Registered number: 02578069

AVOVE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

AVOVE LIMITED

CONTENTS

COMPANY INFORMATION

Directors	J Boucher I Fisher D S Jones M Perkins P Rafferty
Registered number	02578069
Registered office	Part 2nd Floor Offices Unit 5 Matrix Park Eaton Avenue Buckshaw Village Chorley PR7 7NA
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor One St. Peter's Square Manchester M2 3DE

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their strategic report of the company for the year ended 31 December 2022.

Principal activity

The company is principally engaged in the activity of provision of construction and maintenance services of utility infrastructure. There have been no changes in the company's activities during the year.

Divestment from the Amey Group

On 18 January 2022, the company transferred its investment in Enterprise Managed Services Limited to A.R.M. Services Group Limited for a total consideration of £83,261,000 realising a profit on disposal of £78,652,000.

On 12 April 2022, A.R.M. Services Group Limited (an Amey UK Limited group company) sold all of its shares in this company to Ersa Bidco Limited. Ersa Bidco Limited is now the immediate parent undertaking of this company.

Ersa Bidco Limited is a wholly-owned subsidiary of Ersa Midco Limited, and Ersa Midco Limited is a wholly-owned subsidiary of Ersa Loanco Limited, which is a wholly-owned subsidiary of Ersa Topco Limited. The ultimate controlling party is Rubicon Partners V Nominee Limited, a company incorporated and registered in the United Kingdom, by virtue of its majority shareholding in Ersa Topco Limited.

Business review

2022 has been a transformational year for the company as it was successfully divested into a new ownership structure. Under this new ownership, investment has been made in technology and people to ensure that the business has a strong platform from which to thrive, whilst at the same time growth has been delivered across all key measures compared to 2021. The ongoing investments and strong operational delivery for clients means that Avove is well positioned moving forward.

The company delivered a 10% increase in revenues year on year, which reflects an increased award of works from United Utilities and Severn Trent on their AMP 7 capital programmes.

Gross profits were positively impacted year on year by the additional revenue, whilst improved profitability at the operating profit level has been achieved through tight cost management.

In anticipation of the sale of the company by its previous owner, Amey plc, the company incurred exceptional costs in the year of £4,899,000 (2021: £1,997,000) relating to the implementation of a new information technology infrastructure, the mobilisation of resources to perform activities previously undertaken by other companies within the Amey group, external professional fees relating to separation, charges for transitional services and transaction and management fees from Amey.

The Statement of Comprehensive Income for the year is set out on page 14 and shows revenue of £142,761,000 (2021: £129,830,000), operating profit of £4,780,000 (Restated 2021: a loss of £435,000) and a profit after tax amounting to £79,401,000 (Restated 2021: a loss after tax of £2,065,000), all of which arose from continuing activities.

Through this period, we have maintained focus on safe delivery to our clients, building further on our well established and strong relationships and resulting in a number of contract wins. Two of the most notable wins were a major diversions project related to HS2 for Severn Trent and phase one of the Vyrnwy Aqueduct Modernisation Programme, a significant project on behalf of United Utilities. These projects along with a number of others means the business has a strong order book in place, as well as a growing pipeline of opportunities for the years ahead.

Business review (continued)

In the period since separation, a strategy for the business has been developed, setting out how we intend to capitalise on the opportunities we see ahead in the sectors in which we operate, as well as how we create an agile, expert and responsible organisation. As a consequence of this, work has commenced on creating a "winning culture" for the business, where diversity is celebrated, establishing Avove as a great place to work. Both the strategy and culture have been introduced at employee roadshow events that we have taken right across the business as part of our efforts to increase the levels of engagement with all of our employees.

The health and safety of our people and our supply chain partners is critical and an area in which dialogue is maintained across all areas of the business. In 2022 the number of RIDDOR's, lost time injuries and utility strikes were all reduced compared to the previous year. The company was also awarded the ROSPA Gold award for a ninth consecutive year.

Financial key performance indicators

The company's principal key performance indicators are revenue, gross profit and operating profit which are shown in the Statement of Comprehensive Income for the year set out on page 14 and operating cashflow.

Principal risks and uncertainties

Health & Safety

Avove operates in often complex and high risk environments, working with plant and machinery which present risks to our people and supply chain. We have clear, well communicated policies and governance in place in order to ensure that our people work safely and feel empowered to speak up and stop work where they have concerns. Our strong health and safety record demonstrates our commitment to the safety and wellbeing of our workforce and supply partners, whether working on site, at an office or at home.

Future Work Pipeline

Due to the nature of the utilities sectors that we work within, contracts are often aligned to regulatory periods and as such, the company can benefit from those long-term contracts with our clients. We do however recognise the risk that non-renewal of those contracts represents. We mitigate this risk through strong operational and safety performance, regular engagement in the spirit of partnership with both our clients and our supply chain and an appropriately diversified portfolio.

Climate Change

We recognise the detrimental impact that climate change is having on the planet and the importance of Avove playing its full part in addressing this. In particular we are focused on driving a transition to a net zero carbon business, working closely both with our clients and also our supply chain to make this happen.

Restricted Labour Supply

Skills shortages in the market we operate is a risk that has become heightened since the COVID pandemic as large numbers around the country have chosen to exit the workforce. In Avove we are mitigating this through a multi-tiered recruitment approach, where appropriate looking outside of our traditional target recruitment population. We are also putting particular focus on effective training and development and a strong emphasis on retaining our employees through a winning and inclusive culture where people feel empowered, trusted, valued and motivated.

Principal risks and uncertainties (continued)

Reliance on Supply Chain

The supply chain is an important element of Avove's delivery model and one which we work hard to maintain. We are aware that our suppliers always have a choice as to who they work for and that disruption to the supply chain could impact on our ability to deliver our services. We manage this through a robust procurement process, ensuring that our supply partners have the expertise to deliver well and a culture that is complementary to our own. We are supportive of our current supply partners, and also regularly look to bring on and develop new partners.

Cashflow

Avove's cashflow risk is predominantly attributable to situations where there is a considerable and extended lag between work being delivered for our clients and the cash being received. Our clients are well capitalised and relatively concentrated, reducing the credit risk for the company. Cashflow is closely monitored as part of our day to day control procedures to ensure sufficient funds are available for working capital requirements and payments of our tax obligations. Cashflow is re-forecast weekly to ensure a tight grip is maintained on the company's short and longer-term liquidity position and that, where required, appropriate contingency facilities are available to be drawn down on.

Information Security

Avove has a reliance on information technology to operate its business and the effectiveness of our operations is dependent upon the accuracy and integrity of records and on maintaining the confidentiality of data processed and stored within them. The continued security of the company's information systems is therefore critical and a cyber-attack, resulting in the theft, loss, corruption or other unavailability of these systems and data, could result in operational and reputational damage to the business.

This risk is mitigated by the adoption of good information security controls and practices including: the protection of user accounts with passwords and multi factor authentication; regular security patching; anti-virus, plus intrusion detection and prevention, systems; annual penetration testing, ongoing vulnerability management; and cyber insurance.

Future developments

The directors anticipate that there will be a further increase in activity as a result of strengthening customer relationships and a strong orderbook moving into 2023. The cessation of sale-related exceptional costs and further efficiencies will result in an improved profit performance in 2023.

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

The directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 December 2022.

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

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

As the company was a wholly owned subsidiary of the Ersa Topco Limited Group, the company's directors discharged their duties within policies, procedures and authorisation limits set out on a group-wide basis. Further information on how officers within the Group discharged their duties is included in the Group 2022 group accounts. The directors of this company also achieved this through attendance at relevant executive meetings, involvement in executive briefings and training, and through having responsibility for implementation of groupwide initiatives to promote best practice.

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

Darren Jones (Jul 28, 2023 13:41 GMT+1)

D S Jones
Director

Date: 28 July 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £79,401,000 (Restated 2021: loss of £2,065,000).

The directors recommend the payment of a dividend of £52,301,000 for the year (2021: £nil).

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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgements 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; 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 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.

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 the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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.

Directors

The directors who served during the year and to the date of this report were:

J Boucher (appointed 20 June 2022)
I Fisher (appointed 12 April 2022)
D S Jones
M Perkins (appointed 12 April 2022)
P Rafferty
D S O'Neill (appointed 12 April 2022, resigned 24 June 2022)
C M McGilvray (resigned 12 April 2022)
A L Nelson (resigned 12 April 2022)

Qualifying third party indemnity provisions

The directors benefit from a qualifying third party indemnity provision in the form permitted by the Section 234 of the Companies Act 2006 in respect of certain third party actions against directors. No claim or notice of claim in respect of these indemnities has been received in the year. The qualifying indemnity provision was in force throughout the financial year and up to the date of approval of the Directors' Report.

Greenhouse gas emissions, energy consumption and energy efficiency action

In Avove we are committed to protecting the environment. In our first year of independent operations we have focused on building an environmental strategy and establishing those areas where we can deliver the most beneficial impact. We have put in place an Environmental Steering Group which is responsible for setting out the key areas of focus for us as a business, pulling together a co-ordinated plan of action and engaging with our colleagues and stakeholders across the business to drive this forward.

The initial focus is on driving Avove to becoming a net zero carbon business. To ensure that we have a strong foundation from which to achieve this, work is underway to improve our carbon data capture, build the structures and systems to industrialise these and build greater awareness and engagement, both internally and externally, to facilitate the necessary changes in the business that will be required.

2022 is the first year in which Avove will have reported its carbon usage on a stand-alone basis.

2022 Usage

	2022
Combustion of Natural Gas/Electricity used for operations (KWh)*	856,639
Fuel use from transport (Carbon kg CO_2)	3,473

* gas and electricity combined due to lack of access to information

Our energy intensity is annual energy consumed (Gwh) per annual turnover. In 2022 this was 0.006%.

Comparatives are not provided for 2021 due to past reporting as part of a consolidated group, with no access to detailed information at an individual entity level.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 2 to 5. These matters relate to principal activity, business review, future developments and principal risks and uncertainties.

Economic impact of global events

UK businesses are currently facing many uncertainties such as the consequences of Brexit, Covid 19, environmental sustainability and geopolitical events such as the Russian invasion of Ukraine. These uncertainties have contributed to an environment where there exists a range of issues and risks, including inflation, rising interest rates, labour shortages, disrupted supply chains and new ways of working.

The directors have carried out an assessment of the potential impact of these uncertainties on the business, including the impact of mitigation measures, and have concluded the greatest impact on the business is expected to be from the economic ripple effect on the global economy. The directors have taken account of these potential impacts in their going concern assessment.

The company continues to work with its partners to minimise any impacts of these events and maximise the realisation of any opportunities they may provide to the business.

Going concern

These financial statements are prepared on the going concern basis which the directors consider to be appropriate for the reasons set out below.

The company had net assets of £11,164,000 (Restated 2021: £7,303,000) and net current assets of £10,516,000 (Restated 2021: £2,694,000) at the balance sheet date. The directors have evaluated various forecast scenarios, along with the potential cost mitigating options available to the company.

After making enquiries and based on the assumptions to the financial statements, the directors have concluded that the company has adequate cash resources and financial projections indicate that the company will continue to operate within its existing facilities for at least 12 months from the date of signature of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

There have been no significant events affecting the company since the year end.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor

During 2023, Deloitte LLP resigned as auditor. Mazars LLP was appointed to fill the vacancy arising.

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Darren Jones (Jul 28, 2023 13:41 GMT+1)

D S Jones
Director

Date: 28 July 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVOVE LIMITED

Opinion

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVOVE LIMITED

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVOVE LIMITED

Responsibilities of Directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend either 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

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

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

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

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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

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

Use of the audit report

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

Christopher Martin

Christopher Martin (Senior statutory auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
One St. Peter's Square
Manchester
M2 3DE

Date: Jul 28, 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	As restated 2021 £000
Turnover	4	142,761	129,830
Cost of sales		(130,965)	(121,522)
Gross profit		11,796	8,308
Administrative expenses		(7,016)	(8,743)
Operating profit/(loss)	6	4,780	(435)
Exceptional expenses	5	(4,899)	(1,997)
Profit on sales of investments	10	78,652	-
Interest receivable and similar income	11	161	16
Interest payable and similar expenses	12	(77)	(706)
Profit/(loss) before tax		78,617	(3,122)
Tax credit on profit/(loss)	13	784	1,057
Profit/(loss) for the financial year		79,401	(2,065)
Other comprehensive income		-	-
Total comprehensive income/(expense) for the year		79,401	(2,065)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 18 to 44 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note		2022 £000		As restated 2021 £000
Fixed assets					
Intangible assets	15		673		-
Tangible fixed assets	16		259		-
Investments	17		-		4,609
			932		4,609
Current assets					
Stocks	18	289		244	
Debtors: amounts falling due after more than one year	19	3,551		2,763	
Debtors: amounts falling due within one year	19	29,993		26,483	
Cash and cash equivalents	20	11,438		-	
		45,271		29,490	
Creditors: amounts falling due within one year	21	(34,755)		(26,796)	
Net current assets			10,516		2,694
Total assets less current liabilities			11,448		7,303
Provisions for liabilities					
Provisions	23	(284)		-	
			(284)		-
Net assets			11,164		7,303
Capital and reserves					
Called up share capital	24		4,712		21,918
Share premium account	26		42		42
Other equity instruments	25		-		6,033
Profit and loss account	26		6,410		(20,690)
Total equity			11,164		7,303

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

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

Darren Jones (Jul 28, 2023 13:41 GMT+1)

D S Jones

Director

Date: 28 July 2023

The notes on pages 18 to 44 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2021 (as previously stated)	21,918	42	6,016	(18,669)	9,307
Adoption of FRS102	-	-	-	61	61
At 1 January 2021 (as restated)	21,918	42	6,016	(18,608)	9,368
Comprehensive expense for the year					
Loss for the year (as restated)	-	-	-	(2,065)	(2,065)
Total comprehensive expense for the year	-	-	-	(2,065)	(2,065)
Other equity instrument interest	-	-	17	(17)	-
Total transactions with owners	-	-	17	(17)	-
At 1 January 2022 (as previously stated)	21,918	42	6,033	(20,666)	7,327
Adoption of FRS102	-	-	-	(24)	(24)
At 1 January 2022 (as restated)	21,918	42	6,033	(20,690)	7,303
Comprehensive income for the year					
Profit for the year	-	-	-	79,401	79,401
Total comprehensive income for the year	-	-	-	79,401	79,401
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(52,301)	(52,301)
Shares issued during the year	6,000	-	-	-	6,000
Shares cancelled during the year	(23,206)	-	-	-	(23,206)
Cancellation of other equity instrument	-	-	(6,033)	-	(6,033)
Total transactions with owners	(17,206)	-	(6,033)	(52,301)	(75,540)
At 31 December 2022	4,712	42	-	6,410	11,164

The notes on pages 18 to 44 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Avove Limited is a private company limited by shares and incorporated and registered in England and Wales. The registration number of the company is 02578069. The address of the registered office is Part 2nd Floor Offices, Unit 5, Matrix Park Eaton Avenue, Buckshaw Village, Chorley, United Kingdom, PR7 7NA.

The company is principally engaged in the activity of provision of management services for the maintenance of utility infrastructure. There have been no changes in the company's activities during the year.

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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company financial statements for the year ended 31 December 2022 are the first financial statements of Avove Limited prepared in accordance with FRS 102, following a decision made by the directors to simplify the company's financial statements following the change in ownership earlier on in the year. The financial statements for the preceding period were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006. The date of transition to FRS 102 was 1 January 2022. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 2.3.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment in which the company operates, and are currently shown rounded in thousands.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ersa Topco Limited as at 31 December 2022 and these financial statements may be obtained from Companies House.

2. Accounting policies (continued)

2.3 First time adoption of FRS 102

These financial statements for the year ended 31 December 2022 are the company's first financial statements that comply with FRS 102 following a decision made by the directors to simplify the company's financial statements following the change in ownership earlier on in the year. The company transitioned to FRS 102 from FRS 101 as at 1 January 2022 and as required by the standards this has been retrospectively applied from 1 January 2020.

The impact of the transition to FRS 102 is as follows:

	31 December 2020 (as previously stated)	31 December 2020 Effect of IFRS16 transition	31 December 2020 (restated)
	£000	£000	£000
Non-current assets			
Intangible assets	-	-	-
Tangible fixed assets	945	(945)	-
Investments	2,609	-	2,609
	3,554	**(945)**	**2,609**
Current assets			
Stocks	910	-	910
Debtors (including £2,949,000 due after more than one year)	158,752	-	158,752
Creditors: amounts falling due within one year	(151,029)	330	(150,699)
Net current liabilities	**8,633**	**330**	**8,963**
Total assets less current liabilities	**12,187**	**(615)**	**11,572**
Creditors: amounts falling due after more than one y	(676)	676	-
Provisions	(2,204)	-	(2,204)
Net assets	**9,307**	**61**	**9,368**
Equity			
Called up share capital	21,918	-	21,918
Share premium account	42	-	42
Other equity instrument	6,016	-	6,016
Profit and loss account	(18,669)	61	(18,608)
Total equity	**9,307**	**61**	**9,368**

2. Accounting policies (continued)

2.3 First time adoption of FRS 102 (continued)

	31 December 2021 (as previously stated)	Effect of IFRS16 transition	31 December 2021 (restated)
	£000	£000	£000
Non-current assets			
Intangible assets	-	-	-
Tangible fixed assets	1,142	(1,142)	-
Investments	4,609	-	4,609
	5,751	**(1,142)**	**4,609**
Current assets			
Stocks	244	-	244
Debtors (including £2,768,000 due after more than one year)	29,251	(5)	29,246
Creditors: amounts falling due within one year	(27,190)	394	(26,796)
Net current liabilities	**2,305**	**389**	**2,694**
Total assets less current liabilities	**8,056**	**(753)**	**7,303**
Creditors: amounts falling due after more than one yea	(729)	729	-
Provisions	-	-	-
Net assets	**7,327**	**(24)**	**7,303**
Equity			
Called up share capital	21,918	-	21,918
Share premium account	42	-	42
Other equity instrument	6,033	-	6,033
Profit and loss account	(20,666)	(24)	(20,690)
Total equity	**7,327**	**(24)**	**7,303**

2. Accounting policies (continued)

2.3 First time adoption of FRS 102 (continued)

	31 December 2021 (as previously stated) £000	Effect of IFRS16 transition £000	31 December 2021 (restated) £000
Turnover	129,830	-	129,830
Cost of sales	(121,522)	-	(121,522)
Gross profit	**8,308**	-	**8,308**
Administrative expenses	(8,621)	(122)	(8,743)
Operating profit	**(313)**	**(122)**	**(435)**
Exceptional expenses	(1,997)	-	(1,997)
Interest receivable and similar income	16	-	16
Interest payable and similar expenses	(748)	42	(706)
Profit before tax	**(3,042)**	**(80)**	**(3,122)**
Tax on profit	1,062	(5)	1,057
Profit for the financial year	**(1,980)**	**(85)**	**(2,065)**

Explanation of changes to previously reported profit and equity:

IFRS16 Leases transition
Under the company's previous accounting framework, at inception of a contract, the company assesses whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract the company recognises a right of use asset and a lease liability at the lease commencement date.

Under FRS 102 assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. The interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2. Accounting policies (continued)

2.4 Going concern

These financial statements are prepared on the going concern basis which the directors consider to be appropriate for the reasons set out below.

The company had net assets of £11,164,000 (Restated 2021: £7,303,000) and net current assets of £10,516,000 (Restated 2021: £2,694,000) at the balance sheet date. The directors have evaluated various forecast scenarios, along with the potential cost mitigating options available to the company.

After making enquiries and based on the assumptions to the financial statements, the directors have concluded that the company has adequate cash resources and financial projections indicate that the company will continue to operate within its existing facilities for at least 12 months from the date of signature of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The company's functional and presentation 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

2. Accounting policies (continued)

2.6 Turnover

Turnover comprises the value of work performed, goods sold and services provided excluding Value Added Tax. Set out below are specific details of the methods applied as part of this policy:

(i) General revenue recognition

Turnover comprises the value of work performed, goods sold and services provided excluding Value Added Tax.

Turnover is recognised when (a) it is probable economic benefits will flow to the entity and (b) when the amount of revenue can be measured reliably. The recognition method will differ depending on the type of contract:

(a) In contracts that provide different highly interrelated goods or services in order to produce a combined output, 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.

(b) Those contracts for which the unitary price of the units to be performed cannot be determined, use of the percentage of completion method is applied. 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 forecast.

The amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to 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" "Accrued Income" under "Trade and other receivables", whereas in contracts in which the goods or services transferred are lower than the amount billed to the customer, the difference is recognised (as a contract liability) in "Deferred income" under "Trade and other payables".

(ii) Recognition of revenue from contract modifications and disputes

Contract modifications are defined as changes in the scope of the work that may result in a change in the revenue associated with that contract. The company does not recognise the revenue from such additional work until entitlement for such changes has been established, essentially where 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 revenue recognised will be for an amount where it is considered highly probable that a significant reversal will not occur.

A dispute is the result of a disconformity or rejection following a claim made to the customer under the contract. Revenue related to disputed items is not recognised and where revenue has been previously recognised and subsequently disputed, once the age of the accrued income reaches over 120 days old, a provision shall be made. 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 and a provision will only be required if the amount recognised is above this limit.

2. Accounting policies (continued)

2.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.8 Interest receivable and similar income

Interest receivable and similar income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.9 Interest payable and similar expenses

Interest payable and similar expenses are charged to the Statement of Comprehensive Income 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.

2.10 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 Statement of Comprehensive Income when they fall due. Amounts not paid are shown in other creditors as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 reporting 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.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

2. Accounting policies (continued)

2.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Costs associated with computer software maintenance are recognised as an expense as incurred. Computer software purchase and development costs are recognised as assets and are amortised over their estimated useful lives, which does not exceed five years.

Other Intangibles includes contract rights intangible assets that arose in respect of the acquisition of the metering installations and repair business carried out by Severn Trent Metering Services and was being amortised over the life of the acquired asset.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Computer software	-	3 years

Amortisation is included in "administrative expenses" in the Statement of Comprehensive Income.

2.14 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2. Accounting policies (continued)

2.14 Tangible fixed assets (continued)

Depreciation 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:

Plant and machinery	-	33%
Computer equipment	-	33%

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 Statement of Comprehensive Income.

Depreciation is included in "administrative expenses" in the Statement of Comprehensive Income.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 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.

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 the Statement of Comprehensive Income.

2.17 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.19 Creditors: amounts falling due within one year

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.20 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 profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting 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.

2.21 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

3.1 Critical judgements in applying the company's accounting policies

The critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

3.2 Key sources of estimation uncertainty

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

Recoverability of debtor balances
The directors establish a provision for invoiced debts that are estimated not to be recoverable. When assessing the recoverability the directors have considered factors such as the ageing of the debts, past experience of recoverability, and the credit profile of individual or groups of customers. When assessing the recoverability of work-in-progress (not-invoiced debts), the directors have considered factors such as the ageing of the balances and the legal position with regards to invoicing the balance.

Valuation of Accrued and Deferred Income
Estimates taken into consideration for the purpose of recognising revenue from contracts with customers include most notably those associated with: determining whether enforceable rights exist, in order to recognise revenue; determining whether a contract modification has been approved; recognising revenue in relation to a claim or a dispute; 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 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; and making estimates relating to the calculation of any related provisions.

Deferred tax
A deferred tax asset has been recognised in the financial statements in respect of trading losses carried forward. The directors believe that sufficient trading profits will be made in the short term in order to utilise these losses.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

	2022 £000	2021 £000
United Kingdom	142,761	129,830

All turnover arose within the United Kingdom.

5. Exceptional expenses

	2022 £000	2021 £000
Separation costs	4,899	1,997

In connection with the sale of the company, the company has incurred exceptional costs in the the current and prior years relating to IT, personnel and other overheads.

6. Operating loss

The operating loss is stated after charging:

	2022 £000	As restated 2021 £000
Amortisation of intangible assets	165	-
Depreciation of tangible fixed assets	74	365
Operating lease rentals	417	483
Cost of inventory recognised as an expense	4,647	4,641
Profit on disposal of property, plant and equipment	-	(4)
Defined contribution scheme expense	1,246	1,415

7. Auditor's remuneration

During the year, the company obtained the following services from the company's auditor and its associates:

	2022 £000	2021 £000
Fees payable to the company's auditor for the audit of the company's financial statements	70	68

In the prior year, the auditor's remuneration was borne by the previous parent undertaking, Amey Group Services Limited, but was not recharged.

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

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £000	2021 £000
Wages and salaries	29,738	-
Social security costs	3,140	-
Cost of defined contribution scheme	1,246	-
	34,124	-

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

	2022 No.	2021 No.
Delivery	303	-
Administration and support	444	-
Directors	2	-
	749	0

The company had no direct employees or Directors remuneration in 2021. The costs of employees in that year were recharged to this company in direct support of its trade.

9. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	697	-
Company contributions to defined contribution pension schemes	49	-
	746	-

The highest paid director received remuneration of £262,000 (2021: £nil).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £23,000 (2021: £nil).

10. Profit on sales of investments

	2022 £000	2021 £000
Profit on disposal of subsidiaries	78,652	-

Refer to note 17 for more information on disposal of subsidiaries.

11. Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from group companies	161	16

The interest receivable from group companies of £161,000 in the current year relates to the immediate parent undertaking, Ersa Bidco Limited and the £16,000 in the prior year relates to the other fellow subsidiaries of the previous parent undertaking, Amey UK Limited.

12. Interest payable and similar expenses

	2022 £000	As restated 2021 £000
Bank interest payable	77	701
Foreign exchange loss	-	5
	77	706

13. Tax credit on profit/(loss)

	2022 £000	As restated 2021 £000
Corporation tax		
Current tax on profits/(losses) for the year	-	(582)
Adjustments in respect of previous periods	4	(661)
Total current tax	4	(1,243)
Deferred tax		
Origination and reversal of timing differences	231	963
Changes to tax rates	(441)	(715)
Adjustment in respect of prior period	(578)	(62)
Total deferred tax	(788)	186
Tax credit on profit/(loss)	(784)	(1,057)

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	As restated 2021 £000
Profit/(loss) before tax	78,617	(3,122)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	14,937	(593)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	(6)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	586	-
Adjustments to tax charge in respect of prior periods	(910)	(586)
Rate differential between current and deferred tax	-	843
Deferred tax credit relating to changes in tax rates or laws	(441)	(715)
Non-taxable income	(14,944)	-
Other differences leading to decrease in the tax charge	(12)	-
Total tax credit for the year	(784)	(1,057)

13. Tax credit on profit/(loss) (continued)

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

14. Dividends

	2022 £000	2021 £000
Dividends	52,301	-

On 5 April 2022, the company paid a dividend of £52,301,000 (2021: £nil) to A.R.M. Services Group Limited, a previous parent undertaking of the company.

15. Intangible assets

	Computer software £000	Contract rights £000	Total £000
Cost			
At 1 January 2022	3,233	1,738	4,971
Additions	838	-	838
Disposals	(3,233)	(1,738)	(4,971)
At 31 December 2022	838	-	838
Amortisation			
At 1 January 2022	3,233	1,738	4,971
Charge for the year	165	-	165
On disposals	(3,233)	(1,738)	(4,971)
At 31 December 2022	165	-	165
Net book value			
At 31 December 2022	673	-	673
At 31 December 2021 (as restated)	-	-	-

16. Tangible fixed assets

	Plant and machinery £000	Computer equipment £000	Total £000
Cost			
At 1 January 2022 (as restated)	1,420	-	1,420
Additions	47	286	333
Disposals	(1,420)	-	(1,420)
At 31 December 2022	47	286	333
Depreciation			
At 1 January 2022 (as restated)	1,420	-	1,420
Charge for the year	10	64	74
Disposals	(1,420)	-	(1,420)
At 31 December 2022	10	64	74
Net book value			
At 31 December 2022	37	222	259
At 31 December 2021	-	-	-

17. Investments

	Investments in subsidiary companies £000
At 1 January 2022	4,609
Disposals	(4,609)
At 31 December 2022	-
Net book value	
At 31 December 2022	-
At 31 December 2021	4,609

On 18 January 2022, the company transferred its investment in Enterprise Managed Services Limited to A.R.M. Services Group Limited for a total consideration of £83,261,000 realising a profit on disposal of £78,652,000.

Following the disposal of Enterprise Managed Services Limited, the company does not hold any direct or indirect investment in subsidiary undertakings.

18. Stocks

	2022 £000	2021 £000
Raw materials and consumables	289	244
	289	244

Stocks are stated net of provisions for impairment of £30,000 (2021: £30,000).

19. Debtors

	2022 £000	As restated 2021 £000
Due after more than one year		
Deferred tax asset (note 22)	3,551	2,763
	3,551	2,763

	2022 £000	2021 £000
Due within one year		
Trade debtors	5,495	7,717
Amounts owed by group undertakings	5,061	8,369
Other debtors	493	462
Prepayments and accrued income	18,944	9,935
	29,993	26,483

Trade debtors are stated at net of a provision of £25,000 (2021: £nil).

Amounts owed by group undertakings of £nil (2021: £8,369,000). Prior year amounts owed were unsecured, bore interest at a market rate of 0.4% and were repayable on demand. This loan related to the other fellow subsidiaries of the previous parent undertaking, Amey UK Limited.

Amounts owed by group undertakings of £5,061,000 (2021: £nil) are unsecured, bear interest at 4.86% per annum (2021: £nil) and have no fixed repayment date. Included in the loans are accrued interest of £161,000 (2021: £nil).

In the prior year the amounts recoverable on contracts of £8,188,000 were reclassified and are now shown within prepayments and accrued income to align with the turnover accounting policy.

20. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	11,438	-
Less: bank overdrafts	-	(385)
	11,438	(385)

21. Creditors: amounts falling due within one year

	2022 £000	As restated 2021 £000
Bank overdrafts	-	385
Trade creditors	7,604	3,217
Amounts owed to group undertakings	-	506
Other taxation and social security	6,977	6,528
Other creditors	1,168	289
Accruals and deferred income	19,006	15,871
	34,755	26,796

The bank overdraft facilities were repayable on demand under the terms of the previous Group's, Amey UK Limited, banking arrangements. Group balances and overdrafts were subject to pooling under this arrangement and no interest has arisen on the net amount. The full amount has been paid during the year.

Amounts due to group undertakings of £nil (2021: £506,000). Prior year amounts owed were unsecured, bore interest at a market rate of 1.9% and were repayable on demand. This loan related to the other fellow subsidiaries of the previous parent undertaking, Amey UK Limited.

22. Deferred taxation

	2022 £000	As restated 2021 £000
At beginning of year	2,763	2,949
Charged to the Statement of Comprehensive Income	788	(186)
At end of year	3,551	2,763

22. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2022 £000	As restated 2021 £000
Fixed asset timing differences	415	-
Short term timing differences	107	-
Tax losses carried forward	3,029	2,763
	3,551	2,763

Deferred tax assets have been recognised on trading losses carried forward to the extent that those losses are anticipated to be utilised via generation of future profits as based on the projections of the company over a period of up to five years.

All deferred tax assets have been measured at the rate at which they are expected to crystalise, 19%-25%.

23. Provisions

	Other provision £000	Dilapidation provision £000	Total £000
At 1 January 2022	-	-	-
Charged to the Statement of Comprehensive Income	3	281	284
At 31 December 2022	3	281	284

The other provisions relates to vehicle damages.

The dilapidation provision relates to the company's rental buildings.

24. Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
4,712,000 (2021: 21,918,048) Ordinary shares of £1 each	4,712	21,918

On 18 January 2022, the company issued 6,000,000 shares at a value of £6,000,000 to Enterprise Limited to replace the other equity instrument held by that company.

On 18 January 2022 these shares were transferred by Enterprise Limited to A.R.M. Services Group Limited, in order to consolidate the ownership of shares in this company.

On 5 April 2022, the company completed a reduction in share capital of 23,206,000 shares at a value of £23,206,000.

The ordinary shares entitle each holder to one voting right and no right to fixed income.

25. Other equity instruments

	2022 £000	2021 £000
Balance at beginning of year	6,033	6,016
Reserves transfer on other equity instruments	-	17
Cancellation of other equity instrument	(6,033)	-
Balance at end of year	-	6,033

On 10 July 2020, Enterprise Limited, a previous group undertaking, granted an equity loan facility to the company for a total amount of £6.0 million. This was a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points.

The other equity instrument held by Enterprise Limited was cancelled on 18 January 2022.

26. Reserves

Share premium account

This reserve represents the amount above the nominal value received for issued share capital, less transaction costs.

Profit and loss account

This reserve represents the cumulative profits and losses of the company.

27. Contingent liabilities

Following the sale of the company on 12 April 2022, the contingent liabilities have all been cancelled.

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.

The company, along with other group companies in Ersa Topco Limited Group entered into a debenture on 12 April 2022 containing fixed and floating charges over all of the assets of each group company in favour of Glas Trust Corporation Limited.

28. Capital commitments

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

29. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,246,000 (2021: £nil). Contributions totalling £209,000 (2021: £nil) were payable to the fund at the reporting date and are included in creditors

30. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	361	453
Later than 1 year and not later than 5 years	670	963
Later than 5 years	68	68
	1,099	1,484

31. Related party transactions

The company is exempt from disclosing related party transactions with other group companies that are wholly owned within the group.

32. Post balance sheet events

There have been no significant events affecting the company since the year end.

33. Controlling party

Up to 12 April 2022, the immediate parent undertaking of the company was A.R.M. Services Group Limited, a company incorporated in England and Wales. The previous ultimate parent undertaking, the ultimate controlling party and the largest group to consolidate these financial statements was Ferrovial, S.A., a company incorporated in Spain.

On 12 April 2022, A.R.M. Services Group Limited (an Amey UK Limited group company) sold all of its shares in the company to Ersa Bidco Limited.

The immediate parent undertaking of the company is Ersa Bidco Limited, a company incorporated and registered in England and Wales. Ersa Bidco Limited is a wholly-owned subsidiary of Ersa Midco Limited and Ersa Midco Limited is the smallest group into which the company's financial statements are consolidated.

The ultimate parent undertaking of the company is Ersa Topco Limited, a company incorporated and registered in England and Wales. The Ersa Topco Limited group is the largest group into which the company's financial statements are consolidated.

The address of the registered office for both of these companies is 8-12 York Gate, London, NW1 4QG. The financial statements of both Ersa Topco Limited and Ersa Midco Limited may be obtained from Companies House.

The ultimate controlling party of the company is Rubicon Partners V Nominee Limited, a company incorporated and registered in England and Wales, by virtue of its majority shareholding in Ersa Topco Limited.