Accord Network Management Limited

Company number: 03497171

Annual Report and Financial Statements

For the year ended

31 March 2019

Accord Network Management Limited

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Directors

P Birch
A L Milner
A L Nelson

Company Secretary and Registered Office

Sherard Secretariat Services Limited
Chancery Exchange
10 Furnival Street
London, EC4A 1AB
United Kingdom

Strategic Report for the year ended 31 March 2019

The Directors present their Strategic Report for the year ended 31 March 2019.

Principal activities

The Company was principally engaged as a holding company for its unincorporated joint venture with W S Atkins (Optima). The Company has not traded and no change to this position is anticipated for the year to 31 March 2020.

Review of business and future developments

The Company has not traded during the current or preceding financial year and accordingly no income statement has been presented. No change to the dormant status of the Company is expected for the foreseeable future.

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

On behalf of the Board

P Birch
Director

Accord Network Management Limited

Report of the Directors for the year ended 31 March 2019

The Directors present their Report together with the unaudited financial statements of the Company for the year ended 31 March 2019.

Dividends

No dividends were paid by the Company during the year (2018 – £nil). The Directors do not recommend the payment of a final dividend.

Directors

The Directors of the Company during the year, and up to the date of this report, were:

P Birch
A L Milner
A L Nelson

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (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.

On behalf of the Board

P Birch
Director

Balance Sheet at 31 March 2019

	Note	2019 £'000	2018 £'000
Current assets			
Trade and other receivables	6	**3,042**	3,042
Total current assets		**3,042**	3,042
Net current assets		**3,042**	3,042
Total assets less current liabilities		**3,042**	3,042
Net assets		**3,042**	3,042
Equity			
Share capital	7	**1**	1
Retained earnings		**3,041**	3,041
Total shareholders' funds		**3,042**	3,042

The notes on pages 5 to 9 form part of these financial statements.

The Company did not trade during the current or preceding period and accordingly no income statement has been presented. The Company made neither a profit or loss nor had any other recognised gain or loss.

The Company is exempt from the requirements relating to preparing audited accounts in accordance with section 480 of the Companies Act 2006.

The members have not required the Company to obtain an audit of the accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements on pages 3 to 9 were authorised for issue by the Board of Directors on 25th September 2019 and were signed on its behalf by:

P Birch
Director

Accord Network Management Limited

Statement of Changes in Equity for the year ended 31 March 2019

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2017, at 31 March 2018 and at 31 March 2019	**1**	**3,041**	**3,042**

The notes on pages 5 to 9 form part of these financial statements.

1 General information

The principal activity of Accord Network Management Limited (the Company) was as a holding company for its unincorporated joint venture with W S Atkins (Optima). The Company is a dormant company. The Company is a private company and is incorporated and domiciled in the UK. The address of the registered office is Chancery Exchange, 10 Furnival Street, London, EC4A 1AB, United Kingdom.

2 Basis of preparation and going concern

Basis of preparation

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

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

New standards or interpretations applicable to the Company for accounting periods commencing on or after 1 January 2019 are not expected to have a material impact on the Company.

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

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

2 Basis of preparation and going concern *(continued)*

Going concern

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

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

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

- On 29 June 2019, the Group concluded an agreement with Amey Birmingham Highways Limited (ABHL) to exit from the contract to provide highways maintenance services to Birmingham City Council. Under the settlement arrangements, the Group is obliged to pay £215 million in total to ABHL over a six-year period (£100 million on 29 June 2019, two further instalments of £30 million each at the end of September and December 2019, £10 million each year from 2020 to 2024 and £5 million in 2025), for a full release of the Group's liability in respect of the Birmingham project from all key stakeholders.

- On 29 June 2019, the Group received a new intercompany loan of £75.0 million from Ferrofin, SL which was received in cash. This loan bears interest at 1-month LIBOR plus 227 basis points and is due to repaid by 31 July 2020. This loan has been fully subordinated in favour of any amounts due to the Group's banks under the five five-year bilateral facility agreements in place and which have recourse to the Group's balance sheet; and

- On 8 July 2019, the terms and conditions of part of the Group's existing subordinated loans to Landmille Limited, which were held by a fellow subsidiary undertaking, Amey plc, were amended and £200.0 million of these loans replaced with a new Other Equity Instrument with Landmille Limited which will be classed as part of equity on the Group balance sheet. This loan instrument has no specified maturity date but can be redeemed by the Group at any time. The Group also has the power to delay timing of the interest payments at its sole discretion which cannot be claimed by the lender. The proceeds of this loan were used to reduce the existing loans of £369.0 million from Landmille Limited. The remaining loans of £169.0 million with Landmille Limited were consolidated into a new sterling revolver facility which bears interest at 1-month LIBOR plus between 372 and 472 basis points dependent on the drawn amount. This new sterling revolver facility is available until 31 July 2020. These loans have been fully subordinated in favour of any amounts due to the Group's banks under the five five-year bilateral facility agreements in place and which have recourse to the Group's balance sheet.

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

2 Basis of preparation and going concern *(continued)*

Going concern (continued)

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

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

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

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

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

3 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.

Financial assets – classification
The Company classifies its financial assets in the following categories: at fair value through profit or loss (held for trading), and loans and receivables. The classification depends on the purpose for which the financial assets were acquired and is determined at point of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where the maturity is greater than twelve months when they are included in non-current assets, and comprise receivables.

Financial assets – recognition and measurement
Loans and receivables are carried at amortised cost. Financial assets are de-recognised when the rights to receive cash flows have expired.

4 Employee costs

The Company had no direct employees in either 2019 or 2018.

5 Directors

No Directors were remunerated through the Company in either 2019 or 2018.

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

6 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by joint ventures (see note 8)	**32**	32
Amounts owed by group undertakings	**3,010**	3,010
Total trade and other receivables	**3,042**	3,042

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

7 Share capital

Ordinary shares of £1 each	**Number**	**£'000**
Authorised at 1 April 2017, 31 March 2018 and at 31 March 2019	1,000	1
Issued at 1 April 2017, 31 March 2018 and at 31 March 2019	**1,000**	**1**

8 Unincorporated joint venture

	2019 £'000	2018 £'000
Share of profit in joint venture:		
At 1 April 2018	**32**	32
At 31 March 2019	**32**	32

The Company's share of the results of Optima Infrastructure Management were:

	2019 £'000	2018 £'000
Current assets	**70**	70
Current liabilities	**(38)**	(38)
Net assets	**32**	32

9 Financial and capital commitments

The Company had no financial or capital commitments at 31 March 2019 or at 31 March 2018.

10 Contingent liabilities

The Company had no contingent liabilities at 31 March 2019 or at 31 March 2018.

11 Controlling parties

The immediate parent undertaking is Accord Asset Management Limited.

The ultimate parent undertaking and the largest group to consolidate these financial statements is Ferrovial, S.A., a company incorporated in Spain. Copies of the Ferrovial, S.A. consolidated financial statements can be obtained from:

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

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

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

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

The Company Secretary
Amey UK plc
Chancery Exchange
10 Furnival Street
London, EC4A 1AB
United Kingdom