REGISTERED NUMBER: 02995531 (England and Wales)

Annual Report and

Financial Statements for the Year Ended 31 December 2022

for

Amey Rail Limited

Amey Rail Limited

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for the Year Ended 31 December 2022

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Amey Rail Limited

Company Information for the Year Ended 31 December 2022

Directors

P S Anderson
K Bennett
J R Holmes
A L Nelson

Company Secretary

Sherard Secretariat Services Limited

Registered Office

Chancery Exchange
10 Furnival Street
London
EC4A 1AB
United Kingdom

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU
United Kingdom

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2022

The Directors presents their strategic report for the year ended 31 December 2022.

Ultimate parent undertaking

The Company is a member of the Amey UK Limited group of companies and, following the change of ownership of Amey UK Limited on 30 December 2022, is now wholly owned by a company (Project Ardent Bidco Limited) controlled by One Equity Partners and Buckthorn Partners, private equity investors. The Company is no longer a member of the Ferrovial, S.A. group of companies.

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 £255,809,000 (2021 - £187,040,000) and a profit after tax amounting to £10,646,000 (2021 – £2,133,000), all of which arose from continuing activities.

Revenue was significantly higher by 36% year on year which reflected increased volumes on the Civil Examinations Framework Agreement with Network Rail, and significantly higher volumes associated with the TransPennine and Wales and Borders contracts. The increased activity resulted in a significantly improved gross margin and a return to operating profit.

On 13 December 2022, Enterprise Limited 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.

A charge arose in 2022 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £4,428,000 (2021 – a credit of £7,480,000). 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 fair value 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 2023 and that operating profitability will be maintained.

There have been no 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 2022. 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 Financial Statements for the Year Ended 31 December 2022 as the Company is subject to the application of Group-wide policies and practices when assessing financial risk.

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

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 2022 (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 2022 Annual Report and Financial Statements 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, 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 2022 Annual Report and Financial Statements. 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 24 November 2023 and signed on its behalf by:

....

A L Nelson
Director
24 November 2023

Amey Rail Limited

Report of the Directors for the Year Ended 31 December 2022

The Directors presents their annual report with the audited financial statements of the Company for the year ended 31 December 2022.

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 Annual Report and Financial Statements of Amey UK Limited, of which this Company is a member. Full disclosure can be found in the Amey UK Limited Annual Report and Financial Statements for 2022.

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 in the strategic report on page 4.

Dividends

No dividends were paid by the Company during the year (2021 - £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
J R Holmes (appointed 10 June 2022)
A L Nelson

Directors' indemnity

Directors and Officers of the Company (and those employees who are also Directors of the Group's subsidiary companies) benefitted during 2022 from Ferrovial, S.A.'s group-wide Directors' and officers' liability insurance cover in respect of legal actions brought against them. Following the divestment of the Group by Ferrovial, the new shareholders put in place a comparable policy. Accordingly, the Company and its subsidiaries do not maintain their own equivalent Directors' indemnity insurance cover arrangements. In addition, Directors of the Company 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 meet its obligations as they fall due for a period of at least twelve months from the date of approving these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Policy on slavery and human trafficking

In accordance with the Modern Slavery Act 2015, the 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.

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

The Directors appointed Mazars LLP as auditor of the Company for 2022 following the resignation of Deloitte LLP on completion of the 2021 audit.

Approved by the Board on 24 November 2023 and signed on its behalf by:

....
A L Nelson
Director

24 November 2023

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

Opinion

We have audited the financial statements of Amey Rail Limited (the 'company') for the year ended 31 December 2022 which comprise Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2022 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Auditor's responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, Bribery Act and the Finance Act.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006, Modern Slavery Act, Health and Safety laws, employment laws, environmental laws.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to valuation of amounts recoverable on contracts, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Evaluating the business rationale for significant and unusual transactions
- Review of accounting estimates and judgment made by Management – possible intentional misstatement of accounting estimates due to management bias which may result involving complex assumptions and subjective inputs
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Jon Barnard (Nov 24, 2023 14:59 GMT)

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Jonathan Barnard (Senior Statutory Auditor)
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London, EC4M 7AU

24 November 2023

Amey Rail Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	255,809	187,040
Cost of sales (2021 includes exceptional costs of £3,500,000)	6	(230,084)	(178,894)
Gross profit		25,725	8,146
Administrative expenses		(10,308)	(11,400)
Operating profit/(loss)		15,417	(3,254)
Dividend income received from joint venture		1,800	-
(Charge)/release of provision against investments in subsidiary undertakings	7	(4,428)	7,480
Profit before interest and taxation		12,789	4,226
Interest receivable and similar income	8	186	146
Finance expense	9	(1,681)	(1,536)
Profit before taxation	10	11,294	2,836
Tax on profit	11	(648)	(703)
Profit after tax for the year		10,646	2,133

The notes on pages 16 to 37 form part of these financial statements.

Amey Rail Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022 £'000	2021 £'000
Profit for the year	10,646	2,133
Total comprehensive income for the year	10,646	2,133

The notes on pages 16 to 37 form part of these financial statements.

Amey Rail Limited (Registered number: 02995531)

Balance Sheet as at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	7,253	7,415
Investments	14	3,587	63,266
		10,840	70,681
Current assets			
Debtors: amounts falling due within one year	15	114,528	32,181
Debtors: amounts falling due after more than one year	15	4,666	1,163
Cash at bank and in hand		4,568	1,893
		123,762	35,237
Creditors:			
Amounts falling due within one year	16	(70,800)	(52,470)
Net current assets/(liabilities)		52,962	(17,233)
Total assets less current liabilities		63,802	53,448
Creditors: amounts falling due after one year	17	(5,815)	(6,107)
Provisions for liabilities and charges	18	(3,500)	(3,500)
Net assets		54,487	43,841
Capital and reserves			
Share capital	20	26,544	26,544
Other equity instrument	21	71,104	70,390
Retained deficit		(43,161)	(53,093)
Shareholders' funds		54,487	43,841

The financial statements were approved by the Board of Directors on 24 November 2023 and signed on its behalf by:

....

A L Nelson

Director

24 November 2023

The notes on pages 16 to 37 form part of these financial statements.

Amey Rail Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

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

	Share capital £'000	Other equity instrument £'000	Retained deficit £'000	Total £'000
At 1 January 2022	26,544	70,390	(53,093)	43,841
Profit for the year	-	-	10,646	10,646
Total comprehensive income	-	-	10,646	10,646
Other equity instrument interest	-	714	(714)	-
At 31 December 2022	26,544	71,104	(43,161)	54,487

The notes on pages 16 to 37 form part of these financial statements.

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 2022, the following additional standards which might have had an impact on the financial statements came into force in the United Kingdom:

Amendment to IFRS 3	Conceptual framework
Amendment to IAS 16	Property, plant and equipment: proceeds before intended use
Amendment to IAS 37	Onerous contracts – cost of fulfilling a contract
Annual improvements	2018 – 2020 cycle

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 2023 are not expected to have a material impact on the Company and will not be adopted early.

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;
- 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.

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 22 and the going concern assessment of the Company is intrinsically linked to the assessment for the Group as a whole. The Company has also received written confirmation from its parent undertaking, Amey UK Limited, that it will continue to provide financial support to the Company for a 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 Group is financed through a mixture of shareholder equity, bank loans, overdrafts and leases. Details of all bank loans and their maturity are set out in the Amey UK Limited financial statements for 2022, as are details of finance risks.

2 Accounting policies (continued)

Going concern (continued)

On 30 December 2022, the Group was acquired by Project Ardent Bidco Limited, a company controlled in partnership between Buckthorn Partners LLP and One Equity Partners. The Group does not rely on its new owners for contractual guarantees, as was the case with the previous owner, Ferrovial, S.A., so there are no implications to the ongoing trading operations of the Group arising as a result of the change of ownership. Furthermore, continuity of financing was ensured through a new Group borrowing facility, entered into at the time of sale that replaced the Group's previous bank facilities and which was undrawn at 31 December 2022.

This replacement borrowing facility is the Group's key source of additional funding and is a syndicated revolving credit facility agreement with HSBC UK Bank plc, National Westminster Bank PLC, ABN AMRO Bank N.V. and Citibank, N.A. acting as lenders and with HSBC Bank plc acting as agent. This agreement totals £150 million, of which up to £100 million is available for borrowing with the remainder being available for ancillary products. The facility was entered into on 30 December 2022 and matures on the 30 December 2026. At 31 December 2022, no borrowings were drawn against the facility and the Group also held £33.7 million of unrestricted cash on the Group balance sheet.

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 and cash flows up to the date of these accounts, the current forecast for 2023 and the strategic plan for 2024 to 2027);
- the availability of core and ancillary financing facilities;
- compliance with banking covenants regarding net leverage, minimum liquidity and net interest cover;
- 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 2023; and
  - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case.

The sensitivities applied to the RWC include specific, unbudgeted cash flows in 2023 and cash flow stress cases in 2024 ranging from 27% up to 66%. The Group's cash flow forecasts show that there is sufficient liquidity to enable it to continue trading should these scenarios materialise. In addition, management has considered significant additional reductions in headroom due to unforeseen events such as supply shocks and widespread client defaults, along with potential mitigations. Inflation is not considered a significant risk to the Group's liquidity as the majority of its revenues are index-linked and so are naturally hedged against inflationary pressures. Reverse stress testing showed that the Group would have sufficient liquidity in all but the most extreme case, where 100% of local government clients and 25% of central government agency clients default. The impact of this scenario could be offset by increased liquidity from mitigating actions and is in any case considered extremely remote. Furthermore, the Group's operations and suppliers are primarily in the United Kingdom and the majority of its clients are government or government-backed and so the Group is not considered to be exposed to vulnerable markets or sectors or from global factors such as armed conflicts and the climate crisis.

In summary, the directors of the Group are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least twelve months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing the Group financial statements.

On the same basis, the Directors of this Company have adopted the going concern principle in preparing these financial statements.

2 Accounting policies (continued)

Other principal accounting policies

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

Revenue recognition

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

(i) General revenue recognition criterion

The first step for revenue recognition purposes is to identify the contracts and the performance obligations contained therein. The number of performance obligations that a contract has will depend on the type of contract and the activity. In general, the performance obligations that the Company 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 Company has established certain criteria that are applied consistently for similar performance obligations. In this regard, the method chosen by the Company 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 Company to recognise revenue is the time elapsed output method. Under this method, revenue is recognised on a straight-line basis over the term of the contract and costs are recognised on an accrual basis.

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

2 Accounting policies (continued)

Revenue recognition (continued)

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

Contract modifications are defined as changes in the scope of the work, other than changes envisaged in the original contract, that may result in a change in the revenue associated with that contract. Modifications to the initial contract require the customer's technical and financial approval before billings can be issued and the amounts relating to the additional work can be collected. The Company 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 Company 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 Company, revenue relating to disputes in which the enforceability of the amount claimed is questioned is not recognised, and previously recognised revenue is derecognised, since the dispute demonstrates the absence of the customer's approval of the work completed. If the customer only questions the price, revenue recognition is based on the criterion applied in cases of variable consideration discussed below.

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

(iii) Variable consideration

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

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

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

2 Accounting policies (continued)

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

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

Foreign currency transactions and balances

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

Intangible assets (goodwill and other intangible assets)

Non-financial assets which are not subject to amortisation are tested annually for impairment. The Company reviews the carrying value of other non-current financial assets in the light of developments in its business and makes provision for any impairment in value as the need arises.

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). 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.

2 Accounting policies (continued)

Financial instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Company 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 Company'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 Company 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.

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 Company first identifying a credit loss event. Instead, the Company 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 Company 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 Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Company 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 party has 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 using the simplified approach.

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 Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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.

Derivative financial instruments and hedging activities

(a) 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 cash flow hedge 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 Company 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 Company 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 Company also documents, both at hedge inception and on an ongoing basis, its assessment of whether the cash flow hedge 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.

(b) Fair value hedge - all hedging relationships that were hedging relationships under IAS 39 meet IFRS 9's criteria for hedge accounting at 1 January 2022 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.

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

2 Accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedging activities (continued)

(d) 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.

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

Items which are not considered to reflect the underlying trading performance or due to their size, incidence, or timing are presented as exceptional items. Exceptional items are considered individually and are assessed at each reporting period.

3 Critical accounting estimates and judgements

Accounting estimates

In the financial statements for 2022, estimates have been made to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate to the following:

(i) 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;
- making estimates relating to the calculation of the provision for expected losses and deferred expenses including the level of discount rate to be applied when calculating the provision; and
- the aim of the criterion described above is to provide the most faithful depiction of the transfer of performance obligations.

(ii) The assessment of possible legal contingencies

(iii) The assessment of possible impairment losses on certain assets

(iv) Business performance projections that affect the estimates of the recoverability of tax assets and the expected period over which it is probable such assets can be recovered

(v) The recognition for accounting purposes of the subordinated guaranteed hybrid loan as an Other equity instrument (see note 21)

3 Critical accounting estimates and judgements (continued)

Accounting estimates (continued)

Although these estimates were made on the basis of the best information available at 31 December 2022 on the events analysed, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

The key accounting estimates and judgements are further considered below:

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 fair value 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.

Key judgements

No key judgements have been identified during the preparation of these financial statements.

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 £13,261,000 (2021 - £1,191,000).

5 Employees and Directors

The Company had no direct employees in either 2022 or 2021. 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 2022 or 2021.

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

Items which are not considered to reflect the underlying trading performance or due to their size, incidence, or timing are presented as exceptional items. Exceptional items are considered individually and are assessed at each reporting period.

	2022 £'000	2021 £'000
Provisions recognised	-	3,500
Total exceptional items	-	3,500

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

7 Provision for investments in fellow group companies

	2022 £'000	2021 £'000
Charge/(release) for the year	4,428	(7,480)

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

8 Interest receivable and similar income

	2022 £'000	2021 £'000
Other interest receivable	186	146

9 Finance expense

	2022 £'000	2021 £'000
Other interest payable	1,323	1,195
Lease interest	349	331
Foreign exchange loss	9	10
	1,681	1,536

10 Profit before taxation

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

		2022 £'000	2021 £'000
Deferred income deferred in the year		11,716	1,124
Depreciation	- owned assets	20	114
	- leased assets	2,026	1,500
Short term and low value lease rentals	- hire of plant and machinery	19,081	17,273
	- IT licences and rentals	1,220	1,159
Cost of inventory recognised as an expense		19,439	14,832
Charge/(release) of provision for investments in group companies (see note 7)		4,428	(7,480)
Loss on disposal of fixed assets		35	-
Dividend income received from joint venture		1,800	-
Exceptional items (see note 6)		-	3,500

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 £132,000 (2021: £113,000).

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

11 Taxation

Analysis of tax expense

	2022 £'000	2021 £'000
Current tax		
Tax - current year	3,657	(816)
Tax - adjustment in respect of prior periods	494	1,852
Total current tax charge	4,151	1,036
Deferred tax - current year credit	(2,726)	(52)
Deferred tax – credit relating to changes in tax laws	-	(196)
Deferred tax - adjustment in respect of prior periods	(777)	(85)
Total deferred tax credit	(3,503)	(333)
Total tax expense in income statement	648	703

11 Taxation (continued)

Factors affecting the tax expense

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%).

The differences are reconciled below:

	2022 £'000	2021 £'000
Profit before income tax	11,294	2,836
Tax on profit calculated at standard rate	2,146	539
Effects of:		
(Decrease)/increase in tax from adjustment for prior periods	(283)	1,767
Change in recognition of deferred tax on losses	(2,457)	-
Rate differential between current and deferred tax	(153)	(164)
Increase from effect of expenses not deductible in determining taxable tax loss	554	177
Tax effect of asset impairments not deductible in determining taxable profit	841	(1,420)
Deferred tax income relating to changes in tax rates or laws	-	(196)
Tax expense	648	703

12 Intangible fixed assets

	Secured orderbook £'000	Total £'000
Cost		
At 1 January 2022 and at 31 December 2022	2,053	2,053
Amortisation		
At 1 January 2022 and at 31 December 2022	2,053	2,053
Net book value		
At 31 December 2021 and at 31 December 2022	-	-

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.

13 Tangible fixed assets

	Right of use £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2022	9,803	1,063	10,866
Additions	1,919	-	1,919
Disposals	(223)	(997)	(1,220)
At 31 December 2022	11,499	66	11,565
Depreciation			
At 1 January 2022	2,443	1,008	3,451
Charge for the year	2,026	20	2,046
Disposals	(223)	(962)	(1,185)
At 31 December 2022	4,246	66	4,312
Net book value			
At 31 December 2022	7,253	-	7,253
At 31 December 2021	7,360	55	7,415

Right-of-use assets

The Company leases property. The average lease term is 4 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 2022, there were no leases not yet commenced to which the Company was committed (2021 - none).

	2022	2021
Amounts recognised in profit and loss	£'000	£'000
Depreciation expense on right-of-use assets	2,026	1,500
Interest expense on lease liabilities	349	331

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:

	2022 £'000	2021 £'000
Within one year	2,074	1,811
In the second to fifth years inclusive	5,176	5,816
After five years	1,209	1,033
Total undiscounted lease liabilities at 31 December	8,459	8,660
Impact of future lease interest	(746)	(892)
	7,723	7,768
Current	1,908	1,661
Non current	5,815	6,107
Lease liabilities included in the Statement of Financial Position at 31 December	7,723	7,768

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 2022	535	88,095	360	17,788	106,778
Repayments	-	(55,251)	-	-	(55,251)
At 31 December 2022	535	32,844	360	17,788	51,527
Provision for impairment					
At 1 January 2022	-	25,364	360	17,788	43,512
Charge for the year	-	4,428	-	-	4,428
At 31 December 2022	-	29,792	360	17,788	47,940
Carrying amount					
At 31 December 2022	535	3,052	-	-	3,587
At 31 December 2021	535	62,731	-	-	63,266

The Company holds all of the share capital of Seiltwaith Amey Cymru/Amey Infrastructure Wales Limited at 31 December 2022. 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 Cvl Infrastructure Depot Ty Trafnidiaeth, Treforest Industrial Estate, Gwent Road, Pontypridd, CF37 5UT, United Kingdom.

On 13 December 2022, Enterprise Limited 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.

A charge arose in 2022 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £4,428,000 (2021 – a credit of £7,480,000). 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 fair value 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 fair value 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 2023 and the 2024-2027 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% (2021: 1.76%). 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 15.4% (2021: 9.52%). 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.

14 Investments (continued)

At 31 December 2022, 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 Rail 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%

*indicates indirect holding

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 Trade and other receivables

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	2,295	2,873
Amounts recoverable on contracts	26,876	17,892
Amounts owed by other fellow subsidiaries of the Amey UK Limited group	64,179	9,458
Amounts owed by parent undertaking	16,757	-
Amounts owed by joint ventures	31	178
Other debtors	16	499
Payments and accrued income	4,374	1,281
	114,528	32,181
Amounts falling due after more than one year:		
Deferred tax asset (see note 19)	4,666	1,163
Aggregate amounts	119,194	33,344

The Company operates a large number of contracts where the payment terms and conditions vary between those contracts. There will also be contracts starting and completing in any financial year. Significant changes in amounts recoverable on contracts and deferred income arise in the reporting period, but no single contract is individually significant enough to explain year on year changes in the balance sheet amounts reported.

16 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank overdrafts	-	2,795
Trade creditors	11,394	1,148
Social security and other taxes	8,151	6,208
Amounts owed to other fellow subsidiaries of the Amey UK Limited group	2,813	934
Amounts owed to parent undertakings of the Company	-	3,693
Lease liabilities (see note 13)	1,908	1,661
Other creditors	4	-
Accruals	28,959	30,176
Deferred income	17,571	5,855
	70,800	52,470

The Company operates a large number of contracts where the payment terms and conditions vary between those contracts. There will also be contracts starting and completing in any financial year. Significant changes in amounts recoverable on contracts and deferred income arise in the reporting period, but no single contract is individually significant enough to explain year on year changes in the balance sheet amounts reported.

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.

17 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Lease liabilities (see note 13)	5,815	6,107

18 Provisions for liabilities

	Other provisions £'000	Total provisions £'000
At 1 January 2022 and at 31 December 2022	3,500	3,500

19 Deferred tax asset

	Fixed asset timing differences £'000	Other timing differences £'000	Trading losses £'000	Total £'000
Balance at 1 January 2022	996	167	-	1,163
Credited to Income Statement during year	99	947	2,457	3,503
At 31 December 2022	1,095	1,114	2,457	4,666

	2022 £'000	2021 £'000
Deferred tax asset comprises:		
Fixed asset timing differences	1,095	996
Other timing differences	1,114	167
Trading losses	2,457	-
Balance at 31 December	4,666	1,163
Falling due after more than one year	4,666	1,163

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 – unrecognised deferred tax assets of £2,482,000).

The current main rate of UK corporation tax is 19%. On 10 June 2022, Finance Act 2022 gained Royal Assent and included provision for the main rate of UK corporation tax to increase to 25% on 1 April 2023. All deferred tax assets have been measured at a rate of 25% (2021 - 25%).

20 Share capital

Ordinary shares of £1 each	Number	£'000
Authorised, issued and fully paid at 31 December 2021 and 31 December 2022	26,544,000	26,544

21 Other equity instrument

	£'000
Balance at 1 January 2022	70,390
Reserves transfer on other equity instruments	714
Balance at 31 December 2022	71,104

On 10 July 2020, an Amey group company, Enterprise Limited, 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 2022 was £1,104,000 (2021 - £390,000).

22 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 2022, the only net liability arising across the Amey Group was £22,016,000 (2021 - £52,955,000) 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 £25 million remaining to be paid at 31 December 2022. In January 2023, the remaining balance was settled in full.

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 2022 or at 31 December 2021.

23 Capital commitments

The Company had no capital commitments at 31 December 2022 or at 31 December 2021.

24 Controlling parties

The immediate parent undertaking is Amey Limited.

The ultimate parent undertaking, the ultimate controlling party and the largest group to consolidate these financial statements is Project Ardent Bidco Limited.

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

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

Copies of the Project Ardent Bidco Limited or Amey UK Limited consolidated financial statements can be obtained from the registered office as follows:

The Company Secretary
Chancery Exchange
10 Furnival Street
London EC4A 1AB
United Kingdom