

REGISTERED NUMBER: 02995531 (England and Wales)

**Annual Report and
Financial Statements for the Year Ended 31 December 2020
for
Amey Rail Limited**



Amey Rail Limited
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for the Year Ended 31 December 2020

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Amey Rail Limited

**Company Information
for the Year Ended 31 December 2020**

Directors

P S Anderson
A R Joy
A L Nelson

Company Secretary

Sherard Secretariat Services Limited

Registered Office

Chancery Exchange
10 Fumival Street
London
EC4A 1AB
United Kingdom

Auditor

Deloitte LLP
4 Brindleyplace
Birmingham
B1 2HZ
United Kingdom

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2020

The Directors presents their strategic report for the year ended 31 December 2020.

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 £120,939,000 (2019 - £287,718,000) and a profit after tax amounting to £16,808,000 (2019 – loss of £104,388,000), all of which arose from continuing activities.

Revenue was reduced by 58% year on year reflecting the completion of a number of contracts including the electrification work and the AmeySersa joint operation. Reduced volumes also arose on the Crossrail and Plain Line Track Renewals work.

The reduction in volumes and contribution significantly impacted overall operating margins with the Company reporting an operating loss. In 2020, the Company also incurred an exceptional loss of £18.1 million in respect of its investment in the joint venture undertakings forming part of the Wales and Borders rail operations contract which has been severely impacted by the COVID-19 pandemic. In 2019, the Company's results were also impacted by an exceptional cost of £3.4 million (2018 - £nil) arising on the impairment of other receivables arising on a JANE for the anticipated under-recovery of that asset through future cash inflows.

On 30 July 2019 the Company granted equity loan facilities totalling £88.1 million to fellow group undertakings, Amey LG Limited and Enterprise plc, for £32.8 million and £55.3 million respectively. These are perpetual investment loans with an applicable interest rate of 12-month LIBOR plus 200 basis points, payment of which is at the discretion of loan grantees.

A credit arose in 2020 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £55,251,000 (2019 - £88,095,000 charge). These provisions reflect the difficult trading conditions experienced by some of the Group's principal operating subsidiaries, though the outlook has considerably improved following the exit from loss-making contracts by the Amey Group and as a result of additional capital contributions made to those group companies in need of support. During the year, management has reassessed the carrying value of investments in group undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment may also consider whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related investment.

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

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

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

On 19 November 2020, the Company issued 18,000,000 Ordinary shares of £1 each for proceeds of £18,000,000. The proceeds from this issue were left as an intercompany receivable from the immediate parent company.

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

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

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 plc ('the Group'), for the year ended 31 December 2020. The Company is a member of the Consulting and 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 plc Annual Report and Accounts for the year ended 31 December 2020 as the Company is subject to the application of Group-wide policies and practices when assessing financial risk.

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

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 2020 (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 plc 2020 group accounts for more information).

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

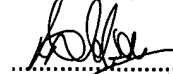
- (a) the likely consequences of any decision in the long-term, such as strategic planning, Brexit impact and business development opportunities;
- (b) interests of the Group's employees including health and safety, employee involvement and initiatives, diversity, inclusion and gender pay gap issues;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

As the Company is a wholly owned subsidiary of the Amey group of companies, and ultimately the Ferrovial group of companies, the Company's Directors discharge their duties within policies, procedures and authorisation limits set out on a group-wide basis. Further information on how officers within the Amey Group of companies discharge their duties is included in the Amey UK plc 2020 group accounts. The Directors of this Company also achieve this through attendance at relevant executive meetings, involvement in executive briefings and training, and through having responsibility for implementation of group-wide initiatives to promote best practice.

Amey Rail Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Approved by the Board on 22 July 2021 and signed on its behalf by:


.....

A L Nelson
Director
22 July 2021

Amey Rail Limited

Report of the Directors for the Year Ended 31 December 2020

The Directors presents their annual report with the audited financial statements of the Company for the year ended 31 December 2020.

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 and 3 and form part of this report by cross reference.

Energy and Carbon Performance

The Company has taken exemption from reporting on Energy and Carbon Performance as this information is included in the consolidated group accounts of Amey UK plc, of which this Company is a member. Full disclosure can be found in the Amey UK plc Annual Report and Accounts for 2020.

Business Relationships

The Directors have had regard to the need to foster the company's business relationships with stakeholders. This is explained further within the S172 statement part c) in the strategic report on page 3.

Dividends

No dividends were paid by the Company during the year (2019 - £nil). In view that the Company has a retained deficit for the year, 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 (appointed 6 August 2020)
A R Joy (appointed 25 March 2020)
J S Haluch (appointed 25 March 2020, resigned 3 August 2020)
N R Hindle (resigned 31 January 2020)
A L Nelson

Directors' indemnity

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

Going concern

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

The Directors have considered the implications behind the Ferrovial, S.A. Group's strategic decision to divest the Amey UK plc Group. This decision does not impact the Company's day to day operations. Ferrovial has confirmed to Amey that, if it is unable to find a buyer that can demonstrate that it has plans to ensure that the Company will continue to be able to meet its liabilities as they fall due during the period of 12 months from the date of approval of these financial statements, Ferrovial will maintain its shareholding in the Company for that period.

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 plc.


Amey Rail Limited

Report of the Directors for the Year Ended 31 December 2020 (continued)

Statement as to disclosure of information to the auditor

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

Approved by the Board on 22 July 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A L Nelson', is written over a horizontal dotted line.

A L Nelson
Director

22 July 2021

Amey Rail Limited

Statement of Director's Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Amey Rail Limited

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Amey Rail Limited

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Directors

As explained more fully in the Statement of Director's Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Amey Rail Limited

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

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

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

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

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

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

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

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

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

Amey Rail Limited

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:
.....
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Peter Gallimore FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham,
United Kingdom
22 July 2021

Amey Rail Limited**Income Statement for the Year Ended 31 December 2020**

	Note	2020 £'000	2019 £'000
Revenue	4	120,939	287,718
Cost of sales (including exceptional charge of £nil (2019 - £3.4 million))	9	(138,624)	(288,898)
Gross loss		(17,685)	(1,180)
Administrative expenses		(11,493)	(16,287)
Operating loss		(29,178)	(17,467)
Provision against investment in joint venture	9	(18,148)	-
Release /(charge) for provision against investments in subsidiary undertakings	6	55,251	(88,095)
Profit/(loss) before interest and taxation		7,925	(105,562)
Interest receivable and similar income	7	934	23
Income from investment in fixed asset		-	600
		8,859	(104,939)
Finance expense	8	(2,493)	(1,979)
Profit/(loss) before taxation	9	6,366	(106,918)
Tax on profit/(loss)	10	10,442	2,530
Profit/(loss) for the year		16,808	(104,388)

The notes on pages 16 to 41 form part of these financial statements.

Amey Rail Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020


	2020 £'000	2019 £'000
Profit/(loss) for the year	16,808	(104,388)
Total comprehensive income/(expense) for the year	16,808	(104,388)

The notes on pages 16 to 41 form part of these financial statements.

Amey Rail Limited (Registered number: 02995531)**Balance Sheet as at 31 December 2020**

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	-	171
Tangible assets	12	221	658
Investments	13	55,251	11,030
		<u>55,472</u>	<u>11,859</u>
Current assets			
Inventories	14	67	67
Debtors: amounts falling due within one year	15	19,010	67,180
Debtors: amounts falling due after more than one year	15	830	749
Cash at bank and in hand		7,519	8,792
		<u>27,426</u>	<u>76,788</u>
Creditors:			
Amounts falling due within one year	16	(41,190)	(151,585)
Net current liabilities		<u>(13,764)</u>	<u>(74,797)</u>
Total assets less current liabilities		41,708	(62,938)
Creditors: amounts falling due after one year	17	-	(162)
Net liabilities		<u>41,708</u>	<u>(63,100)</u>
Capital and reserves			
Share capital	20	26,544	8,544
Other equity instrument	21	70,191	-
Retained deficit		<u>(55,027)</u>	<u>(71,644)</u>
Shareholders' funds/(deficit)		<u>41,708</u>	<u>(63,100)</u>

The financial statements were approved by the Board of Directors on 22 July 2021 and signed on its behalf by:



A L Nelson

Director

22 July 2021

The notes on pages 16 to 41 form part of these financial statements.

Amey Rail Limited**Statement of Changes in Equity for the Year Ended 31 December 2020**

	Share capital £'000	Other equity instrument £'000	Retained earnings/ (deficit) £'000	Total £'000
At 1 January 2019	8,544	-	32,744	41,288
Loss for the year	-	-	(104,388)	(104,388)
Total comprehensive expense	-	-	(104,388)	(104,388)
At 31 December 2019	8,544	-	(71,644)	(63,100)

	Share capital £'000	Other equity instrument £'000	Retained deficit £'000	Total £'000
At 1 January 2020	8,544	-	(71,644)	(63,100)
Profit for the year	-	-	16,808	16,808
Total comprehensive income	-	-	16,808	16,808
Share capital issued (see note 20)	18,000	-	-	18,000
Other equity instrument issued (see note 21)	-	70,000	-	70,000
Other equity instrument interest	-	191	(191)	-
At 31 December 2020	26,544	70,191	(55,027)	41,708

The notes on pages 16 to 41 form part of these financial statements.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

On 1 January 2020, the following additional standards which might have had an impact on the financial statements came into force in the United Kingdom:

Conceptual framework	Amendments to references to the conceptual framework in IFRS standards
Amendments to IFRS 3	Definition of business
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 4	Extension of temporary exemption in applying IFRS 9

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 2021 are not expected to have a material impact on the Company.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- IFRS 2, 'Share based payments';
- IAS 36, 'Impairment of assets' paragraphs 134 and 135;
- IFRS 15, 'Revenue from contracts with customers': second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129; and
- IFRS 16, 'Leases': paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93. Paragraph 58, provided that the disclosure of details of indebtedness required by paragraph 61(c) of Schedule 1 of the Regulations is presented separately for lease liabilities and other liabilities in total.

Basis of consolidation

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

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern

The Company is a subsidiary of Amey UK plc (the Group) and its financial resources are managed on a group basis. The Company is accordingly a cross-guarantor to certain liabilities of the Group as described in note 22. The Company has also received written confirmation from the intermediate parent undertaking, Amey UK plc, that it will continue to provide financial support to the Company for the period of at least twelve months from the date of signing these financial statements in order to fund day-to-day operations and to meet liabilities to the extent that the Company is unable to do so. The ultimate parent of the Group is Ferrovial, S.A.

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

The Directors have considered the implications behind the Ferrovial, S.A. Group's strategic decision to divest the Amey UK plc Group. This decision does not impact the Company's day to day operations. Ferrovial has confirmed to Amey that, if it is unable to find a buyer that can demonstrate that it has plans to ensure that the Company will continue to be able to meet its liabilities as they fall due during the period of 12 months from the date of approval of these financial statements, Ferrovial will maintain its shareholding in the Company for that period.

The Group's key external banking facilities are five 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. These agreements total £160 million with £32 million maturing in July 2021 and £128 million maturing in July 2022. A subsidiary company of the Group also has an additional facility of £12 million with The Royal Bank of Scotland plc which matures in December 2021. Additionally, with effect on 31 December 2020, shareholder loans of £85 million were extinguished as part of a further recapitalisation of the Group for additional total equity of £112 million.

At 31 December 2020, all £160 million of the bilateral facilities were undrawn and the Group also held £71 million of unrestricted cash on the Group balance sheet with £22 million of other bank loans drawn down. In February 2021, the Group concluded its discussion with its lenders to replace the £32 million loan expiring in July 2021 with new loans totalling £40 million expiring in July 2022. The latest Group cash flow forecasts show that the Group does not require the expiring facilities to be renewed in July 2022 as the Group will have sufficient cash resources from then onwards to support its ongoing working capital requirements. Nevertheless, early indications are that lenders would be willing to extend.

Notwithstanding this improved financial strength, the Directors of the Group have reviewed a number of factors including:

- the future business plans of the Group (comprising the results for 2020 and to June 2021, the latest forecast to December 2021 and the draft strategic plan for 2022 to 2025);
- the availability of core and ancillary financing facilities including those provided by Ferrovial;
- the compliance with the related net debt/EBITDA banking covenant which must remain under 3.00x;
- 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 2021; and
 - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern (continued)

The RWC forecast looks at the following key sensitivities:

- a reduction to the Group's EBITDA of £15.5 million in 2021 and £38.7 million in 2022 to reflect the ongoing volatility in the UK trading performance and sector dynamics;
- additional sensitivity around the timing of receipts;
- assumption allowing for a further reduction in the number of days outstanding of trade payables;
- a significant delay in the dates budgeted for the sale of the non-core businesses; and
- full repayment of the Group's banking facilities in 2021 (£11m) and 2022 (£180m).

The Directors note that the COVID-19 pandemic has had a material impact on the Group's earnings during the year ended 31 December 2020 however the impact was primarily in the 2nd and 3rd quarters of that year. As the Group gained more clarity over the key worker status and new working practices the impact on day to day operations reduced significantly during the last quarter and as, evidenced by minimal effect of the second national lockdown, the Group does not anticipate any further impacts even if further lockdowns are required. As a consequence, the RWC does not consider any impact specifically due to subsequent COVID-19 waves, although the business case sensitivities analysed allow for a worsening trading environment.

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

The Board has also considered the implications behind the ongoing strategic decision of Ferrovial to divest its Services portfolio, reconfirmed in February 2021. This decision does not impact Amey's 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 after a sale. The impact on our financing arising from a change of control would be as follows:

- Our external facilities totalling £168 million may become due for repayment subject to the change of control requirements which require the buyer to be of equivalent credit rating to our ultimate parent company; and
- The £45 million consideration still outstanding to Amey Birmingham Highways Limited would be immediately payable under the terms of the settlement agreement with them.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern (continued)

Notwithstanding the above, the Board of Amey consider that the Group remains a going concern status in the event of a sale. In making this decision the Board has assessed the following points:

- Ferrovia's chief executive has stated and reconfirmed in February 2021 that Ferrovia will only sell Amey for full value. The implication of this is that the successful buyer would stand to lose its full investment if it had not arranged for suitable refinancing, waivers or alternative plans for the business to enable it to continue trading. The Board believes, based on evidence gained during the sale process in 2019, that a sale to a buyer that could not demonstrate its capability to ensure Amey remains appropriately funded to be highly improbable and the Board therefore expects Amey to be a going concern, with suitable financing after such sale;
- Since the previous set of financial statements there has been ongoing dialogue between the board members of Amey and board members and senior executives of Ferrovia. These conversations give the Board comfort that Ferrovia is committed to an orderly sale process to a reputable buyer with appropriate financial standing. Ferrovia's actions, such as the recent conversion of additional debt to equity have been evidence of Ferrovia's support to Amey and consistent with these verbal assurances. Given the 20-year association between Ferrovia and Amey, the £160 million of additional funding in the last three years, the existing investments that Ferrovia has in the UK outside of Amey and Ferrovia's strong social and business values, the Board consider it to be highly improbable that Ferrovia would jeopardise its reputation by undertaking a fire-sale at undervalue; and
- Ferrovia is fully aware of the powers of the trustees under the governing documents of the defined benefit pension schemes and of the regulatory regime operated by the Pension Regulator and would have regard, as appropriate, to factors relating to the defined benefit pension schemes on any sale.

In summary, since Amey's last set of financial statements for the year ended 2019 signed in June 2020, Ferrovia has extinguished substantial loans to the Group and provided additional equity. The Group has also settled all the sums due in 2019 and 2020 in respect of the Birmingham contract. The Directors believe that Amey is in a stable operating environment with clear evidence that Ferrovia continues to be a supportive shareholder who will ensure that Amey continues to operate successfully for the foreseeable future.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****2 Accounting policies (continued)****Other principal accounting policies**

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

Revenue recognition

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

(i) General revenue recognition criterion

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

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

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

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

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

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****2 Accounting policies (continued)****Revenue recognition (continued)***(ii) Recognition of revenue from contract modifications, claims and disputes*

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

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

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

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

(iii) Variable consideration

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

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

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

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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

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

Foreign currency transactions and balances

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

Intangible assets (goodwill and other intangible assets)

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

Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation. 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%

Leasing and hire purchase contracts

Assets held under finance leases and hire purchase contracts are included in property, plant and equipment and are depreciated over the shorter of the contract term or their useful life. The net obligation relating to finance leases and hire purchase contracts is included as a liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. Costs in respect of other lease commitments are charged to the income statement on a straight-line basis over the lease period.

Following the adoption of IFRS 16: Leases on 1 January 2019, the distinction between operating and finance leases has been removed with all leases now considered to be finance leases except for short-term leases of less than twelve months duration or for leases with low value assets. These exceptions will continue to be accounted for as other lease commitments.

Investment in subsidiary undertakings

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

Trade and other receivables

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

Investment in joint ventures

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

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Inventories

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

Financial instruments

Recognition and de-recognition

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

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

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

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****2 Accounting policies (continued)****Financial instruments (continued)***Impairment of financial assets*

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

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

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

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

Classification and measurement of financial liabilities

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

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

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****2 Accounting policies (continued)****Financial instruments (continued)***Classification and measurement of financial liabilities (continued)*

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

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

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

(d) Fair value hedge - all hedging relationships that were hedging relationships under IAS 39 at the 31 December 2017 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2019 and are therefore regarded as continuing hedging relationships. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the EIR method is used is amortised in the income statement over the period to maturity.

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

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

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

Current and deferred income tax

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

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

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

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

Pre-contract costs and certain other costs arising on contracts

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

Cash at bank and in hand

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

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Creditors

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

Exceptional items

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

3 Critical accounting estimates and judgements

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

IFRS 15

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

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

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

Other Equity Instrument

Significant judgement has been applied in respect of the recognition of the subordinated loan facility as an Other Equity Instrument (see note 21).

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****4 Revenue**

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

The value of revenue recognised in the current year in respect of performance obligations satisfied in prior years was £1,695,000 (2019 - £933,000).

5 Employees and Directors

The Company had no direct employees in either 2020 or 2019. 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 2020 or 2019.

Details of the remuneration of the other Directors, whose services are of a non-executive nature and who are also directors of the Company's intermediate undertaking, Amey UK plc, or of its fellow group undertakings, Amey OW 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 Provision for investments in fellow group companies

	2020	2019
	£'000	£'000
(Release)/charge for the year	(55,251)	88,095

Further detail on the change in investment provision recorded in the year is included in note 13.

7 Interest receivable and similar income

	2020	2019
	£'000	£'000
Other interest receivable	934	23

8 Finance expense

	2020	2019
	£'000	£'000
Other interest payable	130	1,389
Finance lease interest	67	15
Payable to fellow subsidiary undertakings	2,296	575
	<u>2,493</u>	<u>1,979</u>

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****9 Loss before taxation**

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

	2020 £'000	2019 £'000
Deferred income (recognised)/deferred in the year	(1,575)	5,716
Amortisation - other intangible assets	171	1,027
Depreciation - owned assets	246	263
- leased assets	127	140
Amortisation of bid and mobilisation costs	-	751
Short term and low value lease rentals - land and buildings	31	422
- hire of plant and machinery	13,058	38,995
- IT licences and rentals	2,012	1,313
Cost of inventory recognised as an expense	6,813	14,888
Dividend income received from joint venture investments	-	(600)
(Release)/charge for provision for investments in group companies (see note 6)	(55,251)	88,095
Impairment of investments in joint venture	18,148	-
Exceptional impairment of other receivable	-	3,435

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 £72,000 (2019: £67,000).

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

In 2020, the Company also incurred an exceptional loss of £18.1 million in respect of its investment in the joint venture undertakings forming part of the Wales and Borders rail operations contract which has been severely impacted by the COVID-19 pandemic. In 2019, the Company's results were also impacted by an exceptional cost of £3.4 million (2018 - £nil) arising on the impairment of other receivables arising on a JANE for the anticipated under-recovery of that asset through future cash inflows.

10 Taxation

Analysis of tax income

	2020 £'000	2019 £'000
Current tax		
Tax - current year	(8,459)	(2,367)
Tax - adjustment in respect of prior periods	(1,902)	8
Total current tax	(10,361)	(2,359)
Deferred tax - current year charge/(credit)	(74)	(129)
Deferred tax - credit relating to changes in tax laws	(88)	-
Deferred tax - adjustment in respect of prior period	81	(42)
Total deferred tax	(81)	(171)
Total tax income in income statement	(10,442)	(2,530)

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****10 Taxation (continued)**

Factors affecting the tax income

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%).

The differences are reconciled below:

	2020 £'000	2019 £'000
Profit/(loss) before income tax	6,366	(106,918)
Tax on loss calculated at standard rate	1,210	(20,314)
Effects of:		
Decrease in tax from adjustment for prior periods	(1,821)	(34)
Dividend income non-taxable	-	(114)
(Increase)/decrease from effect of expenses not deductible in determining taxable tax loss	(101)	19
Tax effect of asset impairments not deductible in determining taxable profit	(10,498)	16,737
Deferred tax expense from unrecognised temporary difference from a prior period	846	1,161
Deferred tax (income)/expense relating to changes in tax rates or laws	(78)	15
Tax income	(10,442)	(2,530)

On 11 March 2021, Finance Bill 2021 was published which includes provision for the main rate of UK Corporation Tax to increase to 25% from 1 April 2023. As the rate change will be enacted after the balance sheet date, it is a non-adjusting post balance sheet event. However, the impact of recognising deferred tax at the new rate applicable when the deferred tax is forecast to crystallise would be an increase to the net deferred tax asset of £43,600 at 31 December 2020.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****11 Intangible fixed assets**

	Secured orderbook £'000	Total £'000
Cost		
At 1 January 2020	2,053	2,053
At 31 December 2020	2,053	2,053
Amortisation		
At 1 January 2020	1,882	1,882
Amortisation charge	171	171
At 31 December 2020	2,053	2,053
Net book value		
At 31 December 2020	-	-
At 31 December 2019	171	171

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

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

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****12 Tangible fixed assets**

	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2020	175	1,063	1,606	2,844
Additions	-	140	-	140
Disposals	-	(383)	-	(383)
At 31 December 2020	175	820	1,606	2,601
Depreciation				
At 1 January 2020	132	820	1,234	2,186
Charge for the year	43	127	203	373
Disposals	-	(179)	-	(179)
At 31 December 2020	175	768	1,437	2,380
Net book value				
At 31 December 2020	-	52	169	221
At 31 December 2019	43	243	372	658

The net book value of tangible fixed assets held under finance leases and similar hire purchase contracts amounted to £0.05 million (2019 - £0.2 million) all of which was in respect of short leasehold property. Additions of tangible fixed assets held under finance leases and similar hire purchase contracts during the year of £0.1 million. The depreciation charge for the year for assets held under finance leases and similar hire purchase contracts was £0.1 million (2019 - £0.2 million).

13 Investments

	Loans advanced to joint ventures £'000	Shares in joint ventures £'000	Equity loans to fellow group companies £'000	Total £000
Cost				
At 1 January 2020	10,670	360	88,095	99,125
Additions	7,118	-	-	7,118
At 31 December 2020	17,788	360	88,095	106,243
Provision for impairment				
At 1 January 2020	-	-	88,095	88,095
(Release)/charge for the year	17,788	360	(55,251)	(37,103)
At 31 December 2020	17,788	360	32,844	50,992
Carrying amount				
At 31 December 2020	-	-	55,251	55,251
At 31 December 2019	10,670	360	-	11,030

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Investments (continued)

At 31 December 2020, the Company held 90% (2019 – 90%) of the share capital of a subsidiary undertaking, Amey Keolis Infrastructure / Seilwaith Amey Keolis Limited which is not publicly traded. The subsidiary undertaking is incorporated in England and Wales and operates in the UK and has a total share capital of 100 ordinary shares of £1 each. The registered office of the subsidiary undertaking is Transport for Wales, Cvi Infrastructure Depot, Ty Trafnidiaeth, Treforest Industrial Estate Gwent Road, Pontypridd CF37 5UT United Kingdom

On 30 July 2019, the Company granted equity loan facilities totalling £88,095,000 to fellow group undertakings, Amey LG Limited and Enterprise plc, for £32.8 million and £55.3 million respectively. These are perpetual investment loans with an applicable interest rate of 12-month LIBOR plus 200 basis points, payment of which is at the discretion of loan grantees. The carrying value of the equity investment loans made during the year was impaired in full in 2019.

A credit arose in 2020 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £55,251,000 (2019 - £88,095,000 charge). These provisions reflect the difficult trading conditions experienced by some of the Group's principal operating subsidiaries, though the outlook has considerably improved following the exit from loss-making contracts by the Amey Group and as a result of additional capital contributions made to those group companies in need of support. During the year, management has reassessed the carrying value of investments in group undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment may also consider whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related investment.

The recoverable amounts are based on value-in-use which reflects forecast cash flows as derived from approved budgets and plans for the next five years. The future cash flows are based on the completed Budget 2021 and the 2022-2025 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 1.75% (2019: 1.75%). The underlying assumptions of these cash flows are based on the existing contract order book, management's past experience and on probability ratios for new business generation. The cash flows have been discounted using a risk-based discount rate of 9.76% (2019: 10.5%). 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.

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

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****13 Investments (continued)**

At 31 December 2020, the Company held share capital of the following joint venture undertakings, none of which are publicly traded and all of which are registered in England and Wales and operate in the UK:

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

The registered office of Keolis Amey Docklands Limited and Keolis Amey Metrolink Limited is Evergreen Building North, 160 Euston Road, London, NW1 2DX, United Kingdom. The registered office for both Keolis Amey Wales Cymru Limited and Keolis Amey Operations/Gweithrediadau Keolis Amey Limited is 2 Callaghan Square, Cardiff, CF10 5BT.

14 Inventories

	2020	2019
	£'000	£'000
Raw materials and consumables	67	67

15 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,300	9,679
Amounts recoverable on contracts	9,641	36,023
Amounts owed by other fellow subsidiaries of the Amey UK plc group	4,524	15,532
Amounts owed by the parent undertaking of the Company	234	-
Amounts owed by Ferrovial, S.A. group undertakings	823	823
Amounts owed by joint ventures	198	645
Other debtors	36	94
Payments and accrued income	2,254	4,384
	19,010	67,180
Amounts falling due after more than one year:		
Deferred tax asset (see note 19)	830	749
Aggregate amounts	19,840	67,929

Amounts owed by group undertakings are repayable on demand and bear interest at a market rate of 0.4% (2019: 0.4%). There is no difference between the book value and the fair value of amounts owed by group undertakings.

As required by the disclosure requirements of IFRS 15, current amounts recoverable on contracts at 31 December 2018 was £58,738,000.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****16 Creditors: amounts falling due within one year**

	2020	2019
	£'000	£'000
Trade creditors	5,203	19,192
Social security and other taxes	2,465	8,707
Amounts owed to other fellow subsidiaries of the Amey UK plc group	3,144	52,725
Amounts owed to parent undertakings of the Company	1,234	30,454
Finance lease liabilities (see note 18)	91	86
Other creditors	1	1,381
Accruals	24,321	32,734
Deferred income	4,731	6,306
	<u>41,190</u>	<u>151,585</u>

Amounts due to fellow group undertakings are payable on demand and bear interest at a market rate of 1.9% (2019: 1.9%). There is no difference between the book value and the fair value of amounts owed to group undertakings.

As required by the disclosure requirements of IFRS 15, the amount of current deferred income at 31 December 2018 was £590,000.

17 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Finance lease liabilities (see note 18)	<u>-</u>	<u>162</u>

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****18 Leasing arrangements**

Finance lease liabilities	2020	2019
	£'000	£'000
Current:		
Finance lease liabilities	91	86
Non-current		
Finance lease liabilities	-	162
Total	91	248

	1 year or less	1-2 years	2-5 years	Total
	£'000	£'000	£'000	£'000
Finance lease liabilities	91	-	-	91
	91	-	-	91

	1 year or less	1-2 years	2-5 years	Total
	£'000	£'000	£'000	£'000
Finance lease liabilities	86	45	117	248
	86	45	117	248

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

	2020	2019
	£'000	£'000
Gross obligations repayable:		
Within one year	94	90
In 1 to 2 years	-	49
In 2 to 5 years	-	135
	94	274
Impact of future finance costs	(3)	(26)
Net obligations as reported on the balance sheet	91	248

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****18 Leasing arrangements (continued)****Finance lease liabilities - additional disclosures**

The changes in finance lease liabilities are set out below:

	2020 £'000	2019 £'000
At 1 January	248	-
Impact of adoption of IFRS 16, Leases - recognition of finance lease liabilities	-	383
Additions	140	-
Disposals	(209)	-
Interest payable on finance lease liabilities	67	15
Repayment of finance lease liabilities principal	(88)	(135)
Payment of finance lease liabilities interest	(67)	(15)
At 31 December	91	248

The Company's leasing activities comprise rentals of property. Short-term rentals of less than twelve months and low value assets of less than €5,000 are treated as other lease commitment rentals with all long-term and high value assets accounted for as finance leases. All future cash flows arising on leases are considered when measuring finance leases and are based on the contractual terms of the lease agreed. 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 2020, there were no leases not yet commenced to which the Company was committed (2019 - none). The average interest rate applied on finance leases both on adoption of IFRS 16 and during the year was 3.9%. The Company has taken advantage of the practical expedients available in IFRS 16 to apply a single discount rate to a portfolio of leases and to apply accounting for short-term leases for which the lease term ends within twelve months of the date of transition to IFRS 16.

Lease commitments

Leases relate to many small agreements none of which are deemed significant enough for separate disclosure. The £nil commitment for 2020 (2019 - £nil) relates to lease commitments that are now accounted for as finance leases in accordance with IFRS16.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****19 Deferred tax asset**

	Deferred capital allowances £'000	Other timing differences £'000	Total £'000
Balance at 1 January 2020	710	39	749
Credited/(charged) to Income Statement during year	118	(37)	81
At 31 December 2020	828	2	830

	2020 £'000	2019 £'000
Deferred tax asset comprises:		
Other timing differences	2	39
Deferred capital allowances	828	710
Balance at 31 December	830	749
Falling due after more than one year	830	749

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.

	2020 £'000	2019 £'000
Unrecognised deferred tax comprises:		
Capital losses	-	1,600

All deferred tax assets have been measured at a rate of 19% (2019 - 17%).

20 Share capital

	Number	£'000
Ordinary shares of £1 each		
Authorised issued and fully paid at 31 December 2019	8,544,000	8,544
Additional shares issued 19 November 2020	18,000,000	18,000
Authorised, issued and fully paid at 31 December 2020	26,544,000	26,544

On 19 November 2020, the Company issued 18,000,000 Ordinary shares of £1 each for proceeds of £18,000,000. The proceeds from this issue were left as an intercompany receivable from the immediate parent company.

Amey Rail Limited**Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)****21 Other equity instrument**

	£'000
Balance at 1 January 2020	-
Issue of other equity instrument	70,000
Reserves transfer on other equity instruments	191
Balance at 31 December 2020	<u>70,191</u>

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

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

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

22 Contingent liabilities

As a member of the Amey UK plc Group of Companies, the Company is a participating guarantor in respect of certain Group borrowings, bank account pooling arrangements, Group VAT registrations and HMRC UK Corporation Tax Group Payment arrangement and is jointly and severally liable with other group companies for the total Group balances outstanding. At 31 December 2020, the only net liabilities arising across the Amey Group were £nil (2019 - £64,000,000) in respect of Group borrowings and £56,824,000 (2019 - £31,332,000) 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 £45 million remaining to be paid at 31 December 2020. The full amount of deferred consideration can be accelerated upon the occurrence of either a change of control or flotation of the Group; the sale of all or substantially all of the assets of the Group; abandonment by the Group of the original services agreement; material breach of certain business continuity covenants where such breach has a material adverse effect on the services provided by the Group; non-payment of amounts due under the settlement agreement; breach of payment security provisions in the settlement agreement; commencement of an insolvency process in relation to Amey companies party to the agreement; or acceleration of repayment of the Group's corporate banking facilities. Until the full amount of the deferred consideration is paid, subject to certain exceptions, there are restrictions on the disposal of assets which Amey UK plc and the Amey Group can make. Upon certain financial disposals, Amey LG Limited is required to pay a proportion towards any payment of any deferred consideration.

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

There were no other contingent liabilities at 31 December 2020 or at 31 December 2019.

Amey Rail Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

23 Capital commitments

The Company has commitments to provide loan finance to its subsidiary undertaking and joint venture undertakings of £16.6 million at 31 December 2020 (2019 - £19.0 million). This commitment was cancelled on 7 February 2021 as part of a restructure of the Wales and Border rail contracts held through investments of the Company.

The Company had no other capital commitments at 31 December 2020 or at 31 December 2019.

24 Controlling parties

The immediate parent undertaking is Amey plc.

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

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

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

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

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

The parent of the smallest group in which these financial statements are consolidated is Amey UK 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 Fumival Road
London EC4A 1AB
United Kingdom