current deferred income at 31 December 2019 was £6,306,000.

The bank overdraft is subject to a bank pooling arrangement across a number of fellow Amey group companies and is therefore not subject to repayment terms or bear any interest as the overall position of the companies within this arrangement is net amount of cash in hand.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****18 Creditors: amounts falling due after more than one year**

	2021 £'000	2020 £'000
Lease liabilities (see note 13)	6,107	-

19 Provisions for liabilities

	Legal provision £'000	Total provisions £'000
At 1 January 2021	-	-
Charged to profit and loss account – cost of sales	3,500	3,500
At 31 December 2021	3,500	3,500

20 Deferred tax asset

	Fixed asset timing differences £'000	Other timing differences £'000	Total £'000
Balance at 1 January 2021	828	2	830
Credited to Income Statement during year	168	165	333
At 31 December 2021	996	167	1,163

	2021 £'000	2020 £'000
Deferred tax asset comprises:		
Fixed asset timing differences	996	828
Other timing differences	167	2
Balance at 31 December	1,163	830
Falling due after more than one year	1,163	830

The Company has recognised a deferred tax asset 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.

	2021 £'000	2020 £'000
Unrecognised deferred tax comprises:		
Losses	2,482	-

The current main rate of UK corporation tax is 19%. On 11 March 2021, Finance Bill 2021 was published which includes provision for the main rate of UK Corporation Tax to increase to 25% from 1 April 2023. All deferred tax assets have been measured at a rate of 25% (2020 - 19%).

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)****21 Share capital**

Ordinary shares of £1 each	Number	£'000
Authorised, issued and fully paid at 31 December 2020 and 31 December 2021	26,544,000	26,544

22 Other equity instrument

	£'000
Balance at 1 January 2021	70,191
Reserves transfer on other equity instruments	199
Balance at 31 December 2021	70,390

On 10 July 2020, an Amey group company, Enterprise Limited (formerly Enterprise plc), granted an equity loan facility to the Company for a total amount of £70.0 million. This is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points.

This loan has no specified maturity date but can be redeemed by the Company at any time. The Company also has the power to delay timing of the interest payment at its sole discretion which cannot be claimed by the lenders.

As it is at the Company's discretion to decide both the repayment of the principal and the possibility of deferring the payment of interest, the loan does not satisfy the condition to be accounted for as a financial liability since it does not include a contractual obligation to pay cash or other financial assets to discharge the liability. Accordingly, it will be classified as an equity instrument and will be recognised as "Other equity instrument". The accrued interest will be recognised in reserves and treated in the same way as dividends.

The total amount of dividend interest accrued and not paid at 31 December 2021 was £390,000 (2020 - £191,000).

23 Contingent liabilities

As a member of the Amey UK Limited 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 2021, the only net liabilities arising across the Amey Group were £nil (2020 - £nil) in respect of Group borrowings and £52,955,000 (2020 - £56,824,000) in respect of VAT.

Under the terms of the Birmingham City Council Highways PFI contract settlement arrangements, the Company is party to Group guarantees in respect of the payment of the settlement accounts with £35 million remaining to be paid at 31 December 2021. 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 Limited 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.

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 2021 or at 31 December 2020.

Amey Rail Limited

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

24 Capital commitments

The Company had commitments to provide loan finance to its subsidiary undertaking and joint venture undertakings of £nil at 31 December 2021 (2020 - £16.6 million). This commitment was cancelled on 7 February 2021 as part of a restructure of the Wales and Border rail contracts held through investments of the Company.

The Company had no other capital commitments at 31 December 2021 or at 31 December 2020.

25 Post balance sheet events

Change in ultimate parent undertaking

The Company is a subsidiary of Amey UK Limited (the Group). On 11 October 2022, the Group's ultimate parent undertaking, Ferrovial, S.A., announced that it had reached agreement to sell the whole of the share capital of Amey UK Limited and the other equity instruments held by Ferrovial as issued by Amey UK Limited and its subsidiary undertaking, Amey Limited to a company controlled by One Equity Partners and Buckthorn Partners. The sale of the Group is conditional on the completion of the transfer of the Waste Treatment CGU to Ferrovial, as this CGU does not form part of the Group's ongoing business that One Equity Partners and Buckthorn Partners have agreed to purchase and the approval by the Secretary of State for BEIS, as the transaction is subject to the National Security and Investment Act 2021. It is expected that the sale will be completed prior to 31 December 2022. Any change of ownership has no impact on the financial statements of the Group for the year ended 31 December 2021 and is also not expected to have any impact on the Group's operations and activities following completion of the sale.

The transaction represents an enterprise value of £400 million and an estimated equity value of approximately £245 million. The final consideration to be paid upon completion of the transaction will be adjusted by reference to the net debt and working capital figures resulting from a balance sheet prepared as of that date. The net consideration will be in the form of cash of £109 million and a vendor loan note of £136 million repayable over the next 5 years with an interest of 6% per annum, increasing to 8% after the third year. As part of the transaction, the Group consulted with the pension scheme trustees concerning the sale, who, upon advice, were content to execute a letter of agreement recording that the trustees do not consider the transaction (including the terms of the vendor loan note subordinated in favour of the pension schemes) will be materially detrimental to the ongoing employer covenant or the likelihood of accrued scheme benefits being received by members.

Repayment of other equity investment

On 13 December 2022, Enterprise Limited (previously Enterprise plc) repaid the other equity investment of £55,251,000. The proceeds from this repayment were lent back to Amey Group companies as an intercompany receivable.

Amey Rail Limited

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

26 Controlling parties

The immediate parent undertaking is Amey Limited (formerly Amey plc).

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

The Company is wholly owned by both the immediate and ultimate parent undertaking.

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

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 Limited (formerly Amey UK plc), incorporated in England and Wales.

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

The Company Secretary
Amey UK Limited
Chancery Exchange
10 Furnival Road
London EC4A 1AB
United Kingdom