Registered number: 02756434

Ringway Infrastructure Services Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Ringway Infrastructure Services Limited

Company Information

Directors	C Ferrer R Gillespie N Goddard J Nicholson M Notman C Rillstone (appointed 14 January 2019) D Rowley (resigned 1 June 2019) P Skegg J Sunderland S A Wardrop
Company secretary	S Lysionek
Registered number	02756434
Registered office	Albion House Springfield Road Horsham West Sussex RH12 2RW
Independent auditor	Constantin Chartered Accountants and Statutory Auditor 25 Hosier Lane London EC1A 9LQ

Ringway Infrastructure Services Limited

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Ringway Infrastructure Services Limited

Strategic Report
for the year ended 31 December 2019

Introduction

The Company operates highway maintenance contracts, on behalf of local authorities throughout the UK. Taking pride in its flexible approach, breadth of expertise and strong client partnerships, the Company works closely with local authorities to deliver highways maintenance, emergency response, gully cleansing, street lighting installation and maintenance, grass cutting and traffic management.

The Company is renowned for consistently delivering cost-effective performance with sustainable and innovative solutions, supported by a self-delivery model and specialisms within the wider business. As well as delivering exceptional service, we aim to improve the quality of life for the public as well as road-user experiences within the communities people live and work across the UK.

Business review

Our Ringway term service businesses provide a variety of highway related asset and infrastructure management services for Local and Strategic Highway Authorities. We have progressed with our strategic business plan to balance our service business operating in Local and Strategic Highways, as we now operate four of the former 14 Highways England areas. In 2019, our teams initiated two new long-term service contracts:

In Gloucestershire, the contract for Highways Term Maintenance commenced on 1st April 2019. The Contract is worth around circa £20m per year, with an initial term of 7 years, with an option to extend year-on-year up to 2030. It provides us with the opportunity to return to work in a County with which we have a close association. Ringway secured the first-generation externalisation in 1995, then re-won the 2nd and 3rd generation contracts till 2006 when it went to an integrated service Contract in its 4th generation, won by Atkins.

Ringway was also appointed by Highways England to undertake the Maintenance and Response Contract for its East Region (formerly Areas 6 & 8). Despite a reduced mobilisation period, operations started on 1st October 2019. The Contract is for the maintenance of Highways England's strategic network in the East Region and is worth around £28m per year, with a duration of 15 years. The Area includes the strategic routes in the Counties of Norfolk, Suffolk, Peterborough, Essex, Hertfordshire, Central Bedfordshire, Buckinghamshire and Milton Keynes, which aligns well with our existing operational areas. The Maintenance and Response Contract delivers routine, reactive and cyclic maintenance, the winter service and incident response.

These new contracts were vital as some of our current long-term contracts will come up for re-tendering in the next five years. In 2019, North Yorkshire County Council formally announced that the current contract would not be re-tendered, as the Client will form an in-house "Teckal, arms-length" company to run highway services for the County from Q2 2021.

However, our teams also managed to secure extensions on most of the existing long-term contracts:

In Hertfordshire, Ringway started its five-year contract extension after successfully completing the initial seven-year term on 30th September 2019.

In Bracknell Forest, Ringway was awarded a fifth consecutive contract extension by the Council to provide highway term services in the local area.

In Cheshire West and Chester, Ringway had its Highways and Environment Term Service Contract extended for a second time as the result of satisfying the performance requirements in the previous 12-month period.

In Wiltshire, Ringway had its term maintenance contract extended by 15 months by the Council.

As a result of the start of its two new contracts, in 2019 Ringway reported an increase in Turnover, with a total of £279.8m being reported for the year, up +8.2% on 2018..

The EBIT margin however reduced to +1.6%, down from the +3.2% margin made in 2018, mostly due to the booking of a significant foreseeable loss on the Maintenance & Repair contract with Highways England in the South West Region, relating to disputed items, payment and certification issues.

Business review (continued)

Over the last 12 months we have continued to develop our Integrated Management System (IMS) which encompasses all our policies, processes and procedures to ensure compliance, governance and continual improvement of performance across our business. Our IMS is independently certified by external auditors and continue to retain certification to the very latest standards for Quality Management (ISO 9001), Environmental Management (ISO 14001), Occupational Health and Safety Management System (ISO 45001), Energy Management (ISO 50001), Collaborative Working Relationships (ISO 44001) and Asset Management (ISO 55001). We have again achieved the Royal Society for the Prevention of Accidents (RoSPA) Gold Award.

We remain committed to our Operational Excellence Strategy and the use of the EFQM Model to measure and assess our improvement journey.

Principal risks and uncertainties

Market risks

The Directors view the principal business risks and uncertainties faced by the Company are related to its abilities to continue winning new, or retaining existing, major maintenance contracts at a commercial price to keep the order book at a sustainable level and being able to manage those contracts successfully to generate a sustainable level of profit. The Company relies on contracts with public bodies which periodically come up for tender and the renewal of these contracts is not certain.

Credit risk

The Company's principal financial assets are bank balances and trade receivables.

The Company's credit risk is primarily attributable to its trade receivables. However, the Company's major customers are government agencies so the potential credit risk is limited and credit checks are undertaken on other new customers. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Company receives additional funding from its parent company or third party bankers on normal commercial terms and subject to the Company meeting the normal liquidity limits imposed by the lender. These are as required in order to ensure sufficient funds are available for ongoing operations and future developments. The Group seeks to manage financial risk by investing cash assets safely and profitably.

Price risk

The Company is exposed to commodity price risk. The Company manages its exposure to commodity price risk through contractual terms with major customers and suppliers.

Directors' statement of compliance with duty to promote the success of the Company

This section sets out the way in which our Directors comply with the requirements of Section 172 Companies Act 2006. Specifically, the way in which they undertake their duties, the values they uphold and the manner in which they promote business success for the benefit of all stakeholders. Specifically:

a. The likely consequence of any decision in the long term;
b. The interests of the Company's employees;
c. The need to foster the Company's business relationship with suppliers, customers and others;
d. The impact of the Company's operations on the community and the environment; and
e. The desirability of the Company maintaining a reputation for high standards of business conduct.

The Ringway Infrastructure Services Limited Board embraces its responsibilities to all stakeholders and aligns its strategy and key decisions to the benefit of those stakeholders. The Board understands that this approach will support the sustainability of the business – in terms of economic, environmental and societal benefits.

Our strategic objectives are set out in our Business Plan which itself is drawn up under core eight building blocks to ensure all possible areas of impact are considered. This document is communicated throughout the business, monitored and updated to ensure that we remain responsive to changes in the marketplace and our stakeholder requirements.

Our ultimate parent company has produced and disseminated a Manifesto of key Principles to which every subsidiary works and the Board has considered each of these Principles and built them into the processes that govern everyday management alongside Ringway's own values of Integrity, Versatility, Openness and Resilience.

A long-established governance hierarchy of specialist committees reporting into our Executive Committee, itself consisting of members expert in a diverse range of disciplines is in place to support effective and robust management and diversity of ideas. The Board and Committee members proactively engage with our clients, supply chain partners, employees and local communities to ensure that we understand their needs and our business reflects these through policy and process.

This report was approved by the board and signed on its behalf.

Susan Lysionek

S Lysionek
Company Secretary

Date: 6 August 2020

Ringway Infrastructure Services Limited

Directors' Report
for the year ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Principal activity

The principal activity of the Company during the year was the provision of road and highway infrastructure asset management, operating and maintenance services.

Results and dividends

The profit for the year, after taxation, amounted to £2,476,375 *(2018 - £6,110,508)*.

The Directors do not recommend the payment of a dividend for the year (*2018 - £nil*).

Directors

The Directors who served during the year were:

C Ferrer
R Gillespie
N Goddard
J Nicholson
M Notman
C Rillstone (appointed 14 January 2019)
D Rowley (resigned 1 June 2019)
P Skegg
J Sunderland
S A Wardrop

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2018 - £nil)*.

Future developments

In early 2020 the Company faced the initial shock wave of the Covid-19 pandemic and has continued to undertake critical highway maintenance actvities.

Directors' Report (continued)
for the year ended 31 December 2019

Engagement with employees

Our employees are a key resource and we prioritise investment in continual training and personal development for all employees. Our online training platform ensures that our employees have access to, and can participate in, a variety of online training courses.

We have a culture of inclusion and diversity through accreditations from Investors in People and Investors in Diversity. There are a number of ways we involve, communicate and gather feedback from our employees including: annual roadshows where our leadership and staff come together to discuss plans and topics of interest, a range of surveys covering safety and wellbeing, inclusion and satisfaction, local and national newsletters and electronic noticeboards. Further, there is a dedicated platform; Eureka, for promoting ideas and innovation from all employees.

The senior management team are encouraged to be visible and approachable and regularly undertake site safety tours, where they engage with employees on any topic, including safety and working practices, incorporating that feedback into business decisions.

Disabled employees

It is the policy of the Company to encourage the employment, training and advancement of disabled persons wherever possible. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

Engagement with suppliers, customers and others

Engagement with Supply Chain Partners

We are 'long term' people. Establishing strong partnerships with our supply chain is an important element of our success. We foster personal relationships, using a mix of national and local suppliers to ensure that we are delivering best value, locally focused services that support our national presence and scope, whilst also supporting local communities and economies.

We use innovative digital systems to manage performance throughout our extensive supply chain, whilst regular formal and informal 360' reviews are encouraged to ensure we continue to work with best-performing companies. We welcome the innovation that our external partners support us to deliver, and actively foster partnership working through tailored payment and contractual terms and arrangements.

We aim to be amongst the best in the industry in paying our supply chain and take our responsibility towards our supply chain seriously.

Engagement with Clients

Our client relationships are of the utmost importance to us. We are private sector partners, dedicated to delivering public services. We offer best practice maintenance services through local solutions which make an impact in the communities in which we operate. We take pride in offering a dedicated, flexible approach which supports our clients, underpinned by the recruitment, development and retention of a locally based workforce and supported by a close community of trusted supply-chain partners.

Engagement with Local Communities

Working with local communities is an essential part of our work. Our business principles are based on delivering local services with local people. This approach makes us directly accountable to the communities in which we work – our teams are local people, concerned about local issues and community.

Increasingly, our clients need to provide more for less. Our teams support this by creating opportunity and solutions including local employment opportunities and developing skills; investing in local businesses and suppliers and in our network of offices, and creating safe places where people live, work and learn.

Our Corporate Responsibility (CR) Champions have been in place since 2012 and provide a link between our businesses and the community. Initiatives they support often involve residents, client staff and partners working closely with our employees, building genuine, long term partnerships supporting community projects.

Impact on the environment

We are committed to creating an environment, whether by the schemes we deliver, or the projects we select, that make a lasting difference to environmental, social and economic sustainability. We adopt best environmental practice across our operations by reducing our consumption of non-renewable resources, investing in green technology, materials and processes, and managing our carbon and water footprint for the benefit of future generations.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

In early 2020, the Company faced the initial shock wave of the Covid-19 pandemic. Despite facing challenges during the'lockdown' period, the Company continued to service Local Authorities on critical highway maintenance activites. The directors considered the financial impact of this pandemic and have concluded that the matter is a non-adjusting post balance sheet event.

Directors' Report (continued)
for the year ended 31 December 2019

Auditor

In accordance with section 478(2) of the Companies Act 2006, a resolution for the reappointment of Constantin as auditors of the Company was proposed at the Annual General Meeting.

This report was approved by the board and signed on its behalf.

Susan Lysionek

S Lysionek
Company Secretary

Date: 6 August 2020

Albion House
Springfield Road
Horsham
West Sussex
RH12 2RW

Independent auditor's report to the members of Ringway Infrastructure Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ringway Infrastructure Services Limited ('the Company'):

- give a true and fair view of the state of the Company's affairs as at 31/12/2019 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 statement of financial position;
- the statement of changes in equity; and
- the related notes on pages 14 to 37 which include a statement of accounting policies

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".

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 ('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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement within the Director's report, 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 mis-statement, 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 mis-statement when it exists. Mis-statements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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 mis-statements in the strategic report or in the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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

P. Smith

Peter Smith (Senior statutory auditor)

for and on behalf of

Constantin

Chartered Accountants and Statutory Auditor

25 Hosier Lane
London
EC1A 9LQ

6 August 2020

Ringway Infrastructure Services Limited

Income Statement
for the year ended 31 December 2019

	Note	2019 £	*2018* *£*
Turnover	4	**279,785,149**	*258,497,555*
Cost of sales		**(235,132,878)**	*(213,362,985)*
Gross profit		**44,652,271**	*45,134,570*
Administrative expenses		**(40,375,048)**	*(37,130,824)*
Profit on disposal of tangible fixed assets	5	**102,360**	*245,396*
Operating profit	6	**4,379,583**	*8,249,142*
Interest receivable and similar income	9	**1,748**	-
Interest payable and similar expenses	10	**(356,925)**	*(147,834)*
Other finance costs		**(605,000)**	*(569,000)*
Profit before tax		**3,419,406**	*7,532,308*
Tax on profit	12	**(943,031)**	*(1,421,800)*
Profit for the financial year		**2,476,375**	*6,110,508*

All transactions arise from continuing operations.

The notes on pages 14 to 37 form part of these financial statements.

Other Comprehensive Income
for the year ended 31 December 2019

	Note	2019 £	*2018* £
Profit for the financial year		**2,476,375**	*6,110,508*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability		**(2,965,560)**	*(947,000)*
Income tax on items that will not be reclassed to the income statement		**221,000**	*178,000*
		(2,744,560)	*(769,000)*
Total comprehensive income for the year		**(268,185)**	*5,341,508*

The notes on pages 14 to 37 form part of these financial statements.

Ringway Infrastructure Services Limited
Registered number:02756434

Statement of Financial Position
as at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	13		**29,772,083**		*18,051,170*
Current assets					
Stocks	14	**2,403,149**		*2,071,464*	
Debtors: amounts falling due after more than one year	15	**6,956,360**		*5,792,503*	
Debtors: amounts falling due within one year	15	**60,229,587**		*55,800,226*	
Cash at bank and in hand		**27,089,125**		*21,759,337*	
		96,678,221		*85,423,530*	
Creditors: amounts falling due within one year	16	**(62,346,219)**		*(50,963,132)*	
Net current assets			**34,332,002**		*34,460,398*
Total assets less current liabilities			**64,104,085**		*52,511,568*
Creditors: amounts falling due after more than one year	17		**(9,477,291)**		*(4,280,477)*
			54,626,794		*48,231,091*
Provisions for liabilities					
Deferred taxation	18		**(1,442,958)**		-
Other provisions	19		**(8,803,774)**		*(5,951,427)*
Net assets excluding pension liability			**44,380,062**		*42,279,664*
Pension liability			**(25,438,000)**		*(22,904,000)*
Net assets			**18,942,062**		*19,375,664*
Capital and reserves					
Called up share capital	20		**30,200,000**		*30,200,000*
Share premium account			**19,777**		*19,777*
Profit and loss account			**(11,277,715)**		*(10,844,113)*
			18,942,062		*19,375,664*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

S A Wardrop

Director

Date: 6 August 2020

The notes on pages 14 to 37 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	30,200,000	19,777	(10,844,113)	19,375,664
Impact on change in accounting policy	-	-	(165,417)	(165,417)
At 1 January 2019 (adjusted balance)	30,200,000	19,777	(11,009,530)	19,210,247
Comprehensive income for the year				
Profit for the year	-	-	2,476,375	2,476,375
Other comprehensive income recognised directly in equity	-	-	(2,744,560)	(2,744,560)
Total comprehensive income for the year	-	-	(268,185)	(268,185)
At 31 December 2019	30,200,000	19,777	(11,277,715)	18,942,062

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	30,200,000	19,777	(16,185,621)	14,034,156
Comprehensive income for the year				
Profit for the year	-	-	6,110,508	6,110,508
Other comprehensive income recognised directly in equity	-	-	(769,000)	(769,000)
Total comprehensive income for the year	-	-	5,341,508	5,341,508
At 31 December 2018	30,200,000	19,777	(10,844,113)	19,375,664

The notes on pages 14 to 37 form part of these financial statements.

1. General information

The Company's registered office is at Albion House, Springfield Road, Horsham, West Sussex, RH12 2RW. The Company has several principal places of business located throughout the country, in locations where the Company has its Highway Service Contracts.

The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales.

The principal activity of the Company during the year was the provision of road and highway infrastructure asset management, operating and maintenance services.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

All the amounts are rounded to the nearest GBP, except where otherwise indicated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the Company applied the exemptions available under FRS101 in respect of the following:

- the requirements of paragraphs 91-99 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;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- The effects of new but not yet effective IFRSs
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

As the consolidated financial statements of Eurovia UK Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:

- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.3 Going concern

During the Covid-19 'lockdown' period the Company continued to service Local Authorities on critical highway maintenance activities. The Directors have reviewed the financial position of the Company and along with the current strong order book have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

There are no material adjustments required to be made to the Company's financial statements as a result of the application of IFRS 16.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

On transition to IFRS 16, the Company elected to apply the following practical expedient:

- for leases previously classified as operating leases under IAS 17 -
- the Company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.

2.5 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2. Accounting policies (continued)

2.6 Leases

The Company as a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Statement of Financial Position.

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

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.7.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 20 years
Long-term leasehold property	- term on the lease
Plant and equipment	- between 4 to 10 years
Motor vehicles	- between 3 to 6 years
Fixtures and office equipment	- between 2 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the statement of financial position.

2.10 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2. Accounting policies (continued)

2.11 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash, loans and borrowings, and trade and other creditors.

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash
Cash comprises cash balances and call deposits.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2.12 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Tangible fixed assets

The carrying amounts of the Company's tangible fixed assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

2.14 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

Provisions are taken on the liabilities side of the statement of financial position for obligations connected with defined benefit retirement plans for both current and former employees (people with deferred rights or who have retired). These provisions are determined using the projected unit credit method on the basis of actuarial assessments made by a qualified actuary at each annual statement of financial position date.

Under IAS 19, for defined benefit plans financed under external management arrangements (i.e. pension funds or insurance policies), the surplus or shortfall of the fair value of the assets compared with the present value of the obligations is recognised as an asset or liability in the statement of financial position. That recognition is subject to asset ceiling rules and minimum funding requirements set out in IFRIC 14.

The expense recognised under operating income or loss in each period comprises the current service cost and the effects of any change, reduction or winding up of the plan. The accretion impact recognised on actuarial debt and interest income on plan assets are recognised under other financial income and expenses. Interest income from plan assets is calculated using the discount rate used to calculate obligations with respect to defined benefit plans.

The impacts of re measuring net liabilities (or assets as the case may be) relating to defined benefit plans are recorded under other comprehensive income. They comprise:
• actuarial gains and losses on obligations resulting from changes in actuarial assumptions and from experience adjustments (the effects of differences between the actuarial assumptions adopted and that which has actually occurred);
• plan asset outperformance/underperformance (i.e. the difference between the effective return on plan assets and the return calculated using the discount rate applied to the actuarial liability);
• and changes in the asset ceiling effect.

2. Accounting policies (continued)

2.16 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the Company's financial statements in compliance with FRS 101 requires management to make judgments that affect amounts reported and disclosures in the financial statements and related notes. Judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of these significant judgments in the financial statements.

Recognition of deferred tax assets
The Company recognises deferred tax assets based on estimates of taxable income that will be available against which the deductible temporary differences can be utilised. The estimate is based on the Company's past result and future expectations on revenues and expenses. Deferred tax assets were fully recognised because management believes that future taxable profit will be available against which the deferred tax assets can be fully utilised.

Construction contract debtors
Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the statement of financial position.

Provisions
The Company creates foreseeable loss provisions in respect of certain contracts where projections up to completion of that contract, based on the most likely estimated outcome, indicate a loss. A factor that may cause a change in the amount and timing of this provision is the estimate of the forecasted profit or loss on contracts, and the estimate of the start and completion dates of the contracts.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019	*2018*
	£	*£*
Services	**279,668,582**	*258,421,479*
Finished goods	**116,567**	*76,076*
	279,785,149	*258,497,555*

All turnover arose within the United Kingdom.

5. Profit on disposal of tangible fixed assets

	2019	*2018*
	£	*£*
Profit on disposal of tangible fixed assets	**102,360**	*245,396*

6. Operating profit

The operating profit is stated after charging:

	2019	*2018*
	£	*£*
Depreciation of tangible fixed assets	**7,687,202**	*4,506,118*
Profit on disposal of tangible fixed assets	**102,360**	*245,396*

7. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2019	*2018*
	£	*£*
Fees for the audit of the Company	**79,000**	*75,000*

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

8. Employees and Directors' remuneration

Staff costs were as follows:

	2019 £	*2018* *£*
Wages and salaries	**51,445,301**	*48,023,264*
Social security costs	**5,228,698**	*5,146,873*
Other pension costs	**4,364,286**	*4,211,312*
	61,038,285	*57,381,449*

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	*2018* *No.*
Operations	**1,127**	*1,078*
Administration	**417**	*346*
	1,544	*1,424*

No amounts were paid directly to Directors during the year. The Directors received emoluments of £1,293,182 *(2018 - £1,595,996)* and pension contributions of £76,847 *(2018 - £109,807)* paid by another company within the Eurovia UK Group and recharged to this Company. The amount recharged in respect of the highest paid Director amounted to £302,163 *(2018 - £382,111)* and included pension contributions of £nil *(2018 - £9,613)*. Of these recharges 5 Directors *(2018 - 7)* were members of a defined contribution scheme, and no Directors *(2018 - none)* were a member of a defined benefit scheme.

9. Interest receivable

	2019 £	*2018* *£*
Other interest receivable	**1,748**	-

10. Interest payable and similar expenses

	2019 £	*2018* *£*
Loans from group undertakings	**10,585**	*47,517*
Finance leases and hire purchase contracts	**109,850**	*100,317*
Interest on lease liabilities	**236,490**	-
	356,925	*147,834*

11. Other finance costs

	2019 £	*2018 £*
Net interest on net defined benefit liability	**(605,000)**	*(569,000)*

12. Taxation

	2019 £	*2018 £*
Corporation tax		
Current tax on profit for the year	**281,529**	*1,238,954*
Adjustments in respect of previous periods	**(48,940)**	*7,699*
Total current tax	**232,589**	*1,246,653*
Deferred tax		
Origination and reversal of timing differences	**55,996**	*192,856*
Adjustment in respect of prior years	**113,616**	*(17,709)*
Changes in tax rates	**540,830**	*-*
Total deferred tax	**710,442**	*175,147*
Taxation on profit on ordinary activities	**943,031**	*1,421,800*

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19.00% *(2018 - 19.00%)*. The differences are explained below:

	2019 £	*2018* *£*
Profit on ordinary activities before tax	**3,419,406**	*7,532,308*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	**649,687**	*1,431,139*
Effects of:		
Expenses not deductible for tax purposes	**10,720**	*671*
Adjustments to current tax charge in respect of prior periods	**(48,940)**	*7,699*
Adjustments in respect of prior periods - deferred tax	**113,616**	*(17,709)*
Changes in tax rates	**217,948**	*-*
Total tax charge for the year	**943,031**	*1,421,800*

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17% (to be effective from 1 April 2020) was substantively enacted on 6 September 2016. After the reporting date the reduction in the UK corporation tax rate was postponed. The deferred tax rate has not been adjusted to reflect this change.

Ringway Infrastructure Services Limited

Notes to the Financial Statements for the year ended 31 December 2019

13. Tangible fixed assets

	Land and buildings £	Long-term leasehold property £	Plant and equipment £	Motor vehicles £	Fixtures and fittings £
Cost					
At 1 January 2019	619,431	-	19,263,436	19,595,259	691,317
Impact of change in accounting policy	-	8,838,390	77,725	10,374,407	-
At 1 January 2019 (adjusted balance)	619,431	8,838,390	19,341,161	29,969,666	691,317
Additions	39,950	61,889	3,449,955	2,705,093	-
Transfers intra group	-	-	294,206	88,005	-
Disposals	(42,376)	-	(579,560)	(2,027,463)	(9,739)
Transfers between classes	-	-	459,630	1,949,008	-
At 31 December 2019	617,005	8,900,279	22,965,392	32,684,309	681,578
Depreciation					
At 1 January 2019	198,065	-	10,867,723	12,977,619	632,809
Impact of change in accounting policy	-	5,751,070	77,725	4,973,739	-
At 1 January 2019 (adjusted balance)	198,065	5,751,070	10,945,448	17,951,358	632,809
Charge for the year on owned assets	37,730	-	1,388,747	2,003,612	23,177
Charge for the year on right-of-use assets	-	842,075	1,191,109	2,200,752	-
Transfers intra group	-	-	240,707	22,585	-
Disposals	(42,376)	-	(561,668)	(1,894,124)	(9,739)
Transfers between classes	-	-	(31,097)	31,097	-
At 31 December 2019	193,419	6,593,145	13,173,246	20,315,280	646,247
Net book value					
At 31 December 2019	423,586	2,307,134	9,792,146	12,369,029	35,331
At 31 December 2018	*421,366*	-	*8,395,713*	*6,617,640*	*58,508*

Ringway Infrastructure Services Limited

Notes to the Financial Statements
for the year ended 31 December 2019

13. Tangible fixed assets (continued)

	Assets under construction £	Total £
Cost		
At 1 January 2019	2,557,943	42,727,386
Impact of change in accounting policy	-	19,290,522
At 1 January 2019 (adjusted balance)	2,557,943	62,017,908
Additions	4,750,462	11,007,349
Transfers intra group	(47,655)	334,556
Disposals	(7,255)	(2,666,393)
Transfers between classes	(2,408,638)	-
At 31 December 2019	4,844,857	70,693,420
Depreciation		
At 1 January 2019	-	24,676,216
Impact of change in accounting policy	-	10,802,534
At 1 January 2019 (adjusted balance)	-	35,478,750
Charge for the year on owned assets	-	3,453,266
Charge for the year on right-of-use assets	-	4,233,936
Transfers intra group	-	263,292
Disposals	-	(2,507,907)
Transfers between classes	-	-
At 31 December 2019	-	40,921,337
Net book value		
At 31 December 2019	4,844,857	29,772,083
At 31 December 2018	*2,557,943*	*18,051,170*

13. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2019 £
Tangible fixed assets owned	17,306,043
Right-of-use tangible fixed assets	12,466,040
	29,772,083

Information about right-of-use assets is summarised below:

Net book value

	2019 £
Property	2,307,134
Plant and machinery	5,507,692
Motor vehicles	4,651,214
	12,466,040

Depreciation charge for the year ended

	2019 £
Property	(842,075)
Plant and machinery	(1,191,109)
Motor vehicles	(2,200,752)
	(4,233,936)

Additions to right-of-use assets

	2019 £
Additions to right-of-use assets	4,856,496

14. Stocks

	2019 £	*2018* *£*
Raw materials and consumables	**2,285,122**	*2,014,743*
Work in progress (goods to be sold)	**118,027**	*56,721*
	2,403,149	*2,071,464*

The provision for inventory obsolescence recognised as at 31 December 2019 amounted to £143,744 *(2018 - £36,841)*. Finished goods and goods for resale are carried at cost.

Replacement costs of stock

The Directors consider that the replacement cost of stock is not significantly different from the cost stated above.

15. Debtors

	2019 £	*2018* *£*
Due after more than one year		
Other debtors	**738,303**	*564,111*
Deferred tax asset (see note 18)	**6,218,057**	*5,228,392*
	6,956,360	*5,792,503*

	2019 £	*2018* *£*
Due within one year		
Trade debtors	**6,454,540**	*8,249,795*
Amounts owed by group undertakings	**47,625,933**	*42,633,206*
Other debtors	**197,822**	*291,516*
Prepayments and accrued income	**407,311**	*596,927*
Amounts recoverable on long term contracts	**5,543,981**	*4,028,782*
	60,229,587	*55,800,226*

15. Debtors (continued)

Trade debtors and amounts recoverable on long-term contracts are analysed below:

	2019 £	*2018* *£*
Trade debtors	**6,605,089**	*8,981,144*
less: provision for doubtful accounts	**(150,549)**	*(731,349)*
	6,454,540	*8,249,795*

	2019 £	*2018* *£*
Amounts recoverable on long term contracts	**8,190,017**	*5,241,322*
less: provision for impairment	**(2,646,036)**	*(1,212,540)*
	5,543,981	*4,028,782*

The movement in the provisions for doubtful accounts and for impairment on long term contracts are analysed below:

	2019 £
Trade debtors	
At 1 January 2019	**731,349**
Credited to the profit or loss	**(580,800)**
At 31 December 2019	**150,549**

	2019 £
Long term contracts	
At 1 January 2019	**1,212,540**
Charged to the profit or loss	**1,433,496**
At 31 December 2019	**2,646,036**

16. Creditors: Amounts falling due within one year

	2019	*2018*
	£	*£*
Trade creditors	**27,954,119**	*22,473,277*
Amounts owed to group undertakings	**1,032,345**	*3,210,737*
Corporation tax	**233,365**	*1,238,954*
Other taxation and social security	**7,799,687**	*7,142,881*
Lease liabilities	**4,713,082**	*529,850*
Other creditors	**3,411,311**	*2,116,784*
Accruals and deferred income	**17,202,310**	*14,250,649*
	62,346,219	*50,963,132*

17. Creditors: Amounts falling due after more than one year

	2019	*2018*
	£	*£*
Lease liabilities	**9,000,213**	*3,909,397*
Accruals	**477,078**	*371,080*
	9,477,291	*4,280,477*

18. Deferred taxation

	2019	*2018*
	£	*£*
At beginning of year	**5,228,392**	*5,225,539*
Credited to profit	**(710,442)**	*(175,147)*
Charged to other comprehensive income	**221,000**	*178,000*
Adoption of IFRS16	**36,149**	*-*
At end of year	**4,775,099**	*5,228,392*

18. Deferred taxation (continued)

The deferred tax balance is made up as follows:

	2019 £	*2018 £*
Accelerated capital allowances	**373,422**	*829,132*
Pension deficit	**4,324,460**	*4,351,760*
Other timing differences	**42,500**	*47,500*
Adoption of IFRS16	**34,717**	*-*
	4,775,099	*5,228,392*
Comprising:		
Asset - due after one year	**6,218,057**	*5,228,392*
Liability	**(1,442,958)**	*-*
	4,775,099	*5,228,392*

19. Provisions

	Contract provisions £	Other provisions £	Foreseeable losses provision £	Total £
At 1 January 2019	5,689,726	261,701	-	5,951,427
Provisions made in year	366,892	-	7,000,000	7,366,892
Provisions released in year	(4,371,588)	-	-	(4,371,588)
Provisions utilised in year	(131,257)	(11,700)	-	(142,957)
At 31 December 2019	**1,553,773**	**250,001**	**7,000,000**	**8,803,774**

Contract provisions relate to provisions on contracts, including the costs of rectifying faulty workmanship in future periods of work completed in the current or earlier years. The Company estimates this liability to be £1,553,773 for the current year based on past experience *(2018 - £5,689,726)*.

Other provisions relate to anticipated insurance costs, demobilisation costs in relation to long term contracts and legal claims.

20. Share capital

	2019 £	*2018 £*
Authorised, allotted, called up and fully paid		
30,200,000 *(2018 - 30,200,000)* Ordinary shares of £1.00 each	**30,200,000**	*30,200,000*

21. Contingent liabilities

The Company has in the normal course of business given guarantees in respect of bonds relating to the Company's own contracts, from which no losses are expected to arise. The maximum liability under these at 31 December 2019 was £13,112,400 *(2018 - £13,112,400).*

22. Pension commitments

Defined Contribution Pension Scheme

The Company participates in a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged of £1,446,439 *(2018 - £1,044,823)* represents contributions payable by the Company to this scheme. The Company also made contributions to other pension schemes for certain qualifying employees which amounted to £1,293,732 *(2018 - £1,557,490).* At 31 December 2019 contributions of £269,589 *(2018 - £154,488)* due in respect of the current reporting period had not been paid over to the scheme.

Defined Benefit Pension Scheme

The defined benefit plan is administered by a board of trustees that is legally separate from the Company. The trustees of the pension fund are required by law to act in the best interests of the plan participants and are responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund. The plan typically exposes the Company to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase in plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in the future. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The defined benefit plan for the Company's employees and former employees give rise to benefits that are mainly based on final salaries. It also provides benefits in the event of death and disability. At 31 December 2017, 572 people, including 306 retired people, were covered by the plan. The plan is now closed to new members.

The investment strategy for plan assets is defined by the trustees representing the pension funds. Contribution schedules and the plan's level of funding are negotiated by the employer and the trustee, based on three yearly actuarial valuations. Contribution schedules are intended to cover future service costs and any deficit arising from vested rights.

Reconciliation of present value of plan liabilities:

	2019 **£**	*2018* *£*
Reconciliation of present value of plan liabilities		
At the beginning of the year	**54,217,000**	*55,534,000*
Current service cost	**510,000**	*520,000*
Interest cost	**1,449,000**	*1,431,000*
Actuarial gains and losses recognised in other comprehensive income	**6,156,000**	*(1,644,000)*
Plan Participants' Contributions	**44,000**	*45,000*
Benefits paid	**(1,855,000)**	*(1,669,000)*
At the end of the year	**60,521,000**	*54,217,000*

22. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2019 £	*2018* *£*
At the beginning of the year	**31,313,000**	*33,108,000*
Interest income	**844,000**	*863,000*
Actuarial gains and losses recognised in other comprehensive income	**3,189,000**	*(2,591,000)*
Plan Participants' Contributions	**1,592,000**	*1,602,000*
Benefits paid	**(1,855,000)**	*(1,669,000)*
At the end of the year	**35,083,000**	*31,313,000*

Composition of plan assets:

	2019 £	*2018* *£*
Equities	**30,566,000**	*21,146,000*
Cash	**4,517,000**	*186,000*
Liability driven investments	**-**	*9,981,000*
Total plan assets	**35,083,000**	*31,313,000*

During the period, the actual return on plan assets was a gain of £4,041,000 *(2018 - loss of £1,769,000).*

	2019 £	*2018* *£*
Fair value of plan assets	**35,083,000**	*31,313,000*
Present value of plan liabilities	**(60,521,000)**	*(54,217,000)*
Net pension scheme liability	**(25,438,000)**	*(22,904,000)*

The amounts recognised in profit or loss are as follows:

	2019 £	*2018* *£*
Current service cost	**(510,000)**	*(520,000)*
Interest on obligation	**(605,000)**	*(569,000)*
Total	**(1,115,000)**	*(1,089,000)*

22. Pension commitments (continued)

The Company expects to contribute £1,572,000 to its Defined Benefit Pension Scheme in 2020.

	2019 £	2018 £
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	**3,189,000**	*(2,591,000)*
Experience gains and losses arising on the scheme liabilities	**(177,914)**	*262,000*
Changes in assumptions underlying the present value of the scheme liabilities	**(5,976,646)**	*1,382,000*
	(2,965,560)	*(947,000)*

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2019 %	2018 %
Discount rate	**1.85**	*2.7*
Future salary increases	**2.25**	*2.5*
Future pension increases	**3.25**	*3.25*
Inflation assumption	**3.25**	*2.25 - 3.25*
Mortality rates		
- for a male aged 65 now	**21.5**	*21.9*
- at 65 for a male aged 50 now	**22.5**	*23.0*
- for a female aged 65 now	**23.2**	*23.7*
- at 65 for a female member aged 50 now	**24.3**	*25.0*

In respect of the scheme a 0.25 point fall in the discount rate would increase scheme liabilities by 4.30%.

In respect of the scheme a 0.25 point increase in long-term inflation rates would increase the value of the scheme liabilities by 4.31%.

In respect of the scheme sensitivity to mortality rates this is calculated based on a one-year increase in the age of each beneficiary. Applying this assumption increases the corresponding obligation by around 3.46%.

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The average duration of the defined benefit obligation at the period ending 31 December 2019 is 16 years.

22. Pension commitments (continued)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2019 and 2018:

	2019	*2018*
	£	*£*
Less than one year	**1,487,898**	*1,989,281*
More than one year to five years	**6,808,122**	*6,722,399*
More than five years to 10 years	**11,391,674**	*10,906,135*
	19,687,694	*19,617,815*

23. Related party transactions

As discussed below, during the year the Company sold and purchased goods and services in the ordinary course of business at market rates and terms from a number of related parties, these entities are considered related parties as they are joint ventures within the same group of which the Company is also a member of:

	Year ended 31 December 2019	**Balance outstanding as at 31 December 2019**	*Year ended 31 December 2018*	*Balance outstanding as at 31 December 2018*
	£	**£**	*£*	*£*
Sales				
Ringway Jacobs Limited	**4,095,048**	**39,145**	*2,939,221*	*180,628*

	Year ended 31 December 2019	**Balance outstanding as at 31 December 2019**	*Year ended 31 December 2018*	*Balance outstanding as at 31 December 2018*
	£	**£**	*£*	*£*
Purchases				
BEAR Scotland Limited	**1,004,833**	**86,205**	*919,991*	*-*
Ringway Jacobs Limited	**17,404**	**4,075**	*125,256*	*36,981*

24. Controlling party

The largest group in which the results of the Company are consolidated is that headed by VINCI SA, incorporated in France. This is the ultimate parent company and the ultimate controlling party. The smallest group in which they are consolidated is that headed by Eurovia UK Limited, the Company's immediate parent undertaking incorporated in England and Wales. The consolidated financial statements of these groups are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained respectively from the Secretary, VINCI SA, 1 Cours Ferdinand-de-Lesseps, 92851 – Rueil Malmaison Cedex, France, or the Secretary, Eurovia UK Limited, Albion House, Springfield Road, Horsham, West Sussex RH12 2RW.